Richard Rhodes
Police and Crime Commissioner for Cumbria
Carleton Hall
Penrith CA10 2AU

Enquiries to: Miss D Cowperthwaite
Telephone: 01768 217683

Our reference: DC

Date: 25 August 2015

AGENDA

TO: THE MEMBERS OF THE JOINT AUDIT AND STANDARDS COMMITTEE

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

A Joint Meeting of the Joint Audit & Standards Committee and the Police and Crime Commissioner's Executive Board will take place on **Thursday 3rd September 2015** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **11:00am.**

S Edwards
Chief Executive

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

Please note – there will be a private meeting between the members and Internal Audit 9:15 – 9:45 and a private meeting between the members and External Audit 9:45 – 10:45.

COMMITTEE MEMBERSHIP

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

AGENDA

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

1. APOLOGIES FOR ABSENCE

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

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

4. MINUTES OF MEETING AND MATTERS ARISING
To receive and approve the minutes of the committee meeting held on 23 June 2015 (copy enclosed)

5. ACTION SHEET
To receive the action sheet from previous meetings (copy enclosed)

6. CORPORATE UPDATE

7. THE JOINT AUDIT FINDINGS FOR THE POLICE AND CRIME COMMISSIONER FOR CUMBRIA AND THE CHIEF CONSTABLE FOR CUMBRIA CONSTABULARY
To receive from the External Auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditors Value for Money Conclusion (copy enclosed)

8. ANNUAL STATEMENT OF ACCOUNTS – POLICE AND CRIME COMMISSIONER
To receive reports from the Chief Finance Officer for the Police and Crime Commissioner (copies enclosed)

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

9. ANNUAL STATEMENT OF ACCOUNTS – CHIEF CONSTABLE

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

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

(ii) Annual Statement of Accounts

10. INTERNAL AUDIT – PROGRESS REPORT

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

11. INTERNAL AUDIT REPORT

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

(i) Duty Management System

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

(i) Performance Monitoring

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

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

13. TREASURY MANAGEMENT ACTIVITIES 2015/16 QUARTER 1 (APRIL TO JUNE 2015)

To receive for information, reports on Treasury Management Activity (copy enclosed)

14. STRATEGIC RISK REGISTER

(i) To consider the OPCC risk register as part of the Risk Management Strategy (to follow)

(ii) To consider the CC risk register as part of the Risk Management Strategy (to follow)

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Agenda Item 4

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY

JOINT AUDIT & STANDARDS COMMITTEE

Minutes of a Meeting of the Joint Audit & Standards Committee held on Tuesday 23rd June 2015 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 11.45 am

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

Also present:
Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)
Engagement Manager, Grant Thornton (Richard McGahon)
Deputy Chief Constable (Michelle Skeer)
Constabulary Chief Finance Officer (Roger Marshall)
Chief Executive (Stuart Edwards)
Principal Financial Service Officer – Capital and Technical (Lorraine Holme)
Financial Services Assistant – Revenue and Systems (Dawn Cowperthwaite)

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

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

171. APOLOGIES FOR ABSENCE

Apologies for absence were received from The PCC's Chief Finance Officer and the Deputy Chief Finance Officer.

172. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

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

173. DISCLOSURE OF PERSONAL INTERESTS

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

174. MINUTES OF MEETING AND MATTERS ARISING

The minutes of the meeting held on 6th May 2015 had been circulated with the agenda. The minutes were first reviewed for factual accuracy and approved by the committee.

RESOLVED, that, the minutes of the meeting held on 6 May 2015 be approved.

175. ACTION SHEET

The chair advised that this document was in line with what the committee had wanted to see. They queried minute 160 (relating originally to minute 147), following discussions with the PCC's Chief Finance Officer it was decided that the deadline for this action should be moved back to September, this is to be amended by the Financial Services Assistant.

The Chief Constable's Chief Finance Officer advised that some work had already been completed on the action related to minute 160 and that it was proving to be a useful piece of work. The Engagement Manager confirmed that they were happy with the work that had been started.

RESOLVED, that, the (i) report be noted, subject to the above mentioned amendments

176. UPDATED JASC WORK PROGRAMME

An amended Work Programme was circulated to the committee for their attention. The programme had been amended to reflect a new training programme put in place for the committee as well as some amendments to when certain papers were to be presented to the committee.

The chair commented that the training the committee had so far received was very much appreciated.

RESOLVED, that, the report has been noted;

177. ANNUAL STATEMENT OF ACCOUNTS

The chair clarified that the Statement of Accounts included in the papers for this meeting were unaudited accounts with the full audited Statement of Accounts being taken to the September

meeting. All of the committee commented that a superb job had been done in order to get the accounts to this stage at this point in the year.

The Chief Constable's Chief Finance Officer introduced the group and single entity accounts and thanked the Deputy Chief Finance Officer, the Principal Financial Services Officer and the finance team as a whole for achieving the closedown deadline of 31 May 2015. The main changes to the format of the accounts are given below.

- Accounts have been de-cluttered
- They have been made more readable
- Technical issues have been pulled out and placed in a technical annex
- New IFRS guidelines had been included

A member commented that they were pleased to see that the accounts were more readable than they had expected and asked if many of the public had taken up their public rights by viewing the accounts. The Chief Constable's Chief Finance Officer confirmed that no one had in the last few years.

Another member highlighted several issues/comments that had regarding the accounts.

- On page one there were only limited examples of other languages the accounts could be produced in, the Chief Constable's Chief Finance Officer advised that the accounts could be produced in any language and conceded that this may need to be made more clear
- Page 27 – line 3 in the table mentions 'PPE' (Property, Plant and Equipment) but there is no reference of this acronym in the Glossary
- Page 29 - the second bullet refers to 'purchasing the asset for half of its construction cost' the member queried that this should be 'half of the market value'. The Principal Financial Services Officer advised that this would be corrected
- Page 35 – there are concerns that the section on the Chief Constable's Contingency could be mis-interpreted by readers of the accounts, the Chief Constable's Chief Finance Officer advised that this would be reviewed
- Page 39 – they didn't like there being a total row in the PPE table
- Page 53 – Collection Fund Adjustment – there is no explanation here for where the figures in the second column come from, it is explained on page 63 so it may be useful for there to be a cross reference between the two sections.
- Page 62 – Formula funding and Home Office Police Grant are shown as two separate funding streams although they are fundamentally the same thing, would it be possible for an explanation to be given within the glossary for why they are recorded separately

The chair asked why no note of pensions was made in the 'Critical Judgments in Applying Accounting Policies' section on page 29. The Chief Constable's Chief Finance Officer recognised that this was a valid comment and advised that it would be worth noting that pension assumptions were made by the organisations actuaries.

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The chair went on to asked for any comments from External Audit. The Engagement Manager advised that the PCC and the Chief Constable had been quite bold in bringing forward the deadline for completion of the accounts by a month without any noticeable slippage in quality.

RESOLVED, that, the reports be noted
that, consideration be given to the suggested amendments above;

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

The Chief Constable's Chief Finance Officer introduced the audit monitoring report and advised that there were a number of new audit recommendations which were mainly due to the two recent Business Continuity audits for the PCC and Constabulary. They advised that recommendation on debtors, budget management and the custody review were largely completed.

The Chief Executive advised that although none of the PCC recommendations were yet due, work was ongoing with the Head of Commissioning and Partnerships leading. Training within the department on risk has taken place with further work to be done on the risk register.

A member asked how the committee get assurance that items 'not yet due' are being looked at? The chair clarified that the committee receive this report to enable them to track delivery of recommendations rather than to monitor progress of those ongoing. The Chief Constable's Chief Finance Officer advised that the distinction between 'work ongoing' and 'work not yet due' was that 'work not yet due' generally related to new recommendations generated within the last quarter, after that they were generally classed as 'work ongoing'.

The chair asked that the committee be made aware as and when any of the 'not yet due' items were likely to exceed their deadline.

RESOLVED, that, the report be noted.

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

The Audit Manager introduced an update of the draft annual report presented to the committee at the May meeting and advised that any changes had been highlighted for ease of reading. The main points are given below.

- A total of 17 audit reviews have been completed, this represents all of the planned audit work for the year
- The audits for business continuity planning have been concluded and have received less than reasonable assurance. This has not affected the overall opinion for either organisation. Agreed actions plans are now in place to address these issues
- Overall assurance levels are considered high at 87%

A member stated that they liked the wording used for the Business Continuity planning reports as it showed the positive changes to come out of the audits. They noted that page 1 of the report stated that 17 audits had been completed whereas paragraph 4.14 stated 13 had been included. The Audit Manager confirmed that paragraph 4.14 would be amended to reflect the true number of 17 audits.

RESOLVED, that, the report be noted.
that, the suggested amendment be made to the report

180. INTERNAL AUDIT REPORTS

(i) OPCC Business Continuity Planning

Internal Audit undertook a review of OPCC Business Continuity Planning, an overall level of assurance of 'limited' was given. The following recommendations were made.

a. The Commissioner's office should set out its business continuity plan assurance requirements from the Chief Constable and work with the Constabulary to ensure there are appropriate arrangements in place for these to be met
b. The OPCC's approach to business continuity should be defined and a policy and strategy based on them
c. The OPCC's business continuity requirements should be defined by management prior to the plan being prepared
d. Once a policy and strategy and organisational requirements have been defined we recommend that a project plan is implemented for the development of business continuity plan(s) within the OPCC with clearly defined reporting and sign-off arrangements
e. Arrangements should be introduced to give the OPCC assurance that the requirements of the Financial Regulations in relation to Business Continuity Planning are being complied with

A member commented that the report read as though there had previously been no Business Continuity Plan in place. The Chief Executive advised that although there was no written plan in place there was an accepted plan within the office. They are glad that the audit had been completed and had looked forward to it being undertaken as a method to steer the OPCC in the right direction and advised that the OPCC had learned a lot through the process.

Another member asked if there were any plans for a mock exercise in order to test out the plans that were being formulated. The Chief Executive advised that for the majority of the Business Continuity Plan the OPCC would sit within the Constabulary's arrangements, however, they would look to testing out those processes specifically adopted by the OPCC.

A member asked if the absence of a written OPCC business continuity plan was included on the Risk Register. The Chief Executive advised that it hadn't been previously but that it was now listed in the operational risk register.

(ii) Constabulary Business Continuity Planning

An audit of for the Constabulary Business Continuity Planning was undertaken by Internal Audit, an overall level of assurance of 'Partial' was given. The following recommendations were made.

a. We recommend that a business continuity management policy is developed and signed off by an appropriate senior management forum. Consideration should be given to including within the policy:
    - The Constabulary's commitment to effective business continuity management
    - The requirement of department heads to consider business continuity requirements for all areas within their control
    - The scope of the policy (including its application to third party arrangements and contracts)
    - The review frequency (of the policy) and approval mechanism
    - Key roles and responsibilities
    - Linkages with other functions and policies
b. We recommend that the strategy is reviewed in line with best practice and formally approved by senior management and communicated as appropriate
c. We recommend that a mechanism is established to provide assurance to the Chief Constable that all business continuity plans have been prepared, are in line with organisational requirements and the approved business continuity policy and strategy, and are updated in line with the organisations agreed timescales
d. We recommend that arrangements are introduced to ensure that emerging legislation and best practice is reflected in the Constabulary's arrangements. The current plan template should be updated to refer to the current Standards for BCM
e. We recommend that a corporate review of critical activities and functions is undertaken to ensure that these are priorities across the constabulary. ACPO guidance has suggested 13 critical activities for police forces which may be a useful reference for this work
f. We recommend that the constabulary determines what its requirements are for testing of business continuity arrangements in order to ensure that they work effectively and to support the assurances given to the Chief Constable over the robustness of the arrangements
g. We recommend that consideration is given to the frequency that the constabulary expects business continuity plans to be reviewed and that this is documented and communicated to all plan owners. Consideration should be given to amending the template to incorporate the date of next review.

The Deputy Chief Constable advised that as a force, the business continuity plan was tested on a daily basis and that they welcomed the audit as it had enabled them to ensure that everything was recorded.

The chair summarised by saying that it was rare for either organisation to receive this relatively low level of assurance and that the important factor is how they respond to the audits. Members asked the Chief Executive if they were happy that they had the systems in place in

the OPCC to complete the recommendations. The Chief Executive advised that there were happy and that CIPFA consultant Elizabeth Humphreys, who had done previous work with the Executive Team, could be brought in to provide further guidance if the need arose.

During the last quarter the following audit reports were also circulated to the committee who had no comments to make.

(i) Debtors
(ii) Budget Management

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

181. INTERNAL AUDIT – PROGRESS REPORT TO MAY 2015

The Audit Manager presented a progress report which summarised the outcomes of the work of internal audit for the period up to 31 May 2015. Work on the plan is progressing as planned with five audits having been scoped and fieldwork either underway or to start imminently.

The chair asked whether any of the work completed by the Ethics and Integrity Panel would be used by the Internal Audit team or whether they would complete their own work. The Audit Manager advised that they would consider the work done by the panel but that in a lot of cases they would probably need to conduct most of their own testing.

RESOLVED, that, the report be noted.

182. ETHICS AND INTEGRITY GOVERNANCE

The Chief Executive presented the Ethics and Integrity Governance paper that sets out the background to why the committee had been created. The Commissioner sees the committee as an 'arms-length' body to provide assurance to the public. A recruitment process was undertaken and four members were recruited, two came from the legal professional, one from the armed forces and the fourth was a HR professional.

The panels remit is to look at grievances, complaints from the public including dip sampling of public complaint files, integrity, FOI (freedom of information) compliance, OPCC complaints and quality of service. The work programme had been appended to the report for the committee's attention.

The Deputy Chief Constable commented that they had found it very useful as an external assurance measure and that the committee have been impressed that the majority of complaints were of a very low level of severity.

A member asked if the committee had commented on non-compliance of FOI requests. The Chief Executive advised that in the majority of cases it can be determined quickly if the

requested information can be provided within the desired timeline and if it can't it can be dealt with at an early stage.

The chair thanked the Governance and Business Services Manager for the report and advised that they would be happy to meet with the chair of the Ethics and Integrity Panel to discuss matters further.

RESOLVED, that, the report be noted;

183. STRATEGIC RISK REGISTER

(i) OPCC

The Chief Executive presented the report on risk management monitoring along with the OPCC's strategic risk register. In March 2015 the OPCC held a risk management training session for all staff which was provided by a Chartered Institute of Public Finance & Accountancy (CIPFA) approved trainer. The purpose of this training was to ensure that all staff had a baseline understanding of identifying and managing risk. Following on from this training and the recommendations contained in a recent audit report the same trainer was again engaged to work with the Executive Team to looks further at risk scoring, identification and appetite among other areas. The main changes to the strategic risk register are summarised below:

- The members were asked to note that Risk 1 – Governance/Internal Control had been removed from the strategic risk register and had been placed on the operational register instead.
- Risks were all now scored as either green or red, doing away with all yellow risk scores
- The OPCC have moved to a 4 x 4 scoring matrix in a bid to remove the 'sitting on the fence' middle ground

A member commented that they were happy to see a smaller number of risks on the register and that the OPCC had begun discussing issues of risk appetite. Another member asked if there were plans to change the format of the risk register to bring it more in line with that of the Constabulary. The Chief Executive advised that although some small changes would be made to the format the risk register would remain broadly the same as it currently was.

A member asked for clarification on exactly what was meant by the term mitigated scores. The Chief Executive confirmed that mitigated scores reflected the score after all actions had been identified and carried out. The member went on to ask that if the mitigated scores were in the green range and everything possible had been done, should they be removed from the register. The Chief Executive conceded that this some aspects of these risks could be removed or possibly entered onto the operational risk register instead.

(ii) Constabulary

The Deputy Chief Constable presented the strategic risk register for the Constabulary. They gave a brief review of the register highlighting that the one new risk related to the new Emergency Services Network which is a replacement for Airwave. Issues have been flagged up at all possible forums and mitigations had been put in place.

A member asked what the timescales were for the introduction of the Emergency Services Network. The Deputy Chief Constables advised that as Cumbria was in the first phase which is set for 2017, although the system wouldn't go live until all forces were happy.

RESOLVED, that, the report be received

Meeting ended at 13.45 pm

Signed: _____ Date: _____

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Joint Audit & Standards Committee – Action Sheet

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
DATE OF MEETING: 10th March 2015					
155	**Item 17 – OPCC Risk Management Monitoring** Consideration to be given to changing the wording of 'mitigated' and 'unmitigated' on the risk register	Joanne Head	June 2015	Following the meeting and further work with CIPFA the whole format of the risk register has changed and will be presented to members	
DATE OF MEETING: 6th May 2015					
160	**Item 4 – Minutes of Meeting** Review of the audit cycle in light of returned management questionnaires	Ruth Hunter	September 2015	Roger Marshall provided a verbal update at the June JASC meeting	
162	**Item 6 – OPCC Risk Management Monitoring** Consideration to be given to the format of the RM Monitoring report for next year to be clear about what action Members are recommended to take in response to the findings of the review	Joanne Head	June 2016		
163	**Item 7 – OPCC Anti-Fraud and Corruption** Corrections to be made to typo's in document – Fiona Moore to advise of specifics – update for next year	Joanne Head	June 2016		
163	**Item 7 – OPCC Anti-Fraud and Corruption** Consideration to be given to whether the report could be split as members do not need to see the arrangements annually but feel that they would benefit from seeing the stats	Joanne Head	June 2016		
166	**Item 10 – Review of Effectiveness of the Arrangements for Audit 2014/15** Further work to be undertaken by CFO's to ensure assurance levels are where they need to be	Roger Marshall & Ruth Hunter	September 2015	As per 160, Roger Marshall provided a verbal update at the June JASC meeting	
167	**Item 11 – Annual Report of the Joint Audit and Standards Committee 2014/15** Review of Foreword and Executive Summary	Fiona Daley	September 2015		
167	**Item 11 – Annual Report of the Joint Audit and Standards Committee 2014/15**	Members	December 2015		

	Members to consider possible areas for induction training				
169	**Item 13 – Annual Governance Statement – OPCC** Consideration to be given to producing a short summary AGS	Ruth Hunter	March 2016		
170	**Item 14 – Annual Governance Statement – Constabulary** Consideration to be given to producing a short summary AGS	Roger Marshall	March 2016		
DATE OF MEETING: 23rd June 2015					
177a	**Item 7 – Statement of Accounts** SoA Amendment – Page 27 – PPE on line 3 – Not in glossary – ***Give consideration as to whether it should be***	Roger Marshall & Ruth Hunter	September 2015	The abbreviation 'PPE' has been updated on page 27 to include the full description of Property, Plant and Equipment	
177b	**Item 7 – Statement of Accounts** SoA Amendment – Page 29 – Why is pensions not included in here, could something be added – ***Give consideration as to whether it should be***	Roger Marshall & Ruth Hunter	September 2015	This suggestion has been considered with reference to the Code of Practice and a discussion with the GT audit team. The issue around pensions is included within the accounting policies and in note 3 to the accounts "estimation uncertainty". It is felt that pensions should not be included in note 1 "critical judgements" and that these have been adequately covered in note 3 and as such no changes have been made to the accounts in respect of this action.	
177c	**Item 7 – Statement of Accounts** SoA Amendment – Page 29 – 2nd bullet point should read '1/2 of market value' – ***Need to change***	Roger Marshall & Ruth Hunter	September 2015	This has been updated in the final version of the accounts as presented to JASC in September	
177d	**Item 7 – Statement of Accounts** SoA Amendment – Page 35 – Wording to be amended to read better – ***Give consideration***	Roger Marshall & Ruth Hunter	September 2015	It has been discussed and confirmed that the wording is correct. We can provide members with further detail if required.	
177e	**Item 7 – Statement of Accounts** SoA Amendment – Page 39 – Members would rather the total line in the PPE table be removed as it is unnecessary – ***Give consideration***	Roger Marshall & Ruth Hunter	September 2015	Total line has been removed from the table at 6.c. in the final version of the SoA	
177f	**Item 7 – Statement of Accounts** SoA Amendment – Page 53 – Collection Fund Adj – doesn't explain where the figures in the 2nd column come from, could it be cross referenced with page 63 where it does explain – ***Give consideration***	Roger Marshall & Ruth Hunter	September 2015	Additional sentence has been added below the table to point the reader to information contained within note 26	
177g	**Item 7 – Statement of Accounts** SoA Amendment – Page 62 – Formula Funding & HO Police Grant – why are they shown as 2 separate streams, could this be explained in the Glossary – ***Give consideration***	Roger Marshall & Ruth Hunter	September 2015	Although both grants now come via the Home Office they are currently based on different formula and are disclosed separately on the funding allocation. The current presentation is consistent with the presentation on the face of the CIES and with funding allocations	
178	**Item 8 – Audit Recommendations Update**	Michelle Bellis	September	Action owners are asked to provide an update on all	

	Members asked that recommendations with 'not yet sue' could be flagged up to them if we became aware that they may run over		2015	recommendations. In future a specific request will be made regarding those actions not yet due. Where an action owner feels that they may be unable to meet a target date, specific reference will be included and a request for an extended date made and highlighted to JASC members	
179	**Item 9 – Internal Audit Annual Report** Reference to the number of audits need to be made consistent throughout the report e,g. page 1 states 17 whilst 4.14 states 13	Emma Toyne	September 2015	Members verbally updated at the meeting	
182	**Item 12 – Ethics & Integrity Panel Report** The chair accepted the invitation to meet with the chair of the E & IP to further discuss inter-relations between the 2 committees	Joanne Head	September 2015	Arrangements have been made for the 2 chairs to meet on 27th August 2015	
DATE OF MEETING: 3rd September 2015					

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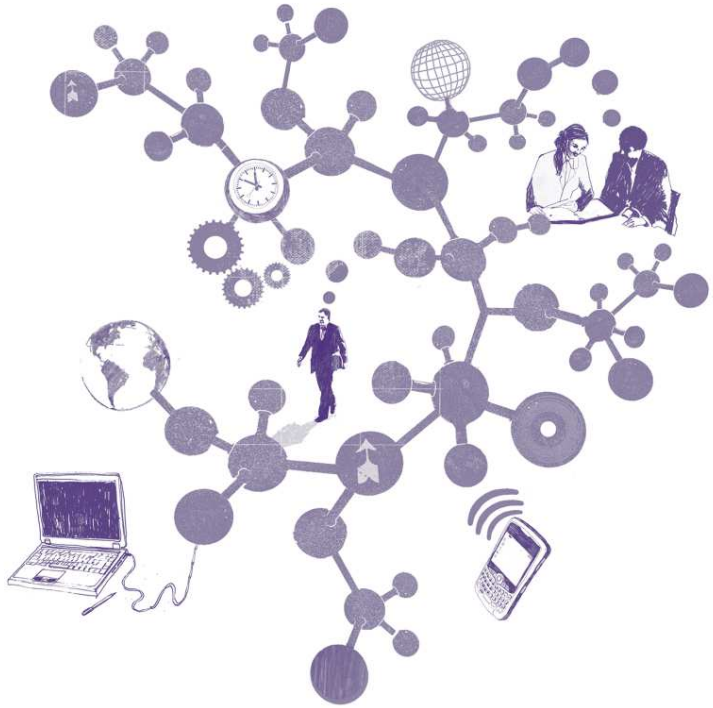
AGENDA ITEM 7

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

Year ended 31 March 2015

August 2015



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August 2015

Dear Richard and Jerry

Audit Findings for the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audits of the Police and Crime Commissioner (PCC) and Chief Constable for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. For police bodies, those charged with governance are the Police and Crime Commissioner and the Chief Constable for the respective corporations sole. The contents of this report have been discussed with management.

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

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

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

Yours sincerely

Fiona Blatcher

Engagement lead

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Section 1: Executive summary

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non-audit services and independence
05. Communication of audit matters

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

Executive summary

Purpose of this report

As the external auditor appointed to both the PCC for Cumbria and the Chief Constable for Cumbria Constabulary, we are required by the Audit Commission's Code of Audit Practice to report our audit findings to the PCC and the Chief Constable as the individuals charged with governance for their respective corporations sole.

This report (our joint Audit Findings Report) highlights the key matters arising from our audits of the single entity PCC and the single entity Chief Constable's financial statements for the year ended 31 March 2015, as well as the group financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance (the PCC and the chief constable) in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

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

We are also required to reach a formal conclusion on whether the PCC and Chief Constable have each put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources (the Value for Money conclusion). We issue separate conclusions for the PCC and the Chief Constable based on our assessment of the arrangements each has established.

Introduction

In the conduct of our audits we have not had to alter or change our planned audit approach, which we communicated to you in our joint Audit Plan dated February 2015.

Our audits are both substantially complete, although we are finalising our work in the following areas:

- agreeing the treatment following the recent decision by the Pensions Ombudsman on Government Actuary Department (GAD) commutation factors applying to some police officers retiring since 1988 (whether a post balance sheet event, contingent liability or a provision)
- final audit completion and review process
- review of the final version of the financial statements of both the PCC and Chief Constable
- obtaining and reviewing the management letters of representation for both audits
- review of final version of the Annual Governance Statement of the PCC and Chief Constable
- updating our post balance sheet events review, to the date of signing the opinion for both audits, and
- Whole of Government Accounts review.

We received the draft financial statements and comprehensive accompanying working papers for both the PCC and Chief Constable at the start of our audits, in accordance with the agreed timetable.

Key messages – audit of the Police and Crime Commissioner

Financial statements opinion

Subject to the satisfactory completion of the outstanding matters set out on page 5, we anticipate providing an unqualified opinion on the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable.

The finance team have made significant presentational changes to the financial statements in 2014/15 by moving technical accounting disclosures into an Annex to the accounts which has improved the readability of the accounts. In our view this has worked well in providing a clearer and easier to read set of accounts. Working papers remain of a good standard, and responses to audit queries have been prompt and satisfactory.

Both the PCC and Chief Constable's draft accounts were authorised for issue on 28 May 2015 which was a significant achievement . This also demonstrates that both bodies are able to meet the earlier statutory production of accounts deadline of 31 May which will come into effect for the 2017/18 accounts.

Our audit of the PCC's financial statements, including the PCC group accounts, did not identify the need to make any changes to the primary statements. One change was made to the earmarked reserves note for the treatment of the three years upfront payment towards the pension fund deficit. Other changes were made to the financial instrument note and other supporting notes to improve presentation and consistency. No amendments that alter the reported financial performance were required.

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

Value for Money conclusion

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

The PCC continues to show strong financial resilience and good financial planning and management. Revenue reserves have reduced in 2014/15 but remain high. The medium term financial plan (MTFP), includes plans for future investment to enable the PCC and CC to achieve efficiencies whilst also responding to the police and crime needs of Cumbria.

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

Whole of Government Accounts (WGA)

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

Key messages – audit of the Chief Constable

Financial statements opinion

Subject to the satisfactory completion of the outstanding matters set out on page 5, we anticipate providing an unqualified opinion on the Chief Constable's financial statements, including the police officer pension fund accounting statements.

As is the case with the PCC Group and Single entity accounts, the financial statements of the Chief Constable moved technical accounting disclosures into an Annex to the accounts which has improved the readability of the accounts. Working papers remain of a good standard, and responses to audit queries have been prompt and satisfactory.

No significant issues were identified and no amendments that alter the reported financial performance. Only a few minor changes were required to supporting notes to improve presentation and consistency.

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

Value for Money conclusion

We are pleased to report that, based on our review of the Chief Constable's arrangements to secure economy, efficiency and effectiveness in their use of resources, we propose to give an unqualified VfM conclusion.

The CC is working closely with the PCC to ensure that its finances are effectively managed and has a good track record of delivering savings plans. Workforce planning within the Constabulary has improved over the last two years. This has resulted in a more robust workforce plan in place with clear emphasis on getting police officer numbers up to current establishment which has helped ensure staff expenditure more in line with budget. Despite recent increases in crime, overall crime levels remain relatively low.

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

Controls

Roles and responsibilities

The PCC and the Chief Constable are each responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control in their respective organisations.

Management has operated a common set of financial systems and controls to produce both sets of financial statements for 2014/15. Our work on the material financial systems used to prepare the financial statements has therefore supported our audits of both the PCC and the Chief Constable.

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

Findings

In 2014/15 Internal Audit introduced a cyclical approach to reviewing the key financial systems which meant that in a financial year some systems would not be reviewed by Internal Audit. We discussed with both of the Chief Finance Officers (CFOs) the need to ensure that they had sufficient assurance that key financial systems and internal controls were working as expected. They have responded positively by putting in place a system of management assurances on key financial systems for 2014/15 and this will form part of the annual assurance arrangements.

We also identified the need to undertake an exercise in 2015/16 to confirm whether IT assets which had been fully depreciated were still in use and if not they should be removed from the asset register.

Further details are provided within section two of this report.

The way forward

Matters arising from both of the financial statements audits and our reviews of the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources have been discussed and agreed with the Chief Finance Officer/Deputy Chief Executive, Cumbria Office of the Police and Crime Commissioner and the Chief Finance Officer, Cumbria Constabulary as well as the PCC and the Chief Constable as the two individuals charged with overall governance for the office of the PCC and the Constabulary respectively.

We have made one recommendation which is set out in the action plan in this report. Appendix A includes the recommendation arising from our PCC audit and this has been discussed and agreed with the Chief Finance Officer/Deputy Chief Executive, Cumbria Office of the Police and Crime Commissioner and the finance team.

Acknowledgment

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

Grant Thornton UK LLP
August 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audits and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Joint Audit and Standards Committee on 10 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you.

Audit opinion

We expect to issue an unqualified opinion on both the PCC's financial statements and the Chief Constable's financial statements. Our proposed audit opinions are set out in Appendices B and C.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

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

	Risks identified in our audit plan	Relevant to? PCC/CC/Both	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	Both	This risk has been rebutted as set out in our adjacent comments.	**PCC audit** We have rebutted this presumed risk for the PCC because: • revenue is principally grant allocations from central government and council tax income from the taxpayers. **Chief Constable audit** We have rebutted this presumed risk for the Chief Constable because: • revenue is an inter group transfer from the PCC • revenue does not involve cash transactions We therefore do not consider this to be a significant risk for either the PCC or the Chief Constable
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	Both	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	**PCC audit** Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments. **Chief Constable audit** Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A for the PCC and Appendix B for the Chief Constable..

Transaction cycle	Relevant to: PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Both	Creditors related to core activities understated or not recorded in the correct period	**PCC and Chief Constable audits** We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over operating expenses • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces • tested payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts • substantively tested operating expenses.	**PCC and Chief Constable audit** Our audit work on payments made after the year end identified one invoice of £23,728.32 for ammunition which was received in November 2014 but paid for in 2015/16. This should have been included as expenditure in the CIES for 2014/15 and shown as a creditor. This error arose because of unusual circumstances where the original order on the system was raised against the wrong supplier and subsequently cancelled. This meant that the order did not appear on the schedule of orders received by the year end but not matched to an invoice, as a consequence the accrual for this ammunition was missed. We are satisfied that even if this was replicated across all untested payments in April and May 2015 that it would not be material for the 2014/15 accounts. No amendment required or made.

Audit findings against other risks continued

Transaction cycle	Relevant to: PCC/CC/Both	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Both	Employee remuneration and benefit obligations and expenses understated	**PCC and Chief Constable audits** We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over employee remuneration • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • analysed trends and relationships to identify any anomalous areas for further investigation • tested to confirm the completeness of payroll transactions and appropriate cut-off	**PCC audit** Our audit work has not identified any significant issues in relation to the risk identified. **Chief Constable audit** Our audit work has not identified any significant issues in relation to the risk identified.
Pensions Benefits Payable	Chief Constable	Benefits improperly computed/ Claims liability understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over pension benefits payable • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested the reconciliation of pension benefit payments recorded in the general ledger to the subsidiary systems and interfaces • rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year together with a comparison of pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained. • substantively tested monthly pension benefit payments made in the year • substantively tested of lump sum pension benefit payments made in the year.	**PCC audit** Our audit work has not identified any significant issues in relation to the risk identified. **Chief Constable audit** Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

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

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Revenue recognition	Both	**PCC** • The PCC has adopted the standard revenue recognition policies as set out in the Code of Practice. **Chief Constable** • The Chief Constable receives no income directly but is funded by a contribution from the PCC.	**PCC audit** • The PCC's policies are in accordance with the requirements of the Code of Practice for Local Government. **Chief Constable audit** • The CC's policy reflects the actual and expected revenue recognition arrangements in place.	 GREEN
Cost recognition	Both	**PCC** • The PCC has adopted the standard cost recognition policies for Local Government as set out in the Code of Practice. • The policies for cost recognition are set out in accounting policy 2 (Annex A). **Chief Constable** • The policies for cost recognition are set out in accounting policy 2 (Annex A).	**PCC audit** • The PCC's policies are in accordance with the requirements of the Code of Practice for Local Government.. **Chief Constable audit** • The CC's policies are in accordance with the requirements of the Code of Practice for Local Government..	 GREEN

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements (continued)

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Other accounting policies	Both	**PCC and Chief Constable** • We have reviewed the Police and Crime Commissioner's and the Chief Constable's policies against the requirements of the CIPFA Code and accounting standards.	**PCC audit** • Our review of accounting policies has not highlighted any issues which we wish to bring to your attention **Chief Constable audit** • Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	GREEN
Estimates and judgements	Both	**PCC** Key judgements and estimates are set out in notes 1 and 3 respectively and include: • uncertainty over future police funding • treatment of assets and liabilities under PFI contracts • PPE valuations • provisions • pensions liability. **Chief Constable** Key judgements and estimates are set out in notes 1 and 3 respectively and include: • uncertainty over future police funding • provisions • pensions liability.	**PCC audit** We have reviewed the PCC judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting. • where the PCC has made judgements or estimates in the financial statements these have been supported with robust methodologies and clear explanation of the assumptions applied. • our work on IAS 19 figures has included specific enquiries to the auditor of Cumbria County Council, the pension fund's administering body. We have also considered work carried out centrally by PWC as consulting actuary to review the actuaries used by the Local Government Pension Scheme (LGPS). No issues identified. • PPE and Police officer pension fund are considered separately **Chief Constable audit** • See comment above on PCC about IAS19 for LGPS. Police officer pension fund is considered separately.	GREEN

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements (continued)

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Estimates and judgements – pension fund liability	Both	**Local Government Pension Scheme (LGPS)** The LGPS is the pension scheme for police staff. This is a funded defined benefit scheme. The scheme is administered by Cumbria County Council. The liability showing the underlying long term commitment to fund future retirement benefits is shown on the relevant PCC and CC balance sheet with a corresponding Pension Reserve. **Police Officers** The Chief Constable operates two pension schemes for police officers. The 2006 New Police Pension Scheme (NPPS) and the Police Pension Scheme (PPS), both of which are unfunded, defined benefit schemes. The financial liability for these schemes appears on the Chief Constable's Balance Sheet with a corresponding Pension Reserve. The liabilities relating to these schemes increased by £143.2 million in 2014/15. The liability stood at £1.14 billion at 31 March 2015.	For LGPS and the two police officer pension schemes we undertook a review of the relevant actuary's (Mercer for LGPS and GAD for police schemes) work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the schemes actuary. For LGPS we have confirmed with the LGPS external auditor that the controls over membership data were operating as intended. For the two police schemes we have reviewed the information sent to the actuary ourselves and confirmed it was consistent with our expectations. The pension fund liabilities are most sensitive to changes in the following key assumptions: • discount rate; • mortality; • inflation; and • future salary increases. For both LGPS and the police officer pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by both Mercer and GAD are reasonable for the purpose of valuing the pension fund liabilities as at 31 March 2015.	● GREEN

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements (continued)

Accounting area	Relevant to? PCC/CC Both	Summary of policy	Comments	Assessment
Estimates and judgements – property, plant and equipment	PCC	The CIPFA Code requires that authorities revalue their land and building assets on a regular basis. The PCC engaged Cariget Cowen, a firms of chartered surveyors to provide land and building valuations for financial reporting purposes. In respect of land and buildings approximately 14%, by value, have been physically inspected and revalued as part of the rolling programme of revaluations. For the remaining land and buildings the external valuer undertook a review to determine whether it was necessary to increase or decrease the value of all the properties in aggregate. The valuer concluded that they we not materially misstated. at 31 March 2015.	We undertook a detailed review of the work performed by Cariget Cowen to provide land and building valuations for financial reporting purposes. We are satisfied from our review that the methodology and assumptions used by Cariget Cowen were reasonable. We have compared overall valuation movements with indices provided by an independent valuer we engaged and are satisfied that the overall valuation movements were reasonable. We are satisfied that the PCC's non-current assets are not materially misstated as at 31 March 2015.	GREEN
Going concern	Both	**PCC and Chief Constable** The Police and Crime Commissioner and the Chief Constable both have a reasonable expectation that the services they provided will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	**PCC audit** We have reviewed the Police and Crime Commissioner's assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements. **Chief Constable audit** We have reviewed the Chief Constable's assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	GREEN

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Police and Crime Commissioner and the Chief Constable and been made aware of one fraud and two potential frauds. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit. We are satisfied that the fraud and potential frauds do not have a material impact on the accounts.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Police and Crime Commissioner and the Chief Constable.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements of either the PCC or the Chief Constable. A small number of changes were made to critical judgements and supporting notes to improve presentation and ensure consistency.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed..
6.	**Confirmation requests from third parties**	• We obtained direct confirmations for bank and investment balances.

Internal controls

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

Our audits included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Benefits Payable.

The matters that we identified during the course of our audits are set out in the table below. Our recommendation, together with management's response, is included in the action plans attached at Appendix A for the PCC.

	Assessment	Issue and risk	PCC	CC	Recommendations
1.	N/A	For 2014/15 Internal Audit introduced a cyclical approach to reviewing the key financial systems so that each system would be reviewed at least once over the three years. However, this meant that in a financial year some systems would not be reviewed by Internal Audit. The risk was that for systems not reviewed by Internal Audit in 2014/15 the CFOs would not have obtained their own management assurances to confirm that the systems and internal controls were working as expected. Both CFOs have responded positively to the need to address this issue and put in place a system of management assurances which was implemented for 2014/15 and will now form part of the annual assurance arrangements.	√	√	None required.
2.	●	Note 6 of the PCC's account analyses Property, Plant and Equipment (PPE) over a number of headings and splits this analysis into 'Cost or Valuation' and 'Accumulated Depreciation and Impairment'. Our audit identified that within the IT and Technology category there were IT assets with a gross book value of £14.6 million but which had been fully depreciated. Although the value in the balance sheet is correct the risk is that some of these IT assets may no longer been in use, be obsolete, scrapped or replace by new / replacement purchases. With a programme of replacing and updating IT equipment it would make sense to undertake a review of all assets in the IT and Technology category to confirm they are still in use and if not they should be removed from the asset register.	√		**Undertake a review in 2015/16 of all assets in the IT and Technology category to confirm they are still in use and if not they should be removed from the asset register.**

Assessment

- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

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

Misstatements

Impact of misstatements

We have not identified any misstatements affecting the principal statements within the PCC, PCC Group or Chief Constable's accounts.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes to the PCC's financial statements, including the group consolidation, and the Chief Constable's, identified during the audit which management has agreed to amend in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements	PCC	CC	PCC Group
1	Disclosure	1,598	Note 5 – Transfer to / from Earmarked Reserves	The PCC has made an upfront payment of £2,397,000 in 2014/15 equivalent to three years pensions deficit contributions that has been charged against the General Fund in 2014/15. This was partially funded from reserves resulting in a negative earmarked reserve called 'Past Service Cost (LGPS)' with the intention that this reserve would return to nil with funding from the revenue budget over the next two years. We have agreed with the PCC CFO that there should be no negative usable reserves and that the £1,598,000 should be funded from the 'Investment Fund' earmarked reserve and this can be built back up over the next two years. Additional narrative disclosure has been added to explain this treatment.	√		√
2	Disclosure	Various	Financial Instruments – A4(i) Credit Risk	Two amendments made to reflect correct analysis of operational debtors in the financial instruments note on credit risk. These changes were: • Customers - Operational Debtors at 31 March 2015 amended from £9,941,000 to £1,424,000 • Total operational debtors at 31 March 2014 amended from £7,191,000 to £1,362,000.	√		√
3	Disclosure	N/A	Various	• A small number of changes were made to critical judgements and supporting notes to improve presentation and ensure consistency.	√	√	√

Section 3: Value for Money

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non-audit services and independence
05. Communication of audit matters

Value for Money

Value for money conclusion

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

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

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

These criteria are:

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

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

Key findings - PCC

Securing financial resilience

We have undertaken a review which considered the PCC's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted the PCC has appropriate systems and processes in place to manage financial risks effectively. This has helped it secure a stable financial position that enables it to continue to operate for the foreseeable future. The process for producing the 2015/16 budget was well controlled and involved consultation with the public, Chief Constable and the Police and Crime Panel (PCP). The financial assumptions in the budget appear reasonable and the required savings achievable.

The Executive Board makes the strategic decisions such as the budget and comprises of the Commissioner, Chief Constable, PCC Chief Executive and PCC Chief Finance Officer / Deputy Chief Executive. It considers quarterly budget monitoring reports which sets out the current position, a forecasted year end position and the reasons for variances and are used as part of the decision making in terms of main financial risks and any action required.

The PCC has reported a small overspend of £0.037 million for 2014/15 for the Commissioner's directly managed revenue budget. and when the Constabulary underspend is considered the combined group revenue underspend is £0.221 million . This represents a significant improvement on previous years where large underspends have been the norm.

The capital budget for 2014/15 of £13.013 million was underspent by £3.554 million. Approximately £2.8 million (79%) of the slippage in the programme is primarily attributable to the reprofiling of payments by the contractor for the Barrow new build but the project is still on target to be fully operational in Autumn 2015. Other slippage relates to ICT schemes (£0.391 million) although this represents a significant improvement in delivery of the IT programme compared with previous years.

Value for Money (continued)

At the 31 March 2015 total available reserves were £27.54 million. When the 2015/16 budget was agreed in February 2015 total reserves were estimated as £21.91 million but at outturn were actually £27.54 million, an increase of £5.63 million. This reflects the year end slippage against the capital programme and some revenue projects. At 31 July 2015 a substantial amount of the £3.5 million slippage on the capital programme had been spent. Earmarked revenue reserves will be committed in 2015/16 to support delivery of revenue projects. The Police Fund will remain at £5.149 million for the duration of the MTFP but with a clear strategy to use earmarked reserves over the term of the MTFP to fund capital projects, support re-structuring of the Constabulary and for commissioning specific services.

Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

The PCC's priorities are set out in the Police and Crime Plan 2013 to 2017 and this was updated in March 2015. In the PCC's view the updating confirmed his view that the priorities in the Police and Crime Plan were the right ones. Delivery has include county CCTV network to be implemented in 2015 and funding to support an Independent Domestic Violence Advocacy and Support Service. The PCC has retained certain funding to consider with whom this would be best spent e.g. the Constabulary, voluntary sector or national groups.

The PCC has a good understanding of costs and the MTFP shows that the cost of running the Office of the Police and Crime Commissioner is budgeted to reduce in 2015/16 and 2016/17 and even with increases after that by 2018/19 it will still be £28,000 (3.3%) less than the 2014/15 budget. In November 2014 the PCC also considered how it achieves value for money in its own directly managed budgets.

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

Overall VfM conclusion - PCC

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the PCC has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Detailed findings – Police and Crime Commissioner

We set out below our detailed findings against six risk areas which have been used to assess the PCC's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	The PCC continues to demonstrate good financial performance in 2014/15.key financial ratios are strong e.g. working capital ratio (current assets divided by current liabilities) is 2.84 million at 31 March 2015 and confirms the PCC has no liquidity problems. The PCC has no loans outstanding and only a £5.1 million PFI finance lease liability. The PCC has reported a small overspend of £0.037 million for 2014/15 for the Commissioner's directly managed revenue budget. However, when the Constabulary underspend is considered the combined group revenue underspend is £0.221 million which represents a significant improvement on previous years where large underspends have been the norm.. The capital budget for 2014/15 was underspent by £3.554 million. Approximately £2.8 million (79%) of the slippage in the programme is primarily attributable to the reprofiling of payments by the contractor for the Barrow new build but the project is still on target to be fully operational in Autumn 2015. Other slippage relates to ICT schemes (£0.391 million) although this represents a significant improvement in delivery of the IT programme compared with previous years. General Fund balance at 31 March 2015 was £5.149 million which is in line with the PCC's required level. Earmarked reserves were £22.387 million.	**Green**

Detailed findings – Police and Crime Commissioner (continued):

Theme	Summary findings	RAG rating
Strategic financial planning	The PCC has sound financial planning and review processes in place. The PCC's four year Medium Term Financial Plan (MTFP) approved in February 2015 and covers the period 2015/16 to 2018/19. The key elements of the forecast shows the likely gross income will reduce from £130.67 million in 2015/16 to £124.94 million in 2018/19. The MTFP shows that savings of nearly £9 million will be needed to offset rising costs from 2016/17 onwards. Plans for the delivery of these savings have been developed but will need to be implemented. At the 31 March 2015 total available reserves were £27.54 million. When the 2015/16 budget was agreed in February 2015 total reserves were estimated as £21.91 million but at outturn were actually £27.54 million, an increase of £5.63 million. This reflects the year end slippage against the capital programme and some revenue projects. At 31 July 2015 a substantial amount of the £3.5 million slippage on the capital programme had been spent. Earmarked revenue reserves will be committed in 2015/16 to support delivery of revenue projects. The Police Fund will remain at £5.149 million for the duration of the MTFP but with a clear strategy to use earmarked reserves over the term of the MTFP to fund capital projects, support re-structuring of the Constabulary and for commissioning specific services. The key planning assumptions included with the MTFP are split between external and internal factors. The external factors considered included the impact of Home Office funding, specific grant funding and inflation. The internal factors included consideration of general inflation, pay inflation and Council tax increases. Pay inflation of between 1% to 1.5% and supplies inflation of 1.8% has been used in the MTFP with a 1.9% annual increase in council tax. These financial assumptions appear reasonable. Scenario planning has included looking at key areas e.g. estates, territorial policing. One of the most significant challenges is that although formula funding and damping will continue for 2015/16 there is no commitment beyond that and this remains an area of uncertainty.	**Green**
Financial governance	The Executive Board was established in December 2012 to make the strategic decisions such as the budget. The Executive Board comprises of the Commissioner, Chief Constable, PCC Chief Executive and PCC Chief Finance Officer / Deputy Chief Executive. The Executive Board considers actual expenditure (revenue and capital) compared to budget and treasury management activities on a quarterly basis. These sets out the current position, a forecasted year end position and the reasons for variances and are used as part of the decision making in terms of main financial risks and any action required. The PCC has a good grasp on the finances and longer term financial position and is well advised by the PCC Chief Finance Officer / Deputy Chief Executive. The PCC is well aware of the risks facing the his own organisation and the Constabulary and the challenges this presents. There is also a shared understanding of how best to progress and address these challenges. The PCC presents his annual budget and MTFP to the 'Police and Crime Panel' (PCP) with additional briefing papers on the financial issues. A paper to the PCP from the Chief Constable outlined details of the 2015/16 change programme / savings plan. As part of the governance framework the PCC and Chief Constable has established a Joint Audit and Standards Committee (JASC) which provides assurance to them. The JASC has provided itself to be effective with a good balance of challenge and support to officers on financial and other matters.	**Green**

Detailed findings – Police and Crime Commissioner (continued):

Theme	Summary findings	RAG rating
Financial control	The PCC has sound budget monitoring arrangements in place with quarterly reporting of the financial position to the Executive Board. The quarterly revenue and capital budget monitoring reports show actual to budget and a year-end projection. The reporting is clear and of sufficient detail as to make effective decisions. Usefully the reports show how the projected year end position has changed between the quarters and the reasons why . Unlike previous years 2014/15 has seen revenue spending much more in line with budget. This has been forecasted throughout the year with no significant unexpected revenue underspending. In year capital monitoring reporting showed that between quarter two and quarter three there was an increase in the projected underspend of £2.352m with the largest element being slippage on the Barrow scheme (£2.134m) due to severe weather delays. Therefore, there were no significant unexpected capital underspending as a consistent story has been told throughout the year.	**Green**
Prioritising resources	The PCC sets out his strategy in the Police and Crime Plan and this was updated in March 2015. Progress has been monitored throughout the year. The update confirms the PCC's view that the priorities in the Police and Crime Plan were the right ones. Delivery has include county CCTV network to be implemented in 2015 and funding to support an Independent Domestic Violence Advocacy and Support Service. The PCC he has retained certain funding to consider with whom this would be best spent e.g. the Constabulary, voluntary sector or national groups. The PCC presents his annual budget and MTFP to the 'Police and Crime Panel' (PCP). There is clear evidence of consultation on the budget with the PCP, Chief Constable, at public engagement events and through a comprehensive annual survey. Both the PCC and Chief Constable recognise the value and importance of providing a good quality of service to victims and witnesses of crime and antisocial behaviour to reduce the impact this may have on their lives, and to provide reassurance and confidence in the police service. Overall user satisfaction with the Constabulary was 88.0% in 2014/15 compared with 89.3% in 2013/14. Despite this small reduction the Constabulary performs well when compared to other forces in England and Wales and in the 12 months to December 2014 Cumbria continues to have the 2nd highest level of user satisfaction of all forces.	**Green**
Improving efficiency & productivity	PCC has a good understanding of its costs and the MTFP shows that the cost of running the Office of the Police and Crime Commissioner is budgeted to reduce in 2015/16 and 2016/17 and even with increases after that by 2018/19 it will still be £28,000 (3.3%) less than the 2014/15 budget (see WP 4). In November 2014 the PCC also considered how it achieves value for money in its own directly managed budgets . The PCC's focus is on delivering long term recurring savings and the PCC has also recognised that some initiatives will need up front funding before savings are achieved e.g. Barrow Police station, which will help with improved service delivery.	**Green**

Value for Money (continued)

Key findings – Chief Constable

Securing financial resilience

We have undertaken a review which considered the Chief Constable's (CC) arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted the CC has appropriate systems and processes in place to manage financial risks effectively. The MTFP 2015/16 to 2018/19 is linked to the PCC's policing priorities and is underpinned by a workforce plan and ICT strategy which reflect also the Constabulary's priorities and operational needs. There is also a clear link to the Constabulary's 'Change Strategy' which is its strategic approach to delivering spending reductions.

The Constabulary's senior management have a good understanding of the financial position and receive regular budget monitoring reports. The CC Revenue reports focus on subjective analysis e.g. police officers pay, premises, transport, etc and then the reasons for any variances are explained. In the last few years the Constabulary has significantly underspent on payroll costs due to police officer and Police Community Support Officers (PCSO) numbers being well below establishment. However, for 2014/15 the Constabulary underspend was only £0.258 million with Police Officer and PCSO expenditure being in line with the budget. This represents a significant improvement on previous years where large underspends have been the norm.

Workforce planning within the Constabulary has improved over the last two years. This has resulted in a more robust workforce plan in place with clear emphasis on getting police officer numbers up to current establishment which has helped ensure staff expenditure more in line with budget..

Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted the Constabulary's 'Change Strategy' has provided a good basis for its strategic approach to delivering spending reductions. Progress is closely monitored throughout the year by the Constabulary to ensure it remains on track with updates to the PCC. In December 2014 the Constabulary undertook its annual review of Her Majesty's Inspectorate of Constabulary (HMIC) VFM profiles to understand where it was an outlier in terms of most similar forces and nationally and any action required.

The Constabulary has a good record of delivering savings and efficiencies which has continued in 2014/15 with savings of nearly £16 million having been achieved since 2010. The PCC's MTFP 2015/16 to 2018/19 indicates savings of nearly £9 million will be needed to offset rising costs from 2016/17 onwards. Plans for the delivery of these savings have been developed but will need to be implemented including a planned reduction in police officer numbers from 1,132 to 977. HMIC's first PEEL (Police Effectiveness Efficiency Legitimacy) assessment for Cumbria stated the Cumbria Constabulary "performed well in the first three years of the spending review – achieving savings, protecting the front line and maintaining high levels of satisfaction". There were also positive comments on having developed future savings plans after 2015/16 and recognition that the uncertainty over future potential changes to central funding was reflected in the level of reserves held by the PCC.

Value for Money (continued)

In overall terms crime rose by 4.0% (899 crimes) during 2014/15. This follows a generally decreasing level of crime since 2009/10 . Cumbria has the 2nd lowest number of reported crimes in England and Wales, a position which has remained consistent since 2006. Overall, there has been a further reduction in volume crimes although statistically significant increase in the number of reported hate crimes, rape offences and other sexual offences. This was expected in 2014/2015 as a result of the Constabulary encouraging more victims of these serious offences to come forward and report them as it is recognised nationally they are significantly under-reported. Violence against the person increased by 1,320 (25%) which may be partly due to the Constabulary promoting the importance of crime data integrity throughout the organisation and to improve compliance with the National Crime Recording Standard (NCRS). Across all types of crime Cumbria performed well with comparatively low numbers of crimes reported.

Overall VfM conclusion – Chief Constable

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Chief Constable has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

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Detailed findings – Chief Constable

We set out below our detailed findings against six risk areas which have been used to assess the Chief Constable's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	Workforce planning within the Constabulary has improved over the last two years. This has resulted in a more robust workforce plan in place with clear emphasis on getting police officer numbers up to current establishment. In the last few years the Constabulary has significantly underspent on payroll costs due to police officer and Police Community Support Officers (PCSO) numbers being well below establishment. However, for 2014/15 the Constabulary underspend was only £0.258 million with Police Officer and PCSO expenditure being in line with the budget. This represents a significant improvement on previous years where large underspends have been the norm. Sickness levels for 2014/15 have reduced from the previous year and were 3.95% of contracted hours for police officers and 3.45% of contracted hours for police staff. For 2013/14 the levels were 4.46% of contracted hours for police officers and 3.84% of contracted hours for police staff. Although sickness levels were increasing towards the end of 2014/15 this does not indicate a significant problem with sickness levels even at a time of meeting the challenges arising from austerity.	**Green**

Detailed findings – Chief Constable (continued)

Theme	Summary findings	RAG rating
Strategic financial planning	The Chief Constable's staff work closely with the PCC in developing a MTFP which, although challenging, allows both the PCC and Chief Constable to be able to meet their statutory duties. The MTFP is underpinned by a workforce plan, ICT and other strategies. The key planning assumptions in the MTFP include pay inflation of between 1% to 1.5%, supplies inflation of 1.8% and a 1.9% annual increase in council tax. These financial assumptions appear reasonable. The Constabulary has also undertaken scenario planning on key areas such as estates and territorial policing. The Constabulary has a good record of delivering savings and efficiencies which has continued in 2014/15. The Constabulary has made savings of nearly £16 million since 2010 but the PCC's MTFP 2015/16 to 2018/19 indicates savings of nearly £9 million will be needed to offset rising costs from 2016/17 onwards. Plans for the delivery of these savings have been developed but will need to be implemented including a planned reduction in police officer numbers from 1,132 to 977. In HMIC's first PEEL assessment for Cumbria in mid July 2015 they stated "Cumbria Constabulary is achieving the required savings today while planning for the future. The force has performed well in the first three years of the spending review – achieving savings, protecting the front line and maintaining high levels of satisfaction". There were also positive comments on having developed future savings plans after 2015/16 and recognition that the uncertainty over future potential changes to central funding was reflected in the level of reserves held by the PCC.	**Green**
Financial governance	The Chief Constable is a member of the Executive Board which makes the strategic decisions such as the budget. The Chief Constable has a good understanding of the Constabulary's longer term financial position and is well advised by the CC Chief Finance Officer. He is well aware of the risks facing the Constabulary and the challenges this presents. There is also a shared understanding of how best to progress and address these challenges with the PCC. Formal funding agreements are in place between the PCC and CC. The Constabulary has a robust business planning and budgeting process and has clearly outlined details of the 2015/16 change programme / savings plan. The Constabulary's extended Chief Officer Group (COG) receives a variety of financial information including revenue and capital monitoring reports. As part of the governance framework the PCC and Chief Constable has established a Joint Audit and Standards Committee (JASC) which provides assurance to them. The JASC has provided itself to be effective with a good balance of challenge and support to officers on financial and other matters.	**Green**
Financial control	The Chief Constable has sound budget monitoring arrangements in place with quarterly reporting of the financial position to extended COG. Revenue reports focus on subjective analysis e.g. police officers pay, premises, transport, etc with reasons for variances from budget explained. Unlike previous years 2014/15 has seen revenue spending much more in line with budget. This has been forecasted throughout the year with no significant unexpected revenue underspending. The key savings are generated through the Constabulary's 'Change Strategy' which include a programme of actions. This is monitored closely throughout the year by the Constabulary to ensure it remains on track with updates to the PCC.	**Green**

Detailed findings – Chief Constable (continued)

Theme	Summary findings	RAG rating
Prioritising resources	There is clear evidence that both the PCC and Chief Constable have identified the threat, harm and risk facing the local communities and reflected these priorities in 'The Police and Crime Plan 2013-2017' which was refreshed in March 2015. The Constabulary has a 'Change Strategy' which include a programme of actions developed to ensure that the Constabulary can meet the demands of future policing whilst doing this in an ever tightening financial constraints. The Constabulary has performed well in a time of increasing financial challenges. The end of year Performance Report showed that overall user satisfaction was 88.0% compared with 89.3% in 2013/14. Despite this small reduction the Constabulary performs well when compared to other forces in England and Wales and in the 12 months to December 2014 Cumbria continues to have the 2nd highest level of user satisfaction of all forces.	**Green**
Improving efficiency & productivity	The Constabulary has a good understanding of its unit costs and to support the consideration of the Constabulary's costs in comparison to other they have used the HMIC VFM profiles and undertook an analysis of the HMIC VFM profiles in December 2014 This showed a clear understanding of why they are outliers in some areas. In overall terms crime rose by 4.0% (899 crimes) during 2014/5. This follows a generally decreasing level of crime since 2009/10. Cumbria has the 2nd lowest number of reported crimes in England and Wales, a position which has remained consistent since 2006. Overall, there has been a further reduction in the volume crime categories such as theft, robbery, criminal damage and a considerable reduction in the number of recorded antisocial behaviour incidents. The Constabulary has seen a statistically significant increase in the number of reported hate crimes (36%), the number of rape offences (65%) and other sexual offences (71%), all of which the Constabulary expected in 2014/2015 as a result of its decision to encourage more victims of these serious offences to come forward and report them as it is recognised nationally they are significantly under-reported. Similar to the trend in 2013/2014, violence against the person increased by 1,320 (25%). HMIC reported in November 2014 that nationally violence against the person offences had the highest under-recording rates and that an estimated one in three (33%) violence offences that should have been recorded as crimes were not. Cumbria Constabulary has taken steps to promote the importance of crime data integrity throughout the organisation and to improve compliance with the National Crime Recording Standard (NCRS) which may well be part of the reason for the increase. Across all types of crime Cumbria performed well with comparatively low numbers of crimes reported. (see WP 19)	**Green**

Section 4: Fees, non-audit services and independence

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non-audit services and independence
05. Communication of audit matters

Fees, non-audit services and independence

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

Fees services

	Per Audit plan £	Actual fees £
Police and Crime Commissioner audit	40,500	40,500
Chief Constable audit	20,000	20,000
Total audit fees	**60,450**	**60,450**

Fees for other services

Service	Fees £
Audit related services	Nil
Non audit related services – Tax Advisory Services • Annual tax helpline • assist with the updating of the notice of dispensation for the PCC and CC	 2,500 4,000

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements. The tax work is undertaken by a separate team, should not impact materially on any items of account, and is purely advisory. We do not therefore consider that this work impacts on our independence.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non-audit services and independence
05. Communication of audit matters

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audits, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the PCC's and the Chief Constable's key risks when reaching our conclusions under the Code.

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

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

Appendices

Appendix A: Action plan for the Police and Crime Commissioner

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Undertake a review in 2015/16 of all assets in the IT and Technology category to confirm they are still in use and if not they should be removed from the asset register.	Medium	A meeting has been held between finance and ICT to discuss the approach to reviewing and maintaining the ICT asset register. Work will be undertaken over the next few months to systematically review asset categories and establish the extent to which assets should be written out of the assets registers. As part of this work, a process will be established for an annual review prior to production of the financial statements. The intended action will be discussed with the external audit team prior to processing and all changes will be reflected in the 2015/16 financial statements.	Deputy Chief Finance Officer Head of ICT 31 December 2015

Appendix B: Audit opinion for the Police and Crime Commissioner

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

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

We have audited the financial statements of the Police and Crime Commissioner for Cumbria for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Police and Crime Commissioner Single Entity and Group Movement in Reserves Statement, the Police and Crime Commissioner Single Entity and Group Comprehensive Income and Expenditure Statement, the Police and Crime Commissioner Single Entity and Group Balance Sheet, the Police and Crime Commissioner Single Entity and Group Cash Flow Statement and the related notes and Annex A and B and include the police officer pension fund financial statements comprising the Fund Account, the Net Assets and Liabilities Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Police and Crime Commissioner for Cumbria, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the PCC Chief Finance Officer / Deputy Chief Executive and auditor

As explained more fully in the Statement of the PCC Chief Finance Officer / Deputy Chief Executive's Responsibilities, the PCC Chief Finance Officer / Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Police and Crime Commissioner for Cumbria as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

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Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects

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

Respective responsibilities of the Police and Crime Commissioner and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Police and Crime Commissioner has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Police and Crime Commissioner for Cumbria put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

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

4 Hardman Square,
Spinningfields,
Manchester
M3 3EB

September 2015

Appendix C: Audit opinion for the Chief Constable

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

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

We have audited the financial statements of the Chief Constable for Cumbria Constabulary for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and Annex A and B and include the police officer pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Chief Constable for Cumbria Constabulary, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the CC Chief Finance Officer and auditor

As explained more fully in the Statement of the CC Chief Finance Officer Responsibilities, the CC Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable for Cumbria Constabulary as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Chief Constable and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Chief Constable has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Chief Constable had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Chief Constable for Cumbria Constabulary put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

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

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September 2015

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Cumbria Office of the Police and Crime Commissioner

Item 8 (i)

Annual Statement of Accounts 2014-15: Assurance Framework

Report to the Police and Crime Commissioner and Audit and Standards Committee 3rd September 2015

Report of the Chief Finance Officer

1. Introduction and Background

1.1 This report sets out for the Commissioner, and members of the Audit and Standards Committee, those areas of governance and audit pertaining to scrutiny and formal approval of the 2014-15 Statement of Accounts. This report covers the single entity financial statements of the Police and Crime Commissioner and the Group financial statements. The report sets out the opinion of the Commissioner's appointed auditor and amendments made to the Accounts, and accompanying governance statement, as a consequence of the findings of the audit. It also sets out information provided to Ms Blatcher, of Grant Thornton UK LLP, the Commissioner's appointed auditor, as part of the regulatory requirement for a letter of representation.

1.2 The report includes an appendix that provides a narrative on the financial statements (appendix a). The appendix aims to support members of the Audit and Standards Committee in undertaking their assurance role by providing a narrative in respect of the sources of assurance available to them and on the substantive issues that have been considered in respect of the production of the financial statements.

2. Formal Approval of the Audited Statements

2.1 The Statement of Accounts were authorised by the Chief Finance Officer on 28th May 2015 in accordance with the 2011 Accounts and Audit Regulations. The audit having now been completed, the Chief Finance Officer is required to again certify the statements and present them to the Commissioner for formal approval. Prior to certification the Commissioner will take into consideration the Audit Findings Report from Ms Blatcher. The Commissioner will also take into consideration the views of members of the Audit and Standards Committee. The Committee will receive the Statement of Accounts and the Audit Findings Report. They will consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Commissioner.

3. Appointed Auditor's Audit Findings Report

3.1 Preceding this item on your agenda is the Audit Findings Report from Ms Blatcher, of Grant Thornton UK LLP, the Commissioner's appointed auditor. Ms Blatcher reports on her completion of the annual audit of the Statements of Account for 2014-15. The Commissioner and members of the Audit and Standards Committee will be pleased to see her intention, based on her findings to date, to issue an unqualified audit opinion in respect of the Statement of Accounts for the year to 31 March 2015 and in respect of the Commissioner's arrangements to secure Value for Money.

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

3.3 The auditors have considered internal controls that are relevant to the preparation of the financial statements. Where they identify any control weaknesses, these are reported to the Commissioner. The auditors have noted within their report the introduction during 2014-15 of cyclical internal audits of the key financial systems. They have also noted the positive response in respect of the need for a system of management assurances. This has been put in place as part of the annual assurance arrangements in view of the change to arrangements for internal audit. The auditors have made one recommendation in respect of internal controls. This is to undertake a review during 2015-16 of all assets in the IT and Technology category to confirm if they are still in use and if not to ensure they are removed from the asset register. This will ensure that that the register of IT and Technology assets is updated in response to the current programme of ICT investment. This recommendation and related action will be included on the monitoring report maintained for the Committee in respect of their oversight of audit recommendations.

3.4 There are two specific disclosure changes to the notes to the accounts set out in the auditor's report:

- The first disclosure change presents differently the itemisation of reserves within the total amount for earmarked reserves. The earmarked reserve note explains the amount and purpose of each category of earmarked reserve held by the Commissioner. The unaudited presentation of the note included a negative reserve, established to manage the discharge of past service LGPS liabilities. The revenue budget included provision for this liability over 3 years. A decision was taken to make a single upfront payment during 2014-15 to discharge the liability, accruing a financial benefit in respect of future LGPS costs. The budgeted arrangement for this transaction utilises funding from earmarked reserves to make the upfront payment. This can be managed on the basis that a number of the reserves are

not planned for use in the immediate two years. During this time the revenue budget provision will reinstate the balance of total earmarked reserves. For financial reporting purposes, the auditors recommended that the past service LGPS reserve be amalgamated within one of the earmarked reserve categories that could contain the amount of the LGPS transaction without resulting in a reserve with a negative balance. To achieve this the LGPS reserve has been shown as being transferred into the investment fund reserve. The narrative that explains the reserve has been amended to make clear that the use of this reserve is in part for investment purposes and in part for the LGPS transaction.

- The second disclosure change is in respect of two amendments made to correct the analysis of operational debtors in the financial instruments note. The need for this correction arose due to an error that occurred when linking tables to workings within the working paper file that records all the notes to the accounts. The error was identified by finance staff whilst amalgamating the working papers for audit and was reported to the auditors. The process for 2015-16 will be amended to ensure the final review of the working papers against the notes is undertaken before the accounts are published.

3.5 A small number of changes were made to critical judgements and supporting notes to improve presentation and ensure consistency. These are noted by the external auditors. Member's copy of the financial statements highlights those changes. Changes highlighted in yellow reflect the changes of wording now required for the audited statements. They include the updating of relevant dates for signing off the statements and the inclusion of the auditor's opinion. Changes in pink highlight the amendments recommended by members following their June meeting and review of the un-audited statements. Changes highlighted in green are those agreed with the external auditors. The significant areas are the two disclosure changes highlighted above, the addition of a narrative explaining the adjustment to the LGPS opening balances following stage 2 transfer (page 54), and the removal of the insurance claims and redundancy cost narratives within note 27 (contingent liabilities), on the grounds of materiality.

3.6 The Commissioner and members of the Committee will also be pleased to note the auditor's positive conclusion in respect of the presentational changes to the financial statements made to improve the readability of the accounts. They note that these changes have worked well in providing a clearer and easier to read set of accounts. The auditors have concluded that working papers remain of a good standard, and responses to audit queries have been prompt and satisfactory. They further note the significant achievement in bringing forward the authorisation of the draft accounts to 28 May 2015.

4 Post Balance Sheet Event

4.1 A post balance sheet event is an event, subsequent to the date of the financial statements, and for which International Financial Reporting Standards and the Code of Practice on Local Authority Accounting (the Code)

require adjustment or disclosure. There have been no post balance sheet events following authorisation of the financial statement by the Chief Finance Officer on 28th May and to the issuing of this report.

5 2014-15 Governance Statements

5.1 The Police and Crime Commissioner approved his 2014-15 Annual Governance Statement (AGS) on 21st May 2015. There have been no changes to the Annual Governance Statement following audit and no changes as a result of any matters pertaining to governance arising between signing the AGS in May and to the date of this meeting.

6 Letter of Management Representation

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

7 Acknowledgements

7.1 The work undertaken in preparing the Statement of Accounts and supporting the audit for the year places very significant demands on staff within the finance services team. Key amongst those has been Michelle Bellis, Deputy Chief Finance Officer and Lorraine Holme, Principal Financial Services Officer, who have once again secured for the Commissioner another clean audit. This report also acknowledges the work undertaken by our colleagues in external audit headed by Fiona Blatcher and Richard McGahon. The work to bring forward the closure of accounts has impacted both on our own team and those at Grant Thornton.

8 Recommendations

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

- Members of the Audit and Standards Committee determine whether there are any issues in respect of governance or the statement of accounts that they wish to report to the Commissioner

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

Appendix A

Statement of Accounts Narrative 2014-15

1 Introduction and Background

1.1 The Police and Crime Commissioner will sign the annual statement of accounts following audit and the review process by the Audit and Standards Committee. Members of the Audit and Standards Committee will receive a copy of the audited accounts and accompanying governance statement for which they have a review and assurance role. The Statement of Accounts are highly complex technical documents. They take a number of weeks to produce and a similar period of time to audit by a team of technical and experienced staff. The audit process will typically involve support from national technical teams who assess and advise on accounting treatment for complex transactions against the requirements of international financial reporting standards and codes of practice. Within the finance profession, the Statement of Accounts is a very specialist field.

1.2 In this context, this narrative aims to provide a guide to the considerations that the Commissioner and Members of the Audit and Standard Committee can reasonably be expected to take account of, in carrying out a review process and undertaking to approve the Statement of Accounts. It covers two main areas, sources of assurance for the financial statements and key challenges. These are the areas that influence the dialogue and engagement between the finance staff preparing the accounts and those undertaking the audit. In doing this, the narrative aims to ensure that members have sufficient information to fulfil their assurance role and that the Commissioner can place reliance on this assurance in approving the Statement of Accounts.

2 Sources of Assurance

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

2.2 Those undertaking a review of the accounts will not usually be in a position to determine whether the

presented figures are correct based on a reading of the financial statements and notes. The review processes must therefore place reliance on wider sources of assurance from which it is reasonable to make a judgement that the accounts present a true and fair view. The main sources of assurance that support this process are the opinion of the Chief Finance Officer (CFO), the opinion of the Chief Internal Auditor and the opinion of the Appointed Auditor. These opinions are supported by the statements made by the Commissioner's Chief Finance Officer, on behalf of the Commissioner, within the letter of representation and by the Commissioner's Annual Governance Statement, signed by the Commissioner, the Commissioner's Monitoring Office and the Commissioner's CFO.

2.2.1 **The Chief Finance Officer's (CFO) Opinion:** The CFO provides to members an annual opinion on the effectiveness of the arrangements for audit. In presenting this opinion, the CFO will take into account the opinion of the external auditors on the quality of the internal audit function. The CFO will also consider how well the function complies with the Public Sector Audit Standards (PSIAS). The external auditors advised members of the Audit and Standards Committee and the Commissioner within their annual audit plan for year ended 31 March 2015, that 'the internal audit service continues to provide an independent and satisfactory service to the PCC and the Chief Constable and that internal audit work contributes to an effective control environment at both entities'.

Sources of Assurance

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

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

2.2.2 The Commissioner has approved an Internal Audit Charter in compliance with the PSIAS and members of the Committee have received reports from the Head of Internal Audit and the Chief Finance Officer providing assurance with regard to compliance with the Charter and PSIAS. The Chief Finance Officer's 2014-15 review of internal audit included a review of the internal audit service and a review of the effectiveness of the audit committee in fulfilling its assurance function. The review concluded that "there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2015." This assurance enables the Commissioner and members of the Audit and Standards Committee to place reliance on the opinion of the Chief Internal Auditor and the findings of internal audit.

2.2.3 2014-15 is the first year during which all financial systems have not been subject to internal audit. The overall assurance required by the Chief Finance Officer in respect of the financial statements has been provided by internal audit and supported by management assurances. Management assurances have been provided against CIPFA control frameworks for each major financial system. These have been reviewed by the Chief Finance Officer and made available to the external auditors. They will form the basis of discussions between the internal auditors and the CFO in determining appropriate audit intervals in respect of future cyclical audits of the main financial systems.

2.2.4 **The opinion of the Chief Internal Auditor (CIA):** The CIA provides an annual opinion on the internal control environment. The opinion is based on the audit reviews undertaken over the course of the financial year. Audits are risk based and include cyclical reviews of the material financial systems. The findings of the CIA are set out in an annual report. The CIA's opinion for 2014-15 is that "I am satisfied that sufficient internal audit work has been undertaken to allow me to give a reasonable conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also report that there has been no threat to the independence of internal audit that would impact on the provision of my annual opinion statement. In my opinion, the PCC and Constabulary's frameworks of governance, risk and internal control is reasonable and audit testing has confirmed that controls are generally working effectively in practice".

Sources of Assurance

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

2.2.5 The opinion is based on 17 audits, representing full completion of the 2014-15 audit plan. All areas subject of audit and included in the opinion of the Chief Internal Auditor have received either reasonable or substantial assurance with the exception of arrangements for business continuity. Recommendations arising as a result of this audit have been implemented as a priority. The audit for payroll, one of the most significant financial systems in respect of the statement of accounts, received substantial assurance. Collectively, the findings of financial audits reported to the Audit and Standards Committee and the overall opinion of the Chief Internal Auditor will provide assurance to members and the Commissioner on the integrity of the underlying financial transactions and their representation within the financial ledger that is used to produce the financial statements.

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

2.2.7 In forming their opinion, the external auditors give consideration to internal controls relevant to the

preparation of the financial statements. The external auditors complete walkthrough tests of controls operating in areas where they consider that there is a risk of material misstatement to the financial statements. For the 2014-15 financial statements this has included walkthrough tests of creditor payments/operating expenses, employee remuneration and pensions. The auditors reported the findings of this work to members at the meeting 10th March 2015. Their report confirmed that they did not identify any issues that they wish to bring to the attention of the Commissioner and that internal controls have been implemented in accordance with their documented understanding. The annual audit findings report of the Appointed Auditor is made to the Commissioner and Members preceding this item on the agenda and presents the Appointed Auditors intention to issue an "unqualified audit opinion" on the financial statements.

Sources of Assurance

"No amendments that alter the reported financial performance were required … we anticipate providing an unqualified opinion on the PCC's financial statements, including the group financial statements."

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

2.2.8 **The Letter of Representation:** The letter of representation is provided at appendix b and referenced in the main body of this report. The letter provides assurances from the Commissioner to the Appointed Auditor. The letter is written on behalf of the Commissioner by the Chief Finance Officer. That officer, as required under legislation, must be financially qualified. Within the Office of the Police and Crime Commissioner, that officer is a member of the Chartered Institute of Public Finance and Accountancy with a requirement to abide by codes of practice, standards and ethics. These arrangements provide assurance that members can place reliance on the representations made by the Chief Finance Officer in the letter of representation on behalf of the Commissioner. There have been no specific matters raised by the Commissioner in the letter of representation for 2014-15 and all appropriate assurances have been provided to the external auditors.

2.2.9 **The Annual Governance Statement**: The Annual Governance Statement (AGS) was presented to members on May 6th 2015 with a number of supporting governance papers including the Code of Corporate Governance. The Code of Corporate Governance sets out the Commissioners arrangements for Governance including financial governance. The AGS details how the Commissioner has complied with the governance framework set out within the Code. The Statement was updated to take account of improvements recommended by members prior to being signed by the Commissioner, the Commissioner's statutory Monitoring Officer and Chief Finance Officer on 21st May 2015. The Annual Governance Statement is submitted for examination by the Commissioner's Internal Auditors. Collectively the Code and AGS provide members with assurance that the Commissioner has in place appropriate arrangements for financial and wider governance matters including arrangements for managing risks and internal controls.

2.3 Collectively, these sources of assurance, where they are operating to the satisfaction of members, can support conclusions in respect of the extent to which the committee is reasonably able to provide the related assurance to the Police and Crime Commissioner in reviewing the financial statements.

3 Key Challenges

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

Determining the relationship between the PCC and CC

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

3.2 Whilst the considerations that have governed the 2014-15 statement of accounts in respect of the treatment of financial transactions regarding the single entity financial statements are similar to prior years, there has been a significant governance change as a consequence of the implementation of the stage 2 transfer. On 1st April 2014 the majority of staff formerly employed by the Police and Crime Commissioner transferred to the employment of the Chief Constable, under a transfer scheme in accordance with the transitional provisions within the PRSRA.

3.3 The Commissioner continues to hold and operate all arrangements for banking and treasury activity, including the raising of orders and payment of invoices. The significant proportion of these transactions are for supplies and services consumed by the Constabulary. Staff under the employment of the Chief Constable carry out the financial administrative support. Prior to the 2014-15 financial year, these staff were managed by the Chief Constable but under the employment of the Commissioner. These arrangements mean that the allocation of income and expenditure and assets and liabilities between the single entity financial statements are complex. This paper sets out the key accounting considerations and the rationale that influences decision making in respect of how these matters are presented within the statements.

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

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

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

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

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

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

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

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

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

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

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

Conclusion: *all capital assets meet the definition of an operating lease with the PCC as the lessor. Capital assets are included within the balance sheet of the PCC.*

based on:

- Land and property assets: the PCC effectively acts as a landlord and is the recipient of the economic benefit from the asset in terms of appreciation in value and the capital receipt from disposal. The PCC makes all decisions with regard to property disposal and acquisition. The PCC formally approves the capital strategy and property strategy and retains the budgets for estate management and maintenance. The CC can only enter into contracts to acquire property with the express consent of the PCC and may not own land. No such consents have been given.

- Fleet and ICT assets are controlled by the PCC. The CC has no autonomy to act in respect of any capital budgets or purchases. These are all retained by the PCC. The PCC makes all decisions on capital strategy and capital acquisitions are subject to the PCC's approval process. The CC presents to the PCC asset management strategies in respect of ICT and Fleet but has no independence of action or any authority to enter into contracts without the approval of the PCC. No approval to enter into any contracts has been given. On disposal of assets the PCC is the beneficiary of sale proceeds and funds from his budget any acquisitions.

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

In respect of **staff costs and liabilities**, whilst employment is a consideration in respect of the issue of the balance of economic control and benefit, it is not the primary consideration as a result of the principle of substance over legal form. Decisions in respect of whether police officers and staff are primarily disclosed within the financial statements of the PCC or the CC have to take cognisance of the wider governance, regulatory and legislative frameworks that bestow control over and benefit from resources. In considering this issue, decisions regarding the primary disclosures have taken the following statutory points into account:

- The Commissioner's functions in relation to policing are to secure the maintenance of the force and ensure that it is efficient and effective. The Commissioner holds the CC to account for his/her functions and the functions of persons under the direction and control of the CC. The Commissioner is also responsible for setting the strategic direction of the force and policing objectives through the Police and Crime Plan.

- The CC has a number of statutory functions, of significance of which is responsibility for maintaining the Queen's peace through the exercise of police powers. Police officers and civilian staff (defined in the PRSRA 2011 as employed solely to assist the force) are directed and controlled by the CC towards policing

activity to fulfil these functions. The CC is accountable for supporting the PCC in the delivery of the strategy and objectives set out in the Police and Crime Plan.

- Whilst the Commissioner holds the CC to account in respect of having regard to the Police and Crime Plan, the CC must be consulted by the Commissioner on The Plan. It is the CC who will largely determine how those objectives are delivered and the allocation of resources to meet them. The CC is also responsible for having regard to the Strategic Policing Requirement as set by the Home Secretary when exercising and planning policing functions. Overall resource allocations therefore take account of the statutory function of maintaining the Queen's peace, the priorities within the Police and Crime Plan (set by the Commissioner but in consultation with the CC) and the Strategic Policing Requirement. The CC has direction and control of Police Officers and all operational staff in making those decisions.

- In respect of economic benefit, both the Commissioner and the CC obtains benefit from the staffing and assets under the CC's direction and control. The argument for economic benefit, given that staffing resources can only be in one set of accounts, would appear to be stronger in respect of the Chief Constable given the duty to maintain the Queen's peace. This is further supported by Constables holding office under the crown and the CC being accountable to the law for the exercise of police powers. The CC is also responsible to the public. Further to this, the Police and Crime Plan is now a multi-agency strategy through which services are commissioned across a number of partnerships. The assets and resources of wider partners are not being included on the PCC's balance sheet. The Policing Protocol Order states that, 'at all times the Chief Constable, their constables and staff, remain operationally independent in the service of the communities they serve".

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

- Police officer and civilian staff of the force are required statutorily to be under the direction and control of the Chief Constable irrespective of the legal employer. The CC must exercise his/her powers of direction and control in a way to assist the Commissioner but direction and control rests with the Chief Constable and the requirement to delegate control of those resources is statutory. The PCC must not fetter the

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

Conclusion: *The costs/liabilities of Police Officers, Civilian Police Staff and support staff are included in accounts of the CC. A charge is made between the single entity statements of the CC and the PCC to reflect the use of shared support staff resources.*

operational independence of the Police Force and the Chief Constable who leads it. Information required by the PCC from the CC must not fetter the CC's direction and control of the Force. The requirement to consult with the PCC on staffing matters only applies to officers/staff above the rank of Chief Superintendent/police staff equivalents. The PPO also requires the CC to explain to the public the operational actions of officers and staff under their command. The issues of command and direction and control combined with the requirements around operational independence appear to support the CC as the entity that is controlling the majority of staffing resources.

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

Governance arrangements prior to 2014-15 retained control of staff not solely employed to support the force (primarily support staff) with the Commissioner. They were therefore included within the accounts of the PCC. From 1st April 2014, the change of governance arrangements to reflect the staff transfer scheme places control of these staff with the Chief Constable. The 2014-15 financial statements consequently record their costs within the single entity statements of the CC. A charge is made to the single entity statements of the PCC to reflect the use of those resources as a shared support function.

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

Conclusion: *all external debtor, creditor and cash balances are shown within the accounts of the PCC. The single entity statements show debtor and creditor liabilities between the PCC and CC.*

Debtors, Creditors and Cash: The arrangements between the PCC and CC do not provide any authorisation for the CC to enter into contracts. The PCC operates a bank account and makes all arrangements for the procurement of supplies and services. The making of creditor payments, recovery of debt and management of cash is transacted by the PCC on behalf of both the PCC and the CC. The CC undertakes a number of activities that generate income. The PCC statutorily is the recipient of all income and as such income collection and generation activities are undertaken on behalf of the PCC and all income is receipted to the PCC's bank account. The CC is unable to borrow and has no powers to undertake treasury transactions. The funding arrangement between the PCC and CC is made on the basis of cash flow. This means that the CC receives a funding amount up to a maximum level of defined budget but can only claim what has been spent. The PCC

makes all payments on behalf of the CC and as such the CC will not have any cash balances. To reflect these arrangements within the statement of accounts, the PCC's financial statements disclose all external debtor and creditors, reflecting the PCC's liability in respect of these transactions. Both the PCC and CC's financial statements disclose any associated debtor and creditor liability between the entities. These transactions are primarily in respect of the CC's liability to the PCC for external debtors where the CC has utilised the supply or service or the PCC's liability to the CC to fund accrued expenditure under the terms of the funding agreement. The PCC's financial statements show all cash transactions other than the movement through the CC's cash flow statement for the net deficit on the C&IES.

2014-15 Financial Year Significant Accounting Matters

The most significant factor influencing the production of the statement of accounts for 2014-15 has been the target set by the Finance Team to bring forward closure to 31st May in preparation for the statutory changes to deadlines that come into effect for the 2017-18 financial statements. This has necessitated an early dialogue with the external auditors to agree some changes to the closedown process. The significant changes to how we produce the financial statements have been:

- External valuations of land and building assets which were previously conducted in March were brought forward to December. The valuer provided an additional statement at the year end to confirm that these earlier valuations were still reliable.
- Increased use of estimates in the accounts, the most notable example being in relation to the calculation of the balance of short term compensating absences figure for police staff. For police staff members whose time and leave balances are not recorded on the duties management system a manual calculation has to be undertaken. In previous years this has been performed on the balance as at 31 March. For 2014-15, following prior agreement with the external auditors, this work was brought forward to be based on the 28 February figure. This avoided the time pressures within the CSD department at payroll year end and the complications associated with the timing of Easter. For police officers and operational police staff whose balances are recorded on the DMS system there was no change to the calculation method.
- Payroll accruals, each year the overtime and expenses claimed for March that are paid in April have been accrued into the previous financial year. In previous years we have waited for the pay disc to be produced at the end of April to accurately accrue the balances. For 2014-15 greater use of estimation was used based on input files provided by the payroll team.
- Stricter adherence to the closure of accounts timetable. This has in practice meant that the whole team has become involved in the closure of accounts process and where in the past the additional hours worked by the team have been spread over three months it has been condensed into two.

This work was successful in delivering a sign off date for the financial statements by the Chief Finance Officer on 28th May 2015. The Finance Team has been asked by CIPFA to present at their northern Developments in Police Finance Seminar in September on achieving early closure.

The primary change in respect of accounting requirements arose from changes to chapter 9, Group Accounts, of the Code of Practice on Local Authority Accounting in the UK 2014-15 (the Code) which contains revised provisions following the issue of new IFRS standards and the amendment of related existing standards. The new provisions have effect in three main areas:

- a new definition of subsidiaries based on a remodelled control test (IFRS 10 Consolidated Financial Statements)
- new classifications for joint operations and joint ventures (IFRS 11 Joint Arrangements)
- extended and revised disclosure requirements for group accounts (IFRS 12 Disclosure of Interests in Other Entities)

For the Commissioner and Constabulary, this has meant that joint operations with partner organisations, that were previously accounted for by the lead organisation, are now included in the financial statements. An exercise was undertaken with the partner organisations to determine the Cumbria share of transactions and reflect this through the financial statements. There was no impact to the bottom line as a result of this change, it simply means that rather than showing our contribution as a single payment, it is shown across subjective headings (employee, transport supplies etc.).

In addition to the above, stage 2 of the transition process has necessitated some minor changes in the method by which costs were apportioned between the two separate entities of the PCC and Constabulary.

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

As part of the process for producing the financial statements work has been undertaken to consider how improvements could be made to financial reporting. This continues the work that was undertaken to 'de-clutter' the 2013-14 financial statements and which received notice from Grant Thornton in their national Local Government Governance Review 2015. The significant changes for 2014-15 are:

- A continuation of 'de-cluttering' that has resulted in some notes to the financial statements being reduced or removed on the basis of materiality. Further to this a separate technical annex has been introduced that separates the most complex and in-accessible elements of the financial statements from the main notes. These changes have reduced the notes to the statements from 60 pages in 2013-14 to 38 pages in 2014-15.
- The note to the comprehensive income and expenditure account has been moved to the section on the core financial statements, to enable the reader to better access a description of the key elements within the expenditure statement
- The summary statement of accounts have been re-written with a view to explaining the financial

statements whilst removing, wherever possible, references to technical and accounting terms

- The note on reserves has been re-presented to better show the movement and explain the different reserves that are held by the Commissioner.

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

Office of the Police and Crime Commissioner Carleton Hall Penrith Cumbria CA10 2AU
Police & Crime Commissioner for Cumbria R Rhodes
Chief Executive S Edwards Chief Finance Officer/Deputy Chief Executive R Hunter CPFA
Call 01768 217734 **email** commissioner@cumbria-pcc.gov.uk

In case of enquiry please
contact: M Bellis
Tel. 0300 124 0113 Ext: 48853
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www.cumbria-pcc.gov.uk

Grant Thornton UK LLP
Mrs Fiona Blatcher
Associate Director
4 Hardman Square
Spinningfields
Manchester
M3 3EB

3 September 2015

Dear Mrs Blatcher

Grant Thornton UK LLP

The Police and Crime Commissioner for Cumbria

Group Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the group financial statements of the Police and Crime Commissioner for Cumbria (the 'PCC') and its subsidiary undertaking, The Chief Constable for Cumbria Constabulary, for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the group and parent PCC financial statements give a true and fair view in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

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

Group financial Statements

i We have fulfilled our responsibilities for the preparation of the group and parent PCC financial statements in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on

Local Authority Accounting in the United Kingdom 2014/15 ("the Code") which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the group and parent PCC and these matters have been appropriately reflected and disclosed in the group financial statements.

iii The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and parent PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent PCC financial statements in the event of non-compliance.
We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

v We are satisfied that the material judgements used in the preparation of the group and parent PCC financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
Except as disclosed in the financial statements:

a there are no unrecorded liabilities, actual or contingent

b none of the assets of the group or parent PCC have been assigned, pledged or mortgaged

c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

viii All events subsequent to the date of the group financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

ix Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

x We have considered the disclosure changes schedules included in your Audit Findings Report. The group and parent PCC financial statements have been amended for the disclosure changes and are free of material misstatements, including omissions.

xi We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent PCC financial statements.
We believe that the Group and PCC financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the

PCC's needs. We believe that no further disclosures relating to the Group or PCC's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xii We have provided you with:

a access to all information of which we are aware that is relevant to the preparation of the group and parent PCC financial statements such as records, documentation and other matters;

b additional information that you have requested from us for the purpose of your audit; and

c unrestricted access to persons within the group and parent PCC from whom you determined it necessary to obtain audit evidence.

xiii We have communicated to you all deficiencies in internal control of which management is aware. All transactions have been recorded in the accounting records and are reflected in the group and parent PCC financial statements.

xiv We have disclosed to you the results of our assessment of the risk that the group and parent PCC financial statements may be materially misstated as a result of fraud.

xv We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent PCC involving:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xvi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent PCC's financial statements communicated by employees, former employees, regulators or others.

xvii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group and parent PCC financial statements.

xviii We have disclosed to you the identity of all the group's and the parent PCC's related parties and all the related party relationships and transactions of which we are aware.

xix We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent PCC financial statements.

Annual Governance Statement

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

Approval

The approval of this letter of representation was minuted at a joint meeting of the PCC Executive Board and Joint Audit and Standards Committee at its meeting on 3 September 2015.

Yours sincerely

Richard Rhodes	Ruth Hunter
The Police and Crime Commissioner for Cumbria	The Chief Finance Officer / Deputy Chief Executive, Cumbria Office of the Police and Crime Commissioner
3 September 2015	3 September 2015

Police and Crime Commissioner for Cumbria

Statement of Accounts | 2014/15

Police and Crime Commissioner for Cumbria

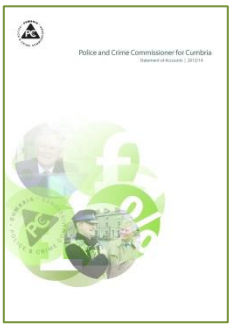
Statement of Accounts 2014/15

About this Publication

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

The Statement of Accounts for 2014/15 is available on the Commissioner's website at www.cumbria-pcc.gov.uk.

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



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

Alternative Formats

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

Bengali

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Cantonese

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2014/15

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

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

PCC Chief Finance Officer Introduction and Summary of Accounts

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2014/15 financial year. This financial statement sets out both the single entity statements of the Police and Crime Commissioner for Cumbria and the consolidated group position, incorporating the statements of the Chief Constable for Cumbria Constabulary. The accounts are published in accordance with the Accounts and Audit Regulations 2011.

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

Statutory Framework

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

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

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

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

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

2014/15 Grant Settlement and Budget

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

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

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

The budget was supported by an increase in Council Tax of 1.93%, taking the Commissioner's proportion of the band D equivalent tax to £208.62 per annum. The effect of the increase is to support the medium term financial forecast and mitigate some of the impact of cost increases and reductions in government funding. The overall position on income, supported by the Council Tax, enabled the Commissioner to maintain the existing establishment of police officer and police and community support officer (PCSO) numbers for one year.

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

The table below shows the summary revenue budget for 2014/15 as set on 24 February, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit). References to the PCC relate to the Police and Crime Commissioner.

Summary Budget and Outturn

Summary Budget & Provisional Outturn	Base Budget 2014/15 £000s	Revised Budget 2014/15 £000s	Provisional Outturn 2014/15 £000s	(Under)/ Overspend 2014/15 £000s
Constabulary Budget	105,664	105,785	105,527	(258)
Office of the PCC	850	850	816	(34)
Other PCC budgets	18,289	18,409	18,501	92
Grants/Contributions	(21,189)	(22,832)	(22,853)	(21)
To/(From) Reserves	(6,900)	(5,498)	(5,277)	221
Net Expenditure	**96,714**	**96,714**	**96,714**	**0**
Government Grants	(63,109)	(63,109)	(63,109)	0
Council Tax	(33,605)	(33,605)	(33,605)	0
Total External Funding	**(96,714)**	**(96,714)**	**(96,714)**	**0**

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

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

In-Year Financial Performance

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

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

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

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

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

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

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

Barrow TPA HQ – Designer's

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

The Financial Statements

This section of the financial summary provides an explanation of the various parts of the financial statements alongside a high level summary and narrative on the financial position. The aim of the statements are to demonstrate to the reader the overall financial position of the Commissioner at the end of the financial year, together with the cost of the services provided during the year and the financing of that expenditure.

The key financial statements are:

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

Movement in Reserves Statement

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

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

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

Movements in Usable Reserves record the amounts we have taken out of specific (earmarked) reserves to help fund expenditure during the year, and any contributions to reserves that we have decided to make to meet expenditure in future years. There are separate accounts to record our receipt and use of income from the sale of property and government grants for capital expenditure.

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

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

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

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CI&ES) shows the cost of the different policing services provided in the year and the income from government grants and council tax that fund those services.

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

subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the Technical Annex (Annex B) in section C Segmental Reporting on page 105).

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

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

The statement shows a net cost of services of £96.61m. Local policing, which includes the costs of neighbourhood policing, incident management, local investigation and community liaison is attributable for nearly half of that cost (£47.27m). The next most significant area of expenditure is investigations, which represents the costs of the crime command undertaking major investigations, including those into serious and organised crime. This area of policing also includes the public protection unit managing serious offenders.

In addition to showing the cost of policing services, the CI&ES also sets out financing costs and investment income of £44.97m.

Financing costs includes the costs of borrowing (capital financing). Capital financing costs are extremely low other than those that fund the Workington PFI building. This reflects the Commissioner's decision to continue to finance the capital programme internally using cash reserves. The decision is influenced by the relatively low interest rates available on investing such balances. At the end of the financial year £17.04m (inclusive of PFI contract) of the capital programme is funded by the use of cash backed internal reserves rather than borrowing from the open market. At some point in the future, due to a planned reduction in reserves, the Commissioner will need to consider external borrowing.

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

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

The Balance Sheet

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

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

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

Balance sheet liabilities are amounts owed by the Commissioner. They include creditors, PFI debt, pensions and finance lease liabilities. They are split between short term (current) and long term liabilities, the current liabilities being those amounts due to be paid within 1 year.

Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,181m (£1,023m in 2013/14). The main element of this amount is a pension's deficit of £1,175m (£1,017m in 2013/14) for the Local Government Pension Scheme (LGPS) and the Police Pension Scheme. However, this deficit will be funded over a number of years, with financial support from Central Government, meaning that the financial position of the Commissioner remains healthy.

The Cash Flow Statement

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

The statement shows how the Commissioner generates and uses cash and cash equivalents. Cash flows are classified within the cash flow statement as arising from operating activity, investing activity and financing activity.

The amount of net cash flows arising from operating activity represents how much cash has been received from government grants, council tax and charges for services, less how much cash has been paid out, for example for salaries and goods that have been purchased.

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

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

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

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

The Commissioner's cash flow statement shows a balance of £6.88m, compared to £11.31m in 2013/14. This means that during the financial year, there has been a decrease in cash and cash equivalents. This has arisen from a lower level of cash flow being generated through operating activity creating a net cash inflow of £2.76m in 2014/15 compared to £8.45m in 2013/14. Investing activities showing a net cash outflow of £7.10m during the year with £4.30m in money market funds and £2.58m in banks at the year end.

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

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

Supporting Information to the Financial Statements

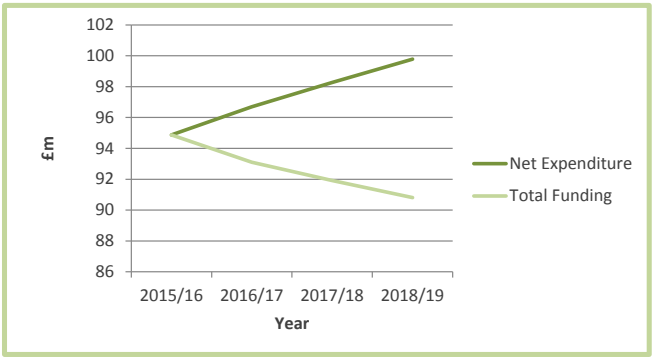
The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements. They also contain a comprehensive set of notes that explain in more detail a number of entries in the primary financial statements. A glossary of terms provides an explanation of the various technical accounting terms and abbreviations. The statements are published alongside the Annual Governance Statement for the Police and Crime Commissioner and the Chief Constable in accordance with the 2011 Accounts and Audit (England) Regulations.

The Financial Outlook

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

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

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



PCC Chief Finance Officer Introduction and Summary of Accounts

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

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

Acknowledgements

The financial statements were originally authorised for issue by me as PCC Chief Finance Officer (CFO) on 28 May 2015. Following completion of the audit, they were re-authorised by me on 3 September 2015 and were formally approved by the Police and Crime Commissioner at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

Ruth Hunter

PCC Chief Finance Officer/Deputy Chief Executive

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

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

PCC Chief Finance Officer/Deputy Chief Executive

Ruth Hunter CPFA _____ Date 03 September 2015

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

Police and Crime Commissioner for Cumbria

Richard Rhodes _____ Date 03 September 2015

Responsibilities for the Statement of Accounts

1 The Commissioner's Responsibilities

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

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

2 The Commissioner's Chief Finance Officer's Responsibilities

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

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

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

The Commissioner's CFO has also:

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

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

Responsibilities for the Statement of Accounts

3 The Chief Constable's Responsibilities

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

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

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

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

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

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

The Chief Constable's CFO has also:

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

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

Independent Auditor's Report

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Core Financial Statements

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

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

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

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

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

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

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

- Investigative Support – scenes of crime officers, external forensic costs, fingerprint/internal forensic services, photographic image recovery, other forensic services, investigative support command team and support overheads.
- National Policing – secondments (out of force), counter terrorism/special branch, ACPO projects/initiatives, hosting national services, other national policing requirements.

Corporate and Democratic Core Costs:

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

Non Distributed Costs:

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

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

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

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

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

  The balance sheet for the Group and PCC are shown side by side and include both 2014/15 figures and 2013/14 comparators.

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

  The cash flow statement for the Group and PCC are shown side by side and include both 2014/15 figures and 2013/14 comparators.

Movement in Reserves Statement – Group

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

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

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

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

Movement in Reserves Statement – PCC

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

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

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

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

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

Comprehensive Income and Expenditure Statement - Group

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

A description of the items included within each of the service headings at the top of the comprehensive income and expenditure statement is provided on pages 19-20.

Comprehensive Income and Expenditure Statement - PCC

Comprehensive Income and Expenditure Statement (PCC)	Notes	PCC 2013/14 Gross Expenditure £000s	PCC 2013/14 Gross Income £000s	PCC 2013/14 Net Expenditure £000s	PCC 2014/15 Gross Expenditure £000s	PCC 2014/15 Gross Income £000s	PCC 2014/15 Net Expenditure £000s
Local Policing	#	8,250	(7,836)	414	5,245	(4,566)	679
Dealing with the public	#	1,254	(175)	1,079	765	(57)	708
Criminal justice arrangements	#	1,538	(1,606)	(68)	989	(932)	57
Road policing	#	1,171	(3,799)	(2,628)	789	(2,413)	(1,624)
Specialist operations	#	682	(1,819)	(1,137)	362	(1,508)	(1,146)
Intelligence	#	989	(918)	71	594	(229)	365
Investigations	#	2,360	(1,158)	1,202	1,429	(718)	711
Investigative support	#	529	(223)	306	355	(178)	177
National policing	#	247	(3,832)	(3,585)	197	(3,274)	(3,077)
Corporate and democratic core	#	873	(2)	871	784	(1)	783
Non distributed costs	#	3	0	3	0	0	0
Funding Provided by PCC to CC		103,613	0	103,613	106,912	0	106,912
Cost Of Services		**121,509**	**(21,368)**	**100,141**	**118,421**	**(13,876)**	**104,545**
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	6e	0	(80)	(80)	0	(106)	(106)
Transfer to Pension Fund/Pension Top Up Grant		14,758	(14,758)	0	15,169	(15,169)	0
		14,758	**(14,838)**	**(80)**	**15,169**	**(15,275)**	**(106)**
Financing and Investment Income and Expenditure							
Interest element of finance leases (lessee)		1	0	1	1	0	1
Interest payable on PFI unitary payments		668	0	668	658	0	658
Net Interest on the net defined benefit liability	Annex B	156	(115)	41	116	(98)	18
Investment property rental income		0	(10)	(10)	0	(12)	(12)
Investment interest income		0	(148)	(148)	0	(155)	(155)
		825	**(273)**	**552**	**775**	**(265)**	**510**
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	25	0	(889)	(889)	0	(1,387)	(1,387)
Income from Council Tax	26	0	(32,867)	(32,867)	0	(33,815)	(33,815)
Council Tax Grant (Freeze & Support)	25	0	(4,944)	(4,944)	0	(4,850)	(4,850)
Formula Funding	25	0	(33,939)	(33,939)	0	(32,340)	(32,340)
Home Office Police Grant	25	0	(31,891)	(31,891)	0	(30,769)	(30,769)
PFI Grant	25	0	(688)	(688)	0	(688)	(688)
		0	**(105,218)**	**(105,218)**	**0**	**(103,849)**	**(103,849)**
(Surplus) or Deficit on Provision of Services		**137,092**	**(141,697)**	**(4,605)**	**134,365**	**(133,265)**	**1,100**
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation gains	6			(2,173)			(335)
Revaluation losses (chargeable to revaluation reserve)	6			289			0
Actuarial (gains) / losses on pension assets / liabilities							
- Matching the entry to the pensions reserve	Annex B			(475)			326
Other Comprehensive Income and Expenditure				**(2,359)**			**(9)**
Total Comprehensive Income and Expenditure				**(6,964)**			**1,091**

A description of the items included within each of the service headings at the top of the comprehensive income and expenditure statement is provided on pages 19-20.

Balance Sheet – PCC & Group

Balance Sheet	Notes	PCC 31 March 2014 £000s	PCC 31 March 2015 £000s	Group 31 March 2014 £000s	Group 31 March 2015 £000s
Property, Plant & Equipment	6				
Land and Buildings	6	52,681	49,936	52,681	49,936
Vehicles	6	2,003	3,224	2,003	3,224
Information Technology Equipment	6	4,900	5,301	4,900	5,301
Furniture, Equipment & Plant	6	457	1,195	457	1,195
Assets Under Construction (Land & Buildings)	6	709	4,573	709	4,573
Investment Properties		100	100	100	100
		60,850	**64,329**	**60,850**	**64,329**
Intangible Assets - Software	8	643	486	643	486
Long Term Assets		**61,493**	**64,815**	**61,493**	**64,815**
Short Term Investments	14	13,636	12,544	13,636	12,544
Assets held for sale (within 1yr)	7	0	796	0	796
Inventories		0	0	326	295
Short Term Debtors (external)	11	8,936	11,040	8,936	11,040
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	11	8,211	8,451	0	0
Short Term Debtors (funding balance owed to PCC by CC)	11	3,204	4,543	0	
Cash and Cash Equivalents	CF6	11,310	6,881	11,310	6,881
Current Assets		**45,297**	**44,255**	**34,208**	**31,556**
Short Term Creditors (external)	12	(10,733)	(10,997)	(10,733)	(10,997)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	12	(2,986)	(4,464)	0	0
Short Term Creditors (funding balance due from PCC to CC)	12	(5,557)	(6,981)	0	0
PFI Finance Lease Liability Due within 1 Year	9	(86)	(98)	(86)	(98)
Finance Lease Liability Due within 1 Year		(3)	0	(3)	0
Current Liabilities		**(19,365)**	**(22,540)**	**(10,822)**	**(11,095)**
Provisions	13	0	0	(790)	(1,430)
Other Long Term Liabilities					
Pensions liability - Police	15	0	0	(999,400)	(1,142,570)
Pensions liability - LGPS	15	(563)	(796)	(17,339)	(32,177)
PFI Finance Lease Liability	9	(5,220)	(5,122)	(5,220)	(5,122)
Long Term Liabilities		**(5,783)**	**(5,918)**	**(1,022,749)**	**(1,181,299)**
Net Assets		**81,642**	**80,612**	**(937,870)**	**(1,096,023)**
Usable reserves	16				
Police Fund		5,149	5,149	5,149	5,149
Earmarked reserves (revenue)	5	16,795	13,844	16,795	13,844
Earmarked reserves (capital)	5	10,870	8,543	10,870	8,543
Capital Receipts Reserve	4	1,043	0	1,043	0
Capital Grants Unapplied	4	3,866	4,732	3,866	4,732
		37,723	**32,268**	**37,723**	**32,268**
Unusable Reserves	17				
Revaluation Reserve	17a	8,980	9,315	8,980	9,315
Capital Adjustment Account	17b	35,155	39,259	35,155	39,259
Pensions Reserve - Police	17e	0	0	(999,400)	(1,142,570)
Pensions Reserve - LGPS	17e	(563)	(796)	(17,339)	(32,177)
Collection Fund Adjustment Account	17c	373	583	373	583
Accumulated Absences Account	17d	(26)	(17)	(3,362)	(2,701)
		43,919	**48,344**	**(975,593)**	**(1,128,291)**
Total Reserves		**81,642**	**80,612**	**(937,870)**	**(1,096,023)**

Cash Flow Statement – PCC & Group

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

Cash Flow Statement – PCC & Group

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

Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. Where the figures provided are different for the Group and PCC Single Entity either separate notes will be provided or a single note will show the respective figures in different columns, these will be headed Group or PCC. Where the figures are the same for the group and single entity a single note is provided, this is headed up PCC/Group. As a general rule, the column showing the figures for 2014/15 will be highlighted, whilst the comparatives for 2013/14 (where provided) will not.

The notes sometimes include terms that may require further explanation. Where possible, explanations are provided within the note, otherwise explanations are provided within the “glossary of terms” in pages 70-72. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

Notes to the Accounts

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 73 to 89 of this document, the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Commissioner is deemed to control the services provided under the PFI agreement in relation to the West Cumbria TPA HQ at Workington. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement. The Commissioner has a number of options regarding ownership of the PFI building beyond the initial 25 year contract period including the right to purchase the asset for half of its market value at that time. In accounting for the PFI contract it is assumed that there is reasonable certainty that the Commissioner will exercise the right to purchase the building. Accordingly the PFI land and building are recognised as property, plant and equipment in the Commissioner's balance sheet at full value of £7.4m. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its market value at the end of the PFI period are also shown on the balance sheet. As the PFI contract approaches its end it may be necessary to reflect an additional liability to recognise that the market value of the asset may exceed the construction cost.

2 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Commissioner's Chief Finance Officer on 3 September 2015. Events taking place after this date are not reflected in the financial statements or notes.

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

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

The items in the Commissioner's group balance sheet as at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Land and buildings assets are revalued on a five year rolling basis. Therefore the value of the assets that have not been subject to valuation in the financial year may not reflect the true value of that asset.	Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an annual impairment review, the impact of this is thought to be immaterial.
Provisions	The Commissioner has made a provision of £495k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Commissioner.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £50k to the provision needed.
	The Commissioner has made a provision of £555k in respect of termination costs (redundancy and additional pensions) in respect of redundancies to which the Constabulary had made an offer and could no longer withdraw as at 31 March 2015 which will take place in 2015/16.	Throughout the period of re-organisation, termination costs have been met from the Management of Change Reserve established for this purpose, any increase in the costs of termination (over and above that in the provision) will be met from the reserve. Any increase or decrease in the actual amount paid compared to the established provision will fall to the revenue budget for 2015/16.
	The Commissioner has made a provision of £380k in respect of legal claims that are currently ongoing.	Any increase or decrease in the actual liability will need to be met from the revenue budget.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).	The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts (Annex B) in section B Pension Disclosures (pages 95-104).

4 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

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

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

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

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

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

5 Transfers to/from Earmarked Reserves

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

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

Transfers to/from Earmarked Reserves (Continued)

Earmarked Reserves	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s	Description/Purpose
Formula Funding/Autumn Statement Risk			
Balance at Start of Year	**0**	**0**	A reserve established during 2014/15 to provide resources to
Transfer to Reserve in Year	0	200	contribute towards future budgets as a result of risk of funding
Transfer from Reserve in Year	0	0	formula and grant settlement reductions. This reserve will increase
Balance at End of Year	**0**	**200**	in 2015/16 with funds set aside from the budget process.
Investment Fund			The investment fund principally exists to invest in initiatives such as
Balance at Start of Year	**6,280**	**9,280**	technology to increase the productivity and deliver the police and
Transfer to Reserve in Year	3,000	1,568	crime plan. Of the transfer between reserves, £3,137k in 2014/15
Transfer from Reserve in Year	0	(2,200)	reflects the transfer of funding to a capital reserve to fund mobile
Transfers Between Reserves	0	(2,941)	and digital working. The fund has also received £196k from the LGPS
Balance at End of Year	**9,280**	**5,707**	past service cost reserve. £1,794k has been utilised in respect of an
			LGPS upfront payment that will be replenished over the next two
			years. The investment plans for this reserve anticipated it being
			substantially utilised by 2018.
Past Service Cost (LGPS)			
Balance at Start of Year	**0**	**196**	A reserve established in 2013/14 to be used to help meet additional
Transfer to Reserve in Year	196	0	past service costs. This reserve has been amalgamated into the
Transfer from Reserve in Year	0	0	investment fund reserve above. This ensures that the total
Transfers Between Reserves	0	(196)	resource requirements as a result of the decision to make an
Balance at End of Year	**196**	**0**	upfront payment in respect of LGPS past service costs, can be met
			from a single reserve.
Public Holiday			
Balance at Start of Year	**64**	**214**	To smooth peaks in overtime expenditure due when bank holidays
Transfer to Reserve in Year	150	75	fall across financial years. In years where the timing of Easter
Transfer from Reserve in Year	0	(289)	means that there are less than the average of 8 public holidays in
Balance at End of Year	**214**	**0**	the year, a contribution is made to the reserve. In years where
			there are more, funds are drawn from the reserve.
Short Term Project Reserves			
Balance at Start of Year	**1,375**	**2,482**	To support a variety of locally managed initiatives granted under the
Transfer to Reserve in Year	1,636	1,518	scheme of devolved resource management. These are primarily
Transfer from Reserve in Year	(529)	(1,181)	multi-year technology based projects or resources to provide
Transfers Between Reserves	0	0	funding for unbudgeted costs within the 2015/16 financial year.
Balance at End of Year	**2,482**	**2,819**	
Total Revenue Reserves			
Balance at Start of Year	**12,705**	**16,795**	Total of all reserves earmarked for revenue purposes (as set out
Transfer to Reserve in Year	**5,191**	**4,629**	above).
Transfer from Reserve in Year	**(1,101)**	**(4,443)**	
Transfers Between Reserves	**0**	**(3,137)**	
Balance at End of Year	**16,795**	**13,844**	
Capital Reserves			
Balance at Start of Year	**8,860**	**10,870**	The capital reserve holds direct contributions from the revenue
Transfer to Reserve in Year	2,010	851	budget to fund capital schemes within the approved capital
Transfer from Reserve in Year	0	(6,315)	programme. Capital reserves are set at a level to ensure that the
Transfers Between Reserves	0	3,137	programme is fully funded for the life of the medium term financial
Balance at End of Year	**10,870**	**8,543**	forecast (4 years).

6 Property, Plant and Equipment

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

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

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

Property, Plant and Equipment	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2013	53,036	8,182	21,580	2,892	120	**85,810**	7,576
Reclassification Adjustment	0	0	66	0	0	**66**	0
Additions	0	636	1,524	58	589	**2,807**	0
Enhancements	418	0	0	0	0	**418**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	490	0	0	0	0	**490**	200
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	106	0	0	0	0	**106**	0
Derecognition - Disposals	0	(995)	0	0	0	**(995)**	0
At 31 March 2014	**54,050**	**7,823**	**23,170**	**2,950**	**709**	**88,702**	**7,776**
Accumulated Depreciation & Impairment							
At 1 April 2013	(1,833)	(5,893)	(16,248)	(2,367)	0	**(26,341)**	(406)
Depreciation Charge	(1,324)	(922)	(2,023)	(126)	0	**(4,395)**	(164)
Depreciation on Disposals	0	995	0	0	0	**995**	0
Depreciation written out to the Revaluation Reserve	1,394	0	0	0	0	**1,394**	388
Depreciation written out to the Surplus/Deficit on the Provision of Services	394	0	0	0	0	**394**	0
Depreciation as at 31 March 2014	**(1,369)**	**(5,820)**	**(18,271)**	**(2,493)**	**0**	**(27,953)**	**(182)**
Net Book Value							
At 31 March 2014	**52,681**	**2,003**	**4,900**	**457**	**709**	**60,750**	**7,594**
At 31 March 2013	**51,203**	**2,289**	**5,332**	**525**	**120**	**59,469**	**7,170**

6.a Valuations Rolling Programme

The Commissioner carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings are carried out on behalf of the Commissioner by Mr. C. Smith Bsc MRICS of Carigiet Cowen and were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on historic cost as a proxy for fair value. The basis of the valuations is set out in the statement of accounting policies on page 83. The table below sets out details of the land and buildings valuations undertaken over the five year rolling programme.

Valuations Rolling Programme	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s
Carried at Historical Cost	202	9,292	24,998	3,545	4,573	**42,610**
Valued at Fair Value as at:						
- 31 March 2015	7,173	0	0	0	0	**7,173**
- 31 March 2014	37,879	0	0	0	0	**37,879**
- 31 March 2013	7,087	0	0	0	0	**7,087**
- 31 March 2012	0	0	0	229	0	**229**
- 31 March 2011	30	0	0	0	0	**30**
Total Cost or Valuation	**52,371**	**9,292**	**24,998**	**3,774**	**4,573**	**95,008**

6.b Impairment Review

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

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

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

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

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

6.d Effects of Changes in Estimates

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

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

The table below analyses the (gain)/loss on sale of property, plant and equipment for the year ended 31 March 2015.

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

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

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

Note in 2014/15 £94k (£49k in 2013/14) of receipts from proceeds of sale included in the above table were individually below the £10k threshold for recognition as capital receipts and have therefore been treated as revenue income. This explains why the capital receipts recorded in note 4 show £24k (£458k in 2013/14) rather than £118k (£507k in 2013/14) as above.

7 Assets Held for Sale

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

The table below shows the movement on Assets Held for Sale in 2014/15 with comparative information for 2013/14.

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

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

8 Intangible Assets

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

A summary of the movements in intangible assets during the year and the position as at 31 March 2015 (with comparatives for 2013/14) is set out in the table below:

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

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

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

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

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

9 Private Finance Initiative (PFI)

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

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

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

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

West TPA HQ – Hall Brow, Workington

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

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

9.a Movement on Fixed Assets

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

9.b PFI Finance Lease Liability

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

PFI Lease Liability	PCC/Group As at 31 March 2014 £000s	2015 £000s
Balance at the start of the year	(5,382)	(5,306)
Repayments made during year	76	86
Balance at the end of the year	**(5,306)**	**(5,220)**
Split of liability		
Current Liability	(86)	(98)
Long Term Liability	(5,220)	(5,122)
	(5,306)	**(5,220)**

9.c Payments Due to be made under PFI Contract

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

Payments Due under PFI Contract	PCC/Group Repayment of Liability £000s	Interest Payments £000s	Service Costs £000s	Total £000s
Repayable within one year	98	646	553	**1,297**
Between two and five years	538	2,438	2,341	**5,317**
Between six and ten years	1,182	2,538	3,400	**7,120**
Between eleven and fifteen years	3,402	562	1,052	**5,016**
	5,220	**6,184**	**7,346**	**18,750**

The repayment of liability figures include a sum of £2,910k between 11 and 15 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 1 (page 29) for further explanation.

10 Leases

10.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

10.b Operating leases

The Commissioner utilises land and buildings and equipment assets under operating leases. The land and buildings are typically short to medium term rentals of buildings. The figures do however include the lease of land at Durranhill from Carlisle City Council upon which the North TPA HQ and custody suite was constructed. This lease runs for a period of 125 years until March 2132 and the annual lease payments are currently £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 2014 £000s	PCC/Group As at 31 March 2015 £000s
Not later than one year	189	227
Later than one year and not later than five years	139	124
Later than five years.	3,379	3,464
	3,707	**3,815**

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

Lease Expenditure Charged to Net Cost of Police Services	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s
Minimum Lease Payments		
- Land and Buildings	154	175
- Equipment	66	74
	220	**249**

North TPA HQ – Durranhill, Carlisle

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

11 Short-term Debtors

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

A breakdown of the amounts owing to the Commissioner as at 31 March 2015 is set out in the table below:

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

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

Analysis of Other Entities and Individuals	PCC As at 31 March 2014 £000s	PCC As at 31 March 2015 £000s	Group As at 31 March 2014 £000s	Group As at 31 March 2015 £000s
Police Pensioners Prepayment	2,018	2,104	2,018	2,104
Goods and Services	354	257	354	257
Prepayments/Payments In Advance	1,027	2,285	1,027	2,285
Employees (accumulated compensating absences)	109	216	109	216
Local Taxpayers (#)	1,761	1,844	1,761	1,844
	5,269	**6,706**	**5,269**	**6,706**
Less - Provision for Bad Debts (Goods & Services)	(4)	(1)	(4)	(1)
Less - Provision for Bad Debts (Local Taxpayers) (#)	(862)	(893)	(862)	(893)
	(866)	**(894)**	**(866)**	**(894)**
Other Entities and Individuals (Net of Impairment)	**4,403**	**5,812**	**4,403**	**5,812**

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

12 Short-term Creditors

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

An analysis of the amounts owed by the Commissioner as at 31 March 2015 is set out in the table below:

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

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

Analysis of Other Entities and Individuals	PCC As at 31 March		Group As at 31 March	
	2014 £000s	2015 £000s	2014 £000s	2015 £000s
Goods and Services	(3,438)	(4,999)	(3,438)	(4,999)
Receipts In Advance	(338)	(170)	(338)	(170)
Employees (accumulated compensating absences)	(3,471)	(2,918)	(3,471)	(2,918)
Local Taxpayers	(675)	(743)	(675)	(743)
Other Entities and Individuals	**(7,922)**	**(8,830)**	**(7,922)**	**(8,830)**

13 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 2015 is provided below:

- Insurance liabilities – this provision has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £100k per event (this figure was £25k until 1 November 2014 when the policy excess was increased from £25k to £100k) are retained by the Commissioner and met internally.

- Termination Payments - this employee related provision relates to a liability that exists in respect of termination benefits as a result of a decision made during 2014/15 for which the actual payments will fall into 2015/16.

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

The table below shows the movements during the year on each of the group provisions and the position as at 31 March 2015.

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

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

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

14 Financial Instruments

__Financial Instruments__ are contracts that give rise to a financial asset in one entity and a financial liability in another. The term covers both __financial assets__ such as loans and receivables and __financial liabilities__ such as creditors and borrowings.

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the PCC/Group are included in section A of a separate technical appendix at Annex B on pages 90 to 94.

The disclosures include:

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

15 Pensions

The PCC/Group participates in the Local Government Pension Scheme (LGPS) for Police Staff and a two pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the PCC/Group are included in section B of a separate technical appendix at Annex B on pages 95 to 104.

The disclosures include:

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

16 Usable Reserves

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

In addition to the Commissioner's Police Fund, which the Commissioner aims to maintain at 5% of budgeted expenditure, the following reserves are maintained and accounted for in line with the Code of practice.

- Capital Receipts Reserve – this reserve is used to hold capital receipts until they are utilised to finance capital expenditure or reduce borrowing.
- Capital Grants Unapplied Account – this reserve is used to hold capital grants until they are utilised to finance capital expenditure.
- Capital Reserve – this reserve is a revenue backed earmarked reserve that has been set aside to fund capital expenditure.
- Earmarked Reserves - The Commissioner has a number of earmarked reserves that exist both to provide a contingency to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Commissioner's earmarked reserves have been formulated in conjunction with the CIPFA guidance on Reserves and Provisions. Details of the earmarked reserves in existence and a brief description as to their purpose is included in note 5 to the accounts (see pages 35-36).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 21 and 22), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 4) and Transfer to/from Earmarked reserves (Note 5).

17 Unusable Reserves

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

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

17.a Revaluation Reserve

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

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

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

The movements on the reserve during 2014/15 and the previous year are set out in the table below:

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

17.b Capital Adjustment Account

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

The movements on the account during 2014/15 and the previous year are set out in the table below:

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

17.c Collection Fund Adjustment Account

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

The end of year balance on the account reflects the Commissioner's aggregate share of the Surplus/(Deficit) on the Collection fund operated by each of the 6 district councils (or billing authorities) that has yet to be distributed. The movements on the account during 2014/15 and the previous year are set out in the table below:

Collection Fund Adjustment Account	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s
Balance at Start of Year	447	373
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(74)	210
Balance at End of Year	373	583

A further breakdown of the movement in year by district council, is provided in note 26 on page 63.

17.d Accumulated Absences Account

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

Accumulated Absences Account	PCC 2013/14 £000s	PCC 2014/15 £000s	Group 2013/14 £000s	Group 2014/15 £000s
Balance at Start of Year	(25)	(26)	(3,670)	(3,362)
Settlement or cancellation of accrual made at the end of the preceeding year	25	26	3,670	3,362
Amounts accrued at the end of the current year	(26)	(17)	(3,362)	(2,701)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	9	308	661
Balance at End of Year	(26)	(17)	(3,362)	(2,701)

17.e Pensions Reserve

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

Pensions Reserve	PCC LGPS Pensions		Group LGPS Pensions		Group Police Pensions	
	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s
Balance at Start of Year	**(966)**	**(563)**	**(29,770)**	**(17,339)**	**(1,010,490)**	**(999,400)**
Adjustment to Opening Balance	0	61	**0**	**0**	**0**	**0**
Adjusted Balance at Start of Year	**(966)**	**(502)**	**(29,770)**	**(17,339)**	**(1,010,490)**	**(999,400)**
Remeasurement of the net defined pension benefit liability/asset	475	(326)	14,623	(15,615)	51,350	(105,250)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(168)	(106)	(5,145)	(3,985)	(65,890)	(63,910)
Employer's pension contributions and direct payments to pensioners payable	96	138	2,953	4,762	25,630	25,990
Balance at End of Year	**(563)**	**(796)**	**(17,339)**	**(32,177)**	**(999,400)**	**(1,142,570)**

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

18 Related Party Transactions

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

18.a Chief Constable for Cumbria Constabulary

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

18.b Central Government

Central government has effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework within which the Commissioner operates and provides the majority of its funding in the form of grants. Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement (page 23). Government Grants included within the Net Cost of Services are detailed in note 25 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term debtors note 11.

18.c Members

The Commissioner has eight appointed Members, four who serve on the Joint Audit and Standards Committee and four who serve on the Ethics and Integrity Panel. These members are required to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2014/15 financial year. The total members allowances paid in 2014/15 are shown in note 19.

18.d Officers and Employees

Employees of the Commissioner and senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2014/15 financial year.

18.e Other Public Bodies

The Commissioner's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex B) pages 95-104.

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

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

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

19 Members Allowances and Expenses

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

Members Allowances	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s
Basic Allowance	9	9
Travel and Subsistence	7	8
	16	**17**

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

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

20 Disclosure of Remuneration for Senior Employees

The following tables sets out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is less than £150,000 but more than £50,000 per year. The first table provides the information for 2014/15 and the second provides comparatives for 2013/14.

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

Notes to the Accounts

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

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

Notes:

1 The Chief Constable was appointed on 1/8/14 (prior to this he was Deputy Chief Constable)

2 The Deputy Chief Constable was promoted on 1/8/14 (prior to this she was Assistant Chief Constable).

3 Temporary Assistant Chief Constable was promoted to ACC on 1/8/14

4 Chief Superintendent (A) became Chief Superintendent TPA on 1/8/14 & was promoted to Detective Chief Superintendent Crime Command on 1/2/15

5 Chief Superintendent (B) retired on the 12/5/14

6 Temporary Chief Superintendent (C) covered position of Temporary Chief Superintendent Crime from 12/5/14 to 31/1/15.

7 Temporary Chief Superintendent (D) was promoted on 1/2/15 to temporary Chief Superintendent (TPA).

8 The Superintendent Professional Standards post was removed from 12/5/14

9 The Chief Inspector become Head of Professional Standards on the 12/05/14 following the removal of the Superintendent post.

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

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

Notes:

1 Temporary Chief Constable (A) was suspended on full on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from office In December 2013.

2 Temporary Deputy Chief Constable (A) was in post as Temporary DCC until 09/09/13 and then reverted to the role of Assistant Chief Constable.

3 Deputy Chief Constable (B) was in post as Assistant Chief Constable until 01/01/14 and was then appointed to the role of Deputy Chief Constable.

4 Chief Superintendent A retired from office on 13/08/13

5 Chief Superintendent C resigned from office on 01/09/13

21 Employee Remuneration

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

Remuneration Band	2013/14 PCC Police Staff	2013/14 CC Police Staff	2013/14 CC Snr Police Officers	2013/14 Group Total	2014/15 PCC Police Staff	2014/15 CC Police Staff	2014/15 CC Snr Police Officers	2014/15 Group Total
£50,000 to £54,999	3	3	0	**6**	0	2	0	**2**
£55,000 to £59,999	3	1	0	**4**	1	3	0	**4**
£60,000 to £64,999	0	2	0	**2**	0	0	0	**0**
£65,000 to £69,999	0	2	0	**2**	1	0	1	**2**
£70,000 to £74,999	4	0	0	**4**	1	3	0	**4**
£75,000 to £79,999	1	0	1	**2**	0	1	1	**2**
£80,000 to £84,999	0	0	1	**1**	0	0	1	**1**
£85,000 to £89,999	1	0	0	**1**	1	0	0	**1**
£90,000 to £94,999	0	0	0	**0**	0	0	1	**1**
£95,000 to £99,999	0	0	0	**0**	0	0	0	**0**
£100,000 to £104,999	0	0	0	**0**	0	0	0	**0**
£105,000 to £109,999	0	0	1	**1**	0	0	0	**0**
£110,000 to £114,999	0	0	2	**2**	0	0	1	**1**
£115,000 to £119,999	0	0	0	**0**	0	0	0	**0**
£120,000 to £124,999	0	0	0	**0**	0	0	0	**0**
£125,000 to £129,999	0	0	0	**0**	0	0	0	**0**
£130,000 to £134,999	0	0	0	**0**	0	0	1	**1**
Total	**12**	**8**	**5**	**25**	**4**	**9**	**6**	**19**

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

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

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

22 Exit Packages

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

Exit package cost band (including special payments)	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	
	2013/14 Headcount	2014/15 Headcount	2013/14 Headcount	2014/15 Headcount	2013/14 Headcount	2014/15 Headcount	2013/14 £000's	2014/15 £000's
£0-£20,000	12	2	12	0	24	2	292	23
£20,001 - £40,000	3	2	6	1	9	3	245	102
£40,001 - £60,000	1	0	2	0	3	0	161	0
£60,001 - £80,000	1	0	1	0	2	0	122	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	**17**	**4**	**21**	**1**	**38**	**5**	**820**	**125**

23 Termination Payments

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

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

The exit packages paid in 2014/15 amount to £125k (£820k in 2013/14). The exit packages can be further split into compensation for loss of employment £125k (£645k in 2013/14) and enhanced pension benefits £0k (£175k in 2013/14). The redundancies are as a result of the Constabulary's change programme. The Exit Packages note above (note 22) provides details of the number and total cost of exit packages per band and include those exit packages paid in 2014/15 and those agreed for individuals in 2014/15 but paid in 2015/16 for which an accrual was made in the 2014/15 accounts.

A further amount of £555k (£45k in 2013/14) has been set aside in a provision to pay termination costs as a result of decisions made in principle in 2014/15 but where there was some uncertainty over the individual staff or timing of the termination but for which a reasonable estimate can be made of amount of the probable obligation. This amount is netted down by costs charged against the provision in respect of 2013/14 decisions provided for at the year-end where the payment was actually made in 2014/15 of £5k (£194k in 2013/14), providing a net movement on the provision of £550k (-£149k in 2013/14).

24 Audit Fees

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

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

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

25 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15.

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

26 Income from Council Tax

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

The income from Council Tax for 2014/15 is received as precept from the six district councils as set out below:

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

The comparative information for 2013/14 is as follows:

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

27 Contingent Liabilities

Insurance Claims

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

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

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

Redundancy Costs

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

Injury pensions

A case regarding the payment of injury pensions to a retired police officer has highlighted a conflict between police (injury benefits) regulations and social security legislation. The implication of the case is that police injury benefits should no longer be reduced by entitlement to social security benefits (employment support allowance). At this stage it is unclear if the decision will have a retrospective impact on police organisations or if the change will be implemented on a future claims basis only. In the absence of further guidance from the Home Office and Department for Work and Pensions, this matter has been treated as a contingent liability in the 2014/15 statement of accounts.

Employment Appeal Tribunal

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

28 Capital Expenditure and Capital Financing

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

The commissioner approves on an annual basis a capital programme for the Constabulary. The capital programme is fully funded for a four year period to tie in with the medium term financial forecast. The capital programme covers the routine cyclical replacement of ICT equipment and vehicles and also includes specific one off projects. Due to the cyclical nature of the majority of the capital programme, the programme is also modelled at a high level over a 10 year longer term horizon. The capital programme for 2014/15 was approved by the Commissioner at his Executive Board Meeting on 24 February 2014. The capital strategy report can be found on the Commissioner's website at:
http://www.cumbria-pcc.gov.uk/media/22533/REVISED%20Combined%20papers%20for%20Exec%20Board%2024.02.2014.pdf

The capital programme for 2014/15 included a major estates project to provide a new TPA HQ at Barrow, the project is progressing well and the building is due to be completed and become operational in Autumn 2015. The capital outturn report for 2014/15 was approved by the Commissioner on 27 May 2015 and can also be found on the Commissioner's website at: www.cumbria-pcc.gov.uk/governance-transparency/budget-finance.aspx.

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

Capital Expenditure	PCC/Group 2013/14 £000s	PCC/Group 2014/15 £000s
Technology Schemes		
Case & Custody System	0	354
Computer Hardware & Infrastructure	994	868
Mobility & Digitisation	49	468
Wide Area Network (WAN)	0	293
Other Technology Schemes	481	127
	1,524	**2,110**
Vehicles Replacement Scheme	**636**	**2,163**
Building Schemes		
South Estate - Barrow	590	3,864
Other Building Schemes	418	349
	1,008	**4,213**
Equipment Schemes		
County Wide CCTV System	0	595
Other Equipment Schemes	58	229
	58	**824**
Intangible Assets	**85**	**149**
Total Capital Expenditure	**3,311**	**9,459**

28.a Capital Financing

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

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

29 Capital Commitments

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

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

30 Minimum Revenue Provision

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

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

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

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

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

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

- IFRS 13 Fair Value Measurement (May 2011) (implementation has been deferred until 2015/16);
- IFRIC 21 Levies;
- Annual Improvements to IFRSs (2011-2013 cycle):
  - IFRS 1 Meaning of effective IFRSs;
  - IFRS 3 Scope exceptions for joint ventures;
  - IFRS 13 Scope of paragraph 52 (portfolio exception);
  - IAS40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment property when classifying property as investment property or owner/occupied property;

In the Financial Statements for 2015/16, the effect of the changes will be assessed and where necessary, the comparative figures restated.

Police Officer Pension Fund Account

Police Officer Pension Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2014/15 financial year together with comparative information for 2013/14.

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

Net Assets Statement

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

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

Notes to the Police Officer Pension Fund Account

Accounting Policies

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

Operation of Police Pensions Schemes

Up to 31 March 2015 the Chief Constable operated two Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the new scheme and the previous scheme has been closed to new members. Officers who are members of the old scheme are allowed by regulation to become members of the new (2006) scheme if they so wish. Members' contribution rates for 2014/15 were between 11% and 12.75% (10.7%-12% in 2013/14) for the 2006 scheme and between 14.25% and 15.05% (13.5%-14% in 2013/14) for the old scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 24). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex B) Section B (pages 95-104).

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

Funding of Police Pension Schemes

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

Glossary of Terms

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

ACPO
The Association of Chief Police Officers.

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

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

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

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

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

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

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

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

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

CC
The Chief Constable for Cumbria Constabulary.

CC CFO
The Chief Constable's Chief Finance Officer.

Chief Constable
The Chief Constable for Cumbria Constabulary.

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

Commissioner
The Police and Crime Commissioner for Cumbria.

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

Contingency
A sum set aside to meet unforeseen expenditure.

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

Glossary of Terms

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

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

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

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

Direct Revenue Contributions (DRC)
Resources provided from the Police and Crime Commissioner's revenue budget to finance the cost of capital projects.

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

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

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

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

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

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

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

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

- Finance Lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Police and Crime Commissioner's balance sheet at a current valuation.

- Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

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

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

PCC
The Police and Crime Commissioner for Cumbria.

PCC CFO
The Police and Crime Commissioner's Chief Finance Officer.

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

Public Works Loan Board (PWLB)
A Government agency which provides longer term loans to Local Authorities at interest rates which are only slightly higher than those at which the government itself can borrow.

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

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

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

The Commissioner
The Police and Crime Commissioner for Cumbria.

TPA
Territorial Policing Area.

Annex A - Statement of Accounting Policies

1 General Principles

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

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

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

2 Accruals of Income and Expenditure

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

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

Accrual Example 1
An electricity invoice received at the start of April will usually relate to the previous quarters electricity consumption (January to March) and as such this expenditure should be shown in the financial statements for the previous financial year. The invoice will actually be paid in the new year but the costs are charged to the previous year by way of an accrual.

Accrual Example 2
The PCC/Constabulary insurance premiums are due on 1 November each year. The premium paid covers five months of the current financial year and seven months of the next. A prepayment is made in the accounts to move the cost of the seven months into the correct year.

Annex A - Statement of Accounting Policies

3 Cash and Cash Equivalents

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

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

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

4 Exceptional Items

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

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

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

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

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

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

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

6 Charges to Revenue for Non-Current Assets

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

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

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

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

7 Employee Benefits

7.1 Employee Benefits payable during Employment

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

7.2 Termination Benefits

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

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

8 Post-Employment Benefits

8.1 General

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

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

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

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

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

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their fair value at current prices using a discount rate (see assumptions set out in the pensions disclosure section of the technical annex (Annex B) on page 103.

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

- **Service cost comprising:**
  - Current service costs – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined pension benefit liability (asset) – i.e. the net interest expense for the organisation – the change during the period in the net defined pension benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined pension benefit obligation at the beginning of the period to the net defined pension benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined pension benefit liability (assets) during the period as a result of contribution and benefit payments.

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

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

The pensions disclosures section of the Technical Annex (Annex B) provides further information about the pension scheme (see pages 95-104).

8.2 Police Officers

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

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

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

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

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 68-69). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the Police Fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office.

8.3 Police Staff

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

Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities.

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

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

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

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

9 Events after the Balance Sheet Date

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

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

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

Annex A - Statement of Accounting Policies

10 Financial Instruments - Financial Liabilities

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

11 Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

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

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

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

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

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

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

12 Government Grants and Contributions

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

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

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the body making the grant or contribution.
Monies advanced as grants or contributions for which conditions have not been satisfied are carried on the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant function line (attributable revenue grants and contributions) or Taxation and Non-Specific Grants Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset. Intangible assets are initially measured at cost amounts and are only revalued where the fair value of the asset can be determined by an active market. The depreciable amount of an intangible asset is amortised over its useful life (usually 5 years) to the relevant function(s) in the Comprehensive Income and Expenditure Statement. Once intangible assets have been fully amortised, at the end of their useful lives, the gross book value and accumulated amortisation for those assets will be written out of the asset register. There will be no impact on the core financial statements (balance sheet) as a result of this as the net book value will already be nil.

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

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

14 Inventories

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

15 Leases

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

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

15.1 Finance leases (as Lessee)

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

Lease payments are apportioned between:

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

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

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

15.2 Operating Leases (as Lessee)

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

15.3 Finance Leases (as Lessor)

There are currently no finance leases as a lessor.

15.4 Operating Leases (as Lessor)

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

16 Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

17 Property, Plant and Equipment

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

17.1 Recognition

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

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

17.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

Category	Basis of Valuation
Land and Buildings (Specialised)	Depreciated Replacement Cost
Land and Buildings (Non Specialised)	Existing Use Value
Vehicles, Plant, Furniture and Equipment	Depreciated Historic Cost (as a proxy for fair value)
Assets Held for Sale	Market Value (or carrying amount if lower)
Assets Under Construction	Historic Cost

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

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

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

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

17.3 Impairment

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

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

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

Where an impairment loss is reversed subsequently by a revaluation gain, the reversal is credited to the relevant function line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation (if material) that would have been charged if the loss had not been recognised.
Impairment losses are not a charge against Council Tax. The balance on the Comprehensive Income and Expenditure Statement arising from an impairment loss is appropriated to the Capital Adjustment Account through the Movement in Reserves Statement.

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

17.4 Depreciation

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

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

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

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

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

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

17.5 Disposal and Non-Current Assets Held for Sale

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

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

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

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

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

17.6 Capital Receipts

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

17.7 Component Accounting

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

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

18 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Police Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the police fund balance. The gains and losses are therefore reversed out of the police fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater that £10,000) the Capital Receipts Reserve.

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

19 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

There is currently one PFI scheme recognised on the Balance Sheet and this relates to the West Cumbria TPA HQ at Workington. Under the terms of the Commissioner's funding arrangement to the Chief Constable the Commissioner controls all property and, accordingly, the PFI building is recorded on the Balance Sheet of the Commissioner. A charge is made by the Commissioner to the Chief Constable in the Comprehensive Income and Expenditure Statement for the Chief Constable's use of the building and the services provided. Further details of the arrangement and accounting treatment can be found in note 9 (pages 43-44) of the notes to the accounts.

20 Heritage Assets

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

21 Provisions, Contingent Liabilities and Contingent Assets

21.1 Provisions

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

Provisions are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Details of provisions made during the year are shown in the notes to the accounts (note 13, page 48).

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

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

21.2 Contingent Liabilities

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

21.3 Contingent Assets

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

Annex A - Statement of Accounting Policies

22 Reserves

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

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

23 Material Estimation Techniques

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

23.1 Pension Disclosure Note:

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

(a) the benefits pensioners and deferred pensioners (i.e. individuals who have ceased as active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and

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

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

23.2 Property Revaluations

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

Annex A - Statement of Accounting Policies

24 Collection Fund

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

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

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

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

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

25 Value Added Tax (VAT)

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

Annex B – Technical Annex

Section A - Financial Instrument Disclosures

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

A1 Categories of Financial Instrument

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

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

A2 Gains and Losses on Financial Instruments

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

Gains and Losses on Financial Instruments	PCC/Group 2013/14				PCC/Group 2014/15			
	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest Expense	0	669	0	**669**	0	658	0	**658**
Impairment Losses (Bad Debts Provision Increase)	(2)	0	0	**(2)**	0	0	0	**0**
Total Expenses in (Surplus) or Deficit on the Provision of Services	**(2)**	**669**	**0**	**667**	**0**	**658**	**0**	**658**
Interest Income	0	0	(148)	**(148)**	0	0	(155)	**(155)**
Impairment Gain (Bad Debts Provision Reduction)	0	0	0	**0**	3	0	0	**3**
Total Income in (Surplus) or Deficit on the Provision of Services	**0**	**0**	**(148)**	**(148)**	**3**	**0**	**(155)**	**(152)**
Net (Gain)/Loss for the Year	**(2)**	**669**	**(148)**	**519**	**3**	**658**	**(155)**	**506**

A3 Fair value of Assets and Liabilities Carried at Amortised Cost

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

- Estimated interest rates at 31 March 2015 of 3% for loans from the Public Works Loans Board (PWLB).
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.
- In calculating the fair value of the PFI a discount rate based on the returns of a zero coupon AA corporate bond have been used to discount future cash flows as this instrument has an estimated risk profile equivalent to that of public sector PFI schemes.

The fair values calculated are as follows:

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

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

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

A4 Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The Commissioner's activities expose it to a variety of financial risks. The Commissioner's annual Treasury Management Strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Commissioner provides written policies within its Treasury Management Strategy covering interest rate risk, credit risk and the investment of surplus cash balances. A copy of the current Treasury Management Strategy Statement can be found on the Police and Crime Commissioner's website at:
http://www.cumbria-pcc.gov.uk/media/33510/TM%20Strategy%20Combined.pdf

A4 (i) Credit Risk

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

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

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's ratings services. The annual TMSS (approved by the Commissioner in February 2014), also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria as set out in the 2014/15 TMSS in respect of financial assets held by the Commissioner are detailed below:

Financial Asset Category	Minimum Criteria	Maximum Investment
Deposits with major UK and non UK Banks and Building Societies	Short Term: F2/P2 Long Term: A-/A1	The lower of £3m (per institution or group). Maximum of all deposits £18m.
Deposits with Money Market Funds	Long Term: AAA	£3m per fund. Maximum of all deposits £15m.
Deposits with Other Local Authorities	Not credit rated but are legally required to set a balanced budget.	£2m per authority. Maximum of all deposits – No Limit.
Deposits with Debt Management Agency Deposit Facility	Not credit rated but deposits have the best possible credit through the HM Government guarantee	No limit.

Annex B – Technical Annex

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £13m at the balance sheet date cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31 March 2015 that this was likely to happen.

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

Potential Maximum Exposure to Credit Risk	Amount at 31/03/15 £000s	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/15	Estimated maximum exposure to default and uncollectability £000s	Comparative Estimated maximum exposure at 31/03/14 £000s
Customers - Operational Debtors	1,424	0.05%	0.02%	1	4

The Commissioner does not generally allow credit for customers. At the 31 March 2015, £118k of the £1,424k balance of operational debt was past the due date for payment. This sum has reduced from the balance at 31 March 2014 (£231k out of £1,362k overdue), as a consequence the Commissioner has reduced the bad debt provision as at 31 March 2015 from £4k to £1k to reflect a degree of uncertainty around a reduced number of the longer standing debts. The past due amount can be analysed by age as follows:

Aged Debt Past Due Date	PCC/Group As at 31 March 2014 £000s	2015 £000s
Total Operational Debtors	1,362	1,424
Aged Debt past its due date by:		
1-30 Days	174	102
31-60 Days	27	3
61-90 Days	10	3
91-180 Days	5	2
181-360 Days	8	0
361+ Days	7	8
	231	**118**

A4 (ii) Liquidity Risk

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

As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2015 no actual external debt having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A more pertinent risk is that the Commissioner will be required to replenish a significant proportion of its internal borrowings at a time of unfavourable interest rates. At the balance sheet date the Commissioner is confident that it has adequate working capital principally as a result of its reserves to mitigate this risk. Nevertheless, prevailing money market rates are regularly monitored with a view to ensuring that long term debt financing decisions are made at the optimum time.

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

A4 (iii) Market Risk

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

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

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

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

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

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

The Treasury Management Strategy also advises on the limits for new variable and fixed–rate borrowing for the year. No new external borrowing was undertaken in 2014/15.

Section B – Pensions Disclosures

B1 Pension Schemes

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

The Commissioner participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff employees, administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded defined benefit scheme, meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2014/15 the Commissioner made a contribution of 12.7% of pensionable pay supplemented by a contribution to past service costs for the group of £2,397k (£69k for the PCC single entity statements). The past service contribution made in 2014/15 represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2013 with revised rates applicable from April 2014.

- The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The Commissioner and employees pay contributions into a separate pensions fund account administered by the Commissioner from which on-going pensions liabilities are met. At the year-end any surplus or deficit on the pensions fund account is paid to or met by the Commissioner who then repays or is reimbursed by the Home Office. (2014/15 contribution rates for employers were 24.2% of pensionable pay and was last reviewed in March 2007).

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

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

Annex B – Technical Annex

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

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

Annex B – Technical Annex

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

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

B2 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March 2015 are as follows:-

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

The liabilities in the above table show the underlying commitments that the Commissioner has, in the long run, to pay retirement benefits. The total group liability of £1.175m (£1.017m at 31 March 2014) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £1.096m (£0.938m at 31 March 2014).

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

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

The underlying assets and liabilities for retirement benefits attributable to the PCC Single Entity at 31 March 2015 are as follows:

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

Annex B – Technical Annex

Reconciliation of present value of scheme liabilities for the group:

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

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

Annex B – Technical Annex

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

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

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

Annex B – Technical Annex

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

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

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

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

Annex B – Technical Annex

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

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

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

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

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

Sensitivity Analysis – LGPS Pension Scheme

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

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Group	
	Police Pensions Old Scheme £000s	Police Pensions 2006 Scheme £000s
Assumption Sensitivity		
Longevity (1 Year increase in life expectancy)	27,000	600
Rate of Increase in Pensions (increase by 0.5%)	102,000	2,700
Rate of Increase in Salaries (increase by 0.5%)	16,000	2,400
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(124,000)	(5,600)
Early etirement (each member retiring 1 year earlier than expected)	(5,000)	200

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

Impact on the Commissioner's Cash Flows

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

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

The total group contributions expected to be made to the Local Government Pension Scheme by the Commissioner in the year to 31 March 2016 are £2,458k (PCC single entity £73k). Expected contributions for the Police Pension Scheme in the year to 31 March 2016 are £10,107k.

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

Weigted Average Duration of the Defined benefit Obligation	2013/14 Years	2014/15 Years
Pensions Scheme		
Local Government Pension Scheme	23	20-22
Police Pension -Old Scheme	21	22
Police Pension -2006 Scheme	37	33

Section C – Segmental Reporting

C1 Subjective Analysis of Income and Expenditure - Group

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

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

C1(i) Segmental Income and Expenditure - Group

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

The figures for 2014/15 are as follows:

Income & Expenditure by Reporting Segments	Employee Expensses	Expenditure Other Operating Expenses	Total	Fees, Charges & Other	Income Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner							
- Office of the PCC	584	187	**771**	0	0	**0**	**771**
- PCC Other (including Transition)	0	0	**0**	0	0	**0**	**0**
- PCC Commissioned Services	88	743	**831**	(38)	0	**(38)**	**793**
Cumbria Constabulary							
- Territorial Policing Command	52,567	8,566	**61,133**	(2,249)	(38)	**(2,287)**	**58,846**
- Crime Command	16,555	2,058	**18,613**	(156)	(174)	**(330)**	**18,283**
- Corporate Support	7,664	9,962	**17,626**	(475)	0	**(475)**	**17,151**
- Corporate Improvement	612	135	**747**	(1)	0	**(1)**	**746**
- Professional Standards	983	38	**1,021**	(28)	0	**(28)**	**993**
- Legal Services	324	71	**395**	(167)	0	**(167)**	**228**
Total	**79,377**	**21,760**	**101,137**	**(3,114)**	**(212)**	**(3,326)**	**97,811**

The comparative information for 2013/14 is as follows:

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

C1(ii) Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement – Group

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

C1(iii) Reconciliation to Subjective Analysis - Group

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

The figures for 2014/15 are as follows:

Reconciliation to Subjective Analysis	Group Service Analysis £000s	Group Services not in Analysis £000s	Group Technical Adjustments £000s	Group Not included in CI&ES £000s	Group Net Cost of Services £000s	Group Corporate Amounts £000s	Group Total £000s
Fees, charges & other service income	(3,114)	(1,505)	0	0	**(4,619)**	(12)	**(4,631)**
Interest and investment income	0	0	0	0	**0**	(155)	**(155)**
Income from council tax	0	0	0	0	**0**	(33,815)	**(33,815)**
Government grants and contributions	(212)	(848)	0	0	**(1,060)**	(85,203)	**(86,263)**
Total Income	**(3,326)**	**(2,353)**	**0**	**0**	**(5,679)**	**(119,185)**	**(124,864)**
Employee expenses	79,377	7,157	28,491	(36,482)	**78,543**	44,474	**123,017**
Other service expenses	21,760	700	0	0	**22,460**	15,169	**37,629**
Depreciation, amortisation and impairment	0	0	1,288	0	**1,288**	0	**1,288**
Interest Payments	0	0	0	0	**0**	659	**659**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	**0**	(106)	**(106)**
Total operating expenses	**101,137**	**7,857**	**29,779**	**(36,482)**	**102,291**	**60,196**	**162,487**
(Surplus) or deficit on the provision of services	**97,811**	**5,504**	**29,779**	**(36,482)**	**96,612**	**(58,989)**	**37,623**

The comparative information for 2013/14 is as follows:

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

C2 Subjective Analysis of Income and Expenditure - PCC

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

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

C2(i) Segmental Income and Expenditure - PCC

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

Income & Expenditure by Reporting Segments	Expenditure				Income			
	Employee Expensses	Other Operating Expenses	Funding provided by PCC to CC	Total	Fees, Charges & Other Service	Government Grants	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Police and Crime Commissioner								
- Office of the PCC	584	188	0	**772**	0	0	**0**	**772**
- PCC Other	0	0	106,912	**106,912**	(4,581)	(1,060)	**(5,641)**	**101,271**
- PCC Commissioned Services	88	743	0	**831**	(38)	0	**(38)**	**793**
Cumbria Constabulary								
- Corporate Support	166	222	0	**388**	0	0	**0**	**388**
- Legal Services	4	2	0	**6**	0	0	**0**	**6**
Total	**842**	**1,155**	**106,912**	**108,909**	**(4,619)**	**(1,060)**	**(5,679)**	**103,230**

The comparative information for 2013/14 is as follows:

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

C2(ii) Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement – PCC

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

C2(iii) Reconciliation to Subjective Analysis - PCC

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

The figures for 2014/15 are as follows:

Reconciliation to Subjective Analysis	PCC Service Analysis	PCC Services not in Analysis	PCC Technical Adjustments	PCC Not included in CI&ES	PCC Net Cost of Services	PCC Corporate Amounts	PCC Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(4,619)	0	0	0	**(4,619)**	(12)	**(4,631)**
Interest and investment income	0	0	0	0	**0**	(155)	**(155)**
Income from council tax	0	0	0	0	**0**	(33,815)	**(33,815)**
Government grants and contributions	(1,060)	0	0	0	**(1,060)**	(85,203)	**(86,263)**
Total Income	**(5,679)**	**0**	**0**	**0**	**(5,679)**	**(119,185)**	**(124,864)**
Employee expenses	842	69	(67)	25	**869**	18	**887**
Other service expenses	1,155				**1,155**	15,169	**16,324**
Depreciation, amortisation and impairment	0	0	1,288	0	**1,288**	0	**1,288**
Interest Payments	0	0	0	0	**0**	659	**659**
Funding provided by PCC to CC	106,912	0	0	0	**106,912**	0	**106,912**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	**0**	(106)	**(106)**
Total operating expenses	**108,909**	**69**	**1,221**	**25**	**110,224**	**15,740**	**125,964**
(Surplus) or deficit on the provision of services	**103,230**	**69**	**1,221**	**25**	**104,545**	**(103,445)**	**1,100**

The comparative information for 2013/14 is as follows:

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

Annex C – Annual Governance Statement

Police and Crime Commissioner for Cumbria

Annual Governance Statement 2014-15

Annex C – Annual Governance Statement

The Police and Crime Commissioner for Cumbria

Annual Governance Statement 2014-15

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

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

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

This Annual Governance Statement (AGS) describes how the Commissioner has followed The Code. It also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011. The regulations say that we must publish an Annual Governance Statement (AGS) to accompany the Commissioner's statement of accounts.

THE AIM OF THE GOVERNANCE FRAMEWORK

The governance framework consists of the systems, processes, culture and values by which the Commissioner is directed and controlled and the activities through which the Commissioner gets involved with and leads the community. The framework enables the Commissioner to monitor the achievement of our aims and objectives and to consider whether those aims have led to the delivery of appropriate efficient and effective police, community safety and victim services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Commissioner's policies, aims and objectives, to assess the likelihood of those risks happening and what would take place if they did happen. This helps us to understand our risks and so we can manage them effectively, efficiently and economically.

The Commissioner is responsible for reviewing, at least annually, the effectiveness of his governance framework including the system of internal control.

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REWIEW OF EFFECTIVENESS

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

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of his governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers who have responsibility for the development and maintenance of the governance environment. The review process comprises:

A cyclical detailed review of the key documents within the Commissioner's governance framework, e.g. Financial Regulations, Scheme of Delegation, Code of Conduct. The review includes consideration of the documents by the Joint Audit and Standards Committee/Ethics and Integrity Panel, as appropriate, prior to their presentation to the Commissioner for approval.

An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance. As part of this review the Commissioner's Code of Corporate Governance is updated to reflect changes in the governance framework and the implementation of the prior year AGS development plan.

Six Core Principles of Governance

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

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A review of what has happened during the past year to evidence how the governance framework has been complied with. The process includes consideration of the questions and challenges raised within the CIPFA Good Governance Guidance Note for Police and a discussion on how well existing arrangements meet the good practice examples within the guidance.

A review of the effectiveness of the arrangements for Internal Audit, undertaken by the Commissioner's Chief Finance Officer. The effectiveness of Internal Audit is considered against the Public Sector Internal Audit Standard (PSIAS) and CIPFA's Local Government Application Note, a self-assessment checklist. The review supports a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control. The review is supported by consideration of the opinion of the Chief Internal Auditor on the Commissioner's control environment, as set out in her annual report.

A review of the effectiveness of the Joint Audit and Standards Committee is considered against CIPFA guidance on Audit Committees for Police. This is a self-assessment by the Committee and supported by the Commissioner's Chief Finance Officer. As part of the review consideration is given to assurance that can be provided by the Committee's annual work programme in evidencing the effectiveness of internal controls and as a contribution to the effectiveness of overall governance arrangements.

As part of the review process, the Annual Governance Statement is prepared by lead officers and presented in draft to the Commissioner's Internal Auditors and the Joint Audit and Standards Committee, alongside a report detailing the findings of the review. Whilst no significant governance issues have arisen as part of the review process, the Statement identifies areas for development and improvement. The AGS is approved by the Commissioner, the Chief Executive and the Chief Finance Officer prior to being issued alongside the draft unaudited Statement of Accounts.

The AGS remains under review during the audit of the financial statements. It is updated, where appropriate, following the audit, with consideration being given to the opinion of the External Auditor, expressed within her annual Audit Findings Report and the External Auditor's value for money conclusion.

The following paragraphs set out the Governance Framework and how the Commissioner has complied with each of the six governance principles within the Code of Corporate Governance. A wide range of staff have contributed narrative for each section of this statement. This provides a lengthier document but one which values the input from members of our team and provides the reader with greater insight into the governance activity that has been carried out over the past year. Each section of the statement includes a commentary on areas for development and improvement that have been identified as part of the review process and are collated into the action plan appended to The Statement. The AGS also includes an update on the implementation of planned actions from the 2013-14 review, and how these were addressed as shown in the 2014-15 development plan update.

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

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Police Reform and Social Responsibility Act (PR&SRA) requires the Commissioner to produce a Police and Crime Plan setting the vision and strategic direction for policing, crime reduction and community safety. In March 2013 the Commissioner launched his first Plan, and set out his intention to review it annually to reflect changing financial circumstances and emerging issues, as well as reflect the feedback received from public engagement during the year.

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

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

The priorities within the plan are to:

- Ensure Cumbria remains a safe place to live, work and visit by keeping crime at low levels, particularly violent crime and thefts;
- Reduce the impact antisocial behaviour has on our communities;
- Reduce the impact of alcohol misuse on our communities;
- Tackle the problem of drug supply in the county;
- Reduce the impact irresponsible driving has on our communities;
- Keep our rural communities safe by tackling crime and disorder in rural areas;
- Provide justice for the victims by detecting crime and bringing criminals to justice;
- Address offender behaviour to reduce adult and youth offending and reoffending;
- Establish a collaborative approach to providing support and assistance to vulnerable veterans to assist them to remain clear of criminal activity;
- Reduce harm by targeting domestic abuse and sexual violence;
- Reduce the harm caused by hate crime;
- Give due consideration to public opinion in policing matters;
- Ensure victims of crime have access to support and redress;
- Tackle the increasing incidence of cyber-crime;
- Deliver a county wide CCTV initiative.

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

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

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

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

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

The Commissioner's activities, performance and achievements are published in an annual report which is presented to the Police and Crime Panel prior to publication. The Commissioner's third annual report, covering the 12 months from 1st April 2014 to 31st March 2015 will be presented to the Police and Crime Panel on 17 July 2015 and highlights a number of key achievements including:

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

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

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Financial performance is set out in the Commissioner's Financial Statements which includes a more accessible summary statement. The 2013-14 Statements were approved following external audit and reviewed by a joint meeting of the Audit and Standards Committee and the Commissioner's Executive Board on 22 September 2014. The External Auditor's Audit Findings Report noted the significant presentational changes made to the financial statements with a view of improving the readability of the accounts. In the opinion of the auditors this worked well in providing a clear easier to read set of accounts. This work secured a reference for the Police and Crime Commissioner and Chief Constable in Grant Thornton's Local Government Governance Review 2015. The auditors also commented that the Commissioner continued to show strong financial resilience and good financial planning and management, noting that priorities are based on a clear understanding of the local community needs and investment is being targeted. The auditors confirmed that the Commissioner had proper arrangements in place for securing economy, efficient and effectiveness in the use of resources.

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

At the Executive Board meeting of 24th February 2014 the Commissioner set the 2014-15 annual budget and precept in the context of a 4 year medium term financial forecast (MTFF). In line with his duty to maintain the police force and the Police and Crime Plan priority to deliver effective policing, detect crime and bring criminals to justice, the Commissioner agreed funding of £117.6m for the Chief Constable for the 2014-15 financial year.

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

The budget included £4.6m funding for 2014-15 within a commissioned services budget for victims, community safety and crime reduction in partnership with the District and County Councils, Community Safety Partnerships and wider community and voluntary Sector groups. Funding was also provided for Police Innovation, supporting investment for more efficient and effective working within the Constabulary. The arrangements for Commissioning and the issue of grants have been codified within a Commissioning Strategy approved by the Commissioner at his Executive Board on 27 March 2014. The strategy is supported by a set of accompanying grant regulations.

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

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

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

Following the publication of 'Care, Consideration and a Voice for Victims', and 'Taking the Next Steps' in 2014 the recommendations identified provided a clear focus of activity for the PCC and partners' work in key areas of the Police and Crime Plan: support for victims, domestic abuse, sexual violence and youth justice. Working with a wide range of partners, these reports identified areas for improvement in services and developed an evidence base to support future commissioning activity.

The resulting action plans have identified clear responsibilities for making improvements in identified areas and governance processes have been put in place through partnership groups alongside the OPCC, to ensure their delivery. They have already resulted, amongst other areas, to improvements in services for domestic abuse victims through changes in the service commissioned during 2015 and to the firm commitment of partners to the delivery of a holistic service to victims of sexual violence, which will have a significant impact on reducing the harm caused by such crimes.

Following the launch of the Office of Victim Support, the Commissioner has put in place arrangements for victims in order to comply with his new commissioning responsibilities for victims support services that came into place in October 2014. The approved commissioning strategy and budget sets out funding for victims services over a four year timeframe. The strategy and accompanying grant regulations provide authority to enter into partnership arrangements, issue grants and procure services for the provision of support to victims of crime and anti-social behaviour. A Victims' Advocate has been appointed with responsibility for the overall arrangements for victims including the establishment of a Victims' Charity. Wider victim referral services have been relocated to Cumbria as from 01 April 2015.

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

The Commissioner receives correspondence from members of the public on a variety of issues including complaints or dissatisfaction. These are dealt with in accordance with statutory legislation and agreed policy and procedures. Where issues are identified they are raised with the Constabulary and where necessary steps are taken to ensure changes to services are made. During 2014-15 this work has resulted in changes to the process for complaints received directly by the Chief Constable's office, resulting in improvements to communications with complainants that aim to provide a higher level of assurance regarding the action that will be taken. These changes arose directly from complainant feedback.

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AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT 2014/15

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

CP1/2: Work to develop financial models to respond to the funding announcements expected following the general election will continue during 2015-16 as further information is received on the new police funding formula and the 2015 comprehensive spending review.

CP1/3: During 2015-16 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Strategy to support collaborative and partnership working.

CP1/4: Arrangements for scrutiny of Constabulary performance reports will be reviewed to facilitate OPCC officer input and review prior to presentation at the Executive Board

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

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

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

During the year a formal review has been undertaken of the role of the Commissioner's Chief Finance Officer against the CIPFA statement for Police. The review comprised a self-assessment against the 63 specific requirements set out in the CIPFA statement, documenting the arrangements in place to meet the requirement. The self-assessment was subject to further review by the Joint Audit and Standards committee. The outcome from the process has concluded that the Chief Finance Officer is fully compliant with the CIPFA role.

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

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

The Commissioner continues to operate his statutory Independent Custody Visiting Scheme. During the course of the year a number of volunteers have been recruited across the four panels to maintain an overall number of forty eight. In the period 1 February 2014 to 31 January 2015 they made 195 visits, spoke to 271 detainees and observed a further 201 detainees. No serious issues were raised during

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

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

- Continuing the role of Chair of the Safer Cumbria Partnership Direction Group, to tackle crime and disorder bringing together public services such as councils, health, probation and voluntary groups working in fields such as domestic abuse support.
- Delivering a partnership Cumbria Alcohol Strategy to tackle alcohol harm, alongside a Joint PCC- Constabulary strategy.
- Working with partners on an action plan to tackle hate crime.
- Working with leaders and chairs of the county's key public and voluntary sector agencies as a member of the Cumbria Leaders' Board
- Working to help address alcohol, drug and mental health issues, often contributing factors in crime, through working jointly with Health and wider partners.
- Providing funding for Cumbria's three Community Safety Partnerships, who are responsible for bringing together a range of organisations to identify and tackle local issues in relation to crime and disorder, focusing on domestic violence, local crime prevention, and anti-social behaviour.
- Supporting community groups to reduce crime and tackle antisocial behaviour through a Police and Crime Property Fund, Community Fund and Innovation Fund. Full details can be found on www.cumbria-pcc.gov.uk
- Signing up to 'Cumbria Compact', which is a set of principles and commitments that underpin good working relationships between the public sector and the community covering areas such as equality and diversity, public engagement and the allocating of resources.

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

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

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

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

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

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

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

CP2/3: During 2015-16 and thereafter, the OPCC will work with partners to develop and deliver a Victim and Witness Needs and Commissioning Strategy to deliver improvements in services to victims and develop compliance with the Victims' Code of Practice.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

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

- The Panel was impressed by the thorough and professional approach taken by the Professional Standards Department to the complaints that it looked at, treating them seriously.
- In particular, "local resolution" was a proportionate way of dealing with those complaints that were less serious.
- A genuine effort was made to regain the confidence of the complainant and all the files sampled had been dealt with within the set timescales.
- Cumbria has one of the lowest rates of public complaints. Figures for complaints that are not upheld compare well with national data. The number of IPCC appeals upheld was considerably lower than national data.
- The number of integrity issues reported during 2014 was stable with a slight decrease in the last quarter.
- The Panel saw the fact that a significant number of reports were self-referrals from officers was an indicator of awareness within the Constabulary of integrity issues and the importance of acting in an ethical way.

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

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

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

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

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

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

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

During 2014-15 the Commissioner's arrangements for anti-fraud and corruption have been subject to inspection by internal audit following a fundamental review and update during the previous year. The audit work comprised a review of the Commissioner's arrangements and the arrangements the Commissioner has in place to hold the Chief Constable to account on matters of anti-fraud and corruption. The audit judgement is that there is substantial assurance in respect of the arrangements. The report noted as a strength the clear promotion of high standards of integrity and ethical behaviour.

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

Whilst fraud risk remains low within the OPCC office, matters of integrity have been re-enforced in support of the aim of ensuring a high degree of awareness amongst staff in respect of appropriate conduct and behaviours. The Deputy Monitoring Officer has issued a monthly reminder to staff in respect of recording gifts and hospitality and/or supplier contact. Completed registers are subsequently published on the Commissioner's website on a monthly basis and the Deputy Monitoring Officer has undertaken dip sampling between the registers and contracting activity.

In April 2014, in support of the requirements for audit of the financial statements, the Commissioner submitted to the External Auditor a fraud risk assessment providing further assurances in respect of the arrangements to protect against fraud and corruption. Management assurance was further supported through the completion by the Commissioner and all staff of a register of interests form and a declaration of related party transactions. These forms were reviewed by the Chief Executive and Chief Finance Officer and are published on the Commissioner's website for openness and transparency.

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

confirm that since the inception of the Office of the Police and Crime Commissioner, no complaints have been received from any member of staff or secondee in relation to the Commissioner. Neither has any complaint been made by the Commissioner about any member of staff.

In respect of the period from 1st April 2014 to the date of issuing this statement, no issues have been raised with the Joint Audit and Standards Committee in respect of the operation of the Commissioner's Codes of Conduct/Protocols and the Committee has not received any appeals in relation to these matters.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP3/1: During 2015-16 work will be undertaken to update and develop the policy and guidance for complaints to ensure arrangements are accessible and to encourage a positive culture for receiving and addressing issues that have given rise to a complaint.

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

In respect of the period from 1st April 2014 to the date of issuing this statement, no issues have been raised with the Joint Audit and Standards Committee in respect of the operation of the Commissioner's Code of Conduct and Protocols

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

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

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

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

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

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

Firstly, during the period August – October 2014, an extensive public consultation was carried out regarding the setting of the police precept. The aim of the consultation was to seek the views of the residents of Cumbria about future levels of the police precept element of council tax. To give additional context, local residents were also surveyed about their knowledge of what local police do; their satisfaction with Cumbria police; and recent contact with the police.

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

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

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

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

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

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

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

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

The Constabulary, working with officers from the Commissioner's office, are now developing the processes and systems required to deliver Community Remedy, based on the findings of public consultation.

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

Annex C – Annual Governance Statement

The Police and Crime Panel have met 5 times over the course of the year. At their January meeting the Panel considered the matter of the Commissioner's proposed precept prior to decision making. As part of this process the panel hold a seminar meeting in December to undertake detailed scrutiny of revenue and capital budget plans, plans for savings proposals and the Commissioner and Constabulary's performance in delivering efficient and effective policing. This involves a comprehensive review of HMIC value for money profiles and HMIC inspection judgements on value for money. At their meeting on January 22nd 2015 the Panel decision was that they support the proposed police precept.

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

During 2014-15 the Commissioner's Risk Management Strategy has been revised and approved at the Executive Board. The Strategy and a quarterly updated Strategic Risk Register has been presented to the Joint Audit and Standards Committee to ensure effective arrangements are in place for the scrutiny of risk management activity. In addition the Committee has received a report from the Chief Executive advising on the work that has been undertaken to monitor the effectiveness of arrangements for risk management for 2013-14. The Committee will receive in May 2015 a report in respect of those arrangements for 2014-15.

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

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

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

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

The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment. The internal audit annual report for 2014-15 concludes that the Commissioner's frameworks for governance, risk and internal control are reasonable and that audit testing has confirmed that controls are generally working effectively in practice.

During 2014-15 the Joint Audit and Standards committee have received quarterly reports monitoring the implementation of all audit recommendations.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP4/1: To ensure the Joint Audit and Standards Committee continue to be effective in their scrutiny role, a programme of training/development activity will be agreed with the Committee Chair and incorporated within the Committee's annual work programme.

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

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

Annex C – Annual Governance Statement

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

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

The Chief Executive is further supported through the Association of Police and Crime Chief Executives (APACCE). To provide peer support, APACCE members have developed a directory setting out the specialist subject matter areas of each member. At their regular meetings APACCE have also provided a forum to deliberate on key issues for the development and enhancement of the role of Police and Crime Commissioners. APACCE has also arranged regular meetings for Chief Executives to meet Home Office officials and arranged a buddying system between Chief Executives and senior civil servants. Advice and support is also available through the regional (North West and North Wales) Chief Executives Group, which meets on a quarterly basis.

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

The Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society (PaCCTS) and the associated technical information service. This has included an analysis of the funding formula settlements in December 2014 and January 2015, the financial implications of the 2014 Autumn Statement and the impact of the Chancellor's March 2015 budget.

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

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

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

meetings with Arlingclose, the Commissioner's external treasury management advisors. This facilities a high level of awareness within the team of the current economic climate and regulatory changes, both of which impact on the risks and opportunities for counter-party investment. Arlingclose have also delivered a seminar on 22nd March for members of the Joint Audit and Standards Committee prior to their scrutiny of the Treasury Management Strategy.

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

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

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

In order to provide expertise around independent public consultation, IPSOS/MORI were commissioned to support the Office of Public Engagement with their consultation on the setting of the police precept. The experience gained will help inform the approaches to consultation in future, and demonstrated how independent statistically significant evidence can be achieved.

The Office of Public Engagement has continued to develop its range of effective community engagement methods, to ensure all sections of the community are reached. Of note during 2014-2015, the Commissioner teamed up with a number of Neighbourhood Forums run by the County Council to capitalise on their tried and tested format and ensure good attendance. The Commissioner, through his Victim's Advocate, created a Victim's Consultation Group, who operate in a 'focus group' style to look in depth at certain policy issues at the time of policy formation. This year the Group contributed to the development of the Cumbria Together website, which is an information portal aimed at sign-posting victims to where they can get help, support and guidance. The Group also contributed to the development of the Community Remedy options.

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

Annex C – Annual Governance Statement

All staff within the office have undertaken a personal development review process to ensure they have the skills to be effective in their roles. Specific training has been provided for staff in the areas of advanced Microsoft Word, Excel, Freedom of Information, media management, project management, risk management, coaching and fire safety.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. The overall conclusions from that review are that the Audit and Standards Committee is extremely effective in its operation. The review has demonstrated that within the areas of the CIPFA self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness.

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

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

During 2014-2015 the Independent Custody Visitor Scheme Administrator and the Chairman of the Kendal ICV Panel have attended three training sessions for new Custody Sergeants held on 13th February and 14th May at Carleton Hall and at Workington Police Station on 20th November, to provide information and training on the Custody Visiting Scheme. Attendance ensures that new Custody Sergeants have a greater awareness and understanding of the purpose and the work of the Independent Custody Visiting Scheme when they first encounter the visitors. The visitors generally enjoy a good working relationship with the Custody staff and the training helps to avoid any misconceptions amongst staff about the conduct of visits.

There have been a significant number of changes of personnel on each of the Custody Visiting Panels during this year and the Scheme Administrator has run a number of recruitment campaigns to attract new candidates for appointment. Induction training courses have been run for newly-appointed visitors in Workington on 28th February, Carlisle on 2nd May, Kendal on 31st January and 9th February and Barrow on 16th February. A campaign was launched to attract new volunteers to the West Cumbria Panel with shortlisting and interviews undertaken during March. Currently membership of the four panels stands at Barrow 11; Kendal 11; North Cumbria 12 and West Cumbria 8.

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

The delegates undertook a number of workshop exercises focusing on developing good practice in Custody Visiting and a series of scenario discussions aimed at improving practice in the Cumbria ICV scheme.

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

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

During the year the Commissioner received additional one-off funding to enhance the capacity and capability of the voluntary, community and social enterprise sector to support victims of crime, enhance the capacity within the office to prepare for local commissioning of victim support and develop capacity within the arrangements for restorative justice. The funding has contributed to a number of schemes through providing grant support to third sector organisations to grow and train both volunteers and professional support for victims of domestic and sexual violence and hate crime. Capacity within the office to deliver longer term accessible information for victims has been supported through the appointment of a Victim's Advocate and the commissioning of a victims information portal – www.cumbriatogether.com

AREAS FOR FURTHER DEVELOPMENT

CP5/1: Complete work supported by North West employers to implement a bespoke suite of Human Resource Policies appropriate to the management of the Commissioner's office.

Annex C – Annual Governance Statement

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

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

- Carried out more than 100 public engagement events, ranging from public meetings, surgery style events, 'drop-ins' at supermarket cafés, walkabouts with Constabulary Neighbourhood Policing Teams;
- Attended a number of county council neighbourhood forums, community meetings, parish councils, meetings with various groups i.e. disability, LGBT, and Cumberland Show, Westmorland Show;
- Attended a significant number of meetings with local councillors and MPs;
- Hosted an event on Rural Crime which fed into the development of a joint Rural Crime Strategy;
- Sponsored and spoke at the Cumbria Neighbourhood Watch Association annual conference, where the theme was Local Resilience;
- Sponsored and attended the 'Know Your Criminal Justice Day', run in collaboration with People First, the Crown Prosecution Service, Cumbria Constabulary and HM Courts Services, aimed at helping those with learning and physical disabilities understand how to report hate crime and what they can expect of the criminal justice system, with the aim of encouraging the reporting of hate crime incidents;
- Sponsored a number of Hate Crime Workshops throughout Cumbria to raise awareness amongst partners of what constitutes hate crime and what can be done for those that report such incidents;
- Published online and circulated by email and community messaging, a regular newsletter, and contributed to other newsletters;
- Taken part in a wide range of media activities and interviews;
- Conducted surveys on rural crime, and policing priorities, through a mixture of both online and face-to-face methods during themed engagement events;
- Commissioned a large scale, independent and statistically significant consultation on what the people of Cumbria would be prepared to pay by way of the police precept;
- Conducted a consultation exercise via an on-line and hard copy survey, on Community Remedy, asking what options should be available to victims of low level crime and antisocial behavior in terms of dealing with the perpetrator;
- Promoted events and activities and maintained a presence using social media i.e. Twitter and Facebook;
- Dealt with over 338 'Quality of Service' complaints from members of the public.

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

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

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

Communities in Cumbria have contacted the Commissioner to make complaints and raise quality of service issues. In the year 2014-15 the Commissioner received 338 quality of service complaints from members of the public. These issues were then raised with the Constabulary to respond to the issues and monitored by OPCC staff to ensure a timely and appropriate solution was found. Only 1 issue remains to be completed and mediation is taking place to resolve the matter.

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

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

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

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

[1] Code of Practice on Local Authority Accounting. The auditors further confirmed in their Audit Findings Report a positive conclusion with regards to securing value for money.

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

Annex C – Annual Governance Statement

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

CP6/1 During 2015-16 work will be undertaken to improve the quality of engagement with and reporting to the Police and Crime Panel, with a focus on member's contribution to the development of priorities for the new Police and Crime Plan.

CP6/2 During 2015-16 wider engagement activity will take place with a range of partners/stakeholders as part of the process to develop the new Police and Crime Plan.

Annex C – Annual Governance Statement

APPENDICES TO THE ANNUAL GOVERNANCE STATEMENT

- Appendix A: 2015-16 Development And Improvement Plan
- Appendix B: 2014-15 Development And Improvement Plan Update

FURTHER INFORMATION

Further information on the arrangements for Governance can be found on the Commissioner's website under the tab headed Governance and Transparency.

We welcome your views on the Commissioner's Annual Governance Statement. You can do this by using the contact information below:

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*Richard Rhodes
Police and Crime Commissioner for Cumbria

*Stuart Edwards
Chief Executive

*Ruth Hunter
Chief Finance Officer/ Deputy Chief Executive

Date: 3 September 2015

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

Annex C – Annual Governance Statement

APPENDIX A: 2015-16 DEVELOPMENT AND IMPROVEMENT PLAN

Ref	Action	Responsibility	Deadline
CP1	**Focusing on the purpose of the PCC and the Force, and on outcomes for the community, and creating and implementing a vision for the local area.**		
CP1/1	Preparation for earlier financial accounts deadlines: Achieve unaudited publication by 4th June/audited publication by 10th September.	Chief Finance Officer	Sept 2015
CP1/2	Work to develop financial models to respond to the funding announcements expected following the general election will continue during 2015-16 as further information is received on the new police funding formula and the 2015 comprehensive spending review	Chief Finance Officer	Dec 2015
CP1/3	During 2015-16 The Head of Partnerships and Commissioning will be tasked with developing and implementing a Strategy to support collaborative and partnership working.	Head of Partnerships and Commissioning	March 2016
CP1/4	Arrangements for scrutiny of Constabulary performance reports will be reviewed to facilitate OPCC officer input and review prior to presentation at the Executive Board	Head of Partnerships and Commissioning	March 2016
CP2	**Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.**		
CP2/1	Work with partners to deliver a sexual assault referral centre and joined-up system of follow-up health and emotional support services.	Head of Partnerships and Commissioning	March 2016
CP2/2	Building on the work of the OPCC and partners, develop Victim led Restorative Services	Head of Partnerships and Commissioning	March 2016
CP2/3	Work with partners to develop and deliver a Victim and Witness Strategy to deliver improvements in services to victims and develop compliance with the Victims' Code of Practice.	Head of Partnerships and Commissioning	March 2016

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CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		
CP3/1	Update and develop policy and guidance arrangements for complaints to ensure arrangements are accessible and to encourage a positive culture for receiving and addressing issues that have given rise to a complaint.	Head of Communications and Business services	March 2016
CP3/2	Develop arrangements for complaints in respect of national proposals regarding changes to the police complaints system	Head of Communications and Business services	March 2016
CP4	**Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.**		
CP4/1	Establish a training and development programme for Joint Audit and Standards Committee Members within the Committee's annual work programme.	Chief Finance Officer	June 2015
CP4/2	Further develop arrangements for risk management including review of risk registers, scoring methodology, risk appetite and the risk management strategy	Chief Executive	Sept 2016
CP4/3	Arrangements will be made to formally codify all elements of the Commissioners business continuity arrangements and initiate a programme for updating and testing the business continuity plan.	Head of Communications and Business services	Sept 2016
CP5	**Developing the capacity and capability of the PCC, officers of the PCC and the Force to be effective.**		
CP5/1	Complete work supported by North West employers to implement a bespoke suite of Human Resource Policies appropriate to the management of the Commissioner's office	Head of Communications and Business services	March 2016
CP6	**Engaging with local people and other stakeholders to ensure robust public accountability.**		
CP6/1	During 2015-16 work will be undertaken to improve the quality of engagement with and reporting to the Police and Crime Panel, with a focus on member's contribution to the development of priorities for the new Police and Crime Plan.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016
CP6/2	During 2015-16 wider engagement activity will take place with a range of partners/stakeholders as part of the process to develop the new Police and Crime Plan.	Head of Partnerships and Commissioning/ Head of Communications and Business services	May 2016

Annex C – Annual Governance Statement

APPENDIX B: 2014-15 DEVELOPMENT AND IMPROVEMENT PLAN UPDATE

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

CP2/3	Deliver improvements in services to victims in line with the Victims and Witnesses Action Plan and develop compliance with the Victims' Code of Practice, including specific improvements in relation to domestic and sexual violence identified in the 'Taking the Next Steps' review.	Good progress has been made in delivering improvements for victims' services in line with the Victims' and Witnesses action plan and specifically in relation to victims of domestic and sexual violence. For example: A countywide ISVA (Independent Sexual Violence Adviser) service is in place. A countywide IDVA (Independent Domestic Violence Adviser) service is in place. A Domestic Violence perpetrator programme has been commissioned and will roll out during 2015. A Victim Care Unit (VCU) has been established in the county to deliver front line victim referral services for all victims of crime. A provider has been commissioned to deliver Cumbria based forensic examination services for victims from December 2015 when The Sexual Assault Referral Centre is open The Head of Partnerships and Commissioning will take forward the ongoing development of services for victims in 2015.	Chief Executive	31 March 2015
CP2/4	Develop a prioritised plan for action and partnership working to make improvements in youth justice based on the findings of the review of youth justice.	Work has been undertaken with partners to address this area of activity, and is included within other work streams, such as restorative justice and services to victims.	Chief Executive	31 March 2016
CP3	Promoting values for the PCC and demonstrating the values of good governance through upholding high standards of conduct and behaviour.			
CP3/1	Develop and present to the Joint Audit and Standards Committee new reports monitoring the operation and effectiveness of arrangements for anti-fraud and corruption, the code of conduct and the PCC/Officer protocol	Action Complete: The first annual report was presented to committee on 23 June 2014 and is due to be reported upon again on 6 May 2015.	Chief Executive	31 May 2015

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

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The Chief Constable for Cumbria Constabulary

Item 9 (i)

Annual Statement of Accounts 2014-15: Assurance Framework

PCC Executive Board & Joint Audit and Standards Committee 03 September 2015

Report of the Chief Constable's Chief Finance Officer

1. Introduction and Background

1.1 This report sets out for the Chief Constable and members of the Audit and Standards Committee, those areas of governance and audit pertaining to scrutiny and formal approval of the 2014-15 Statement of Accounts. This report covers the single entity financial statements of the Chief Constable for Cumbria Constabulary. The report sets out the opinion of the Chief Constable's appointed auditor and amendments made to the Accounts and accompanying governance statement as a consequence of the findings of the audit. It also sets out information provided to Ms Blatcher Grant Thornton UK LLP, the Chief Constable's appointed auditor, as part of the regulatory requirement for a letter of representation.

1.2 The report includes an appendix that provides a narrative on the financial statements (appendix a). The appendix aims to support members of the Audit and Standards Committee in undertaking their assurance role by providing a narrative in respect of the sources of assurance available to them and on the substantive issues that have been considered in respect of the production of the financial statements.

2. Formal Approval of the Audited Statements

2.1 The Statement of Accounts were authorised by the Chief Finance Officer on 28th May 2015 in accordance with the 2011 Accounts and Audit Regulations. The audit having now been completed, the Chief Finance Officer is required to again certify the statements and present them to the Chief Constable for formal approval. Prior to certification the Chief Constable will take into consideration the Audit Findings Report from Ms Blatcher, the appointed auditor. The Chief Constable will also take into consideration the views of

members of the Audit and Standards Committee. The Committee has previously received a pre-audit draft of the accounts at its June meeting and minor amendments arising from the Committee's comments and observations have been incorporated into the final version of the accounts. The Committee will receive the post audit Statement of Accounts and the Audit Findings Report and will have a final opportunity to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Chief Constable.

3. Appointed Auditor's Findings Report

3.1 Preceding this item on your agenda is the Audit Findings Report from Fiona Blatcher, of Grant Thornton UK LLP, the Chief Constable's appointed auditor. Ms Blatcher reports on her completion of the annual audit of the Statements of Account for 2014-15. The Chief Constable and members of the Audit and Standards Committee will be pleased to see her intention, based on her findings to date, to issue unqualified audit opinions in respect of the Statement of Accounts for the year to 31 March 2015 and in respect of the Chief Constable's arrangements to secure Value for Money.

3.2 The primary financial statements are the movement in reserves statement (MIRS), the comprehensive income and expenditure statement (CI&ES), the balance sheet and cash flow statement. The auditors have not identified any misstatements in respect of the principle statements within the Chief Constable's accounts.

3.3 A small number of minor amendments have been made within the disclosures contained in the notes to the Chief Constable's financial statements to improve presentation and ensure consistency.

3.4 The Chief Constable and members of the Committee will also be pleased to note the auditor's recognition that the statements were able to be authorised for issue by the Chief Financial Officer on the 28th May 2015, which would meet the tighter timescale for producing the accounts by the end of May which will apply from the 2017-18 accounts. The auditors recognised that meeting the new deadline three years ahead of schedule represents a significant achievement by the Financial Services team, particularly when seen in the context of the fact that the quality of the accounts remains of a good standard, supported by good quality working papers and with audit queries being dealt with in a prompt and satisfactory manner. In addition, the auditors also observe that the Financial Services team have continued to work pro-actively to improve the readability and clarity of the accounts by moving technical accounting disclosures into a technical annex.

3.5 The Auditor's report has not identified any significant internal control deficiencies which need to be raised with the Chief Constable. The auditors also comment positively on the system of management assurance which have been put in place for key financial systems in 2014-15.

4. Post Balance Sheet Event

4.1 A post balance sheet event is an event, subsequent to the date of the financial statements, and for which International Financial Reporting Standards and the Code of Practice on Local Authority Accounting Code require adjustment or disclosure. No post balance sheet events are disclosed within the 2014-15 accounts.

5. 2014-15 Governance Statement

5.1 The Chief Constable approved his Governance Statement for the period 01 April 2014 to approval of the 2014/15 Statement of Accounts on 28th May, however the Statement made clear that governance matters would continue to be kept under review against emerging issues. In the event no changes have been made to the Chief Constable's Governance Statement following the audit of the financial statements.

6. Letter of Management Representation

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

7. Acknowledgements

7.1 The work undertaken in preparing the Statement of Accounts and supporting the audit for the year places very significant demands on staff within the finance services team. Particular acknowledgement is given to Michelle Bellis, Deputy Chief Finance Officer and Lorraine Holme, Principal Financial Services Officer, for their work in preparing the statements in a tighter timescale and in securing a clean audit opinion for the Chief Constable's single entity accounts. This report also acknowledges the work undertaken by the Grant Thornton external audit team, headed by Fiona Blatcher and Richard McGahon, whose work has also been impacted by the earlier closedown timetable.

8. Recommendations

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

- Members of the Audit and Standards Committee determine whether there any issues in respect of governance or the statement of accounts that they wish to report to the Chief Constable.

- The Chief Constable signs the audited Statement of Accounts and authorises for publication the Accounts and accompanying Governance Statement.

Roger Marshall
Chief Finance Officer
21st August 2015

Appendix A

Statement of Accounts Narrative 2014-15

1. Introduction and Background

1.1 The Chief Constable will sign the annual statement of account following audit and the review process by the Audit and Standards Committee. Members of the Audit and Standards Committee will receive a copy of the audited accounts and accompanying governance statement for which they have a review and assurance role. The Statement of Accounts are highly complex technical documents. They take a number of weeks to produce and a similar period of time to audit by a team of technical and experienced staff. The audit process will typically involve support from national technical teams who assess and advise on accounting treatment for complex transactions against the requirements of international financial reporting standards and codes of practice. Within the finance profession, the Statement of Accounts is a very specialist field.

1.2 In this context, this narrative aims to provide a guide to the considerations that the Chief Constable and Members of the Audit and Standard Committee can reasonably be expected to take account of, in carrying out a review process and undertaking to approve the Statement of Accounts. It covers two main areas, sources of assurance for the financial statements and key challenges and issues. These are the areas that influence the dialogue and engagement between the finance staff preparing the accounts and those undertaking the audit. In doing this, the narrative aims to ensure that members have sufficient information to fulfil their assurance role and that the Chief Constable can place reliance on this assurance in approving the Statement of Accounts.

2. Sources of Assurance

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

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

2.2.1 The Chief Finance Officer's (CFO) Annual Review of Internal Audit: The CFO will annually provide to members a report on the effectiveness of the arrangements for audit. In presenting this opinion, the CFO will take into account the opinion of the external auditors on the quality of the internal audit function. The CFO will also consider how well the function complies with the Public Sector Internal Audit Standards (PSIAS) introduced with applicability from 1st April 2013. The external auditors advised members of the Joint Audit and Standards Committee and the Chief Constable within their audit plan 10th March 2015 that 'the internal audit service continues to provide an independent and effective service to the Commissioner and the Chief Constable and that internal audit work contributes to an effective control environment at both entities.'

2.2.2 The Chief Constable has approved an Internal Audit Charter in compliance with the PSIAS and members of the Committee have received reports from the Head of Internal Audit and the Commissioner's Chief Finance Officer providing assurance with regard compliance with the Charter and PSIAS. The Chief Finance Officer's 2014-15 review of internal audit included a review of the effectiveness of the audit committee in fulfilling its assurance function. The review concluded that 'there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2015.' This assurance enables the Chief Constable and members of the Audit and Standards Committee to place reliance on the opinion of the Chief Internal Auditor and findings of internal audit.

2.2.3 The opinion of the Chief Internal Auditor (CIA): The CIA provides an annual opinion on the internal control environment. The opinion is based on the audit reviews undertaken over the course of the financial year. Audits are risk based and include cyclical reviews of the material financial systems. The findings of the CIA are set out in an annual report. The CIA's opinion for 2014/15 is that "I am satisfied that sufficient internal audit work has been undertaken to allow me to give a reasonable conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also report that there has been no threat to the independence of internal audit that would impact on the provision of my annual opinion statement. In my opinion, the PCC and

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

In relation to the Constabulary, the opinion is based on 11 audits, 3 of which were joint audits also covering the Office of the Police and Crime Commissioner. In addition, the Chief Constable's Annual Governance Statement was subject to audit review but was not evaluated in terms of assurance level. All audits were graded as providing 'substantial' or 'reasonable' assurance except for the Constabulary's arrangements for business continuity where only partial assurance was provided. In response to the findings of the audit of business continuity a detailed action plan to address the weaknesses highlighted by the audit has been put in place.

Following the change in internal audit focus to a risk basis the scope of activities covered within the Audit Plan in 2014-15 has expanded, with financial audits now being scheduled on a cyclical basis. In 2014-15 the areas covered by financial audits within the Constabulary included payroll, budget management and debtors. All financial audits were graded as providing substantial or reasonable assurance. Following discussions with both internal and external auditors the Chief Finance Officers of the Commissioner and Chief Constable have put in place measures to gain management assurance regarding controls operating in relation all financial systems and processes, with particular focus on those areas which were not covered within the 2014-15 internal audit plan. This process involved the key manager responsible for each financial process providing verification of controls which are in place against CIPFA control frameworks and outlining any changes to systems, processes and personnel which have taken place over the 2014-15 financial year. The management assurances supported the work of internal audit and provided further assurance that there are robust internal controls in place for all the Constabulary's financial systems and did not highlight any areas of concern. Management assurances will also inform future decisions regarding the timing and frequency of future financial audits.

Collectively, the findings of financial audits reported to the Audit and Standards Committee and the overall opinion of the Chief Internal Auditor, supported by management assurances will provide assurance to members and the Chief Constable on the integrity of the underlying financial transactions and their representation within the financial ledger that is used to produce the financial statements.

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

to the primary financial transaction. The external auditors will also review accounting policies and ensure accounting estimates, manual entries and the presentation of financial information is consistent with policy, financial reporting standards and codes of practice. The external audit is typically undertaken by a team of professionally qualified staff who will audit a number of public and/or private sector clients. They will have access to national technical support and quality controls at a regional and national level to support the integrity of the audit and ensure specialist advice and input is given to the treatment of complex transactions of a technical nature.

2.2.5 In forming their opinion, the external auditors give consideration to internal controls relevant to the preparation of the financial statements. The external auditors complete walkthrough tests of controls operating in areas where they consider there is a risk of material misstatement to the financial statements. For the 2014-15 statements this has included walkthrough tests of creditor payments / operating expenses, employee remuneration and pensions. The auditors reported the findings of this work at the meeting of the 10th March 2015. Their report confirmed that they did not identify any issues that they wish to bring to the attention of the Chief Constable and that internal controls had been implemented in accordance with their documented understanding. The annual audit findings report of the Appointed Auditor is made to the Chief Constable and Members preceding this item on the agenda and presents the Appointed Auditor's intention to issue an "**unqualified audit opinion"** on the financial statements.

2.2.5 The Letter of Representation: The letter of representation is provided at appendix b and referenced in the main body of this report. The letter provides assurances from the Chief Constable to the Appointed Auditor. The letter is written on behalf of the Chief Constable by the Chief Finance Officer. That officer, as required under legislation, must be financially qualified. Within the Constabulary, that officer is a member of the Chartered Institute of Public Finance and Accountancy with a requirement to abide by codes of practice, standards and ethics. These arrangements provide assurance that members can place reliance on the representations made by the Chief Finance Officer in the letter of representation on behalf of the Chief Constable. There have been no specific issues raised by the Chief Constable in the letter of representation for 2014-15 and all appropriate assurance have been provided to the external auditors.

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

with assurance that the Chief Constable has in place appropriate arrangements for financial and wider governance matters including arrangements for managing risks and internal controls.

2.3 Collectively, these sources of assurance, where they are operating to the satisfaction of members, can support conclusions in respect of the extent to which the committee is reasonably able to provide the related assurance to the Chief Constable in reviewing the financial statements.

3. Key Challenges and Issues

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

3.2 Whilst the considerations that have governed the 2014-15 statement of accounts in respect of the treatment of financial transactions regarding the single entity financial statements are similar to prior years, there has been a significant governance change as a consequence of the implementation of the stage 2 transfer. On 1st April 2014 the majority of staff formerly employed by the Police and Crime Commissioner transferred to the employment of the Chief Constable, under a transfer scheme in accordance with the transitional provisions within the PRSRA.

3.3 The Commissioner holds and operates all arrangements for banking and treasury activity, including the raising of orders and payment of invoices. The significant proportion of these transactions are for supplies and services consumed by the Constabulary. Staff under the employment of the Chief Constable carry out the financial administrative support. Prior to the 2014-15 financial year, these staff were management by the Chief Constable but under the employment of the Commissioner. These arrangements mean that the allocation of income and expenditure and assets and liabilities between the single entity financial statements are complex. This paper sets out the key accounting considerations and the rationale that influences decision making in respect of how these matters are presented within the statements.

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

The Code of Practice on Local Authority Accounting defines a subsidiary as an entity that is controlled by another entity. Control is defined in a number of ways, including the power to govern financial and

operating policies under statute or an agreement, and the power to appoint or remove the governing body.

With regard to the relationship between the PCC and CC in respect of governing operating policies the relationship was considered to be more accurately defined as one where the PCC has significant influence rather than control. This is because the PCC influences operational policy by setting the strategic direction for policing through the Police and Crime Plan. It is however difficult to make a case that the relationship is one of control or joint control over those policies given the CC's operational independence. Control is stronger over finance policy as a result of the PCC's decision making autonomy in respect of the budget, and the controls that operate through the funding agreement between the PCC and CC. In addition and significantly, the PCC has the power to appoint or remove the CC (the governing body). Collectively this was considered to amount to a relationship of control and as such the CC is considered a subsidiary with a requirement for group accounts.

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

Within the accounts expenditure on staffing resources and assets within the Comprehensive Income and Expenditure Statement is matched by respective assets and liabilities on the Balance Sheet. The liabilities include issues such as pensions fund deficits (staff) and depreciation (assets) that are accounted for in accordance with proper accounting practices. In producing the single entity statements this means that decisions have to be taken on:

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

Decision making was primarily underpinned by the respective statutory duties and responsibilities of the PCC and CC as set out in the PRSRA 2011 and the Policing Protocol Order (PPO). This was further supported by the governance arrangements and in particular the scheme of delegation and the funding agreement.

In respect of staff costs and liabilities, whilst employment is a consideration in respect of the issue of balance of economic control and benefit, it is not the primary consideration as a result of the principle of substance over legal form. Decisions in respect of whether police officers and staff are primarily disclosed within the financial statements of the PCC or CC have to take cognisance of the wider governance, regulatory and legislative frameworks that bestow control over and benefit from

resources. In considering this issue, decisions regarding the primary disclosures have taken the following statutory points into account:

- The Commissioner's functions in relation to policing are to secure the maintenance of the force and ensure that it is efficient and effective. The Commissioner holds the CC to account for his/her functions and the functions of persons under the direction and control of the CC. The Commissioner is also responsible for setting the strategic direction of the force and policing objectives through the Police and Crime Plan.

- The CC has a number of statutory functions, of significance is responsibility for maintaining the Queen's peace through the exercise of police powers. Police officers and civilian staff (defined in the PRSRA 2011 as employed solely to assist the force) are directed and controlled by the CC towards policing activity to fulfil these functions. The CC is accountable for supporting the PCC in the delivery of the strategy and objectives set out in the police and crime plan.

- Whilst the Commissioner holds the CC to account in respect of having regard to the Police and Crime Plan, the CC must be consulted by the Commissioner on the Plan. It is the CC who will largely determine how those objectives are delivered and the allocation of resources to meet them. The CC is also responsible for having regard to the Strategic Policing Requirement as set by the Home Secretary when exercising and planning policing functions. Overall resource allocations therefore take account of the statutory function of maintaining the Queen's peace, the priorities within the police and crime plan (set by the Commissioner but in consultation with the CC) and the Strategic Policing Requirement. The CC has direction and control of Police Officers and all operational staff in making those decisions.

- In respect of economic benefit, both the Commissioner and the CC obtain benefit from the staffing and assets under the CC's direction and control. The argument for economic benefit, given that staffing resources can only be in one set of accounts, would appear to be stronger in respect of maintaining the Queen's peace. This is further supported by Constables holding office under the crown and the CC being accountable to the law for the exercise of police powers. The CC is also responsible to the public. Further to this, the Police and Crime Plan is now a multi-agency strategy through which services are commissioned across a number of partnerships. The assets and resources of wider partners are not being included on the PCC's balance sheet. The policing protocol order states that, 'at all times the Chief Constable, their constables and staff, remain operationally independent in the service of the communities they serve".

- Public management of the police fund rests with the PCC. The PCC and CC share responsibility for effective management of the policing budget and securing value for money. The CC has day to

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

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

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

Governance arrangements prior to 2014-15 retained control of staff not solely employed to support the force (primarily support staff) with the Commissioner. They were therefore included within the accounts of the PCC. From 1st April 2014, the change of governance arrangements to reflect the staff transfer scheme places control of these staff with the Chief Constable. The 2014-15 financial statements consequently record their costs within the single entity statements of the CC. A charge is made to the single entity statements of the PCC to reflect the use of those resources as a shared support function.

Capital assets for the balance sheet fall into three main areas, land and property, fleet and ICT. The treatment of these assets is based on the COPLAA non-current assets. The relevant considerations have been:

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

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

- Land and property assets: the PCC effectively acts as a landlord and is the recipient of the economic benefit from the asset in terms of appreciation in value and the capital receipt from disposal. The PCC makes all decisions with regard to property disposal and acquisition. The PCC formally approves the capital strategy and property strategy and retains the budgets for estate management and maintenance. The CC can only enter into contracts to acquire property with the express consent of the PCC and may not own land. No such consents have been given.

- Fleet and ICT assets are controlled by the PCC. The CC has no autonomy to act in respect of any capital budgets. These are all retained by the PCC. The PCC makes all decisions on capital strategy and all capital acquisitions are subject to approval by the PCC through a business case. The CC presents to the PCC asset management strategies in respect of ICT and Fleet but has no independence of action or any authority to enter into contracts without the approval of the PCC. No approval to enter into any contracts has been given. On disposal of assets the PCC is the beneficiary of sale proceeds and funds from his budget any acquisitions.

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

Debtors, Creditors and Cash

The arrangements between the PCC and CC do not provide any authorisation for the CC to enter into contracts. The PCC operates a bank account and makes all arrangements for the procurement of supplies and services. The making of creditor payments, recovery of debt and management of cash is transacted by the PCC on behalf of both the PCC and the CC. The CC undertakes a number of activities that generate income. The PCC statutorily is the recipient of all income and as such income collection and generation activities are undertaken on behalf of the PCC and all income is receipted to the PCC's bank account. The CC is unable to borrow and has no powers to undertake treasury transactions. The funding agreement between the PCC and CC is made on the basis of cash flow. This means that the CC receives a funding amount up to a maximum level of defined budget but can only claim what has been spent. The PCC makes all payments on behalf of the CC and as such the CC will not have any cash balances.

To reflect these arrangements within the statement of accounts, the PCC's financial statements disclose all external debtor and creditors, reflecting the PCC's liability in respect of these transactions. Both the PCC and CC's financial statements disclose any associated debtor and creditor liability between the entities. These transactions are primarily in respect of the CC's liability to the PCC for external debtors where the CC has utilised the supply or service or the CC's liability to the CC to fund accrued expenditure under the terms of the funding agreement. The PCC's financial statements show all cash transactions other than the movement through the CC's cash flow statement for the net deficit on the C&IES.

2014/15 Financial Year Significant Accounting Changes

The most significant factor influencing the production of the statement of accounts for 2014-15 has been the target set by the Finance Team to bring forward closure to 31st May in preparation for the statutory changes to deadlines that come into effect for the 2017-18 financial statements. This has necessitated an early dialogue with the external auditors to agree some changes to the closedown process. The significant changes to how we produce the financial statements have been:

- External valuations of land and building assets which were previously conducted in March were brought forward to December. The valuer provided an additional statement at the year end to confirm that these earlier valuations were still reliable.

- Increased use of estimates in the accounts, the most notable example being in relation to the calculation of the balance of short term compensating absences figure for police staff. For police

staff members whose time and leave balances are not recorded on the duties management system a manual calculation has to be undertaken. In previous years this has been performed on the balance as at 31 March. For 2014-15, following prior agreement with the external auditors, this work was brought forward to be based on the 28 February figure. This avoided the time pressures within the CSD department at payroll year end and the complications associated with the timing of Easter. For police officers and operational police staff whose balances are recorded on the DMS system there was no change to the calculation method.

- Payroll accruals, each year the overtime and expenses claimed for March that are paid in April have been accrued into the previous financial year. In previous years we have waited for the pay disc to be produced at the end of April to accurately accrue the balances. For 2014-15 greater use of estimation was used based on input files provided by the payroll team.

- Stricter adherence to the closure of accounts timetable. This has in practice meant that the whole team has become involved in the closure of accounts process and where in the past the additional hours worked by the team have been spread over three months it has been condensed into two.

This work was successful in delivering a sign off date for the financial statements by the Chief Finance Officer on 28th May 2015. The Finance Team has been asked by CIPFA to present at their northern Developments in Police Finance Seminar in September on achieving early closure.

The primary change in respect of accounting requirements arose from changes to chapter 9, Group Accounts, of the Code of Practice on Local Authority Accounting in the UK 2014-15 (the Code) which contains revised provisions following the issue of new IFRS standards and the amendment of related existing standards. The new provisions have effect in three main areas:

- a new definition of subsidiaries based on a remodelled control test (IFRS 10 Consolidated Financial Statements)
- new classifications for joint operations and joint ventures (IFRS 11 Joint Arrangements)
- extended and revised disclosure requirements for group accounts (IFRS 12 Disclosure of Interests in Other Entities)

For the Commissioner and Constabulary, this has meant that joint operations with partner organisations, that were previously accounted for by the lead organisation, are now included in the financial statements. An exercise was undertaken with the partner organisations to determine the Cumbria share of transactions and reflect this through the financial statements. There was no impact to the bottom line as a result of this change, it simply means that rather than showing our

contribution as a single payment, it is shown across subjective headings (employee, transport supplies etc.).

In addition to the above, stage 2 of the transition process has necessitated some minor changes in the method by which costs were apportioned between the two separate entities of the PCC and Constabulary.

Presentation of the Chief Constable's Financial Statements

As part of the process for producing the financial statements work has been undertaken to consider how improvements could be made to financial reporting. This continues the work that was undertaken to 'de-clutter' the 2013-14 financial statements and which received notice from Grant Thornton in their national Local Government Governance Review 2015. The significant changes for 2014-15 are:

- A continuation of 'de-cluttering' that has resulted in some notes to the financial statements being reduced or removed on the basis of materiality. Further to this a separate technical annex has been introduced that separates the most complex and in-accessible elements of the financial statements from the main notes. These changes have reduced the notes to the statements from 31 pages in 2013-14 to 18 pages in 2014-15.
- The note to the comprehensive income and expenditure account has been moved to the section on the core financial statements, to enable the reader to better access a description of the key elements within the expenditure statement
- The summary statement of accounts have been re-written with a view to explaining the financial statements whilst removing, wherever possible, references to technical and accounting terms

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

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Your Reference

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cumbriapolice

Appendix B

Grant Thornton UK LLP
Mrs Fiona Blatcher
Associate Director
4 Hardman Square
Spinningfields
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M3 3EB

3 September 2015

Dear Mrs Blatcher

The Chief Constable for Cumbria Constabulary

Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of The Chief Constable for Cumbria Constabulary (Chief Constable) for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

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

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"); which give a true and fair view in accordance therewith.

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

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

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

v We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vi Except as disclosed in the financial statements:
- a there are no unrecorded liabilities, actual or contingent
- b none of the assets of the Chief Constable have been assigned, pledged or mortgaged
- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

ix All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

x Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xi We have considered the disclosures changes included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.

xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

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

xv We have communicated to you all deficiencies in internal control of which management is aware.

xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Constabulary involving:
a management;
b employees who have significant roles in internal control; or
c others where the fraud could have a material effect on the financial statements.

xix We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Chief Constable's financial statements communicated by employees, former employees, regulators or others.

xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi We have disclosed to you the identity of all the Chief Constables's related parties and all the related party relationships and transactions of which we are aware.

xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Approval

The approval of this letter of representation was minuted at a joint meeting of the PCC Executive Board and Joint Audit and Standards Committee at its meeting on 3 September 2015.

Yours sincerely

Jerry Graham	Roger Marshall
Chief Constable	Chief Finance Officer Cumbria Constabulary
3 September 2015	3 September 2015

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The Chief Constable for Cumbria Constabulary

Statement of Accounts | 2014/15

The Chief Constable for Cumbria Constabulary

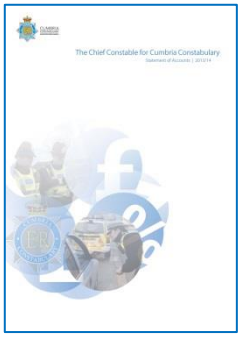
Statement of Accounts 2014/15

About this Publication

This publication contains the single entity financial statements for the Chief Constable for Cumbria Constabulary. All funding for the constabulary comes from the Police and Crime Commissioner for Cumbria (the Commissioner). For an overall (group) financial position please see the Commissioner's Statement of Accounts which incorporates those of the Chief Constable.

The Statement of Accounts for 2014/15 is available on the Constabulary's website at www.cumbria.police.uk

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



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

Alternative Formats

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

Bengali

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

Cantonese

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Lithuanian

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Polish

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

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Turkish

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The Chief Constable for Cumbria Constabulary

Statement of Accounts 2014/15

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

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

CC Chief Finance Officer Introduction and Summary of Accounts

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2014/15 financial year. This financial statement sets out the single entity statements of the Chief Constable for Cumbria Constabulary. The Police and Crime Commissioner for Cumbria (the Commissioner) has produced group accounts which consolidate the single entity statements of the Chief Constable and the Commissioner. The accounts are published in accordance with the Accounts and Audit Regulations 2011.

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

Statutory Framework

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

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

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

England and Wales. The Code supports the statutory framework further setting out the financial relationships and requirements for the Commissioner and Chief Constable.

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

2014/15 Grant Settlement and Budget

Under the provisions of the Police and Social Responsibility Act 2011 the Commissioner receives external funding, principally in the form of central government grants and council tax. The Commissioner is responsible for setting the budget and maintaining the force through the provision of funding to the Chief Constable. Details of the 2014/15 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Summary Budget and Outturn

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

The table below shows the summary budget for 2014/15 as set on 24 February 2014, the revised budget (taking into account budget changes made during the year) and the provisional outturn position (subject to audit).

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

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

CC Chief Finance Officer Introduction and Summary of Accounts

The budget is predominantly made up of funding for employee costs, amounting in total to £95.33m, which is broken down into Police Officers £72.65m, PCSO's £2.85m, Police Staff £19.25m and other employee costs of £0.58m. The remainder of the budget relates to non-staff costs including, transport costs of £2.67m and supplies/other costs of £10.52m. Income of £2.86m, which is generated through policing activities, is also shown within the Chief Constable's budget.

In-Year Financial Performance

Revenue Expenditure : The Chief Constable's outturn position for 2014/15, compared to the revised budget and after taking into account approved budget carry forwards, is an underspend of £258k.

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

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

Capital Expenditure: Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £9.46m in 2014/15 are shown in the financial statements of the Commissioner. This included investment in a new Territorial Policing HQ in Barrow and a range of ICT systems to support operational policing including a network of CCTV across the County.

The Financial Statements

This section of the financial summary provides an explanation of the various parts of the financial statement alongside a high level summary and narrative on the financial position. The aim of the financial statements are to demonstrate to the reader the overall financial position of the Chief Constable at the end of the financial year, together with the cost of the services provided during the year and the financing of that expenditure.

The key financial statements are:

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

Movement in Reserves Statement

This statement shows the different reserves held by the Chief Constable analysed into 'Usable Reserves', which can be applied to fund expenditure and other 'Unusable Reserves', which are principally accounting adjustments. It shows the opening balance on each reserve at the start of the year, movements in year and the closing balance.

The Chief Constable's statement of movements in reserves is shown on page 17 in the full statement of accounts.

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

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

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

All usable reserves are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner, who formally recognises the need to provide contingencies to meet unplanned and planned expenditure in the future. The Commissioner's usable reserves include a general reserve of £5.149m to meet unplanned risks and earmarked reserves of £22.38m for specific revenue and capital purposes. During 2014/15 a total of £5.28m of the Commissioner's earmarked reserves were drawn down to fund revenue and capital expenditure.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Chief Constable prepares this statement in accordance with the service expenditure analysis as required by the Service Reporting Code of Practice (SERCOP) developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This provides information on the cost of policing, grouped in such a way to provide the reader with an understanding of the costs of providing different policing services over the financial year and a standardised benchmark to compare forces. The CI&ES is shown on page 18 of the full statement of accounts.

CC Chief Finance Officer Introduction and Summary of Accounts

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

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

The statement shows that the gross cost of providing policing services amounted to almost £99m in 2014/15. Of this figure local policing services, which include neighbourhood policing, incident management, local investigation and community liaison, make up almost half of the overall cost. The next largest area of expenditure is investigations, which represents the cost of the Crime Command undertaking major investigations, including those into serious and organised crime. This area of expenditure also includes the costs of the Public Protection Unit and managing serious offenders. Other areas of significant expenditure include roads policing, communication with the public and criminal justice arrangements. Further details of the services included within each heading can be found in page 31 of the full statement of accounts.

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

A subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the technical annex to the statement of accounts (Annex B, Section C) on page 62.

The Balance Sheet

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

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

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

The Chief Constable's current assets (£11.7m) are comprised of the Chief Constable's share of short term debtors and the balance of funding between the Commissioner and the Chief Constable. Current liabilities (£13m) reflect amounts owed by the Chief Constable. They include the Chief Constable's share of short term creditors and the balance of funding between the Chief Constable and the Commissioner. Long term liabilities (£1,175m) represent the Chief Constable's share of the pensions deficit together with a small number of provisions to meet future liabilities. The net assets (assets less liabilities) are matched on the balance sheet by the Chief Constable's reserves. The balance sheet reserves reflect the position at year end and therefore match the final position shown in the movement in reserves statement. The balance sheet is shown on page 19 in the full statement of accounts.

The Chief Constable's 2014/15 balance sheet shows a combined pensions deficit of £1,174m (£1,016m in 2013/14) for the LGPS and the Police Pension Scheme to which its employees and former employees belong. However, statutory arrangements for funding the deficit, through increased contributions over a period designed to balance the pensions account and central government funding mean that the financial position of the Chief Constable remains healthy.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all cash and cash equivalents are held by the Commissioner and as such the Chief Constables cash flow statement simply reflects the surplus or deficit from the provision of services less adjustments for non-cash movements. The statement is shown on page 20 of the full statement of accounts.

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

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

Police Officer Pension Fund Account

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

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

A summary of the pension fund is shown below.

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

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

Supporting Information to the Financial Statements

The key financial statements are supplemented by an explanation of the accounting polices used in preparing the statements (Annex A). They also contain a comprehensive set of notes that explain in more detail a number of entries in the primary financial statements. A glossary of terms provides an explanation of the various technical accounting terms and abbreviations. The statements are published alongside the Annual Governance Statement for the Chief Constable in accordance with the 2011 Accounts and Audit (England) Regulations.

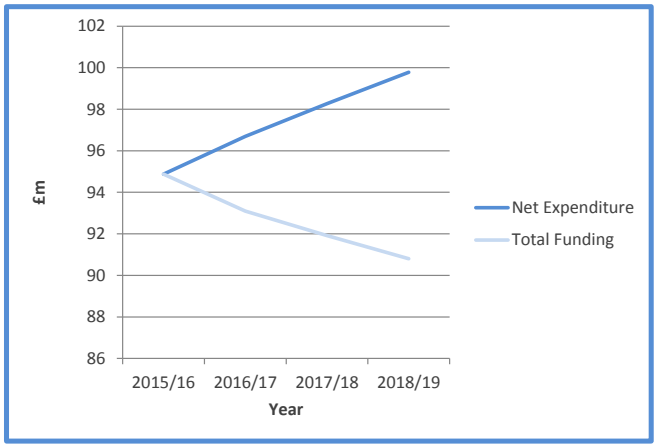
The Annual Governance Statement of the Chief Constable can be found in (Annex C) of this Statement of Accounts on pages 65-98 or on the Constabulary website at: www.cumbria.police.uk.

The Financial Outlook

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

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

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



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

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

CC Chief Finance Officer Introduction and Summary of Accounts

Acknowledgements

The financial statements were originally authorised for issue by me as CC Chief Finance Officer (CFO), on 28 May 2015. Following completion of the audit, they were re-authorised by me on 3 September 2015 and were formally approved by the Chief Constable at a joint meeting of the Executive Board and Joint Audit and Standards Committee.

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

It is also appropriate to acknowledge the support and co-operation of the Commissioner's Chief Finance Officer Ruth Hunter in the preparation of these accounts.

Roger Marshall

CC Chief Finance Officer

The accounts present a true and fair view of the position of the Chief Constable for Cumbria Constabulary as at 31 March 2015 and its income and expenditure for the year there ended.

CC Chief Finance Officer

Roger Marshall CPFA _____ Date 3 September 2015

The accounts present a true and fair view of the position of the Chief Constable for Cumbria Constabulary as at 31 March 2015 and its income and expenditure for the year there ended.

Chief Constable for Cumbria Constabulary

Jerry Graham BA (Hons) MA _____ Date 3 September 2015

Responsibilities for the Statement of Accounts

1 The Chief Constable's Responsibilities

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

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

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

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

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

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

The Chief Constable's CFO has also:

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

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

Independent Auditor's Report

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Independent Auditor's Report

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Independent Auditor's Report

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Independent Auditor's Report

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Movement in Reserves Statement

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

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

Movement in Reserves Statement (CC) Figures for 2014/15	Balance at 1 April 2014	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 4)	Adjustment to opening balance (between PCC and CC accounts) #	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2014/15	Balance at 31 March 2015
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Chief Constable's Constabulary Fund	**0**	(36,523)	0	**(36,523)**	36,523		**0**	0	**0**	**0**
Total Usable Reserves	**0**	**(36,523)**	**0**	**(36,523)**	**36,523**	**0**	**0**	**0**	**0**	**0**
Unusable Reserves										
Chief Constable's Police Pension Reserve	**(999,400)**	0	(105,250)	**(105,250)**	(37,920)	0	**(143,170)**	0	**(143,170)**	**(1,142,570)**
Chief Constable's LGPS Pension Reserve	**(16,776)**	0	(15,289)	**(15,289)**	745	(61)	**(14,605)**	0	**(14,605)**	**(31,381)**
Chief Constable's Accumulated Absences Account	**(3,336)**	0	0	**0**	652	0	**652**	0	**652**	**(2,684)**
Total Unusable Reserves	**(1,019,512)**	**0**	**(120,539)**	**(120,539)**	**(36,523)**	**(61)**	**(157,123)**	**0**	**(157,123)**	**(1,176,635)**
Total Reserves	**(1,019,512)**	**(36,523)**	**(120,539)**	**(157,062)**	**0**	**(61)**	**(157,123)**	**0**	**(157,123)**	**(1,176,635)**

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

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

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

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

Balance Sheet

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the reserves held by the Chief Constable.

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

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. Under the funding arrangement between the Police and Crime Commissioner and the Chief Constable, the Chief Constable does not engage in investment and financing activities therefore all cash flows are classified as operating activities.

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

Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. As a general rule, the column showing the figures for 2014/15 will be highlighted, whilst the comparatives for 2013/14 (where provided) will not.

The notes sometimes include terms that may require further explanation. Where possible, explanations are provided within the note, otherwise explanations are provided within the “glossary of terms” in pages 41-43. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

Notes to the Accounts

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in pages 44 to 52 of this document, the Chief Constable has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Chief Constable and Commissioner have determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.

2 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Chief Constable's Chief Finance Officer on 3 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

The items in the Chief Constable's balance sheet as at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Chief Constable has made a provision of £495k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Chief Constable.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £50k to the provision needed.
	The Chief Constable has made a provision of £555k in respect of termination costs (redundancy and additional pensions) in respect of redundancies to which the Constabulary had made an offer and could no longer withdraw as at 31 March 2015 which will take place in 2015/16.	Throughout the period of reorganisation, termination costs have been met from the Management of Change Reserve (held on the balance sheet of the Commissioner) established for this purpose, any increase in the costs of termination (over and above that in the provision) will be met from the reserve. Any increase or decrease in the actual amount paid compared to the established provision will fall to the revenue budget for 2015/16.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Chief Constable with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).	The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts (Annex B) in section B Pension Disclosures (pages 55-61).

4 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

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

5 Audit Fees

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

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

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

6 Financial Instruments

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

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the Chief Constable are included in section A of a separate technical appendix at Annex B on pages 53 to 54.

The disclosures include:

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

7 Short-term Debtors

A breakdown of the amounts owing to the Chief Constable as at 31 March 2015 with comparative information for the previous year is set out in the table below:

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

8 Short-term Creditors

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

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

9 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 2015 is provided below:

Insurance liabilities – this provision has been established to meet a number of eventualities which are not covered by external insurers. In particular, liability risks up to £100k per event (this figure was £25k until 1 November 2014 when the policy excess was increased from £25k to £100k) are retained by the Chief Constable and met internally.

Termination Payments - this employee related provision relates to a liability that exists in respect of termination benefits as a result of decisions made during 2014/15 for which the actual payments will fall into 2015/16.

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

The table below shows the movements during the year on each of the provisions and the position as at 31 March 2015.

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

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

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

Notes to the Accounts

10 Pensions

The Chief Constable participates in the Local Government Pension Scheme (LGPS) for Police Staff and a two pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the Chief Constable are included in section B of a separate technical appendix at Annex B on pages 55 to 61.

The disclosures include:

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

11 Unusable Reserves

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

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Chief Constable.

11.a Pensions Reserve

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

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

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

Notes to the Accounts

11.b Accumulated Absences Account

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

Accumulated Absences Account	CC 2013/14 £000s	CC 2014/15 £000s
Balance at Start of Year	(3,645)	**(3,336)**
Settlement or cancellation of accrual made at the end of the preceeding year	3,645	3,336
Amounts accrued at the end of the current year	(3,336)	(2,684)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**309**	**652**
Balance at End of Year	**(3,336)**	**(2,684)**

12 Comprehensive Income and Expenditure Statement

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

12.a Comprehensive Income and Expenditure Statement Categories

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

Police Services, this includes the following activities:

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

Corporate and Democratic Core Costs:

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

Non Distributed Costs:

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

13 Members Allowances and Expenses

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

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

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

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

14 Disclosure of Remuneration for Senior Employees

The following table sets out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is less than £150,000 but more than £50,000 per year.

The table for 2014/15 includes members of the Extended Chief Officer Group which is the formal decision making body for the Constabulary.

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

Notes to the Accounts

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

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

Notes:

1 The Chief Constable was appointed on 1/8/14 (prior to this he was Deputy Chief Constable)

2 The Deputy Chief Constable was promoted on 1/8/14 (prior to this she was Assistant Chief Constable).

3 Temporary Assistant Chief Constable was promoted to ACC on 1/8/14

4 Chief Superintendent (A) became Chief Superintendent TPA on 1/8/14 & was promoted to Detective Chief Superintendent Crime Command on 1/2/15

5 Chief Superintendent (B) retired on the 12/5/14

6 Temporary Chief Superintendent (C) covered position of Temporary Chief Superintendent Crime from 12/5/14 to 31/1/15.

7 Temporary Chief Superintendent (D) was promoted on 1/2/15 to Temporary Chief Superintendent (TPA)

8 The Superintendent Professional Standards post was removed from 12/5/14

9 The Chief Inspector become Head of Professional Standards on the 12/05/14 following the removal of the Superintendent post.

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

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

Notes:

1 Temporary Chief Constable (A) was suspended on full on full pay in September 2012 and remained under suspension until September 2013, at which time he returned to his substantive role as Deputy Chief Constable before retiring from office In December 2013.

2 Temporary Deputy Chief Constable (A) was in post as Temporary DCC until 09/09/13 and then reverted to the role of Assistant Chief Constable.

3 Deputy Chief Constable (B) was in post as Assistant Chief Constable until 01/01/14 and was then appointed to the role of Deputy Chief Constable.

4 Chief Superintendent A retired from office on 13/08/13

5 Chief Superintendent C resigned from office on 01/09/13

15 Employee Remuneration

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

Remuneration Band	2013/14 CC Police Staff	2013/14 CC Snr Police Officers	2013/14 CC Total	2014/15 CC Police Staff	2014/15 CC Snr Police Officers	2014/15 CC Total
£50,000 to £54,999	3	0	**3**	2	0	**2**
£55,000 to £59,999	1	0	**1**	3	0	**3**
£60,000 to £64,999	2	0	**2**	0	0	**0**
£65,000 to £69,999	2	0	**2**	0	1	**1**
£70,000 to £74,999	0	0	**0**	3	0	**3**
£75,000 to £79,999	0	1	**1**	1	1	**2**
£80,000 to £84,999	0	1	**1**	0	1	**1**
£85,000 to £89,999	0	0	**0**	0	0	**0**
£90,000 to £94,999	0	0	**0**	0	1	**1**
£95,000 to £99,999	0	0	**0**	0	0	**0**
£100,000 to £104,999	0	0	**0**	0	0	**0**
£105,000 to £109,999	0	1	**1**	0	0	**0**
£110,000 to £114,999	0	2	**2**	0	1	**1**
£115,000 to £119,999	0	0	**0**	0	0	**0**
£120,000 to £124,999	0	0	**0**	0	0	**0**
£125,000 to £129,999	0	0	**0**	0	0	**0**
£130,000 to £134,999	0	0	**0**	0	1	**1**
Total	**8**	**5**	**13**	**9**	**6**	**15**

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

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

The table above includes those employees and senior police officers that are also required to be disclosed on a more detailed individual basis. Please see note 14 for more information.

16 Exit Packages

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

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	2013/14 Headcount	2014/15 Headcount	2013/14 Headcount	2014/15 Headcount	2013/14 Headcount	2014/15 Headcount	2013/14 £000's	2014/15 £000's
£0-£20,000	12	2	12	0	24	2	292	23
£20,001 - £40,000	3	2	6	1	9	3	245	102
£40,001 - £60,000	1	0	2	0	3	0	161	0
£60,001 - £80,000	1	0	1	0	2	0	122	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	**17**	**4**	**21**	**1**	**38**	**5**	**820**	**125**

17 Termination Payments

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

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

The exit packages amount to £125k (£820k in 2013/14). The exit packages can be further split into compensation for loss of employment £125k (£645k in 2013/14) and enhanced pension benefits £0k (£175k in 2013/14). The redundancies are as a result of the Constabulary's change programme. The Exit Packages note above (note 16) provides details of the number and total cost of exit packages per band and include those exit packages paid in 2014/15 and those agreed for individuals in 2014/15 but paid in 2015/16 for which an accrual was made in the 2014/15 accounts.

A further amount of £555k (£45k in 2013/14) has been set aside in a provision to pay termination costs as a result of decisions made in principle in 2014/15 but where there was some uncertainty over the individual staff or timing of the termination but for which a reasonable estimate can be made of amount of the probable obligation. This amount is netted down by costs charged against the provision in respect of 2013/14 decisions provided for at the year-end where the payment was actually made in 2014/15 of £5k (£194k in 2013/14), providing a net movement on the provision of £550k (-£149k in 2013/14).

18 Related Party Transactions

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

18.a Police and Crime Commissioner

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

18.b Central Government

Central government has effective control over the general operations of the Chief Constable – it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of its funding via the Commissioner.

18.c Officers and Employees

Senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Chief Constable. No material transactions have been reported in respect of the 2014/15 financial year.

18.d Other Public Bodies

The Chief Constable's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex B) pages 55-61.

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

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

19 Contingent Liabilities

Insurance Claims

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

Redundancy Costs

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

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

Injury pensions

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

Employment Appeal Tribunal

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

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

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

- IFRS 13 Fair Value Measurement (May 2011) (implementation has been deferred until 2015/16);
- IFRIC 21 Levies;
- Annual Improvements to IFRSs (2011-2013 cycle):
  - IFRS 1 Meaning of effective IFRSs;
  - IFRS 3 Scope exceptions for joint ventures;
  - IFRS 13 Scope of paragraph 52 (portfolio exception);
  - IAS40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment property when classifying property as investment property or owner/occupied property;

In the Financial Statements for 2015/16, the effect of the changes will be assessed and where necessary, the comparative figures restated.

Police Officer Pension Fund Account

Police Officer Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2014/15 financial year together with comparative information for 2013/14.

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

Net Assets Statement

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

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

Notes to the Police Officer Pension Fund Account

Accounting Policies

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

Operation of Police Pensions Schemes

Up to 31 March 2015 the Chief Constable operated two Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the new scheme and the previous scheme has been closed to new members. Officers who are members of the old scheme are allowed by regulation to become members of the new (2006) scheme if they so wish. Members' contribution rates for 2014/15 were between 11% and 12.75% (10.7%-12% in 2013/14) for the 2006 scheme and between 14.25% and 15.05% (13.5%-14% in 2013/14) for the old scheme. The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 19). Detailed disclosure notes regarding the Police Pension schemes can be found in the technical Annex to the statement of accounts (Annex B) section B (pages 55-61).

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

Funding of Police Pension Schemes

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

Glossary of Terms

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

ACPO
The Association of Chief Police Officers.

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

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

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

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

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

Capital Expenditure
As defined in section 16 of the Local Government Act 2003 and regulation 25 of the Capital Finance and Accounting Regulations 2003, but broadly expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital Financing Requirement (CFR)
The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any point in time.

Capital Receipt
Monies received from the sale of capital assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules prescribed by Central Government. Capital Receipts cannot be used to finance revenue expenditure, with the exception that up to 4% of sale proceeds may be transferred to the General Fund to finance costs directly associated with the disposal of the asset.

Cash and Cash Equivalents
Cash is represented by cash in hand and in bank accounts. Cash Equivalents include demand deposits with financial institutions which are highly liquid in that they are repayable without penalty on notice of not more that 24 hours.

CC
The Chief Constable for Cumbria Constabulary.

CC CFO
The Chief Constable's Chief Finance Officer.

Chief Constable
The Chief Constable for Cumbria Constabulary.

CIPFA
The Chartered Institute of Public Finance and Accountancy. The main professional body for accountants working in the public services.

Commissioner
The Police and Crime Commissioner for Cumbria.

Componentisation
Identifying and depreciating the components of an asset separately if they have differing patterns of benefits relative to the total cost of the asset.

Contingency
A sum set aside to meet unforeseen expenditure.

Creditors
Amounts owed by the Police and Crime Commissioner for goods and services provided which had not been paid for at the end of the financial year.

Glossary of Terms

DCLG
The Department for Communities and Local Government, responsible for funding elements of the Police and Crime Commissioner's specific and external grant aid.

Debtors
Amounts owing to the Police and Crime Commissioner but not received at the end of the financial year.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

De-minimis
In general the term means lacking in significance or importance. In terms of the accounts, a de-minimis limit is set for inclusion of projects in the capital programme, below this limit projects would be charged to revenue budgets.

Direct Revenue Contributions (DRC)
Resources provided from the Police and Crime Commissioner's revenue budget to finance the cost of capital projects.

Earmarked Reserves
Those elements of the Police Fund that have been set aside, "earmarked", for specific purposes.

Fair Value
In accounting and economics, fair value is a rational and unbiased estimate of the potential market price of a good, service, or asset.

Hedge Funds
A hedge fund is a pooled investment vehicle administered by a professional management firm, and often structured as a limited partnership/ limited liability company. Hedge funds invest in a diverse range of markets and use a wide variety of investment styles and financial instruments.

Heritage Assets
A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture.

HMIC
Her Majesty's Inspectorate of Constabulary who are a government agency responsible for monitoring the standards and performance of Constabularies.

Impairment/Impaired
A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

Investment Property
Property (land or building) held solely to earn rentals or for capital appreciation or both, rather than for operational reasons such as the provision of services.

Leasing
A method of financing expenditure over a period of time. There are two main types of lease:

- Finance Lease - where the risks of ownership are transferred to the lessee and where the assets are recorded in the Police and Crime Commissioner's balance sheet at a current valuation.

- Operating Lease - where the risks of ownership stay with the leasing company and the annual rental charges are made via the Revenue Account.

Minimum Revenue Provision (MRP)
The minimum amount which must be set aside in the Revenue Account each year as a provision for credit liabilities.

Non-current Assets
An asset, which will yield a benefit to the Police and Crime Commissioner for a period of more than one year.

PCC
The Police and Crime Commissioner for Cumbria.

PCC CFO
The Police and Crime Commissioner's Chief Finance Officer.

Pension actuarial gains and losses
For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with actuarial assumptions made for the last valuation (experience gains and losses) or
- the actuarial assumptions have changed.

Glossary of Terms

Pension – current service costs
The increase in the present value of a defined benefit's liabilities expected to arise from employee service in the current period.

Pension – defined benefit scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contribution payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Pension assets – expected rate of return
For a funded defined benefits scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Pension – interest costs
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Pension - past service costs
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Police Objective Analysis (POA)
The Police Objective Analysis (POA) is a model developed by the Home Office for analysing individual policing areas expenditure. It has been developed to support the need for understandable, accurate and consistent costing information to allow internal and inter-force comparisons.

Precept
The demands made by the Police and Crime Commissioner on the district councils who are the billing authority in relation to the collection of council tax.

Private Equity Funds
A private equity fund is a collective investment scheme used for making investments in various equity (and to a lesser extent debt) securities according to one of the investment strategies associated with private equity.

Provision
An amount set aside to provide for a liability which is likely to be incurred, although the amount and date of that liability are uncertain.

Public Works Loan Board (PWLB)
A Government agency which provides longer term loans to Local Authorities at interest rates which are only slightly higher than those at which the government itself can borrow.

Reserves
An amount set aside for a specific purpose and carried forward to meet expenditure in future years. The Police Fund represents accumulated balances which may be used to support future spending.

Revaluation Reserve
The revaluation reserve records the unrealised net gain from revaluation of non-current assets made after 1 April 2007. The balance is made up of individual credit balances associated with specific assets and will be equal to the difference between the current value net book value (NBV) and the historic cost NBV for all assets.

SERCOP
The CIPFA Service Reporting Code of Practice. It was introduced as part of the Best Value Regime to bring about more consistent accounting treatment of costs and to facilitate more meaningful financial comparisons between Authorities.

The Commissioner
The Police and Crime Commissioner for Cumbria.

TPA
Territorial Policing Area.

Appendix A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2014/15 financial year and the financial position at the 31 March 2015. The Police and Crime Commissioner and Chief Constable are each required to prepare an annual Statement of Accounts (single entity) in accordance with the Accounts and Audit Regulations 2011 which stipulate that the statements be prepared in accordance with proper accounting practices. Those practices primarily comprise the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (SERCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The Police and Crime Commissioner is responsible for combining the single entity statements to form a set of consolidated group accounts.

2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories (stock) on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- An accrual is made in respect of employee benefits payable during employment (see accounting policy 7 below for further details).

Accrual Example 1

An electricity invoice received at the start of April will usually relate to the previous quarters electricity consumption (January to March) and as such this expenditure should be shown in the financial statements for the previous financial year. The invoice will actually be paid in the new year but the costs are charged to the previous year by way of an accrual.

Accrual Example 2

The PCC/Constabulary insurance premiums are due on 1 November each year. The premium paid covers five months of the current financial year and seven months of the next. A prepayment is made in the accounts to move the cost of the seven months into the correct year.

3 Cash and Cash Equivalents

In accordance with the terms of the Commissioner's funding arrangement to the Chief Constable, the Chief Constable is funded on a cash basis, accordingly all cash and cash equivalent balances are recorded on the balance sheet of the Commissioner.

Appendix A - Statement of Accounting Policies

4 Exceptional Items

When exceptional items of income and expense are ***material***, their nature and value is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of financial performance.

> **Materiality** – information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information about a specific reporting organisation. In other words, materiality is an organisation specific aspect of relevance based on the *nature* or *magnitude* or *both*, of the items to which the information relates in the context of the individual organisations financial statements.

5 Prior period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts and notes for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6 Charges to Revenue for Non-Current Assets

In accordance with the terms of the Commissioner's funding arrangement to the Chief Constable, the Commissioner holds all non-current assets. Accordingly, all depreciation, revaluations and impairments are recorded in the Commissioner's single entity statement. However, the Commissioner makes a charge to the Chief Constable in the Comprehensive Income and Expenditure Statement for the use of non-current assets, which is equivalent to his share of depreciation.

7 Employee Benefits

7.1 Employee Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for functions in the year in which employees render service. An accrual is made for the cost of holiday entitlements, time off in lieu, flexi leave and rest days in lieu earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable at the balance sheet date. The employee accrual is then reversed out through the movement in reserves statement so that it is not charged against council tax.

7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged (on an accruals basis) to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the organisation can no longer withdraw the offer of those benefits or when the organisation recognises the costs for restructuring.

Where termination benefits involve enhancement of pensions, statutory provisions require the Police Fund balance be charged with the amount payable to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

8 Post-Employment Benefits

There are two pension schemes for police officers and a single scheme for police staff. They are all defined benefits schemes.

Defined Benefit Scheme – A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contribution payable and the benefits are not directly related to the investments of the scheme. The scheme may be ***funded*** or ***unfunded***.

A **funded** scheme is one where employers and employees pay contributions into a fund. The payments to pensioners are then made from this fund.

An **unfunded** scheme is one where there is no fund with investment assets built up to meet pension liabilities and cash has to be generated (from employee and employer contributions) to meet the actual pension payments as they fall due.

All accounting entries in relation to the Comprehensive Income and Expenditure Statement and the subsequent liability for police officers pensions are wholly recorded in the Chief Constable's accounts. For police staff all Comprehensive Income and Expenditure Statement entries and subsequent balance sheet liabilities in relation to pensions are apportioned between the Commissioner and the Chief Constable single entity statements by the scheme actuary.

The liabilities of the pension fund are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their fair value at current prices using a discount rate (see assumptions set out in Annex B, page 60).

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
  - Current service costs – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined pension benefit liability (asset) – i.e. the net interest expense for the organisation – the change during the period in the net defined pension benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the

discount rate used to measure the defined pension benefit obligation at the beginning of the period to the net defined pension benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined pension benefit liability (assets) during the period as a result of contribution and benefit payments.

- **Remeasurements comprising:**
  - Return on plan assets-excluding amounts included in the net interest on the net defined pension liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions (demographic and financial) made at the last actuarial valuation or because the actuaries have updated their assumptions –charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **Contributions paid to the pension fund**
  - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Police Fund to be charged with the amount payable to the pension funds in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the Police Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The pensions disclosures section of the technical Annex (Annex B) provides further information about the pension schemes (pages 55-61).

8.2 Police Officers

The original Police Pension Scheme (PPS) is governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The new Police Pensions Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006).

Both schemes are unfunded which means there are no investment assets built up to meet pensions liabilities from pensions or other retirement benefits for former employees.

The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards there is an employer's contribution rate set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement.
Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 39-40). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the police fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office. As the Commissioner is responsible for maintaining the police fund the receipt of Home Office pension grant and corresponding contribution to the Police Pension Fund Account are shown in the accounts of the Commissioner.

8.3 Police Staff

Police staff, subject to certain qualifying criteria, are eligible to join the LGPS, which is a funded defined benefit scheme. Pensions and other retirement benefits are paid from the fund. Employers and employees make regular contributions into the fund so that the liabilities are paid for evenly over the employment period.
Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities.

The assets of the LGPS pension fund are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The Accounts show the full implementation of IAS19 (Employee Benefits). IAS19 requires organisations to recognise retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned, even though the benefits will not be payable until employees retire. However, as statutory procedures require the charge against Council Tax to be based on the amounts payable to the pension fund during the year, an appropriation is made within the pensions reserve equal to the net change in the pensions liability recognised in the Comprehensive Income and Expenditure Statement. The Balance Sheet discloses the net liability in relation to retirement benefits. The figures are based on the Actuary's latest estimate.

There are restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and are accounted for using the same policies as applied to the LGPS.

9 Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue which have an impact on the financial statements and are treated as follows. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and their estimated financial effect.

Events taking place after the authorised for issue date are not reflected in the statement of accounts.

10 Financial Instruments - Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Where payable (i.e. a creditor) has a maturity of less than 12 months the fair value is taken to be the principal outstanding, or the billed / invoiced amount.

Appendix A - Statement of Accounting Policies

11 Financial Instruments - Financial Assets

Financial assets are initially measured at fair value and carried at their amortised cost. Where a receivable (i.e. a debtor) has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed / invoiced amount.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. An example of such a charge would be an adjustment made to the debtors balance as a provision for bad debt.

12 Government Grants and Contributions

In accordance with the statutory responsibility of the Commissioner to maintain the Police Fund outlined in the Police and Social Responsibility Act 2011, all grants and contributions are attributable to the Commissioner and recorded in his accounts.

13 Intangible Assets

In accordance with the terms of the Commissioner's funding arrangement to the Chief Constable all intangible assets are held by the Commissioner.

14 Inventories

Inventories (stocks) are included in the balance sheet at historic cost. This is a departure from IAS2 which requires inventories to be valued at the lower of cost or net realisable value. However, for many stock items, particularly uniforms, net realisable value would be minimal and would not accurately reflect the value of holding these assets.

15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Agreements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfillment of the arrangement is dependent on the use of specific assets.

The Chief Constable does not hold any finance leases (either as lessee or lessor) or operating leases (as lessor or lessee).

16 Treatment of Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between

users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the status as a democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

The two cost categories are defined in the Service Reporting Code of Practice (SERCOP) and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Cost of Services.

Under the Commissioner's funding arrangement to the Chief Constable premises costs (except where they are directly attributable to the Chief Constable) are initially recorded in the accounts of the Commissioner and a recharge is made to the Chief Constable in the single entity comprehensive income and expenditure statements on an appropriate basis.

Under the Commissioner's funding arrangement to the Chief Constable transport, supplies and services costs and those for police staff supporting both the Commissioner and Chief Constable (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity comprehensive income and expenditure statements on an appropriate basis.

17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Under the terms of the Commissioner's funding arrangement to the Chief Constable all property, plant and equipment is held by the Commissioner. Accordingly, all accounting entries in relation to the acquisition, enhancement, revaluation, impairment, depreciation and sale of such assets are recorded in the single entity accounts of the Commissioner. As noted in policy 6 above, the Commissioner makes a charge to the Chief Constable for the use of such assets which is equivalent to the Chief Constable's share of depreciation.

18 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the services that are provided under the PFI scheme are deemed under the PFI contract to be controlled, the asset is carried on the Balance Sheet as part of Property, Plant and Equipment.

There is currently one PFI scheme and this relates to the West Cumbria TPA HQ at Workington. Under the terms of the Commissioner's funding arrangement to the Chief Constable, the Commissioner controls all property and accordingly the PFI building is recorded on the balance sheet of the Commissioner. A charge is made by the Commissioner to the Chief Constable in the comprehensive income and expenditure statement for the Constabulary's use of the building and the services provided.

19 Heritage Assets

There are a small number of items that fall under the definition of heritage assets. Due to their diverse nature and lack of historical cost information specialist valuations would be required in order to obtain a reliable estimated value to include in the accounts. The cost of obtaining such valuations would outweigh the benefits gained and therefore no values are included in the balance sheet.

20 Provisions, Contingent Liabilities and Contingent Assets

20.1 Provisions

Provisions are made when an event has taken place that gives a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, involvement in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Details of provisions made during the year are shown in the notes to the accounts (note 9, page 27).

When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will subsequently be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant function.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

20.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives a possible obligation which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled. Contingent liabilities also arise in circumstances where a provision would otherwise be made but it is either not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

20.3 Contingent Assets

A contingent asset arises where an event has taken place that gives rise to a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21 Reserves

Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all usable reserves i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner. However, the Chief Constable does hold certain unusable reserves in relation to pensions and accumulated employee absences, which arise from Constabulary activities and are not covered by the funding arrangement and are shown on the Chief Constable's balance sheet.

22 Material Estimation Techniques

IAS 1 Presentation of Financial Statements requires disclosure of any estimation techniques applied, such that if a different methodology had been used a material variance in the amounts disclosed would have been arrived at. The only material estimation techniques used are as follows:

22.1 Pension Disclosure Note:

Where the projected unit method of valuation has been applied and which is consistent with the required methodology in IAS 19. This is a valuation method in which the scheme liabilities make an allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the valuation date relate to:

(a) the benefits pensioners and deferred pensioners (i.e. individuals who have ceased as active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and

(b) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested or not.

For 2014/15 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that a rate of between 3.3% and 3.4% is appropriate.

23 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Annex B – Technical Annex

Section A - Financial Instrument Disclosures

Financial Instruments *are contracts that give rise to a financial asset in one entity and a financial liability in another. The term covers both* ***financial assets*** *such as loans and receivables and* ***financial liabilities*** *such as creditors and borrowings.*

A1 Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

Categories of Financial Instruments	CC Current 31 March 2014 £000s	CC Current 31 March 2015 £000s
Financial Assets		
Debtors		
Financial assets carried at contract amounts	108	215
Total Financial Assets	**108**	**215**
Financial Liabilities		
Creditors		
Financial liabilities carried at contract amounts	(7,299)	(7,542)
Total Financial Liabilities	**(7,299)**	**(7,542)**

A2 Fair value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and assets represented by loans and receivables and long term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of trade and other receivables is taken to be the invoiced amount.

As the Chief Constable only holds debtors and creditors as financial instruments, the fair value is estimated to be the same as the carrying amount as set out in the table above.

A3 Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The Chief Constable's activities expose him to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Chief Constable.
- Liquidity Risk – the possibility that the Chief Constable might not have funds available to meet its commitments to make payments.

Credit Risk

***Credit Risk** is the possibility that other parties might fail to pay amounts due to the Chief Constable.*

As the Chief Constable is funded by the Commissioner, the Chief Constable's credit risk arises indirectly through the Commissioner's deposits with banks and financial institutions, as well as credit exposures to the Commissioner's customers.

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's ratings services. The annual TMSS (approved by the Commissioner in February 2014), also imposes a maximum sum to be invested with a financial institution located within each category.

Liquidity Risk

***Liquidity Risk** is the possibility that the Chief Constable might not have funds available to meet his commitments to make payments.*

Under the terms of the funding arrangement between the Commissioner and the Chief Constable the Commissioner provides funding to the Chief Constable on a cash basis. As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2015 no actual external debt, having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments to the Chief Constable within the terms of the funding arrangement.

Section B – Pensions Disclosures

B1 Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Chief Constable offers retirement benefits. Although these benefits will not actually be payable until employees retire, under IAS 19 the Chief Constable must recognise its future commitment to make payments, which need to be disclosed at the time that employees earn their future entitlement. In addition, the financial statements should contain adequate disclosure of the costs of providing benefits and related gains/losses.

The Chief Constable participates in two pension schemes:

- The Local Government Pension Scheme (LGPS) for Police Staff employees, administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded defined benefit scheme, meaning that the Chief Constable and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2014/15 the Chief Constable made a contribution of 12.7% of pensionable pay supplemented by a contribution to past service costs of £2,328k. The past service contribution made in 2014/15 represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2013 with revised rates applicable from April 2014.

- The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The Chief Constable and employees pay contributions into a separate pensions fund account administered by the Chief Constable from which on-going pensions liabilities are met. At the year-end any surplus or deficit on the pensions fund account is paid to or met by the Commissioner who then repays or is reimbursed by the Home Office. (2014/15 contribution rates for employers were 24.2% of pensionable pay and was last reviewed in March 2007).

The cost of retirement benefits is recognised in the Cost of Services within the Comprehensive Income and Expenditure Statement when employees earn them, rather than when the benefits are eventually paid as pensions.

Defined Benefit Scheme – A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contribution payable and the benefits are not directly related to the investments of the scheme. The scheme may be ***funded*** or ***unfunded***.

A **funded** scheme is one where employers and employees pay contributions into a fund. The payments to pensioners are then made from this fund.

An **unfunded** scheme is one where there is no fund with investment assets built up to meet pension liabilities and cash has to be generated (from employee and employer contributions) to meet the actual pension payments as they fall due.

Annex B – Technical Annex

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Pension Transactions in MiRS and CI&ES	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme Old Scheme		CC Police Scheme 2006 Scheme		CC Total Pension Schemes	
	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s
Comprehensive Income and Expenditure Statement										
Cost of Services										
Service cost comprising:										
• Current service cost	3,683	3,216	0	0	18,840	15,890	3,660	4,180	26,183	23,286
• (Gain)/loss from settlements	88	47	0	0	0	0	0	0	88	47
Financing and Investment Income and Expenditure					**0**	**0**	**0**	**0**	**0**	**0**
• Net interest expense	1,161	567	45	49	42,330	42,610	1,060	1,230	44,596	44,456
Total Post-employement Benefits charged to the Surplus or Deficit on the Provision of Services	**4,932**	**3,830**	**45**	**49**	**61,170**	**58,500**	**4,720**	**5,410**	**70,867**	**67,789**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement										
Remeasurement of the net defined benefit liability comprising:										
• Return on plan assets (excluding the amount included in the net interest expense)	(2,688)	(9,413)	0	0	0	0	0	0	(2,688)	(9,413)
• Actuarial (gains) and losses arising on changes in demographic assumptions	2,375	0	8	0	(140)	(41,730)	(10)	(2,480)	2,233	(44,210)
• Actuarial (gains) and losses arising on changes in financial assumptions	(10,399)	24,502	(23)	113	(28,650)	167,480	(2,050)	6,940	(41,122)	199,035
• Experience (gains) and losses on liabilities	(3,545)	0	39	0	(19,830)	(20,640)	(670)	(4,320)	(24,006)	(24,960)
• Administration expenses	85	87	0	0	0	0	0	0	85	87
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	**(14,172)**	**15,176**	**24**	**113**	**(48,620)**	**105,110**	**(2,730)**	**140**	**(65,498)**	**120,539**
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(9,240)**	**19,006**	**69**	**162**	**12,550**	**163,610**	**1,990**	**5,550**	**5,369**	**188,328**
Movement in Reserves Statement										
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(4,932)	(3,830)	(45)	(49)	(61,170)	(58,500)	(4,720)	(5,410)	(70,867)	(67,895)
Actual amount charged against the General Fund Balance for pensions in the year										
• Employers' contributions payable to the scheme	2,794	4,559	63	65	0	0	0	0	2,857	4,762
• Retirements benefits payable to pensioners	0	0	0	0	26,600	27,070	(970)	(1,080)	25,630	25,990
Total amount charged against the Police Fund Balance for pensions in the year	**2,794**	**4,559**	**63**	**65**	**26,600**	**27,070**	**(970)**	**(1,080)**	**28,487**	**30,752**

Annex B – Technical Annex

B2 Assets and Liabilities in relation to Retirement Benefits

Under IAS 19, the financial statements should reflect at fair value the assets and liabilities arising from an employer's obligation to pay retirement benefits and the funding provided.

The underlying assets and liabilities for retirement benefits attributable to the Chief Constable at 31 March 2015 with comparative information for the previous year are as follows:

Pension Scheme Assets & Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme Old Scheme		CC Police Scheme 2006 Scheme	
	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s
Present value of the defined benefit obligation	(100,858)	(133,274)	(1,067)	(1,168)	(974,080)	(1,110,620)	(25,320)	(31,950)
Fair value of plan assets	85,149	103,061	0	0	0	0	0	0
Net liability arising from defined benefit obligation	**(15,709)**	**(30,213)**	**(1,067)**	**(1,168)**	**(974,080)**	**(1,110,620)**	**(25,320)**	**(31,950)**

The liabilities in the above table show the underlying commitments that the Chief Constable has, in the long run, to pay retirement benefits. The total liability of £1.174b (£1.016b in 2013/14) has a substantial impact on the net worth of the Chief Constable as recorded in the balance sheet, resulting in a negative overall balance of £1.177b (£1.020b in 2013/14).

However, statutory arrangements for funding the deficit mean that the financial position of the Constabulary remains healthy, since:

- the deficit on the local government scheme will be made good by increased contributions and changes to benefits over the remaining working life of employees, as assessed by the scheme actuary
- finance is only required to be raised to cover police pensions when the pensions are actually paid.

Annex B – Technical Annex

Reconciliation of present value of scheme liabilities:

Reconciliation of Scheme Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme Old Scheme		CC Police Scheme 2006 Scheme	
	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s
Balance at Start of Year	**(104,764)**	**(100,858)**	**(1,061)**	**(1,067)**	**(988,130)**	**(974,080)**	**(22,360)**	**(25,320)**
Adjustment to Opening Balance	0	(882)	0	(4)				
Adjusted Balance at Start of Year	**(104,764)**	**(101,740)**	**(1,061)**	**(1,071)**	**(988,130)**	**(974,080)**	**(22,360)**	**(25,320)**
Current service cost	(3,683)	(3,216)	0	0	(18,840)	(15,890)	(3,660)	(4,180)
Interest cost	(4,596)	(4,660)	(45)	(49)	(42,330)	(42,610)	(1,060)	(1,230)
Contributions by Scheme Participants	(1,088)	(1,117)	0		(4,470)	(4,450)	(810)	(1,070)
Remeasurement gains and (losses):								
- Arising from changes in demographic assumptions	(2,375)	0	(8)	0	140	41,730	10	2,480
- Arising from changes in financial assumptions	10,399	(24,502)	23	(113)	28,650	(167,480)	2,050	(6,940)
- Experience gains/(losses)	3,545	0	(39)	0	19,830	20,640	670	4,320
Gains/(losses) on curtailment	(88)	(47)	0	0	0	0	0	0
Benefits Paid/Transfers	1,792	2,008	63	65	31,070	31,520	(160)	(10)
Balance at End of Year	**(100,858)**	**(133,274)**	**(1,067)**	**(1,168)**	**(974,080)**	**(1,110,620)**	**(25,320)**	**(31,950)**

The liabilities under both the LGPS and Police Pension Schemes have increased during 2014/15. The Principal reason for this increase is in relation to a change in financial assumptions

Reconciliation of fair value of the scheme assets:

Reconciliation of Scheme Assets	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits	
	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s
Balance at Start of Year	**77,021**	**85,149**	**0**	**0**
Adjustment to Opening Balance	0	825	0	0
Adjusted Balance at Start of Year	**77,021**	**85,974**	**0**	**0**
Interest Income	3,435	4,093	0	0
Remeasurements - Gains and (Losses)	2,688	9,413	0	0
Administration Expenses	(85)	(87)	0	0
Employer Contributions	2,794	4,559	63	65
Contributions by Scheme Participants	1,088	1,117	0	0
Benefits Paid	(1,792)	(2,008)	(63)	(65)
Balance at End of Year	**85,149**	**103,061**	**0**	**0**

Annex B – Technical Annex

The Police Pension Scheme has no assets to cover its liabilities. The Chief Constable's share of assets in the Cumbria County Council Pension Fund (LGPS) consists of the following categories, by proportion of the total assets held:

LGPS Asset Breakdown	Quoted Y/N	CC 2013/14 £000s	CC 2013/14 %	CC 2014/15 £000s	CC 2014/15 %
Equities					
UK Quoted	Y	11,923	14.00%	14,119	13.70%
UK Unquoted	N	85	0.10%	0	0.00%
Global Quoted	Y	13,793	16.20%	18,758	18.20%
UK Equity Pooled	N	10,303	12.10%	5,153	5.00%
Overseas Equity Pooled	N	13,113	15.40%	16,387	15.90%
Bonds					
UK Corporate Bonds	Y	5,876	6.90%	7,214	7.00%
Overseas Corporate Bonds	Y	341	0.40%	412	0.40%
UK Corporate Bonds Pooled	N	3,320	3.90%	0	0.00%
UK Government Indexed Pooled	N	13,282	15.60%	18,964	18.40%
Property					
UK	Y	5,876	6.90%	7,420	7.20%
Property Funds	N	170	0.20%	3,504	3.40%
Alternatives					
Hedge Funds	N	170	0.20%	103	0.10%
Private Equity Funds	N	1,362	1.60%	1,752	1.70%
Infrastructure Funds	N	511	0.60%	5,256	5.10%
Real Estate Debt Funds	N	0	0.00%	412	0.40%
Cash					
Cash Instruments	Y	85	0.10%	0	0.00%
Cash Accounts	Y	4,598	5.40%	3,401	3.30%
Net Current Assets	N	341	0.40%	206	0.20%
		85,149	**100.00%**	**103,061**	**100.00%**

B3 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which provides an estimate of the pensions that will be payable in future years using assumptions about mortality rates, salary levels, etc. William M Mercer, an independent firm of actuaries, has carried out the assessment on the Local Government Pension Scheme. These accounts are based on the actuarial valuation undertaken on 31 March 2013. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Annex B – Technical Annex

The principal assumptions used by the actuary have been:-

Actuarial Assumptions	LGPS		Police Scheme	
	2013/14	2014/15	2013/14	2014/15
Long-term Expected Rate of Return on Assets in the Scheme:				
- Equity Investments	7.00%	6.50%	N/A	N/A
- Government Bonds	3.40%	2.20%	N/A	N/A
- Other Bonds	4.30%	2.90%	N/A	N/A
- Property	6.20%	5.90%	N/A	N/A
- Cash / Liquidity	0.50%	0.50%	N/A	N/A
- Other	7.00%	6.50%	N/A	N/A
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.0	23.0	23.4	23.3
- Women	25.5	25.6	25.9	25.7
Longevity at 65 for future pensioners:				
- Men	25.7	25.8	25.6	25.4
- Women	28.7	28.8	28.0	27.9
Rate of Inflation (CPI)	2.40%	2.10%	2.50%	2.20%
Rate of increase in salaries	3.90%	3.60%	4.50%	4.20%
Rate of increase in pensions	2.40%	2.10%	2.50%	2.20%
Rate for discounting scheme liabilities	4.60%	3.40%	4.40%	3.30%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	Impact on Defined Benefit Obligation £000s	CC Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme			
Longevity (1 Year increase in life expectancy)	2,453	93	85
Rate of Inflation (increase by 0.1%)	3,032	142	104
Rate of Increase in Salaries (increase by 0.1%)	925	0	33
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(2,966)	(137)	(73)

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	CC Police Pensions Old Scheme £000s	CC Police Pensions 2006 Scheme £000s
Assumption Sensitivity		
Longevity (1 Year increase in life expectancy)	27,000	600
Rate of Increase in Pensions (increase by 0.5%)	102,000	2,700
Rate of Increase in Salaries (increase by 0.5%)	16,000	2,400
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(124,000)	(5,600)
Early etirement (each member retiring 1 year earlier than expected)	(5,000)	200

The above tables include the impact of an increase in assumptions, a reduction in assumptions will produce approximately an equal and opposite change.

B4 Impact on the Chief Constable's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The Chief Constable has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The pension schemes will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS and the other main existing public service schemes in England and Wales (which includes the Police Pension schemes) may not provide benefits in relation to service after 31 March 2014 (after 31 March 2015 for other main public service schemes e.g. Police Pension Schemes). This means that the LGPS ceased to be a final salary schemes from 31 March 2014 and the Police Pension Scheme ceased to be a final salary pension scheme from 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2016 are £2,385k. Expected contributions for the Police Pension Scheme in the year to 31 March 2016 are £10,107k.

The weighted average duration of the defined benefit obligation for scheme members is shown in the table below:

Weigted Average Duration of the Defined benefit Obligation	2013/14 Years	2014/15 Years
Pensions Scheme		
Local Government Pension Scheme	23	22
Police Pension -Old Scheme	21	22
Police Pension -2006 Scheme	37	33

Section C – Segmental Reporting

C1 Subjective Analysis of Income and Expenditure

The revenue income and expenditure account is shown below on a subjective basis for information.

Subjective Analysis	Notes	CC 2013/14 Gross Expenditure £000s	CC 2013/14 Gross Income £000s	CC 2013/14 Net Expenditure £000s	CC 2014/15 Gross Expenditure £000s	CC 2014/15 Gross Income £000s	CC 2014/15 Net Expenditure £000s
Police Pay & Allowances		31,780	0	31,780	32,105	0	32,105
PCSO Pay & Allowances		2,570	0	2,570	2,468	0	2,468
Police Staff Pay & Allowances		20,428	0	20,428	20,217	(140)	20,077
Other Employee Costs		2,377	0	2,377	2,937	(30)	2,907
Police Pensions - IAS19 Current Service Costs		22,500	0	22,500	20,070	0	20,070
Total Employee Costs		**79,655**	**0**	**79,655**	**77,797**	**(170)**	**77,627**
Premises		5,212	0	5,212	5,238	0	5,238
Transport		3,518	(48)	3,470	3,466	(43)	3,423
Supplies & services		11,548	(92)	11,456	11,804	(94)	11,710
Agency & Contract Services		1,047	0	1,047	848	0	848
Support Services		160	0	160	86	0	86
Pension Interest Costs	Annex B	48,032	(3,435)	44,597	48,549	(4,093)	44,456
Gross Operating Expenditure		**149,172**	**(3,575)**	**145,597**	**147,788**	**(4,400)**	**143,388**
Non Distributed Costs		88	0	88	47	0	47
Funding from PCC to reimburse expenditure by CC		0	(103,613)	(103,613)	0	(106,912)	(106,912)
Net Operating Expenditure		**149,260**	**(107,188)**	**42,072**	**147,835**	**(111,312)**	**36,523**
Pensions Adjustment	Annex B	(42,381)	0	(42,381)	(37,175)	0	(37,175)
Transfers to/(from) Accumulated Absences A/c	11b	309	0	309	652	0	652
Total		**107,188**	**(107,188)**	**0**	**111,312**	**(111,312)**	**0**

Annex B – Technical Annex

C1(i) Income and Expenditure by Command/Directorate

The income and expenditure of the Chief Constable's principal Commands/Directorates is recorded in the budget reports for the year as follows:

Income & Expenditure by Reporting Segments	Expenditure			Income		
	Employee Expensses	Other Operating Expenses	Total	Funding provided by PCC to CC	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cumbria Constabulary						
- Territorial Policing Command	52,566	8,566	**61,132**	0	**0**	**61,132**
- Crime Command	16,555	2,058	**18,613**	0	**0**	**18,613**
- Corporate Support	7,499	9,739	**17,238**	(106,912)	**(106,912)**	**(89,674)**
- Corporate Improvement	612	135	**747**	0	**0**	**747**
- Professional Standards	983	38	**1,021**	0	**0**	**1,021**
- Legal Services	320	69	**389**	0	**0**	**389**
Total	**78,535**	**20,605**	**99,140**	**(106,912)**	**(106,912)**	**(7,772)**

The comparative information for 2013/14 is as follows:

Income & Expenditure by Reporting Segments	Expenditure			Income		
	Employee Expensses	Other Operating Expenses	Total	Funding provided by PCC to CC	Total	Net Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cumbria Constabulary						
- Territorial Policing Command	51,109	7,433	**58,542**	0	**0**	**58,542**
- Crime Command	16,554	2,936	**19,490**	0	**0**	**19,490**
- Corporate Support	6,575	9,597	**16,172**	(103,613)	**(103,613)**	**(87,441)**
- Corporate Improvement	607	114	**721**	0	**0**	**721**
- Professional Standards	1,016	40	**1,056**	0	**0**	**1,056**
- Legal Services	316	391	**707**	0	**0**	**707**
Total	**76,177**	**20,511**	**96,688**	**(103,613)**	**(103,613)**	**(6,925)**

C1(ii) Reconciliation of Command/Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Command/Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Cost of Services in CI&ES	CC 2013/14 £000s	CC 2014/15 £000s
Net Expenditure in Service Analysis (above)	(6,925)	(7,772)
Add services not included in main analysis	6,925	7,788
Add technical accounting adjustments (not reported in management accounts)	39,547	(36,507)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(42,072)	28,558
Net Cost of Services in Comprehensive Income and Expenditure Statement	**(2,525)**	**(7,933)**

C1(iii) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Command/Directorate Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

The figures for 2014/15 are as follows:

Reconciliation to Subjective Analysis	CC Service Analysis £000s	CC Services not in Analysis £000s	CC Technical Adjustments £000s	CC Not included in CI&ES £000s	CC Net Cost of Services £000s	CC Corporate Amounts £000s	CC Total £000s
Funding Provided by PCC to CC	(106,912)	0	0	0	**(106,912)**	0	**(106,912)**
Total Income	**(106,912)**	**0**	**0**	**0**	**(106,912)**	**0**	**(106,912)**
Employee expenses	78,535	7,088	(36,507)	28,558	**77,674**	44,456	**122,130**
Other service expenses	20,605	700	0	**0**	21,305	0	21,305
Total operating expenses	**99,140**	**7,788**	**(36,507)**	**28,558**	**98,979**	44,456	**143,435**
(Surplus) or deficit on the provision of services	**(7,772)**	**7,788**	**(36,507)**	**28,558**	**(7,933)**	**44,456**	**36,523**

The comparative information for 2013/14 is as follows:

Reconciliation to Subjective Analysis	CC Service Analysis £000s	CC Services not in Analysis £000s	CC Technical Adjustments £000s	CC Not included in CI&ES £000s	CC Net Cost of Services £000s	CC Corporate Amounts £000s	CC Total £000s
Funding Provided by PCC to CC	(103,613)	0	0	0	**(103,613)**	0	**(103,613)**
Total Income	**(103,613)**	**0**	**0**	**0**	**(103,613)**	**0**	**(103,613)**
Employee expenses	76,177	6,091	39,547	(42,072)	**79,743**	44,596	**124,339**
Other service expenses	20,511	834	0	**0**	21,345	0	21,345
Total operating expenses	**96,688**	**6,925**	**39,547**	**(42,072)**	**101,088**	44,596	**145,684**
(Surplus) or deficit on the provision of services	**(6,925)**	**6,925**	**39,547**	**(42,072)**	**(2,525)**	**44,596**	**42,071**

Annex C – Annual Governance Statement

The Chief Constable for Cumbria Constabulary

Annual Governance Statement 2014/15

Annex C – Annual Governance Statement

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Chief Constable for Cumbria Constabulary (the Chief Constable) is responsible for ensuring business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of functions, which includes arrangements for the management of risk.

The Chief Constable has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Chief Constable governs and sets out the frameworks that are in place to support the overall arrangements that are in place for fulfilling the Chief Constable's functions. This statement explains how the Chief Constable has complied with The Code. It also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement, which must accompany the Chief Constable's statement of accounts.

PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Constabulary is directed and controlled and the activities through which the organisation accounts to and engages with the community. The framework enables the Chief Constable to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate efficient and effective policing services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Chief Constable's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

Annex C – Annual Governance Statement

THE REVIEW OF EFFECTIVENESS

The key elements of the system and processes that comprise the Chief Constable's governance arrangements are detailed in this section. The elements are based on the six core principles of Corporate Governance from the CIPFA/Solace Governance Framework, the standard against which all local government bodies, including police, should assess themselves.

The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers within the organisation who have responsibility for the development and maintenance of the governance environment. The review comprises

- A cyclical detailed review of the key documents within the Chief Constable's governance framework eg Financial Regulations. The review includes consideration of the documents by the Joint Audit and Standards Committee prior to their presentation to the Chief Constable for approval.
- An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance. As part of the review the Chief Constable's Code of Corporate Governance is updated to reflect changes to the governance framework and the implementation of the prior year's AGS development plan.

Six Core Principles of Governance

1. *Focusing on the purpose of the Constabulary and on outcomes for the community, creating and implementing a vision for the local area*
2. *Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles*
3. *Promoting values for the Constabulary and demonstrating the values of good governance through upholding high standards of conduct and behaviour*
4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
5. *Developing the capacity and capability of the Chief Constable and officers of the Chief Constable to be effective*
6. *Engaging with local people and other stakeholders to ensure robust public accountability*

- A review of what has happened during the past year to evidence how the governance framework has been complied with. The process includes consideration of the questions and challenges raised within the CIPFA Good Governance Guidance Note for Police and a discussion on how well existing arrangements meet the good practice guidance within the guidance.

- A review of the effectiveness of the arrangements for internal audit undertaken by the Commissioner's Chief Finance Officer against the Public Sector Internal Audit Standards and the Internal Audit Charter. It supports a judgement on the effectiveness of the overall arrangements for audit in contributing to internal control. The review is supported by consideration of the opinion of the Chief Internal Auditor on the Chief Constable's control environment as set out in her annual report.
- A review of the effectiveness of the Joint Audit and Standards Committee is considered against CIPFA guidance on Audit Committees for Police. This is a self-assessment by the Committee and supported by the Commissioner's Chief Finance Officer. As part of the review consideration is given to assurance that can be provided by the Committee's annual work programme in evidencing the effectiveness of internal controls and as a contribution to the effectiveness of overall governance arrangements.

As part of the review process, the annual governance statement is prepared and presented in draft to the Chief Constable's Internal Auditors and the Joint Audit and Standards Committee, alongside a report detailing the findings of the review. In preparing the Governance Statement the narrative provided aims not only to describe the governance arrangements which are in place, but, to also outline the resulting outcomes in relation to the performance and development of the organisation. The resulting narrative is a lengthy document, but which provides the reader with a more comprehensive analysis of the Constabulary's governance activities and their effectiveness. The Governance Statement incorporates an action plan which identifies areas for development and improvement that have been highlighted during the review process. The Statement is approved by the Chief Officer Group prior to being issued alongside the draft unaudited statement of accounts.

The AGS remains under review during the audit of the financial statements. It is updated where appropriate, following the audit, with consideration being given to the opinion of the External Auditor, expressed within her Audit Findings Report and the External Auditor's value for money conclusion.

The following paragraphs detail how the Chief Constable's has complied with the governance framework, set out within the Code to meet of each of the six governance principles. Whilst the review did not highlight any serious deficiencies in relation to compliance with the Code, the Constabulary is making on-going efforts to improve the effectiveness of governance. Accordingly each section of the statement includes a commentary on areas for development and improvement, which were identified as part of the review process. These are collated into an action plan at the end of the statement. This AGS includes an update on the implementation of planned actions from the 2013-14 and how they were addressed in 2014-15.

Annex C – Annual Governance Statement

Jeremy Graham
Chief Constable
Date: 3 September 2015

Roger Marshall
Chief Finance Officer

Signatures have been removed for the purposes of publication on the website.

Annex C – Annual Governance Statement

Core principle 1: Focusing on the purpose of the Chief Constable and on outcomes for the community, and creating and implementing a vision for the local area

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Chief Constable determined the strategic direction for the Constabulary, which is '*Keeping Cumbria Safe*'. Following consultation, the annual review of the Constabulary's Strategic Assessment (based on operational intelligence), performance results, recommendations from independent inspections and audits and a review of the organisations' strategic risks, the following objectives were identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns :

- Protecting vulnerable people, specifically:
  - Dealing with the issues related to vulnerable children - child abuse and child sexual exploitation
  - Responding to vulnerable adults and children who go missing from home
  - Reducing the harm caused by domestic abuse, violent and sexual offenders, encouraging people to report to the police
- Preventing and detecting violence against the person offences, sexual offences and acquisitive crime
- Preventing and dealing with antisocial behaviour
- Tackling alcohol and drug related crime and disorder

The Commissioner approved these key objectives and incorporated them into his Police & Crime Plan to complement his aims.

The Constabulary worked with the OPCC to develop the performance framework. This set of measures and targets supports delivery of the Police and Crime Plan and is the mechanism used by the Commissioner to hold the Chief Constable to account. Progress against these measures has been reported to the Commissioner every two months at the public Executive Board.

The Constabulary reviewed performance for all crime types, antisocial behaviour, road collisions, user satisfaction and productivity every month throughout the year to identify exceptions to expected performance and took corrective action to address the root causes where this was indicated. The statistical analysis and evaluation of performance is carried out according to Home Office standards. One example during 2014/15 was the significant increase in violent crime during 2014/15. The analysis showed that the main causes of the increase were:

- Improved crime recording based on Home Office National Crime Recording Standard following work in the Constabulary to improve compliance and,
- Improvements to the processes relating to dealing with harassment to support victims. This meant that notices to deter further

harassment were issued at the first instance of harassment only and any subsequent further harassment behaviour was recorded and managed as a crime.

During 2014 - 15, performance management arrangements have been reviewed and improved. The resulting strategy – *'Performance management in Cumbria Constabulary: Managing our resources to improve outcomes for the people of Cumbria'* documents the key themes that show how performance management is embedded within the Constabulary. This is achieved mainly through the use of:

- Monthly briefings from Corporate Improvement to the ACC and DCC and to Operations Board; these included detailed root cause analysis and recommended actions to take
- Performance discussions at all operational Senior Management Team meetings as a standard agenda item
- Holding Performance Development Conferences every four months within each policing and business function to discuss strategic and local performance issues and determine improvement actions, such as – violent crime, sickness and data quality
- Reviewing performance at least yearly as part of Strategy Days attended by all senior management
- Further development of the sophisticated and comprehensive Performance Dashboard for crimes and incidents, user satisfaction, productivity and diversity measures which can be accessed by everyone
- Publication of daily performance figures for all officers and staff to use to monitor and manage delivery of operational activity
- Development and implementation of an individual Officer Performance Dashboard. This enables sergeants to quickly view their officers' workload and forms the basis of regular one to one performance meetings, improving supervision and productivity
- Individual performance meetings every 5 and 15 weeks with constables and, every 15 weeks with sergeants and PCSOs. The meetings use a set agenda covering - compliance, current workload and contribution to priorities (productivity), training, development, welfare and attendance.

The Constabulary performs well and has achieved a significant reduction in both crime and anti-social behaviour since 2009/2010 (falling by 10.8% and 45.6% respectively) and user satisfaction levels are consistently high. Although levels of recorded crime rose by 3.8% in 2014/15, this represents an increase of only 2.5 crimes per day as Cumbria has the 2nd lowest crime rate of all forces in England & Wales. The increase in crime in 2014/15 is partly attributed to better reporting of domestic violence and sexual offences and improved compliance with national standards.

Thematic reports for specific areas have also been published and discussed at the public Executive Board. Examples include: rural crime, roads policing and countering anti-social behaviour. The Constabulary agrees a schedule of themed reports as part of its performance management arrangements with the Commissioner.

Annex C – Annual Governance Statement

During 2014/15 the Constabulary submitted a formal budget proposal for 2015-16 to the Commissioner as part of a medium term financial forecast (MTFF) covering the four year period to 2018-19. The MTFF was based on planning assumptions consistent with those used by the Commissioner's Chief Financial Officer and incorporated latest information on government funding levels for 2015-16 and forecasts of funding for subsequent years. Governance arrangements in relation to the budget setting process were enhanced for 2015-16 to incorporate an additional layer of scrutiny through a series of 'Star Chambers' in which budget holders were subject to robust challenge by Chief Officers and senior finance staff in relation to their future budget requirements. As a result of the 'Star Chambers' £1m was removed from the budget for 2015-16.

The MTFF assumes that that levels of grant funding will continue to reduce for the duration of the forecast as the Government seeks to address the national budget deficit. Although the Constabulary has already delivered savings of £16m up to and including 2014-15, the MTFF indicates that further savings of £10.8m will be necessary by 2018-19. Future business planning has also recognised that there are risks associated with a review of the police funding formula, removal of damping protection and a further continuation of austerity which may further increase the Constabulary's savings requirement.

The Chief Constable, whilst continuing to examine all opportunities to reduce support department and non-staffing costs, has recognised that future savings are likely to require reductions in officer and PCSO numbers. Accordingly a number of strategic themes have been identified which help maintain performance whilst delivering a sustainable future including :-

- Development of the Demand Reduction Plan
- Developing Leadership and Skills
- Maximising Assets (including staff)

The themes form the basis for a number of more detailed reviews which will be progressed in 2015-16. These work-streams will be managed through the Constabulary's Change Programme.

Since 2011-12 the Constabulary's Change Programme has played a critical role in delivering savings required to balance the Constabulary's budget in the context of reductions in Government funding. During 2014 -15 the Change Programme:-

- Delivered a saving of £1.3 million from the revenue budget that was planned for 2014 – 15
- Developed proposals to change how the Constabulary delivers community and response policing to match the reducing resources available, including - the number of teams and deployment bases, the level of supervision required and, reviewing shift patterns to make sure that they match the demands on the service. These changes will be implemented in 2016.
- Developed proposals for changing how the service organises and responds to calls for service, fundamentally changing how the Constabulary will operate with fewer resources by managing demand based on

threat, risk and harm and using frontline police officers to achieve this.

- Developed proposals to how resources are managed strategically and tasked daily to maximise productivity. These are being implemented during 2015 – 2016
- Developed proposals for a smaller strategic Community Safety function and embedding its activities within the neighbourhood policing teams to improve productivity and prioritisation of activity. These proposals are currently subject to statutory formal consultation and may change.
- Rationalised the Criminal Justice Units from two to one, supported by the introduction of a new IT Case and Custody system which streamlines and digitises processes.
- Implemented changes to the Occupational Health function to improve resilience within the function so that it can support the Constabulary in improving productivity
- Developed its plans for the next four year period to 2020 to achieve the government savings required.

In overall terms the scope and size of the Change Programme has been significantly enhanced in 2014-15 in response to the increased financial challenge. It is now anticipated that the Change Programme will deliver savings of £10m by 2018-19, (£5.4m of additional savings identified in comparison with the same period last year). Successful delivery of the programme will allow the Constabulary's budget to be substantially balanced for the period of the MTFF based on current financial assumptions.

The Demand Reduction Plan includes an action to develop an annual process to evaluate resource allocation to ensure that resources are aligned to demand, threat, risk and harm.

Closely aligned to the Change Programme are the proposals contained in the Constabulary business plan which were developed in 2013-14 to invest in technology and training with the aim of increasing the productivity of officers and staff, which will make the organisation sustainable with a smaller workforce. During 2014-15 detailed business cases to support key elements of the business plan in relation to mobile and digital working and the replacement of core IT systems supporting operational policing were developed. Particular focus within the business cases has been placed on the delivery and measurement of anticipated benefits. Following scrutiny by the OPCC the Commissioner has approved the business cases which have been incorporated into the budget and capital programme.

The business plan proposals have also been used as the foundation for revised Estates and ICT Strategies which were agreed by the Chief Officer Group and Commissioner's Executive Board in February 2014.

Substantial work has continued on Workforce Planning and Establishment Control, involving close collaboration between the HR, finance and other stakeholders to embed better controls and predictions about future staffing requirements. The workforce plan is considered by regular strategic and tactical level groups within the Constabulary with the aim of ensuring that

numbers of officers, PCSOs and staff are in line with the planned establishment.

The Constabulary has carried out a detailed analysis of its user satisfaction surveys which involved identifying the key actions required to improve people's experience of using police services. Recommendations were approved by senior operational staff and have led to the further development of the Quality of Service Action Plan and the Antisocial Behaviour Steering Group Action Plan to improve services for all users, including diverse groups. Both action plans co-ordinate all related actions from internal and external reviews.

During 2014-15 the Constabulary has been inspected by HMIC and received reports on police efficiency, effectiveness and legitimacy (known as PEEL). There are four grades that can be achieved - outstanding, good, requires improvement and inadequate. The Constabulary has been rated as good for:

- Delivering savings and providing value for money
- Preventing offending and reducing crime
- Investigating crime
- Tackling antisocial behaviour

HMIC has also inspected crime recording practices, data quality and integrity. A small number of areas for improvement have been identified from the other inspections and action plans have been developed.

Significant progress has also been made on the Constabulary's Continuous Improvement, Efficiency and Value for Money Strategy. The Constabulary has used HMIC Value for Money profiles and Police Objective Analysis to inform its Change Programme and applied zero based budgeting, with robust financial challenge to budget holders, to secure maximum value from the resources available. Reports on Value for Money have been submitted to the PCC Executive Board and the Police and Crime Panel. In general, the VFM work has shown the Constabulary to be high performing, although costs may appear to be relatively high when measured per head of population. This is principally attributable to the logistics of providing an effective policing service over such a geographically sparse county.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

During 2015 -16 the Constabulary will:-

Complete its evaluation of the effectiveness of its revised governance arrangements including the board structure, making recommendations for improvement where appropriate.

Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.

Review the Constabulary's public bi-monthly performance management reports, improving the information provided to the public to support transparency and help understanding of policing issues.

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Write an Annual Report to support the Commissioner's 2016 -17 budget submission to the Police and Crime Panel.

Further develop the strategic resource management performance framework to drive improvements in our use of resources and our productivity, including development of a Productivity Strategy. This will complement the Constabulary's Continuous Improvement, Efficiency and Value for Money Strategy and will ensure that the benefits of significant investment in change and IT are delivered.

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Core Principle 2: Leaders, officers and partners working together to achieve a common purpose with clearly defined functions and roles

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The key functions and roles of the Chief Constable and the Police and Crime Commissioner are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO) The Chief Constable's statutory responsibilities for maintaining the Queen's Peace are set out in various Police Acts. The PRSA and the PPO also set out the function and roles of statutory officers, namely the Chief Constable's Chief Financial Officer.

During 2014 – 15, the changes to the Constabulary's strategic governance framework and board structure introduced in 2013-14 with the aim of ensuring

- Working together to manage the major strands of work effectively, with interdependencies and conflicts being identified and resolved, risks managed and ensuring that benefits are delivered
- Clarity about what decisions are made by each governance board, and what needs to be escalated or devolved
- Clarity about what decisions are made by each level of senior management
- That the schedule of meetings supports the governance framework and are compatible with OPCC and PCP meeting schedules.

were embedded and where appropriate were subject to further refinement.

In recognition of the scale of change currently being undertaken within the Constabulary to deliver savings and improve productivity, the Force Strategic Delivery Board was established at the start of 2014-15. This board expanded the terms of reference and membership (including a representative from the OPCC) of the previous Change Programme Reference Group to encompass the management of all change within the organisation, irrespective of whether it was managed through the Change Programme or other areas of the business. The objective of the new board is to ensure that there is a holistic approach to change which takes full account of interdependencies between all change work-streams.

Task and Finish Groups have been set up when required to ensure that the Constabulary has the capacity to deliver specific major pieces of work. For example, in response to the fundamental changes to core policing activities which are due to be implemented in 2015-16, both strategic and tactical implementation groups have been set up to ensure that the planned changes are managed on an agile and co-ordinated basis.

Planned work to evaluate the effectiveness of the governance structure has been started and is scheduled to be completed in early 2015-16.

During 2014-15 the Commissioner's Financial Regulations, which have been adopted by the Constabulary, have been reviewed as part of a cyclical review of key governance documents.

Changes have been made to take into account legislative and regulatory changes including new responsibilities for the Chief Constable to establish a Pensions Board as a result of the Public Services Pensions Act 2013. Changes to clarify roles and responsibilities in relation to approving the capital programme and the terms of reference of the Joint Audit and Standards Committee have also been made.

The Constabulary's budget protocols, which set out the respective responsibilities of functional managers and all officers and staff in relation to the management of a range of assets including the establishment have been updated and incorporated into a single streamlined document, which has been promoted and made more accessible through the force intranet.

During the year formal reviews of the roles of the Chief Constable's Chief Finance Officer and the Head of Internal Audit against CIPFA guidance have been undertaken, which have concluded that both roles are fully compliant.

Following the Stage 2 transfer of staff to the Chief Constable a draft Scheme of Delegation setting out the responsibilities and decision making authorities of officers and staff of the Constabulary acting on his behalf has been finalised and agreed by the Chief Officer Group.

To support working together, the Chief Officer Group have held strategy days for senior management and road shows across county, which were open to all officers and staff. These events enabled the Chief Constable's to communicate his vision and strategic objectives, the challenges facing the Constabulary and the rationale for planned changes to address these issues. The impact for officers on the frontline was also explained and opportunities for questions and answers provided and taken up. The approach was supported by a range of communications across the force.

The Constabulary has worked closely with the OPCC through formal mechanisms (such as Executive Board meetings, Accountability Board meetings) and informally through one to one meetings with senior staff from both organisations. For example, the Constabulary and OPCC media staff meet every week to review each other's forward plan for communications, engagement and marketing to maximise opportunities, reduce duplication and provide clarity for the media and the public based on our agreed protocol.

The Constabulary recognises that working with partners can deliver a more effective policing service to the public and meet the aims of the Commissioner's Police and Crime Plan. Accordingly, the Constabulary actively participates in a range of partnership activities and functions in collaboration with other agencies, both at a strategic and tactical level. Examples of multi-agency partnership working include

- Acting as operational chair for the Local Resilience Forum (a multiagency group which plans for and manages major incidents in the county that require a coordinated response to keep people safe) and leads on its media and communications.

- Chairing the county's CRASH partnership, which has been established to improve road safety across the county.
- Chairing the Safer Cumbria Action Board
- Active participation in the Local Safeguarding Board and the Safeguarding Improvement Board, which deal with child protection issues.
- Working in Community Safety Partnerships
- Countering alcohol harm through the Constabulary's own strategy and as part of the Cumbria Alcohol Steering Group.
- Combating anti-social behaviour in partnership with various local authorities and housing associations.

The Chief Constable is actively engaging with the Cumbria Chief Executives Group to promote a better understanding of demand for public services and to reduce waste by promoting a co-ordinated approach to delivery of public services in Cumbria.

Work has continued during 2014-15 to improve management information and reporting in relation to Human Resources in accordance with an agreed HR strategy and work plan. Developments in workforce planning have been central to this work, however, the Constabulary has also undertaken a major overhaul of HR Policies and Procedures during 2014-15 including change management; discipline; leave; attendance etc and these will be embedded in 2015-16

The management of sickness absence remains a key feature in maintaining numbers of deployable officers and staff and this is regarded as a priority both for management and the HR Department. Sickness absence levels have increased in the latter part of 2014/15 and work will continue into 2015/16 to reduce this to target levels through increased management development and coaching alongside better case management with HR support. The Occupational Health Unit has been successfully restructured and reorganised to function more efficiently to support the well-being of officers and staff through controlling demand and focussing on more effective case handling.

Regular reports on workforce planning, attendance and police staff discipline and grievances are provided to the Chief Officer Group and PCC.

The Constabulary has continued the process of introducing the reforms to police officer terms and conditions of employment in accordance with the Winsor Report. Particular emphasis in 2014-15 has been focussed on the introduction of a scheme of fitness testing for officers in accordance with national guidelines.

In a period of significant change the maintenance of good relations with staff associations is seen as crucial. To facilitate this there are regular meetings with staff associations and the senior management of the Constabulary to discuss issues and concerns and both the Police Federation and UNISON are represented on all decision making bodies and working groups. Consultation takes place on all proposed changes. The Constabulary has devised a Facilities Agreement with UNISON

during 2014/15 and will continue to support the release of representatives to assist in the application of procedures in future years.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided.

The Constabulary will continue to develop business plans and strategies for non-operational policing functions including production of a Procurement Strategy to ensure that activity is directed to supporting delivery of effective policing services and meet the requirements of the OPCC.

Schemes will be developed to review the contribution of police officers on restricted duties to front line policing in and adjust pay in accordance with Police Regulations introduced from 1 April 2015 to implement the recommendations of the Winsor Review.

The Constabulary's current scheme of Performance Development Review (PDR) has been suspended for 2014-15 with a view to incorporating Winsor changes and streamlining the process. A new scheme is anticipated to be designed and in place during 2015-16, following new Regulations applicable from 1 April 2015. The Constabulary will be developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance in the PDR as soon as national guidance has been provided. Police staff PDR will follow the development of police officer PDR.

The National Police Promotion Framework is being fundamentally overhauled on a national level and will be implemented at the Constabulary during 2015/16 when national guidance has been provided.

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Core Principle 3: Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary takes a pro-active approach to strengthening its arrangements for ensuring the highest standards of integrity in all elements of its business. During 2013-14 the Constabulary developed a Corporate Values Statement, which was communicated to all officers and staff.

Building upon this foundation, during 2014-15 the Constabulary has implemented the College of Policing Code of Ethics for all officers and staff. This has included Chief Officer presentations being delivered across all areas of the force, specific classroom based training and inclusion of the code in individual officer performance reviews.

The adoption and implementation of the ACPO Integrity Action Plan, and Integrity Model, which arose from the HMIC 'Without Fear or Favour' inspections of all forces in 2011 and 2012, remains central to the Constabulary's actions to improve its integrity arrangements. The core themes of the action plan were the:-

- Handling of media relations and information.
- Providing greater guidance and clarity regarding the acceptance of gifts and hospitality, business conduct in relation to procurement and secondary business interests.
- The identification, monitoring and management of integrity issues.

The action plan was largely implemented in 2013-14 and during 2014-15 it has been incorporated into "business as usual" under the Professional Standards Department Control Strategy which is reviewed bi-annually and reported to the Deputy Chief Constable.

During 2014-15 the Constabulary's Anti-Fraud and Corruption Policy and Procedures have been the subject of a report by the Cumbria Shared Internal Audit Service. The audit report gave reasonable assurance regarding the Chief Constable's arrangements with six medium priority recommendations for development. The actions plans in response to these recommendations have either been fully implemented or plans are well advanced.

In addition, during 2014-15 Her Majesty's Inspectorate of Constabulary conducted an inspection of the Constabulary as part of the national Police Integrity and Corruption Inspection programme. This resulted in only two recommendations for Cumbria which related to selection processes for promotions or sensitive postings and also minimising risk of compromise into certain criminal investigations. Both recommendations have been implemented.

The role of the Constabulary's Professional Standards Department is central to the

maintenance of high standards of conduct and behaviour within the organisation. The priorities of the Constabulary's Professional Standards Department are shaped by a Strategic Assessment which seeks to predict future risks as a basis developing a control strategy. The Strategic Assessment was refreshed in November 2014.

During 2014-15 the Professional Standards Department Anti-Corruption Unit have reported regularly to the Commissioner in relation to its work.

The Professional Standards Department have continued to issue PASS newsletters and corporate messages during the 2014-15 year to officers and staff in relation to issues of conduct and integrity. The newsletters have provided guidance on generic responsibilities such as

- appropriate use of force systems,
- use of the internet and e-mails
- advice regarding potential vulnerability to corruption linked to financial difficulties.
- guidance in relation to alcohol.
- procedures for seizure and retention of property.

Newsletters have also highlighted specific examples of misconduct which have led to disciplinary action. This is preventative approach designed to ensure all officers and staff are aware of their responsibilities and potential consequences if their conduct falls below required professional standards.

The Professional Standards Department also oversees all complaints against the Constabulary. Complaints and the results of subsequent investigations are reported periodically to the Police and Crime Commissioner. During 2014-15 the number of complaint cases has been relatively stable compared to 2013-14 although due to a small number of cases containing multiple allegations the overall number of allegations has increased. When compared to other forces, both the level of complaints, expressed per officer and the percentage of those complaints upheld, remain well below the national average. Where trends in upheld complaints identify specific issues PASS newsletters are issued by Professional Standards providing additional guidance to officers and staff, for example guidance on procedures for handling property was issued during 2014-15.

During 2014-15 the Police and Crime Commissioner and Chief Constable have established an Independent Ethics and Integrity Panel. The purpose of the Panel is to operate in an advisory capacity to promote high standards of professional ethics in all aspects of policing and to challenge, encourage and support the Chief Constable and Commissioner in monitoring and dealing with issues of ethics and integrity within their respective organisations. The terms of reference of the Panel include consideration of complaints from the public, the handling of integrity issues and grievances, which will be monitored through a range of agreed indicators and review of specific cases. Whilst the Panel meets in private its agendas and reports are considered by the Commissioner's Executive Board and published on the Commissioner's website, to ensure any good practice is recognised and encouraged but any areas for development are identified and appropriate action taken to improve

performance. The first meeting of the Committee took place on the 13th March 2015.

AREAS FOR FURTHER DEVELOPMENT

During 2015-16 the Constabulary will continue to embed the National College of Policing Code of Ethics which has been implemented during 2014-15. The Code of Ethics will also continue to be incorporated into individual and organisational performance meetings and the policy development and review process.

The Constabulary will work with the Office of the Police and Crime Commissioner to continue to develop the recently established independent Ethics & Integrity Panel to strengthen its governance arrangements over the next year.

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Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Chief Officer Group have made a significant number of strategic decisions over the past 12 months across operational and business functions - ranging from approving significant changes to deliver savings, identifying the strategic IT systems to meet operational policing needs and approving the business plans that support delivery of police services for the public. In addition the Chief Officer Group receives regular financial updates which provide a context to resource allocation decisions. All of these decisions have been informed by business cases or reports, which clearly specify the impacts on service delivery, finance, HR, risk, diversity, legal, procurement and ICT and which also clearly justify any expenditure made. All professional expertise is represented at the governance boards. All decisions have been minuted and part 1 decisions made available on the Constabulary's SharePoint system.

The Commissioner has a statutory duty and electoral mandate to hold the police to account and to maintain an efficient and effective police force. In this role, he has scrutinised decisions made by the Constabulary throughout the year.

Members of the Chief Officer Group have also attended meetings of the Police and Crime Panel to provide context to members of the panel in considering the Commissioner's precept proposal for 2015-16. This included presentations outlining the Constabulary's medium term financial position, change strategy and value for money comparison with other forces.

In the operational environment, on a monthly basis, senior police officers carry out a full and robust assessment of operational risk, harm and threat to communities. These are discussed at monthly Tasking & Coordination meetings. This process systematically reviews vulnerable people, repeat offenders, vulnerable missing from home, significant domestic abuse, prison issues, organised crime groups and threats to life. Action has been taken and resources tasked to deal with the operational issues raised.

Every day, officers in each Territorial Policing Areas have held a Daily Management Meeting which identifies the crimes, incidents that have occurred over the previous 24 hours and any vulnerable or high profile incident (such as a vulnerable missing child or known domestic abuser). Senior officers have allocated their resources based on this evidence and effective management of threat harm and risk.

The Joint Audit and Standards Committee has conducted 5 public meetings during 2014-15. As an advisory body, the Committee has undertaken a significant amount of work to review and make recommendations in respect of the Chief Constable's arrangements for governance and management of risk prior to formal decision making by the Chief Constable. This has included

providing assurance in respect of the Financial Regulations, the Chief Constable's Code of Corporate Governance, Risk Management Strategy and the Internal Audit Charter. The Commissioner and Chief Constable met jointly with the Committee on the 22nd September 2014 to receive the views of members prior to authorising the Statement of Accounts and 2013-14 Annual Governance Statement for publication.

Risk management is a standing agenda item on all boards, including programme and project management boards. Mitigating actions have been identified and tracked to ensure that risks are minimised.

During 2014 – 15, the Constabulary implemented all the recommendations arising from a review of the Constabulary's risk management arrangements undertaken by the organisation's insurance claims handlers (Gallagher Bassett). These included - determining the Constabulary's risk appetite, improved tracking risks and how risks are categorised. A further audit of risk management arrangements was carried out by the Constabulary's independent internal auditors from which there were no recommendations.

An annually developed internal audit plan uses risk as the basis for developing an audit programme. Each audit evaluates the exposure to risk relating to the organisation's governance arrangements and information systems. The audit plan for 2014-15 was approved by the Chief Officer Group on the 4th March 2014 and subject to review by the Joint Audit and Standards Committee on the 31st March 2014. The plan substantially increased the number of days of audit work from 143 to 180 as a consequence of widening the scope of audit work in accordance with public sector audit standards. All areas subject to audit, with the exception of Business Continuity, have received either reasonable or substantial assurance. The Constabulary's arrangements for Business Continuity were graded as providing partial assurance and as a result a robust action plan to address the weaknesses identified is being developed. The Audit and Standards Committee have received quarterly reports monitoring the implementation of audit recommendations.

The Audit Plan provides the basis for the Chief Internal Auditor's overall opinion on the control environment.

AREAS FOR FURTHER DEVELOPMENT

The Constabulary's risk management arrangements will be reviewed to ensure that up to date practices and approaches are reflected in its risk management policy and procedures.

The Constabulary's internal website will continue to be developed in particular to improve the access and search capability which will make it easier for officers and staff to access the information they need.

Decisions of Constabulary boards will be published on the intranet to improve communication and understanding of officers and staff of the objectives we are trying to achieve.

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Core Principle 5: Developing the capacity and capability of the Chief Constable and Officers and Staff of the Constabulary.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

During 2014-15 the Constabulary received guidance from the Association of Chief Police Officers, which provided information on best practice in relation to a wide range of operational policing areas.

The Constabulary's annual training plan was developed in early 2014-15 in conjunction with Operational Leadership Teams. In developing the plan there was particular focus on supporting Initial Police Recruitment ensuring that new recruits were equipped with the requisite skills to perform their role. The strategic training collaboration with Lancashire Police greatly supported this objective with collaborative resources being deployed to the training of new recruits.

The training plan was delivered through a strategic training collaboration with Lancashire Police. The collaboration is managed by a shared learning & development management team with oversight from a joint Governance Board which has representation from the Chief Officer teams of both forces. The Board met on three occasions over the year to scrutinise delivery of the plan. The collaboration has delivered benefits through:-

- Increased capacity to deliver training, which has been particularly beneficial to accommodate the increased level of recruitment in 2014-15.
- Reduced costs.
- Harmonisation of course content based on best practice across the forces.

During the year there has been particular focus on the design of a skills and leadership programme, which forms part of the Constabulary's business plan will continue to be developed and implemented in 2015-16. This programme focused 4 main areas

- A Street Skills Programme which developed the appropriate operational and technical skills needed by officers and staff at all levels
- Leadership Modules which has been designed to equip supervisors and managers with the skills to support and develop their staff
- An Executive Leadership Programme which will support the forces senior managers in leading the force through a period of significant change
- The development of an Electronic Learning Hub which provides platform for on-line learning and knowledge transfer.

In addition during 2014-15 the Constabulary has also focused on designing and delivering Code of Ethics training for all staff in support of the national Code of Ethics published by the College of Policing and delivery of Joint Emergency Services Interoperability Principles training (JESIP). JESIP is a national programme being delivered to all emergency services to improve interoperability.

In relation to JESIP training has been jointly delivered with both the fire service and North West Ambulance Service. All operational staff have received a level of training appropriate to their role.

Job Related Fitness Testing (JRFT) has also been introduced in 2014-15 which affects all Police Officers, who are now required to undertake the JRFT prior to them receiving Personal Safety Training. JRFT is a national standard and aims to improve the fitness and effectiveness of officers.

The Joint Audit and Standards Committee has conducted a formal review of its effectiveness against the new CIPFA guidance for Audit Committees. The overall conclusions from that review are that the Audit and Standards Committee is extremely effective in its operation. The review has demonstrated that within the areas of the CIPFA self-assessment the Committee can evidence substantial support, influence and persuasion in carrying out its functions. These are the elements defined by CIPFA as being evidence of effectiveness.

Against the self-assessment checklist the committee achieves a consistent grade of 4 or 5 (against a maximum of 5) across all areas. For those functions not included within the checklist, incorporating the wider functions of the committee, there is evidence to demonstrate compliance with CIPFA guidance and elements constituting best practice. In areas where the Committee has not achieved a grade 5 there are plans to improve and develop the arrangements within the Committee's work programme. The full report of the Committee can be found on the Commissioner's website at http://www.cumbria-pcc.gov.uk/governance-transparency/audit-committee.aspx.

AREAS FOR FURTHER DEVELOPMENT

The core skills and leadership programme which forms part of the Constabulary's business plan will continue to be developed and implemented in 2015-16.

Significant training programmes will be delivered in 2015-16 in support of Change Programme reviews, which will fundamentally change the ways in which officers work. Specific training includes Command & Control, implementation of Mobile Working and the new Case & Custody system.

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Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

The Constabulary has a Community Engagement and Involvement Strategy, which is reported via the Joint Operational Senior Management Meeting. This includes a consultation action plan, which co-ordinates all on-going consultation activities and is regularly reviewed and refreshed on an annual basis to continually improve consultation arrangements. .

In 2014-15 the Chief Constable and Commissioner have held a number of joint public meetings across Cumbria to listen to the views of local people.

During the year, the Constabulary consulted with the public to find out their priorities for where money could be saved, how confident they felt and how they would like to be engaged. These informed the development of the Constabulary's Change Programme and will support the current review of engagement.

The Constabulary commissions an external company to survey victims of crime and antisocial behaviour by telephone and has used the feedback to improve the services it provides. Where issues are raised a fast track service recovery process has been developed to ensure that they are responded to quickly.

The Constabulary has developed a marketing and communications strategy aimed at establishing clear channels of communication with all sections of the community, providing crime prevention and safety advice as well as information about services. Access to information has been developed to include community messaging and all social media – the Constabulary's e-community has grown and is now at more than 45,000 followers. Online discussion forums have been introduced to supplement community meetings, surveys and other public engagements to identify priorities, concerns and areas for improvement. An example of this relates to-specialist cybercrime advice to counter child exploitation.

The Strategic Independent Advisory Group has met regularly to discuss emerging issues of strategy and policy both nationally and locally. An annual report on Diversity and Equality setting out how objectives had been achieved was provide to the Commissioner and published on the website. Equality information is published every quarter on the Constabulary's website.

Throughout the year, Neighbourhood Policing Teams (NPTs) have engaged with the public through a variety of means which helps to reduce crime by encouraging respect for the law and fostering social responsibility and to determine local priorities.

The Constabulary has Community Engagement Plans written by each of the 10 NPTs. The plans detail how officers within the NPTs will engage with their community, and is specifically grouped around; Town and Parish Councils, local residents, businesses, schools and young people; and members of the community with Protected Characteristics (Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion and Belief and Sexual orientation).

Every month, local crime data has been published at community level on the Constabulary's website and via

police.co.uk to increase the transparency of performance and crime data.

The Constabulary has responded to 939 freedom of Information requests in 2014 - 15.

The Chief Constable's audited accounts were signed on 22 September 2014 and published alongside the report of the independent auditors (Grant Thornton) on the financial statements. The auditors opinion was that the statements provided a true and fair view of the financial position of the commissioner as at 31 March 2014 and that they have been properly prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting. The auditors further confirmed in their annual governance report on 22 September 2014 a positive conclusion with regards to securing value for money.

AREAS FOR FURTHER DEVELOPMENT AND IMPROVEMENT

The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.

The Constabulary will review its current arrangements for engagement and further develop its Engagement Strategy to improve trust and confidence in policing services and to identify policing priorities which need to be addressed in their local area. This will include provision of police desks across the county.

On behalf of the Commissioner, the Constabulary will undertake a survey to find out the public's key policing priorities for the PCC's 2016-17 Police and Crime Plan and the Constabulary's Strategic Assessment.

The Constabulary will carry out a staff engagement exercise, working with academia to undertake a cultural survey, over a number of years. The aim is to deliver improvements that support, for example, staff wellbeing, performance, training delivery - and ultimately, improve services to the public.

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REPORT ON PROGRESS AGAINST THE DEVELOPMENT AND IMPROVEMENT PLAN FOR 2014 - 15

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 1: **Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.**	The Constabulary will evaluate the effectiveness of the revised governance framework and board structure, making recommendations to improve where appropriate Following delays due to resourcing issues, this work started in 2015 and will be completed by end May.	Director of Corporate Improvement	31 May 2015
	The Constabulary will develop further its Quality of Service Strategy to support operational police service to improve delivery and user satisfaction. This will include an action plan to coordinate all related actions from internal and external reviews. This has been completed and is reported regularly to the Commissioner at the public Executive Board.	Director of Corporate Improvement	Complete
	Review the Constabulary's monthly performance management reports, improving the information provided to chief officers and senior managers so that it adds more value and better informs decision making. This has been completed	Director of Corporate Improvement	Complete
	Review the Constabulary's Performance Development Conferences to inform, explore and discuss root causes of performance issues (good and bad) and drive action to deliver improvements ins services to the public. This has been completed	Director of Corporate Improvement	Complete

Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 2: **Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.**	Winsor Review - The Constabulary is currently developing schemes to carry out fitness testing and to review the contribution of police officers on restricted duties to front line policing in line with Winsor recommendations. These are anticipated to be in place by September 2014. Fitness testing has been successfully introduced. National guidance on restricted officers has only just been received and will now be progressed in 2015-16.	Head of Human Resources	Partially complete further update 31 March 2016
	PDR – The current Scheme has been suspended for 2014/15 with a view to incorporating Winsor changes and streamlining the processes involved. A new Scheme is anticipated for use in 2015/16. The Constabulary is also developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance within PDR. Work has been delayed awaiting national guidance.	Head of Human Resources	31 December 2015
	The Constabulary will update outstanding governance documents including the financial rules and the Chief Constable's Scheme of Delegation. The Chief Constable's Scheme of Delegation and Budget Protocols have been updated. Work on the update of the financial rules has commenced but has not been completed due to competing work priorities. It is aimed to complete work on the Financial Rules in the first half of 2015-16.	CFO & Director of Legal Services	30 September 2015
	Further development of business plans for non-operational functions to ensure activity is directed to supporting delivery of policing services Corporate Improvement Directorate developed and published its strategy for 2014 – 15 and beyond. Revised strategies for Estates and ICT have been produced.	All Directors and CFO	.

Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
	Significant development of the workforce plan has been undertaken. Work is outstanding in some areas for example Procurement Strategy due to other work priorities. Progress is regularly monitored vi the performance development conferences		
Core Principle 3: **Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**	The Constabulary will communicate and embed the National College of Policing Code of Ethics and incorporate this in the performance monitoring process. The Code has been adopted and training provided to all officers and staff.	Chief Constable and Head of PSD	Complete
	The Constabulary will consider the benefits of establishing Ethics and Integrity Regulation and Management Committees. The Ethics and Integrity Panel has been established with its first meeting in March 2015.	PCC / Chief Constable	Complete
Core Principle 4: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.**	In the last quarter of 2013 – 14, the Constabulary's insurers were invited to review the Constabulary's risk management arrangements. The recommendations included improvements about categorisation and managing risk appetite and these will be implemented during 2014 – 15. This has been completed – the policy has been amended and communications to relevant officers and staff delivered.	Director of Corporate Improvement	Complete
	As part of the improvement to the Constabulary's internal website, the access and search capability of the policy library on the intranet will be modernised and updated to ensure that it is easier for officers and staff to access the right information Although work has started, delays to the programme of work for the intranet have occurred due to delays to prerequisite projects in IT, followed by unexpected long term sickness of key individuals in both Corporate Improvement and Corporate Support.	Director of Corporate Improvement	31 March 2016

Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
	The decisions made by Constabulary boards will be available on the intranet to improve communication aid understanding for all officers and staff to support achievement of objectives. This is work in progress and will be completed in quarter one of 2015 – 16.	Director of Corporate Improvement	30 June 2015
Core Principle 5: **Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.**	The core skills and leadership programme which forms part of the Constabulary's business plan will continue to be designed and implemented n 2015-16. The programme has largely been designed and implementation will commence in early 2015-16.	Director of Corporate Support & Head of Learning & Development.	Partially completed on-going update 31 March 2016
Core Principle 6: **Engaging with local people and other stakeholders to ensure robust public accountability.**	The Constabulary will develop its strategy to improve its internet site further, to enhance accessibility and relevance to the public and media. Work started in early 2015, which was later than planned due to unexpected long term sickness of key individuals in Corporate Improvement. The capital funding has been released by the Commissioner and the procurement process is underway.	Director of Corporate Improvement	30 September 2016
	The Constabulary will develop its Engagement Strategy to improve trust and confidence in policing services and to identify the policing priorities that need to be addressed in their local area. This will include provision of Police Desks across the county This work has started but is not now scheduled to be completed until end of 2015 - 16, following implementation of key change programmes and IT systems.	Director of Corporate Improvement	31 March 2016

Annex C – Annual Governance Statement

DEVELOPMENT AND IMPROVEMENT PLAN FOR 2015 - 16

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 1: **Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.**	Complete its evaluation of the effectiveness of its revised governance arrangements including the board structure, making recommendations for improvement where appropriate.	Director of Corporate Improvement	31 May 2015
	Evaluate the revised performance management arrangements, making recommendations for improvement where appropriate.	Director of Corporate Improvement	31 March 2016
	Review the Constabulary's public bi-monthly performance management reports, improving the information provided to the public to support transparency and help understanding of policing issues.	Director of Corporate Improvement	31 March 2016
	Write an Annual Report to support the Commissioner's 2016 -17 budget submission to the Police and Crime Panel.	Director of Corporate Improvement	31 December 2015

Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 1: **Focusing on the purpose of the Chief Constable, and on outcomes for the community, and creating and implementing a vision for the local area.**	Further develop the strategic resource management performance framework to drive improvements in our use of resources and our productivity, including development of a Productivity Strategy. This will complement the Constabulary's Continuous Improvement, Efficiency and Value for Money Strategy and will ensure that the benefits of significant investment in change and IT are delivered.	Director of Corporate Improvement, CFO, Director of Corporate Support	31 March 2016
	Develop a Plan on a Page to help all officers and staff focus on the Constabulary's priorities and support internal communications.	Director of Corporate Improvement	30th April 2015
	Develop internal and external communications strategy to support delivery of operational policing and its outcomes, including effective demand reduction activity.	Director of Corporate Improvement	30th September 2015
	Develop an Improvement Action Plan based on all HMIC actions and recommendations to deliver improvements to services and, to publish this plan on its website.	Director of Corporate Improvement	30th September 2015

Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 2: **Leaders, officers and partners working together to achieve a common purpose with a clearly defined functions and roles.**	The Constabulary will complete its update of the financial rules and ensure that these are promoted and training provided.	Chief Finance Officer	30th September 2015
	The Constabulary will continue to develop business plans and strategies for non-operational policing functions including production of a Procurement Strategy to ensure that activity is directed to supporting delivery of effective policing services and meet the requirements of the OPCC.	Director of Corporate Support & Functional Heads of Service.	31 December 2015
	Schemes will be developed to review the contribution of police officers on restricted duties to front line policing in and adjust pay in accordance with Police Regulations introduced from 1 April 2015 to implement the recommendations of the Winsor Review.	Head of HR	31 March 2016
	The Constabulary's current scheme of Performance Development Review (PDR) has been suspended for 2014-15 with a view to incorporating Winsor changes and streamlining the process. A new scheme is anticipated to be designed and in place during 2015-16, following new Regulations applicable from 1 April 2015. The Constabulary will be developing a more streamlined assessment process for incremental progression for police officers linked to satisfactory performance in the	Head of HR	31ST March 2016.

Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
	PDR as soon as national guidance has been provided. Police staff PDR will follow the development of police officer PDR.		
	Update the National Police Promotion Framework in line with national guidance.	Head of HR	31ST March 2016.
Core Principle 3: **Promoting values for the Chief Constable and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**	The Constabulary will continue to embed the National College of Policing Code of Ethics.	Chief Constable, Deputy Chief Constable and Head of PSD	31 March 2016
	The Constabulary will embed its Ethics and Integrity Panel and seek to promote good practice as a result of its recommendations.	Chief Constable, Deputy Chief Constable and Head of PSD	31 March 2016
Core Principle 4: **Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.**	The Constabulary's' risk management arrangements will be reviewed to ensure that up to date practices and approaches are reflected in its risk management policy and procedures.	Director of Corporate Improvement	31 March 2016
	As part of the improvement to the Constabulary's internal website, the access and search capability of the policy library on the intranet will be modernised and updated to ensure that it is easier for officers and staff to access the right information	Director of Corporate Improvement	31 March 2016

Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 5: **Developing the capacity and capability of the Chief Constable and Officers and Staff of the Chief Constable.**	Design and Implement a Core Skills and Leadership Programme. The design stage of the Core Skills and Leadership Programme is well advanced, implementation will begin in early 2015-16.	Director of Corporate Support & Head of Learning & Development.	On-going Update 31 March 2016
	Significant training programmes will be delivered in 2015-16 in support of Change Programme reviews, which will fundamentally change the ways in which officers work. Specific training includes Command & Control, implementation of Mobile Working and the new Case & Custody system.	Director of Corporate Support & Head of Learning & Development.	31 March 2016
Core Principle 6: **Engaging with local people and other stakeholders to ensure robust public accountability.**	The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.	Director of Corporate Improvement	30 September 2016
	The Constabulary will review its current arrangements for engagement and further develop its Engagement Strategy to improve trust and confidence in policing services and to identify policing priorities which need to be addressed in their local area. This will include provision of police desks across the county.	Director of Corporate Improvement	31 March 2016

Annex C – Annual Governance Statement

Area of Governance	Action	Lead Officer	Implementation by
Core Principle 6: **Engaging with local people and other stakeholders to ensure robust public accountability.**	On behalf of the Commissioner, the Constabulary will undertake a survey to find out the public's key policing priorities for the PCC's 2016 – 17 Police and Crime Plan and the Constabulary's Strategic Assessment.	Director of Corporate Improvement	31 March 2016
	The Constabulary will carry out a staff engagement exercise, working with academia to undertake a cultural survey, over a number of years. The aim is to deliver improvements that support, for example, staff wellbeing, performance, training delivery - and ultimately, improve services to the public.	Director of Corporate Improvement	31 March 2016

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JOINT POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE	Paper No.
Meeting date: 3 September 2015	
From: Audit Manager (Cumbria Shared Internal Audit Service)	

INTERNAL AUDIT: PROGRESS REPORT TO 20 AUGUST 2015

1.0 EXECUTIVE SUMMARY

1.1 ***This report provides a review of the work of Internal Audit for the period to 20 August 2015.***

1.2 ***Key points are:***

- ***Two audits have been completed since the last progress report was presented.***
  - ***The audit of the Duty Management System was undertaken early in the year at the request of Constabulary management as there were known issues. The audit gives partial assurance. We will follow up this work early in 2016/17 in order to provide assurance over management actions put in place to address the recommendations. Should the follow up work result in a revised opinion this can be reflected in the 2015/16 annual report.***
  - ***An audit of performance monitoring resulted in substantial assurance.***

- ***Progress with the audit plan is on schedule with 28% of planned days delivered (compared to 22% in 2014/15), and 20% of audits delivered (22% in 2014/15).***

- ***Fieldwork is underway on four audits. Quarter three work has been scoped.***

2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS, AND LINKS TO COUNCIL PLAN

2.1 ***Internal Audit's work is designed to provide assurance to management and members that effective systems of governance, risk management and internal control are in place in support of the delivery of the PCC and Constabulary's priorities.***

2.2 ***The Audit Plan aims to deliver a programme of internal audit reviews designed to target the areas of highest risk as identified through the corporate risk registers together with management and internal audit view of key risk areas.***

2.3 ***The Accounts and Audit Regulations March 2015 impose certain obligations on the PCC and Chief Constable, including a requirement for a review at least once in a year of the effectiveness of their systems of internal control.***

2.4 ***Internal Audit must conform to the Public Sector Internal Audit Standards which require the preparation by the Head of Internal Audit of an annual opinion on the overall systems of governance, risk management and control. Regular reporting to Audit and Standards Committee enables emerging issues to be identified during the year.***

3.0 RECOMMENDATION

3.1 ***Members are asked to note the report.***

3.2 BACKGROUND

3.3 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

3.4 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable's senior management and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.

3.5 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls are operating effectively.

3.6 The internal audit plan for 2015/16 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to both organisations. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.

3.7 This report provides an update on the work of internal audit for the period to 20 August 2015. It reports progress on the delivery of the 2015/16 audit plan and includes a summary of the outcomes of audit reviews completed in the period.

Status of internal audit work as at 20 August 2015

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2015/16 audit plan. Further detail on this is included at Appendix 2.

Audit plan year	Audit Status	Number of reviews
2015/16	Audits completed:	**4**
	Risk based audits	2
	Governance work	2
	Audits in progress:	**8**
	Risk based audits	8

	Audits to be started Risk based audits Financial systems Follow up	**8** 5 2 1
	Audits in plan	**20**

Outcomes from Final Audit Reports to 20 August

3.8 Internal Audit reviewed the 2014/15 Annual Governance Statements for both the PCC and Chief Constable and concluded that there was reasonable assurance over the processes in place for each organisation's Review of Effectiveness.

3.9 The review of the Duty Management System provides partial assurance over the arrangements in place. Constabulary management requested that this audit be carried out early in the year as there were known issues. Management actions have been agreed to address the recommendations. We will follow up this audit early in 2016/17 to provide assurance that the recommendations have been implemented. Any revised opinion resulting from the follow up work will be included in the 2015/16 annual report.

3.10 Substantial assurance was provided from the review of performance monitoring.

3.11 The detailed outcomes from each finalised audit are shown in Appendix A.

Draft Reports Issued to 20 August

3.12 There are no reports currently in draft.

Emma Toyne
Audit Manager
20 August 2015

APPENDICES

Appendix 1: Final reports issued to 20 August 2015
Appendix 2: Progress on all risk based audits from the 2015/16 plan
Appendix 3: Internal audit performance measures to 31 July 2016

Contact: Emma Toyne, 01228 226261, emma.toyne@cumbria.gov.uk

Appendix 1 – Final reports issued to 20 August 2015

Assignments	Main Points	Assessment	Current Status
Annual report 14/15	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete
Annual Governance Statement 14/15 – PCC	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete
Annual Governance Statement 14/15 - Constabulary	Presented to Audit and Standards Committee 6 May 2015.	N/A	Complete
Duty Management System	The purpose of the audit was to provide assurance over the use of the Duty Management System in relation to recording overtime and TOIL. Areas of good practice identified were: • involvement in the Origin user group at a national level; • high standards of integrity, conduct and ethical behaviour promoted within the organisation; • commitment to developing and improving the Strategic Resourcing Unit and addressing issues within the Duty Management System; • requirement for officers to confirm the accuracy and validity of data contained in iTrent overtime claim forms. Two high priority issues were identified relating to a need to define: • the objectives of the Duty Management System and links to relevant service plans or policing priorities;	Partial assurance	Report presented to Joint Audit & Standards Committee 03/09/15

Appendix 1 – Final reports issued to 20 August 2015

Assignments	Main Points	Assessment	Current Status
	• governance arrangements for the Duty Management System with appropriate lines of communication. Nine medium priority issues were identified: • officers are not required to declare the validity and accuracy of overtime data uploaded to the Duty Management System; • there are no formal procedures in place within the Strategic Resourcing Unit to guide staff involved in updating and maintaining data within the Duty Management System; • There has been no formal identification of the skill set requirement or preparation of a formal training plan to effectively deliver training to Resourcing Co-ordinators across the force. • Resourcing Co-ordinators are not subject to regular, structured supervision and feedback regarding their performance. • The Duty Management System does not make the selection of pay or time for each entry of overtime mandatory during the input stage. • The reporting function for DMS is under-utilised for data quality assurance activity. • Users with update access permissions can input overtime against their own records. • There is currently no mechanism in place to identify all overtime recorded in DMS and give assurance that it is either paid or rolled forward correctly as TOIL. • Arrangements to ensure DMS access permissions are adjusted / removed for staff who change jobs within the organisation are not currently in place.		
Performance monitoring	The purpose of the review was to provide assurance that the arrangements in place to improve data quality are robust. A number of strengths were identified	Substantial assurance	Report circulated to Joint Audit &

Appendix 1 – Final reports issued to 20 August 2015

Assignments	Main Points	Assessment	Current Status
	• Policing priorities are cascaded down from the Policing Plan into other plans and strategies. • An approved, up to date Performance Management Framework is in place that clearly supports the delivery of strategic policing objectives, as set out in the Policing Plan. • There is a nominated Director who is accountable for performance management at a strategic level. • Bi-monthly reporting by the Constabulary to the OPCC Executive Board on the performance framework. • Effective challenge of progress in achieving priorities from the Police and Crime Commissioner and internally via Performance Development Conferences. • Actions to address performance issues are documented and tracked with clear ownership. • Clear definitions of performance measurement, performance monitoring and a performance management framework within performance documentation. • Regular opportunities to share good practice and achievements. • Involvement in regional performance groups to scrutinise performance, share best practice and identify opportunities for improvement. • A quality assurance process is in place to ensure the reliability and integrity of performance information provided to senior management and the OPCC. • Benchmarking of Cumbria's performance against most similar forces. There were no recommendations arising from this audit.		Standards Committee

Appendix 1 – Final reports issued to 20 August 2015

Assignments	Main Points	Assessment	Current Status
In addition to the above, the Audit Manager attended the Police Audit Group Conference in July. The event was a useful networking opportunity and provided an overview on a number of areas including: • Current developments and hot topics in risk based internal auditing • The role of the Independent Police Complaints Commission • HMIC Inspection Programme • Cybersecurity and Assurance • Embedding an effective risk management culture • Developing an integrated assurance framework • Governance and Policing – CIPFA update. These areas will be taken into account when preparing the 2016/17 Internal Audit plan.			

Appendix 2 – Progress on 2015/16 Audit Plan

PCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary	ICT strategy	Audit scoped and client notification issued. Fieldwork underway with work on site to commence in September	n/a
Constabulary	Complaints handling	Audit scoped and client notification issued. Fieldwork on site to commence in September	n/a
OPCC	Complaints handling	Audit scoped and client notification issued. Fieldwork on site to commence in September	n/a
Constabulary	Cumbria Safeguarding Hub	Initial scoping discussions held, scope yet to be finalised.	n/a
Constabulary	Mobile devices (project management)	Fieldwork underway.	n/a
Constabulary	Data protection and Freedom of Information Act	Audit scoped and client notification issued. Fieldwork on site to commence in September	n/a
OPCC	Data protection and Freedom of Information Act	Audit scoped and client notification issued. Fieldwork on site to commence in September	n/a
Constabulary	Performance monitoring and reporting, including	Complete	n/a – form issued 20/08/15

Appendix 2 – Progress on 2015/16 Audit Plan

PCC / Constabulary Review	Audit	Stage	Feedback form returned
	data quality		
Constabulary	Safeguarding assets	Fieldwork underway.	n/a
Constabulary	Budget management (payroll)	Fieldwork underway.	n/a
Constabulary	Duty Management System	Complete	No – form issued 20/07/15
Constabulary	Code of ethics / organisational values	Not yet started	n/a
Constabulary	Firearms and tasers	Not yet started	n/a
Constabulary	Governance (procurement & commissioning)	Not yet started	n/a
OPCC	Governance (procurement & commissioning)	Not yet started	n/a
OPCC & Constabulary	Financial system review - Pensions	Not yet started	n/a
OPCC & Constabulary	Financial system review - Creditors	Not yet started	n/a
Constabulary	Follow up – property handling	Not yet started	n/a
Constabulary	Annual Governance Statement 2014/15	Complete	n/a
OPCC	Annual Governance Statement 2014/15	Complete	n/a

Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Completion of audit plan	% of audits completed to final report	95% (annual target)	20%	The plan is progressing as intended. It is not unexpected that few reviews have been finalised in the period due to the lead in time inherent in the risk based approach. The Constabulary and Commissioner's office have been involved in scheduling each piece of audit work.
	Number of planned days delivered	232	66	Planned days delivered is on track. Four reports have been finalised. Fieldwork is underway for four audits. Scoping meetings for quarter 3 work have taken place with fieldwork on site due to begin in September.
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	100%	
Timeliness of final reports	% of final reports issued for corporate director comments within five working	90%	100%	

Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
	days of management response or closeout meeting.			
Recommendations agreed	% of recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	100%	
Quality assurance checks completed	% of QA checks completed	100%	100%	
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	N/A	The customer feedback form issued for the duty management system has not been returned. Internal Audit has followed this up and is awaiting a response.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	81%	

Cumbria Shared Internal Audit Service

Internal Audit Report for Cumbria Constabulary

Agenda Item 11

Audit of the Duty Management System

Draft Report Issued: **1st July 2015 (Re-issued)**

Final Report Issued: **20th July 2015**

Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226254
Lead Auditor	Sarah Wardle Steven Archibald	sarah.wardle@cumbria.gov.uk steven.archibald@cumbria.gov.uk	01228 226255 01228 226253

Audit Report Distribution

For Action:	Lee Skelton (Inspector)

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), www.sjstudios.co.uk, Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker

For Information:	Mark Pannone (T/Chief Superintendent Territorial Policing – Audit Sponsor) Dick Harding (Sergeant) Michelle Bellis Deputy (Chief Finance Officer) Stephen Kirkpatrick (Director of Corporate Support) Steve Johnson (Chief Superintendent Territorial Policing)
Audit Committee	The Audit Committee, which is due to be held on 3rd September 2015, will receive the report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

1 Background

1.1 This report summarises the findings from the audit of Cumbria Constabulary's Duty Management System (DMS). This was a planned audit assignment which was undertaken in accordance with the 2015/16 Audit Plan.

1.2 The Duty Management System is part of the overall Origin HR system. It is important to the organisation because it is used for duty and event planning across the force and contributes to efficient and successful achievement of strategic and operational policing objectives.

1.3 Overtime is planned and recorded within the Duty Management System and either taken as time off in lieu (TOIL) or paid through the payroll system. Towards the end of 2014 the Constabulary commissioned the Change Team to carry out an internal review of TOIL processes within the Duty management System. This was after a number of issues came to light. One of these issues related to the accrual of significant TOIL balances within the system. In December 2014 a decision was taken to activate a trigger within the Duty Management System whereby any TOIL over three months old is automatically paid in accordance with national policing guidelines. The findings of the Change team review were reported to Business Board in May 2015.

2 Audit Approach

2.1 Audit Objectives and Methodology

2.1.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4 of this report.

2.2 Audit Scope and Limitations

2.2.1 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Temporary Chief Superintendent Territorial Policing and the agreed scope areas for consideration were identified as follows:

- Governance arrangements.
- Policies, procedures and training.
- System data.

There were no instances whereby the audit work undertaken was impaired by the availability of information.

3 Assurance Opinion

3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A.**

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating in respect of the Duty Management System provide **partial** assurance.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2 There are 11 audit recommendations arising from this review.

	No. of recommendations		
Control Objective	**High**	**Medium**	**Advisory**
1. Management - achievement of the organisation's strategic objectives (see section 5.1)	2	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	1	-
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	7	-

4. Security - safeguarding of assets (see section 5.4)	-	1	-
5. Value - effectiveness and efficiency of operations and programmes	-	-	-
Total Number of Recommendations	**2**	**9**	**-**

4.3 **Strengths:** The following areas of good practice were identified during the course of the audit:

- Cumbria Constabulary is involved in the Origin National User Group and Origin Service Management Group thus keeping abreast of legislative and regulatory changes in the human resources field and ongoing system issues.
- High standards of integrity, conduct and ethical behaviour are clearly promoted within the organisation and include claiming expenses and payment in kind.
- Management are committed to developing and improving the Strategic Resourcing Unit and addressing issues within the Duty Management System.
- Officers are required to electronically confirm the accuracy and validity of the data contained within iTrent overtime claim forms.

4.4 **Areas for development**: Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1 *High priority issues:*

- The Objectives of the Duty Management System haven't been defined and linked to relevant service plan or policing priorities.
- Governance arrangements for the Duty Management System have not been clearly defined and communicated to those involved.

4.4.2 *Medium priority issues:*

- Officers are not required to make a declaration regarding the validity and accuracy of overtime data being uploaded to the Duty Management System.
- There are no formal procedures in place, within the Strategic Resourcing Unit, for staff involved in updating and maintaining data within the Duty Management System.

- There has been no formal identification of the skill set requirement or preparation of a formal training plan to effectively deliver training to Resourcing Co-ordinators across the force.
- Resourcing Co-ordinators are not subject to regular, structured supervision and feedback regarding their performance.
- The Duty Management System does not make the selection of pay or time for each entry of overtime mandatory during the input stage.
- The reporting function for DMS is under-utilised for data quality assurance activity.
- Users with update access permissions can input overtime against their own records.
- There is currently no mechanism in place to identify all overtime recorded in DMS and give assurance that it is either paid or rolled forward correctly as TOIL.
- Arrangements to ensure DMS access permissions are adjusted / removed for staff who change jobs within the organisation are not currently in place.

4.4.3 *Advisory issues:*

No advisory issues were identified.

Comment from the Chief Superintendent Territorial Policing

I note the report and thank the audit team for their assistance in identifying areas of strength and also for highlighting a number of issues that we will address.

It is our intention to address these matters as part of the ongoing work in developing a Strategic resourcing Cell that will work in conjunction with the Constabulary Command & Control Room and all recommendations will be picked up and completed during this phase.

5 Matters Arising / Agreed Action Plan

5.1 Management - achievement of the organisation's strategic objectives.

● **High priority**

Audit finding	Management response
a) **Duty Management System Objectives** The objectives of the Duty Management System haven't been defined and linked to relevant service plan or policing priorities. Consequently there is no ongoing consideration of whether the system meets its objectives and the current / continuing / future needs of the Constabulary.	Agreed management action: We will locate objectives within the Cedar system. We will then proceed to map these objectives against what we want the system to do moving forward.
Recommendation 1: The objectives of the Duty Management System should be defined, with clear links to strategic policing priorities. There should be periodic evaluation of system objectives.	
Risk exposure if not addressed: • Strategic aims and priorities aren't achieved because the Duty Management System no longer meets the needs of the Constabulary.	Responsible manager for implementing: **Mark Pannone (T/Chief Superintendent Territorial Policing)** Date to be implemented: **12/2015**

● **High priority**

Audit finding	Management response
b) **Governance** There is some ambiguity regarding ownership of, and responsibility for, the Duty Management System and what it entails. This follows the recent transfer of resource management out of HR and	Agreed management action: We will define governance arrangements for the

into an operational support function. There is a lack of clarity around roles and responsibilities, decision making arrangements and reporting requirements.	Duty Management system and will communicate these arrangements accordingly.
Recommendation 2: Governance arrangements for the Duty Management System should be defined and clearly communicated to those involved.	
Risk exposure if not addressed: • The Constabulary cannot deliver its strategic objectives because DMS is operated inefficiency, there is no clarity around roles and responsibilities, issues are not brought to the attention of the appropriate audience and decisions are not taken at the right time, by the right people.	Responsible manager for implementing: **Mark Pannone (T/Chief Superintendent Territorial Policing)** Date to be implemented: **12/2015**

5.2 **Regulatory** - compliance with laws, regulations, policies, procedures and contracts.

● **Medium priority**

Audit finding	Management response
a) **Overtime Validity & Accuracy** Overtime data is input to the Duty Management System directly by a Sergeant or Inspector or by a Resourcing Co-ordinator following receipt of an email request. The email request may come directly from a supervisor or from an officer with their supervisor copied into the message. The overtime data input to the Duty Management System can be taken as time off in lieu (TOIL) or claimed for payment. If the overtime is claimed for payment then an officer must submit a claim form via iTrent. As part of	Agreed management action: A pre-formatted electronic form will be used with the necessary declarations included.

this submission they are required to electronically confirm the accuracy and validity of the data contained therein. At no point is an officer required to confirm the accuracy and validity of the overtime data being uploaded to the system and subsequently taken as TOIL.	
Recommendation 3: Officers should be required to confirm the accuracy and validity of all overtime data entered to the Duty Management System, whether elected for payment or TOIL.	
Risk exposure if not addressed: • Flawed decisions based on poor quality data (invalid and inaccurate TOIL entries). • Difficulties addressing any issues / potential frauds that may arise because officers haven't confirmed the validity and accuracy of the overtime data entered to the system.	Responsible manager for implementing: **Lee Skelton (Inspector)** Date to be implemented: **12/2015**

5.3 Information - reliability and integrity of financial and operational information.

● **Medium priority**

Audit finding	Management response
a) Procedures There are no formal procedures in place, within the Strategic Resourcing Unit, for staff involved in updating and maintaining data within the Duty Management System. This has contributed to inconsistent practices across the force. One particular area of inconsistency is the authorisation of iTrent overtime claim forms (where payment is to be made rather than TOIL taken) and the level / type of checks to be made to the Duty Management System as part of this process.	Agreed management action: Standard operating procedures will be put in place for the Duty Management System. Procedures will be consolidated into one document to allow for clarity and consistency. (There is a new shift system in the pipeline with an implementation date of 28/09/15).
Recommendation 4: Duty management procedures should be documented and made available to staff, with arrangements to subject the procedures to periodic management review. Relevant training should	

be provided.	
Risk exposure if not addressed: • Flawed decisions based on poor quality data (invalid and inaccurate TOIL entries). • Inefficient resource management practices.	Responsible manager for implementing: **Lee Skelton (Inspector)** Date to be implemented: **12/2015**

● **Medium priority**

Audit finding	Management response
b) Training There are plans to roll out training to Resourcing Co-ordinators across the force to provide resilience and ensure the requirements of the Neighbourhood Policing Team (NPT) restructure and Command & Control project can be met. However there has been no formal identification of the skill set requirement or preparation of a formal training plan to deliver this objective.	Agreed management action: We are currently in the process of implementing training to Resourcing Co-ordinators using a recent new recruit as a starting point.
Recommendation 5: The skill set requirement for Resourcing Co-ordinators should be formally identified and a training plan to effectively upskill Resourcing Co-ordinators across the force should be developed.	
Risk exposure if not addressed: • Poor quality data resulting in flawed decision making. • Strategic resourcing failures because co-ordinators cannot effectively provide resilience. • The requirements of the NPT restructure and Command & Control project cannot be met.	Responsible manager for implementing: **Lee Skelton (Inspector)** Date to be implemented: **12/2015**

● **Medium priority**

Audit finding	Management response
c) Staff Performance Resourcing Co-ordinators are not subject to regular, structured supervision and feedback regarding their performance. Annual appraisals haven't taken place for around two years and there is no arrangement for staff to receive regular one-to-ones with their managers.	Agreed management action: There is a model for Police staff already in place which we will review. We will implement diarised one to one's with an agreed agenda template.
Recommendation 6: Arrangements should be in place for Resourcing Co-ordinators to receive formal, structured supervision on a regular basis, especially during this period of re-structure and change.	
Risk exposure if not addressed: • Strategic resourcing failures because Resourcing Co-ordinator performance is not kept under review, training, development and support needs are not identified and addressed and there is an overall failure to continuously improve the service.	Responsible manager for implementing: **Lee Skelton (Inspector)** Date to be implemented: **09/2015**:

● **Medium priority**

Audit finding	Management response
d) Mandatory Fields The system does not make the selection of pay or time for each entry of overtime mandatory. It is possible to choose a blank option from the drop down list. If the blank option is selected during the input stage the additional time is not sent for payment or added to the individual's TOIL record.	Agreed management action: We will set option b in place as an interim until option a is achieved. DMO's will be the only employees able to action this until option a is implemented.
Recommendation 7: **a)** The blank option should be removed from the drop down list during the overtime input stage **OR**	

b) Clear procedures should be issued in this area, with monitoring arrangements in place to pick up on and correct overtime entered against this option.	
Risk exposure if not addressed: • Incorrect figures are reported in the accounts. • Officers work overtime and accrue TOIL that is neither taken as time off nor paid.	Responsible manager for implementing: **Lee Skelton (Inspector)** Date to be implemented: **Option b 12/2015 Option a 07/2016**

● **Medium priority**

Audit finding	Management response
e) Data Quality The finance team perform a monthly check for duplicate payments (within a defined period) and potential debit balances but overall data quality assurance activity is limited. There is no monitoring or exception reporting to identify the following: • Overtime that is not allocated for TOIL or payment. • Overtime that is older than 3 months. • Instances of self-authorisation of overtime. • Levels / type of manually input data (adjustments). • Ineligible TOIL levels (overtime worked by Inspector level and above) • TOIL levels generally across different functions / areas. The reporting function for DMS is under-utilised.	Agreed management action: We will consider our requirements and seek to develop reports to present the information in an appropriate manner. Where reports cannot be prepared we will need to accept the risks around this.

Recommendation 8: A suite of reports should be developed to give management assurance over the quality of data in the system and levels of TOIL in different functions / areas.	
Risk exposure if not addressed: • Flawed decision making due to poor quality data. • Inaccurate financial reporting of short term compensated absences.	Responsible manager for implementing: **Lee Skelton (Inspector)** Date to be implemented: **12/2015**

● **Medium priority**

Audit finding	Management response
f) Overtime Authorisation The Duty Management System requires an appropriate collar number to be input against each entry of overtime to demonstrate authorisation. The system does not flag or restrict sergeants / inspectors from inputting overtime against their own records utilising someone else's collar number with the relevant level of permission to authorise the data. This also applies to any adjustments. There is no monitoring in this area. Authorisers are not asked to periodically review the overtime that has been authorised against their collar number and there are no procedures in place that require this to be checked subsequently, as part of the overtime claim form authorisation process. In May 2015 Business Board approved a recommendation to route all input of DMS overtime via Resourcing Co-ordinators to address this issue.	Agreed management action: We have chosen option b and this will be included in procedures and implemented accordingly.
Recommendation 9: The Business Board decision to route all input of DMS overtime input via Resourcing Co-ordinators	

should be implemented forthwith. On implementation- a) Sergeant and Inspector update access permissions should be removed. **OR** b) Sergeants and Inspectors should be made aware of the new procedures for routing all DMS overtime input via Resourcing Co-ordinators and monitoring arrangements should be established to check adherence.	
Risk exposure if not addressed: • Unauthorised and invalid overtime being paid or taken as time off in lieu. • Financial loss through over payment. • Reputational damage arising from the submission of fraudulent overtime claims.	Responsible manager for implementing: **Lee Skelton (Inspector)** Date to be implemented: **12/2015**

● **Medium priority**

Audit finding	Management response
g) Reconciliation There is no monthly reporting / reconciliation process to identify all overtime recorded in DMS and give assurance that it is either paid or rolled forward correctly as TOIL. The ICT team has highlighted TOIL on the system older than three months that should have been paid. This issue was referred to Capita (the system provider) four months ago but remains unresolved. There is also a significant amount of ineligible TOIL recorded on the system relating to manual entries on behalf of Inspectors (who are not eligible for overtime). This information should be cleared out of DMS and recorded separately if necessary.	Agreed management action: We will discuss this issue with HR and Finance. The responsibilities will be determined as part of the governance arrangements detailed in recommendation 2.
Recommendation 10: Overtime data in DMS should be cleansed with any outstanding issues followed up. Thereafter a mechanism should be established to give management ongoing assurance that all overtime is	

either paid or rolled forward accurately as TOIL.	
Risk exposure if not addressed: • Underpayment to staff and subsequent claims. • Poor data quality which impacts upon decisions and financial reporting.	Responsible manager for implementing: **Mark Pannone (T/Chief Superintendent Territorial Policing)** Date to be implemented: **03/2016**

5.4 Security - safeguarding of assets**.**

● **Medium priority**

Audit finding	Management response
a) Access Permissions DMS access permissions are not reviewed on a periodic basis to ensure access levels continue to reflect job roles and responsibilities (e.g. when Constables act up as Sergeants their access permissions to DMS are upgraded from read only to update access). The ICT team have an established monthly routine in place whereby assignment changes are checked to access permissions and adjustments are made. However, this routine does not currently incorporate the Duty Management System.	Agreed management action: We will ensure that IT extend the established monthly routines involving assignment changes being checked and adjustments made to incorporate the Duty Management system.
Recommendation 11: Arrangements should be in place to ensure DMS access permissions are adjusted / removed so that they correctly reflect job roles and responsibilities.	

Risk exposure if not addressed:	Responsible manager for implementing:
• Unauthorised access. • Deletion or manipulation of information. • Fraudulent overtime claims.	**Lee Skelton (Inspector)** Date to be implemented: **09/2015**

Appendix A

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The controls tested are being consistently applied and no weaknesses were identified. Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed. Recommendations are no greater than medium priority.
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified. Recommendations may include high and medium priority matters for address.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	Significant non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

		Definition:
High	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	●	Some risk exposure identified from a weakness in the system of internal control
Advisory	●	Minor risk exposure / suggested improvement to enhance the system of control

Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

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Joint Audit and Standards Committee
3 September 2015
Agenda Item No 12

Monitoring Key Audit Recommendations

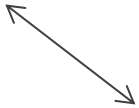
Introduction

This report is designed to monitor the implementation of recommendations and actions arising from Audit and Inspection.

If fulfills the assurance responsibilities of the Audit and Standards Committee with regards to the implementation of control recommendations and best practice arising from Audit and Inspection work.

Report Summary

Summary of Actions	
Open actions b/fwd from last report	16
New actions since last report	11
Total actions this report	**27**
Actions completed since last report	8
Open actions c/fwd to next report	19



Key to Actions	**Summary of Total Actions by Status**
Completed	8
Ongoing	0
timescale exceeded	1
not yet due	18
Total	**27**

Key to Grade:

Cumbria Shared Internal Audit Service

The shared internal audit service have recently changed the format of their reports and the grading applied to audit recommendations. The table below provides a key to both the new and old grading.

New Grade/Priority		**Previous Grade/Priority**	
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control.	1	Major recommendation that indicates a fundamental control weakness that must be addressed
Medium	Some risk exposure identified from a weakness in the system of internal control.	2	Recommendation to be addressed in order to establish a satisfactory level of internal control
Advisory	Minor risk exposure/suggested improvement to enhance the system of control.	3	Minor recommendation made to improve the system under review

Members have requested that this summary of recommendations report provides an update on actions where the recommendation was graded High/Medium (previously 1 or 2) only. Minor Advisory (previously grade 3) recommendations are monitored by individual managers.

External Audit – Grant Thornton

Grade/Priority	
High	Significant effect on control system
Medium	Effect on control system
Low	Best practice

Audit Report	Report Date	Report emailed to JASC Member	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status ☼
Policy Development & Management (OPCC)	16/02/2015	16/02/2015	10/03/2015	Shared Internal Audit Service	R1 Policy developments should be properly identified and documented in a plan, which has been given appropriate approval and shared with the team. There should be regular review and reporting of progress against the plan with management actions to deal with issues in performance to ensure accountability.	Medium	Head of Partnerships and Commissioning Vivian Stafford	Policy identification: • We will list our existing policies with assigned owners and a process for review. • Polices to be developed separately from the Constabulary's will be identified together with an owner. A plan will be put in place for monitoring and action May 2015 - Work is in progress to complete the action prior to the August 2015 deadline. August 2015 - Policies have been developed and listed with owners assigned. A draft plan has been completed and will go to the Executive Team for sign off in late August.	Aug-15	-	☼
Policy Development & Management (OPCC)	16/02/2015	16/02/2015	10/03/2015	Shared Internal Audit Service	R2 Policies should be dated or version controlled and only the latest versions should be available for staff to follow. There should be clarity within the document library regarding the application of constabulary policies and these policies should be readily available.	Medium	Governance and Business Services Manager Joanne Head	We will review the current content of the document library and remove any out of date versions. We will ensure appropriate links are in place to the Constabulary's policies where these are being relied on. June 2015 – Older versions of documents have been removed from the document library. Work is in progress regarding policies August 2015 - Arrangements are in place ensure that constabulary policies adopted by the OPCC provide clear links. A draft plan has been completed and is due to go to the Executive Team for sign off late August.	Aug-15	-	☼
Audit of Risk Management (OPCC)	16/02/2015	16/02/2015	10/03/2015	Shared Internal Audit Service	R1 Strategic risks should clearly focus on the delivery of strategic objectives as outlined in the Police and Crime Plan and other core strategies.	Medium	Governance and Business Services Manager Joanne Head	We look to review our risk register following the outcome of the audit and comments from the Joint Audit and Standards Committee. April 2015 - The OPCC is in the process of reviewing its strategic risk register following risk management training on 23 March 2015. June 2015 - on 15 June 2015 the OPCC Executive Team will be undertaking a review of the current strategic risk register and revising it accordingly. August 2015 - The Executive Team have reviewed the OPCC's strategic risks and developed a new strategic risk register. This will be presented to the JASC meeting on 3 September 2015.	Jun-15	-	☼
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	Shared Internal Audit Service	R1 The Commissioner's office should set out its business continuity plan assurance requirements from the Chief Constable and work with the Constabulary to ensure there are appropriate arrangements in place for these to be met.	Medium	Engagement and Communications Officer Linda McGinley	We will define the requirements of the Commissioner to ensure appropriate arrangements are in place. The Engagement and Communications Officer will meet with the Temporary Superintendent Operations to set out our requirements. The outcome will be reported to the Commissioner at the Executive Board in August. August 2015 - The OPCC have set out their assurance requirements, and as a result, the Constabulary provided a position paper to the PCCs Executive Board on 29 July 2015. The Commissioner asked for a further paper in March 2016, once the work has been completed. ACC Martland anticipated that the work would be completed before then.	30/09/2015	-	☼
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	Shared Internal Audit Service	R2 The OPCC's approach to business continuity planning should be defined and a policy and strategy based on this.	High	Engagement and Communications Officer Linda McGinley	We will codify the existing documentation to illustrate the OPCC's approach and will include some elements of recommendation 4 within this document. August 2015 - This work was completed and presented to the OPCC Executive Team on 16 July. A paper subsequently went to the PCC's Executive Board on 29/7/2015, where it was accepted by the PCC.	31/07/2015	-	☼
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	Shared Internal Audit Service	R3 The OPCC's business continuity requirements should be defined by management prior to the plan being prepared.	High	Engagement and Communications Officer Linda McGinley	We will define our requirements within the overarching document above. August 2015 - Completed as per R2 above.	31/07/2015	-	☼
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	Shared Internal Audit Service	R4 Once a policy and strategy and organisational requirements have been defined, we recommend that a project plan is implemented for the development of business continuity plan(s) within the OPCC with clearly defined reporting and sign-off arrangements.	High	Engagement and Communications Officer Linda McGinley	This will be incorporated within the document detailed in recommendation 2 and will include: • A high level project plan with timeline stating what will be delivered and when; • Sign-off and reporting arrangements August 2015 - Completed as per R2 above.	31/07/2015	-	☼
Business Continuity Planning (OPCC)	19/05/2015	20/05/2015	23/06/2015	Shared Internal Audit Service	R5 Arrangements should be introduced to give the OPCC assurance that the requirements of the Financial Regulations in relation to Business Continuity Planning are being complied with.	High	Chief Executive Stuart Edwards	Completing actions 1 to 4 will address this. The OPCC's Chief Finance Officer has input to the financial services business continuity arrangements which cover part of the overall business continuity arrangements. August 2015 - Action completed. Undertaking actions 1 to 4 provides the OPCC with the necessary assurance that the requirements of the Financial Regulations in relation to Business Continuity Planning are being complied with.	30/09/2015	-	☼

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status ☼
Budget Management (OPCC & CC)	27/05/2015	02/06/2015	N/A	Shared Internal Audit Service	R2 Non-matched invoices should only be approved by authorised signatories.	Medium	Principal Financial Services Officer, Revenue & Systems Mark Carter	The Central Services Department (CSD) processes will be reviewed. A monthly check on the accuracy of the approvals listing will be carried out to ensure that changes are enacted promptly. CSD will be alerted to the updated list. August 2015 - A spreadsheet is currently being developed. This will be made available to CSD for them to check non-matched invoices are appropriately authorised. This work has been delayed due to a number of late returns of delegations. The work is now scheduled to be completed and available to CSD by the end of September 2015.	30/06/2015	30/09/15	☼
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R1 We recommend that a business continuity management policy is developed and signed off by an appropriate senior management forum. Consideration should be given to including within the policy: • The constabulary's commitment to effective business continuity management • The requirement of department heads to consider business continuity requirements for all areas within their control • The scope of the policy (including its application to third party arrangements and contracts) • The review frequency (of the policy) and approval mechanism • Key roles and responsibilities • Linkages with other functions and policies	Medium	Chief Superintendent, Territorial Policing Steven Johnson	A Business Continuity Planning Policy will be developed. August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board.	30/11/2015	-	☼
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R2 We recommend that the strategy is reviewed in line with best practice and formally approved by senior management and communicated as appropriate.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	A Business Continuity Management Strategy will be developed in line with the Policy. August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board.	30/11/2015	-	☼
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R3 We recommend that a mechanism is established to provide assurance to the Chief Constable that all business continuity plans have been prepared, are in line with organisational requirements and the approved business continuity policy and strategy, and are updated in line with the organisations agreed timescales.	High	Assistant Chief Constable Darren Martland	Business continuity management arrangements will be reviewed 6 monthly at Operations Board. Operations Board will report to Chief Officers' Group. August 2015 - The ACC has confirmed that the 7 audit recommendations in relation to business continuity planning have been 'actioned' to the relevant 'owners' and progress will be actioned / monitored at the monthly Operations Programme Board, which is chaired by the ACC. Although the 'target dates' are set for 11/2015, the ACC is keen to progress asap, and will discuss at the next meeting of operations board, which is scheduled to take place on Sept. 4th 2015.	30/11/2015	-	☼
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R4 We recommend that arrangements are introduced to ensure that emerging legislation and best practice is reflected in the constabulary's arrangements. The current plan template should be updated to refer to the current Standards for BCM.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	Checks will be made to ensure that legislation is up to date when Policy is updated. August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board.	01/12/2015	-	☼
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R5 We recommend that a corporate review of critical activities and functions is undertaken to ensure that these are priorities across the constabulary. ACPO guidance has suggested 13 critical activities for police forces which may be a useful reference for this work.	High	Chief Superintendent, Territorial Policing Steven Johnson	Critical activities will be reviewed as part of the Policy review. August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board.	31/05/2016	-	☼
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R6 We recommend that the constabulary determines what its requirements are for testing of business continuity arrangements in order to ensure that they work effectively and to support the	Medium	Chief Superintendent, Territorial Policing	Testing and training regimen will be part of the Policy. August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board.	30/12/2015	-	☼
Business Continuity Planning (CC)	02/06/2015	02/06/2015	23/06/2015	Shared Internal Audit Service	R7 We recommend that consideration is given to the frequency that the constabulary expects business continuity plans to be reviewed and that this is documented and communicated to all plan owners. Consideration should also be given to amending the template to incorporate the date of next review.	Medium	Chief Superintendent, Territorial Policing Steven Johnson	Policy will dictate how often it is to be reviewed and by whom. August 2015 - Please see ACC Martland's response to R3. The specific actions have all been tasked and will be closely monitored via Operations Programme Board.	30/12/2015	-	☼

Audit Report	Report Date	Report emailed to JASC Members	Report considered by JASC Meeting	Report of:	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status ☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R1 The objectives of the Duty Management System should be defined, with clear links to strategic policing priorities. There should be periodic evaluation of system objectives.	High	Superintendent, Operational Support Mark Pannone	We will locate objectives within the Cedar system. We will then proceed to map these objectives against what we want the system to do moving forward.	31/12/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R2 Governance arrangements for the Duty Management System should be defined and clearly communicated to those involved.	High	Superintendent, Operational Support Mark Pannone	We will define governance arrangements for the Duty Management system and will communicate these arrangements accordingly.	31/12/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R3 Officers should be required to confirm the accuracy and validity of all overtime data entered to the Duty Management System, whether elected for payment or TOIL.	Medium	Inspector Lee Skelton	A pre-formatted electronic form will be used with the necessary declarations included.	31/12/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R4 Duty management procedures should be documented and made available to staff, with arrangements to subject the procedures to periodic management review. Relevant training should be provided.	Medium	Inspector Lee Skelton	Standard operating procedures will be put in place for the Duty Management System. Procedures will be consolidated into one document to allow for clarity and consistency. (There is a new shift system in the pipeline with an implementation date of 28/09/15).	31/12/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R5 The skill set requirement for Resourcing Co-ordinators should be formally identified and a training plan to effectively upskill Resourcing Co-ordinators across the force should be developed.	Medium	Inspector Lee Skelton	We are currently in the process of implementing training to Resourcing Co-ordinators using a recent new recruit as a starting point.	31/12/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R6 Arrangements should be in place for Resourcing Co-ordinators to receive formal, structured supervision on a regular basis, especially during this period of re-structure and change.	Medium	Inspector Lee Skelton	There is a model for Police staff already in place which we will review. We will implement diarised one to one's with an agreed agenda template.	30/09/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R7 a) The blank option should be removed from the drop down list during the overtime input stage OR	Medium	Inspector Lee Skelton	We will set option b in place as an interim until option a is achieved. DMO's will be the only employees able to action this until option a is implemented.	31/07/2016	-	☼
					R7 b) Clear procedures should be issued in this area, with monitoring arrangements in place to pick up on and correct overtime entered against this option.				31/12/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R8 A suite of reports should be developed to give management assurance over the quality of data in the system and levels of TOIL in different functions / areas.	Medium	Inspector Lee Skelton	We will consider our requirements and seek to develop reports to present the information in an appropriate manner. Where reports cannot be prepared we will need to accept the risks around this.	31/12/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R9 The Business Board decision to route all input of DMS overtime input via Resourcing Co-ordinators should be implemented forthwith. On implementation- a) Sergeant and Inspector update access permissions should be removed. OR b) Sergeants and Inspectors should be made aware of the new procedures for routing all DMS overtime input via Resourcing Co-ordinators and monitoring arrangements should be established to check adherence.	Medium	Inspector Lee Skelton	We have chosen option b and this will be included in procedures and implemented accordingly.	31/12/2015	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R10 Overtime data in DMS should be cleansed with any outstanding issues followed up. Thereafter a mechanism should be established to give management ongoing assurance that all overtime is either paid or rolled forward accurately as TOIL.	Medium	Superintendent, Operational Support Mark Pannone	We will discuss this issue with HR and Finance. The responsibilities will be determined as part of the governance arrangements detailed in recommendation 2.	31/03/2016	-	☼
Duty Management System (CC)	20/07/2015	20/07/2015	03/09/2015		R11 Arrangements should be in place to ensure DMS access permissions are adjusted / removed so that they correctly reflect job roles and responsibilities.	Medium	Inspector Lee Skelton	We will ensure that IT extend the established monthly routines involving assignment changes being checked and adjustments made to incorporate the Duty Management system.	30/09/2015	-	☼

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Cumbria Office of the Police and Crime Commissioner

Title: Treasury Management Activities 2015/16 Quarter 1 (April to June 2015)

Joint Audit & Standards Committee: 3 September 2015

Originating Officers: Michelle Bellis, Deputy Chief Finance Officer & Lorraine Holme, Principal Financial Services Officer.

1. Purpose of the Report

1.1. The purpose of this paper is to report on the Treasury Management activities, which have taken place during the period April to June 2015 in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.

1.2. Treasury Management activities are undertaken in accordance with the Treasury Management Strategy Statement and Treasury Management Practices approved by the Commissioner in February each year.

2. Recommendation

2.1. Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy. The report was presented to the Commissioner at his Executive Board meeting on 29 July.

3. Economic Background

3.1. As the quarter progressed, economic data was largely overshadowed by events in Greece. Markets' attention centered on the never-ending Greek issue which stumbled from turmoil to crisis, running the serious risk of a disorderly exit from the Euro. The country's politicians and the representatives of the 'Troika' of its creditors - the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) – barely saw eye to eye. Greece failed to make a scheduled repayment to the IMF on 30th June, in itself not a default until the IMF's Managing Director declares it so. Prime Minister Tsipras blindsided Greece's creditors by calling a referendum on 5th July on reform proposals which by then were off the table anyway. The European Central Bank froze liquidity assistance provided to Greek banks and capital controls within the country severely restricted individuals' and corporates' access to cash.

Greece exiting the euro would not be without fall-out and a detrimental impact on other economies including the UK with the small, but by no means dismissive, risk of contagion into other Eurozone peripheral economies, such as Portugal, Ireland and Spain. After 61% of voters chose to endorse Tsipras' call for a "no" to more austerity, Greece's creditors refused to compromise. A default to the ECB on 20th July could put Greece's membership of the euro in serious doubt, triggering margin calls and putting pressure on the currency bloc as a whole. The situation remains extremely fluid at the time of writing this report.

3.2. UK Economy: The economy remained resilient over the quarter. Although economic growth slowed in Q1 2015 (Q2 data will be released in July) to 0.4%, year/year growth to March 2015 was a relatively healthy 2.9%. GDP has now increased for nine consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to -0.1%, before returning to 0.1%. In the May Quarterly Inflation Report, the Bank of England expected inflation to hover around zero in the near-term as falls in energy and food prices remained in the annual data series for now. The Bank was sanguine that that negative inflation would prove temporary without any damaging consequences for the UK economy. Further improvement in the labour market saw the ILO unemployment rate for March fall to 5.5% of the economically active population. Average earnings excluding bonuses rose 2.2% year/year.

The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

3.3. The US economy slowed in the Q1 2015 due to bad weather, spending cuts by the energy firms and the effects of a strong dollar. However as data revisions came through in the latter months of the quarter economic data suggested that growth had re-emerged with retail sales, housing and employment figures all strengthening during the month of May. The decision to increase interest rates in the US became a question of when rather than if; the minutes of the US Federal Reserve's policy meeting showed agreement over interest rate increases by the end of 2015.

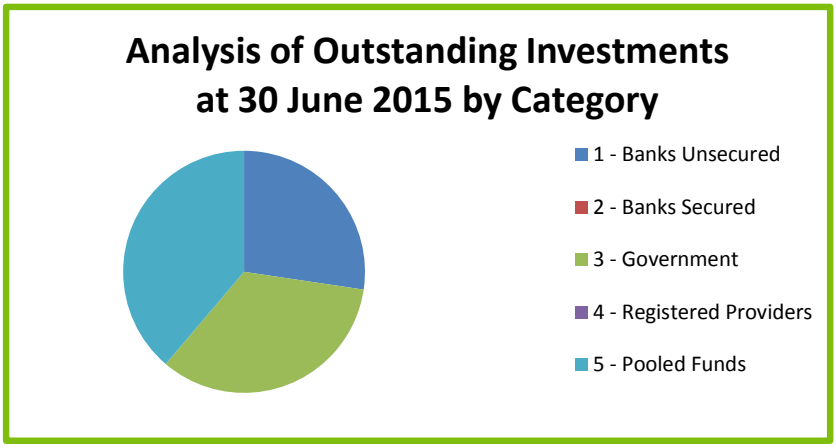
3.4. Market reaction: Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Bond markets were distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory. There was a net increase in gilt yields over the quarter. 2-year gilt yields rose by 17bp to 0.56% whilst 3-year yields rose by 25bp to 1.01%. 5- and 10-year gilt yields increased by 35bp and 48bp to 1.51% and 2.02% respectively. 20 year gilt yields saw an increase of 47bp to 2.57%.

4. Treasury Management Operations and Performance Measures

4.1. The Commissioner's day to day treasury management activities are undertaken on behalf of the Commissioner's Chief Finance Officer/Deputy Chief Executive by the financial services team under the management of the Chief Constable's Chief Finance Officer. Responsibilities and requirements for treasury management are set out in the financial regulations and rules. Treasury management practices are approved annually setting out the arrangements as part of the Treasury Management Strategy Statement (TMSS).

The TMSS sets maximum limits for investments according to category. The categories and overall limit per category is illustrated in the table below together with the actual investments outstanding as at 30 June 2015. Within each category there are further limits to the total amount and duration of investments that can be placed with individual counterparties, these vary depending on the credit rating of the counterparty at the time the investment is made.

Category	Category Limit (£m)	Actual Investments at 30 June (£m)	Compliance with Limit
1 - Banks Unsecured	20	3.633	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government	unlimited	4.500	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	5.152	Yes
Total		**13.285**	



A schedule detailing the individual investments that make up the £13.285m total invested at 30 June 2015 is attached at **Appendix 2**. A further illustrative analysis is provided of the balance outstanding at **Appendix 3**, where the first chart analyses the outstanding balance by the credit rating of the investment counterparty and the second shows the maturity structure of investments by the credit rating of the counterparty.

4.2. Management of Cash Balances

The aim of the Treasury Management Strategy is to invest surplus cash and minimise the level of un-invested cash balances, whilst limiting risks to the Commissioner's funds. Actual un-invested balances for the months of April to June 2015 for the Commissioner's main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	90	1,480	9,159
Days Overdrawn	1	(3,342)	(3,342)

The largest un-invested balance occurred on the 30 June and was as a result of a number of cash seizures that were paid into the bank. We are advised by the bank that transactions being posted during the day are subject to checking and can be removed, therefore, we do not invest these sums until the following day to limit the risk of being overdrawn.

The largest overdrawn balance occurred on the 4 June and was the result of a foreign transfer in respect of an invoice payment. The exact timing of when foreign transfers leave the bank is unknown.

Within the Treasury Management Strategy a target is set to achieve a daily balance of +/- £2k on the Commissioner's main bank account. Whilst the daily treasury management process always calculates the anticipated balance within these limits, daily transactions through the bank of which we are not aware (e.g. banking of cash/cheque receipts) can alter the closing balance for the day. During the months April to June 2015, the balance was within the £2k limit for 72 out of 91 days (79%). This statistic is skewed by our policy to ensure that all cash and cheques are banked on a Friday, as a minimum, more often if large sums are received. If cash is banked it clears our account on the same day and we will be over our £2k limit for 3 days over the weekend not just the day it is banked. This occurred on three weekends during this quarter.

An estimate of the interest forgone on un-invested balances over £2k during this three month period is £9.

4.3. Investment Activity

The table below illustrates the number and value of investments made with banks (category 1 unsecured & 2 secured) and Government (category 3) of the approved investment counterparties during the months of April to June 2015:

Month	Number of Investments	Total Value of Investments £m
April 2015	3	4.5
May 2015	1	2.0
June 2015	1	0.5

In addition to the above there are regular smaller investments made via money market funds (category 5 pooled funds).

The Commissioner sets a limit for "non-specified" investments of over 364 days at the time of investment. The maximum of all investments with outstanding maturities greater than 364 days is set at a limit of £5m for 2015/16. The Commissioner currently has no investments that have an outstanding maturity of greater than 364 days. However, as at 30 June, there were two investments

which at the time of investing, were for a period of just over 364 days. These are set out in the table below:

Borrower	Value £m	Investment Period (Days)	Date Invested	End Date	Period Remaining to maturity (days)	Actual Rate (%)
Barclays Bank PLC	2.0	365	03/07/2014	03/07/2015	184	0.98%
Lloyds Bank PLC	1.5	365	11/08/2014	11/08/2015	223	0.95%
Total	**3.5**					

4.4. Interest Earned

Interest earned for the period of the report and the average return on investment that it represents is set out in the table below:

Month	Interest Amount (£)	Average Total Investment (£)	Average Return on Investment (%)
April 2015	8,914	21,929,996	0.49%
May 2015	8,916	20,048,849	0.52%
June 2015	7,921	17,652,889	0.53%
Total	**25,750**	**20,073,118**	**0.51%**

Total interest earned during April to June 2015 amounted to £26k. A simple pro-rata of this figure would suggest a full year effect of interest in the region of £103k, however, the interest receipts in the coming months are expected to be a little higher as a result of the receipt of £15m pensions grant in July. The current forecast is that interest receipts for 2015/16 will be on budget at £125k. A comparison of this figure against the budget is outlined in the table below:

	Amount (£000's)
Original Estimate 2015/16	125
Forecast Position June 2015	125
Increase/(Decrease) compared to estimate	**0**
Increase/(Decrease) as a percentatge	0%

4.5. Investment Performance

As a performance measure for the quality of investment decisions, the rate achieved on maturing longer term investments of over three months in duration is compared with the average Bank of England base rate over the life of the investment. The table below provides details of the individual performance of investments (of over 3 month's duration at time of investment) for the months April to June 2015:

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Lloyds Bank Plc	1.5	12	0.95%	0.50%
Stirling Council	2	6	0.40%	0.50%

The above table illustrates that, for one of the two maturing investments that were for a duration of over 3 months, the return exceeded the bank base rate.

5. Compliance with Prudential Indicators

5.1. All treasury related Prudential Indicators for 2015/16, which were set in February 2015 as part of the annual Statement of Treasury Management Strategy, have been complied with. Further details can be found at **Appendix 4**.

6. Implications

6.1. Financial – As detailed in the main body of report above.

6.2. Legal – None

6.3. Risk – The report advises the Commissioner/members about treasury activities. Given the large unsecured sums invested with financial institutions treasury management can be a risky area. Nevertheless, procedures are in place to minimise the risks involved, including limits on the sums to be invested with any single institution and reference to credit ratings are set down in the PCC's treasury strategy and in particular the treasury management practices (TMP1 Treasury Risk Management).

6.4. HR / Equality – None

6.5. I.T – None

6.6. Procurement – None

7. Supplementary information

Attachments

Appendix 1 Recent history and projections of Bank Base Rates

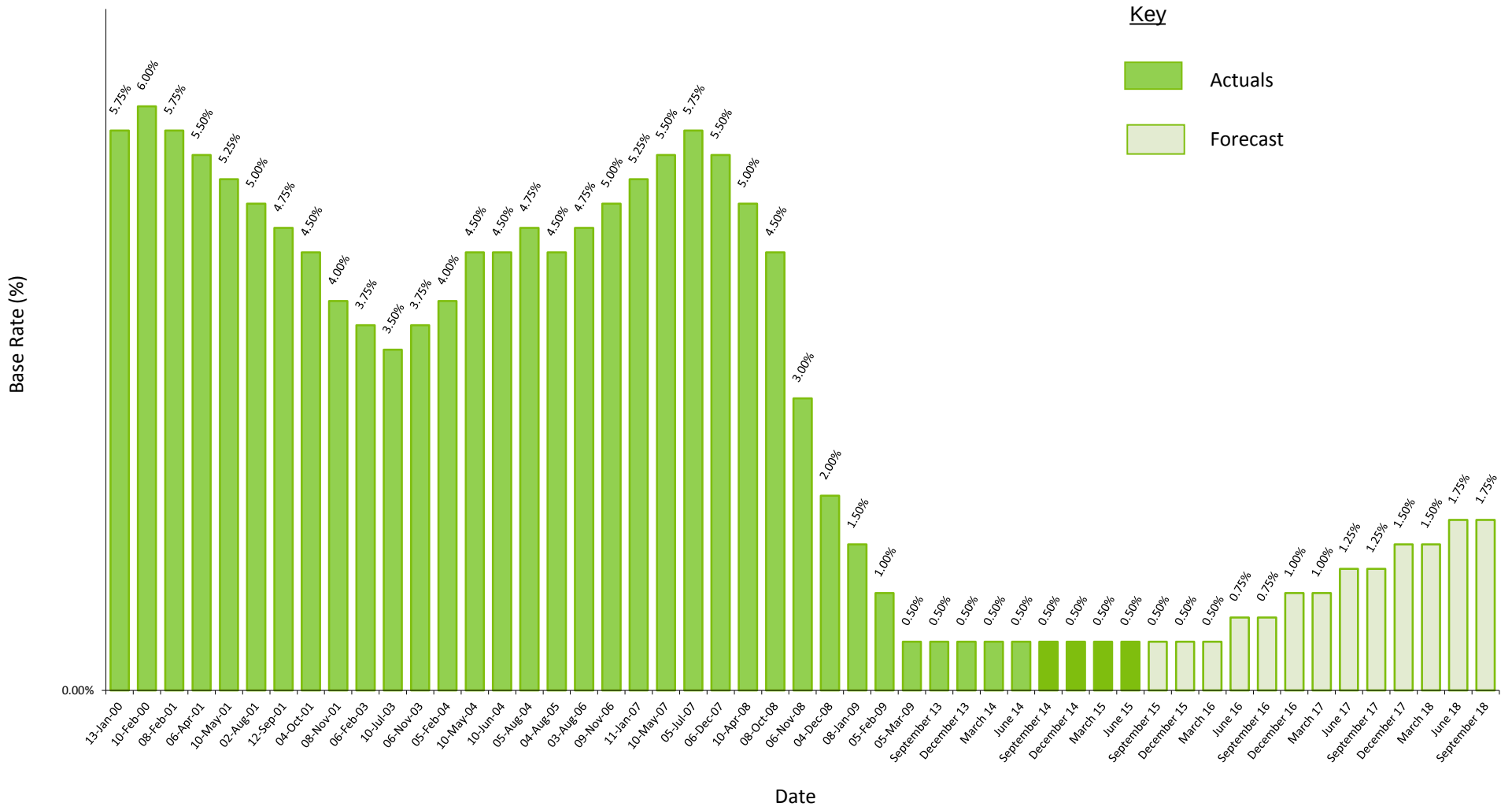
Appendix 2 Schedule of Investments as at 30 June 2015

Appendix 3 Analysis of Investments as at 30 June 2015

Appendix 4 Prudential Indicator Compliance

Appendix 1

Bank of England Base Rates (%s)



Appendix 2

Schedule of Investments as at 30 June 2015

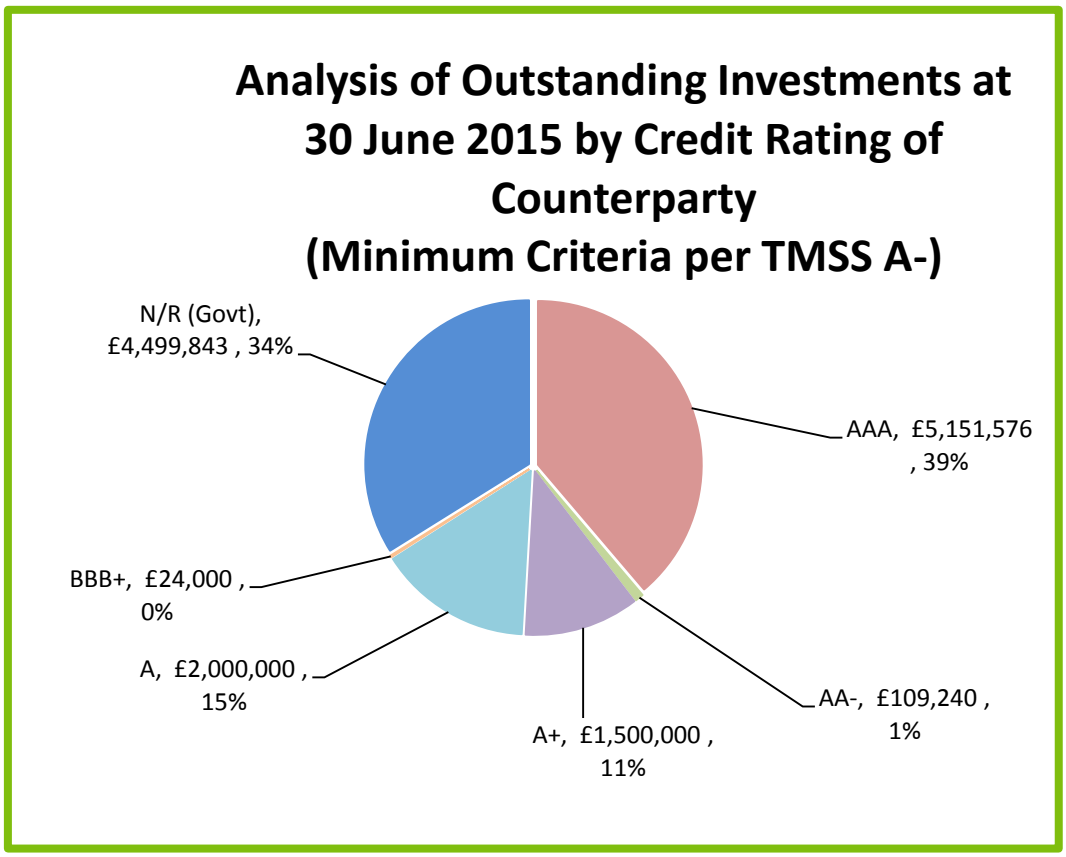
Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Barclys Bank PLC	A	03/07/2014	03/07/2015	3	0.98%	2,000,000	2,000,000
Lloyds Bank PlC	A+	11/08/2014	11/08/2015	42	0.95%	1,500,000	1,500,000
Svenska Handelsbanken	AA-	Various	On Demand	N/A	0.35%	109,240	109,240
NatWest (Liquidity Select Account)	BBB+	30/06/2015	01/07/2015	O/N	0.25%	24,000	24,000
						3,633,240	3,633,240
Category 2 - Banks Secured (Includes Banks & Building Societies)							
None							0
						0	**0**
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Dumfries and Galloway Council	NR	23/04/2015	23/07/2015	23	0.35%	2,000,000	2,000,000
Lancashire County Council	NR	08/05/2015	06/05/2016	311	0.40%	2,000,000	2,000,000
Debt Management Office - Treasury Bills	NR	22/06/2015	20/07/2015	20	0.410%	499,843	499,843
						4,499,843	**4,499,843**
Category 4 -Registered Providers (Includes Providers of Social Housing)							
None							0
						0	**0**
Category 5 -Pooled Funds (Includes AAA rated Money Market Funds)							
Aberdeen Asset Management	AAA	Various	On demand	O/N	Various	200,000	200,000
AIM	AAA	Various	On demand	O/N	Various	400,000	400,000
BlackRock	AAA	Various	On demand	O/N	Various	750,000	750,000
Fidelity	AAA	Various	On demand	O/N	Various	701,576	701,576
Goldman Sachs	AAA	Various	On demand	O/N	Various	600,000	600,000
IGNIS	AAA	Various	On demand	O/N	Various	2,500,000	2,500,000
						5,151,576	5,151,576
Total						**13,284,658**	**13,284,658**

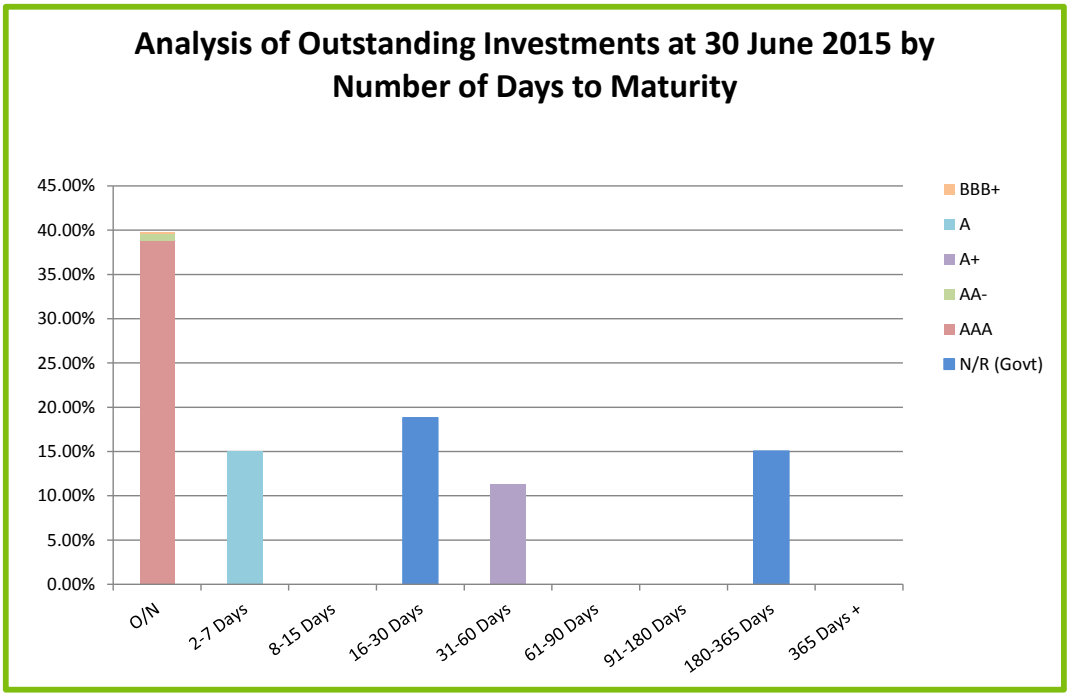
Note – the credit ratings shown in the above table relate to the standing as at 30 June 2015, as discussed in the main body of the report, the ratings are constantly subject to change.

The TMSS sets limits for maximum investment with counterparties. These limits vary depending on the credit rating of the counterparty at the time the investment was placed. The TMSS also places a limit on the total investments per category.

Appendix 3

Analysis of Outstanding Investments as at 30 June 2015





Note – the credit ratings shown in the above charts relate to the standing as at 30 June 2015, as discussed in the main body of the report, the ratings are constantly subject to change.

Appendix 4

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Commissioner to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached during the year. The Affordable Borrowing Limit is made up of two components; the *Authorised Limit* and the *Operational Boundary*.
- The Authorised Limit represents an upper limit for external borrowing that could be afforded in the short term but may not be sustainable. The figure includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Commissioner's Authorised Limit was set at £25.31m for 2015/16.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2015/16 was set at £23.81m.
- The actual amount of external borrowing as at 30 June 2015 was £Nil which is well within the above limits. No new external borrowings have been undertaken in the current financial year.

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Commissioner to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2015/16 £m	Actual Borrowing at 30 Jun'15 £m	Compliance with limits
Upper Limit for Fixed Rate Exposure	25.31	0.00	Yes
Upper Limit for Variable Rate Exposure	1.50	0.00	Yes

(c) Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30 Jun '15 £m	% Fixed Rate Borrowing as at 30 Jun '15 %	Compliance with Set Limits?
Under 12 months	100	0	0.00	0	Yes
12 months and within 24 months	100	0	0.00	0	Yes
24 months and within 5 years	100	0	0.00	0	Yes
5 years and within 10 years	100	0	0.00	0	Yes
10 years and above	100	0	0.00	0	Yes

(d) Total principal sums invested for periods longer than 364 days

- This indicator allows the Commissioner to manage the risk inherent in investments longer than 364 days.
- The limit for 2015/16 was set at £5m.
- As at 30 June 2015, the PCC had two investments totalling £3.5m which were for a duration greater than 364 days at the time of investment. Neither of which now have outstanding maturities greater than 364 days. Please see additional details within paragraph 4.3 above.

Joint Audit & Standards Committee

Title: OPCC Risk Management Monitoring

Date: 3 September 2015
Agenda Item No: 14 (i)
Originating Officer: Stuart Edwards
CC:

Executive Summary:
The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. This takes place in a constantly changing and challenging environment and the OPCC must ensure that it has robust systems and processes in place to monitor and react appropriately to risk.

Recommendation:
That the committee note the changes regarding the OPCC's strategic risk register and the oversight undertaken of the Constabulary's risk management.

1. Introduction & Background

1.1 The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. To enable it to carry out this function effectively it must monitor and react appropriately to risks. The Joint Audit and Standards Committee as part of their role, ensures that the OPCC is actively managing strategic risks and one member of the committee has been appointed as the lead member for risk.

2. Issues for Consideration

2.1 Following an Internal Audit of the OPCC's risk management processes one of the recommendations stated – *"Strategic risks should clearly focus on the delivery of strategic objectives as outlined in the Police and Crime Plan and other core strategies".* The OPCC as part of the agreed management action stated they would undertake to review the OPCC risk register.

2.2 In June 2015 the OPCC Executive Team held a Risk Management session facilitated by a Chartered Institute of Public Finance & Accountancy (CIPFA) approved trainer. The

purpose of the session was to develop a strategic risk register which accurately reflected the strategic risks faced by the Office of the Police and Crime Commissioner. The day included strategic risk identification; risk score and risk appetite agreement; rationalising the current risk register; and assurance on current and future controls.

2.3 Consideration of the wording contained within the Risk Matrix for the scoring of impact and likelihood took place. This enabled wording and examples relevant to the Office of the Police and Crime Commissioner and its work to be agreed upon. The decision was also taken to move from a 5x5 matrix to a 4x4 matrix, removing the ability to potentially score risks on an average. A copy of these are attached to this report at Appendix 1

2.4 During the session potential strategic risks were identified and discussed as were any appropriate controls or assurances. Further work is being carried out by members of the Executive Team to finalise the OPCC's risk appetite.

2.5 Work has been carried out to develop the new strategic risks which are appended to this report at Appendix 2. They are:

- Strategic Finance
- Efficient and Effective Policing
- Delivery of the Police and Crime Plan

2.6 Following the development of the strategic risk register, a similar process will be undertaken with the OPCC's operational risk register. This is with a view to rationalising it in a similar way to that of the strategic risk register.

2.7 The Governance and Business Services Manager met with the Constabulary's lead for Risk Management, the Director of Corporate Improvement Ms Jane Sauntson, on Monday 26 August 2015. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.

2.7 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks which may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear.

2.8 The Constabulary's strategic risk register had not altered since the last quarter. Discussions included the Constabulary's Change Programme, Performance with reducing staff and officer numbers and the proposed changes to the Police Funding Formula. Risks would be presented to the Chief Officer Group w/c 31 August when they would consider the risks contained within the strategic risk register; their scores and whether any risks from the operational risks registers should also be included.

3. Implications

3. 1 Financial - the inability of the OPCC to successfully identify and manage its organisational and strategic risks could impact financially on not only the OPCC but Cumbria Constabulary and other partner organisations which are financially dependent.

3.2 Legal - the OPCC could face legal challenge on some areas of its business, therefore it is essential that these are identified at an early stage and effectively mitigated and managed.

3.3 Risk - if the OPCC does not identify and mitigate risks then it may mean that the OPCC cannot carry out its statutory function efficiently and effectively.

RISK MATRIX : LIKELIHOOD		
Likelihood Score	**Description of likelihood over the next 4 years**	
4	Very High	Will undoubtedly happen, possibly frequently
3	High	Will probably happen, but not a persistent issue
2	Medium	May happen occasionally
1	Low	Not expected to happen, but is possible

RISK MATRIX: IMPACT

Impact Score	**Description**					
		IMPACT ON SERVICE OBJECTIVES	**FINANCIAL IMPACT**	**IMPACT ON PEOPLE**	**DURATION OF IMPACT**	**IMPACT ON REPUTATION**
4	Catastrophic	Unable to function, inability to fulfil obligations – total failure of at least 2 areas of activity	Severe financial impact (Above £5m / budget implications)	Internally – wholesale resignation, unable to staff OPCC Externally – service user death	In excess of 1 year to recover pre event position	Severe damage to reputation Sustained and prolonged national media interest PCC resignation
3	High	Significant impact on service provision – total failure of at least 1 area of activity with impact across all areas of business	Significant financial impact (over £1m)	Internally – increased staff turnover/ shortage Externally – general/systemic poor user experience	Between 6 months to 1 year to recover to pre event position	Significant damage to reputation Short term national / longer term local media interest
2	Medium	Material impact on service objectives – at least 2 areas of business / several personal objectives	Material financial impact (over £250k - £1m)	Internally – high level of staff absences Externally – multiple poor service user experience	Between 2 to 6 months to recover to pre event position	Adverse publicity, noticeable damage to reputation. Short term local media interest
1	Low	Some impact on service objectives – single area of business/ individual objectives	Some financial impact (up to £250k)	Internally - low morale Externally – some poor service user experience	Up to 2 months to recover	Some damage to reputation 1 day local media interest

OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

		Mitigated Score		Risk Owner		Actions		Reviews
Risk No.	**Risk Title**	Impact	Likelihood	**Risk Owner**	**Action Owner**	**Actions taken on assurances**	**Any outstanding actions YES/NO**	**Date of review**
R1	Strategic Finance	2	4	Chief Executive	Chief Finance Officer		No	August 2015
R2	Efficient and Effective Policing	3	2	Chief Executive	Chief Executive		No	August 2015
R3	Delivery of the Police and Crime Plan	2	2	Chief Executive	Head of Partnerships and Commissioning		No	August 2015

Scores:

12 – 16	**Monthly or Quarterly Reviews**
8 – 11	**Quarterly or Half Yearly Reviews**
7 or less	**Annual Reviews**

Risk Title: STRATEGIC FINANCE	The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities.

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

		Unmitigated Score			Mitigated Score				Actions				
What is the cause of the risk? **(Lack of ……..failure to……..)**	**What is the consequence of the described risk?** **(Results in…….leads to……)**	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	**Risk Owner &** Mitigation Strategy (Avoid, reduce, transfer, accept)	**Current Controls in Place to Mitigate the Risk**	**Assurances**	**Future or further actions to be taken**	**Action Owner(s)**	**Review Date**
Lack of resources within the medium term budget to provide sufficient funding for the Constabulary to deliver current levels of policing service. High levels of funding uncertainty are impacting on this risk from 2016/17 including police formula funding review new CSR risk).	This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence.	3	4	12	2	4	8	Chief Executive (Reduce)	Reserves are being held at a higher level than would otherwise be the case. The constabulary is implementing a scalable model of policing. Work is on-going to establish a minimum funding requirement. The Constabulary and OPCC are developing responses to the government funding consultation and modelling the potential financial impact.	Annual external audit of the financial statements provides verification of the level of available reserves. Budget monitoring processes and internal controls ensure that financial commitments do not exceed planned expenditure. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings.	The Constabulary and OPCC are developing responses to the government funding consultation. Work streams are being developed in respect of a communications /media plan Work will be undertaken to develop a potential future operating model for policing in Cumbria	Chief Finance Officer	Aug 2015

Risk Title: EFFICIENT & EFFECTIVE POLICING	It is in the interests of taxpayers generally and the people of Cumbria in particular for Cumbria to have an efficient and effective police force; There is also a legal requirement for the Police and Crime Commissioner to maintain an efficient and effective police force.

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	**Impact**	**Likelihood**
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

		Unmitigated Score			Mitigated Score				Actions				
What is the cause of the risk? **(Lack of ……..failure to……..)**	**What is the consequence of the described risk?** **(Results in…….leads to……..)**	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	**Risk Owner &** Mitigation Strategy (Avoid, reduce, transfer, accept)	**Current Controls in Place to Mitigate the Risk**	**Assurances**	**Future or further actions to be taken**	**Action Owner(s)**	**Review Date**
The Police and Crime Commissioner has a legal obligation to maintain an efficient and effective police force for Cumbria. At the present time this particularly links to the financial risk identified above, but even without financial uncertainty a police force could become inefficient and/or ineffective.	Taxpayers paying more than they might need to for policing services. Inefficient use of resources being highlighted in external and internal inspections resulting in reputational harm.	3	3	9	3	2	6	Chief Executive (Avoid)	Consideration of reports by HMIC – in particular the PEEL inspection reports and annual VfM report - and the internal and external auditors; monitoring of Constabulary performance, budget monitoring and the Change Programme.	External inspections by HMIC and the external auditors. Internal inspections by internal audit. Work undertaken by the OPCC CFO. Scrutiny by the Police and Crime Panel and Joint Audit and Standards Committee.	Continued monitoring of the Constabulary by the Commissioner; use of VfM data and PEEL inspection reports from HMIC; continued independent scrutiny by the Police and Crime Panel and Joint Audit and Standards Committee.	Chief Executive	May 2016

Risk Title: DELIVERY OF THE POLICE & CRIME PLAN	The Commissioner is required to set out his vision, priorities and objectives for policing and crime within the police and crime plan. The production and publishing of the plan is a core statutory planning requirement as defined by the Police and Social responsibility Act 2011. The plan sets out the resources and assets that the commissioner will make available to the chief constable for policing and the mechanisms by which the chief constable will report on performance and be held to account

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	**Impact**	**Likelihood**
1	Low	Not expected to happen, but is possible
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		Unmitigated Score			Mitigated Score				Actions				
What is the cause of the risk? **(Lack of ……..failure to……..)**	**What is the consequence of the described risk?** **(Results in…….leads to……..)**	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	**Risk Owner &** Mitigation Strategy (Avoid, reduce, transfer, accept)	**Current Controls in Place to Mitigate the Risk**	**Assurances**	**Future or further actions to be taken**	**Action Owner(s)**	**Review Date**
Lack of financial and human resource may lead to a failure to: • Produce an acceptable police and crime plan • Deliver against targets set out in the police and crime plan	Resulting in none legal compliance leading to possible: • Government intervention • Loss of public confidence • Increased crime rates • Failure to target resources towards changing performance and crime trends	3	3	9	2	2	4	Head of Partnerships and commissioning Mitigation strategy is to reduce the likelihood	• Dedicated resource in OPCC and Constabulary Corporate Development • Strategic Planning and Commissioning processes • Public Consultation • Executive Board team meetings • Accountability Board • Executive Board public meetings	Police and Crime Panel scrutiny Accountability framework HMIC Audit	No further controls required at this stage		May 2016

Joint Audit and Standards Committee

TITLE OF REPORT:	**Constabulary Quarterly Risk Management Update**
DATE OF MEETING:	**2nd September 2015**
ORIGINATING OFFICER:	**Strategic Development, Corporate Improvement**
PART 1 or PART 2 PAPER:	**PART 1 (OPEN)**

Executive Summary:

The purpose of this paper is to provide the Joint Audit and Standards Committee with the quarterly update to the Constabulary's risk management arrangements, including a review of the current strategic risk register.

Corporate Improvement has carried out a quality assurance check of all the departmental and operational risk registers to ensure that risk is effectively managed across the organisation. The Strategic Risk Register has been updated to reflect the latest situation, following consideration at Chief officer group on 1 September.

Recommendations:

That the Audit and Standards Committee:

1. Note the Constabulary's current strategic risks and that the quarterly review was completed on 1 September 2015.
2. Note the changes to risk 22 regarding funding and the implications for longer term budgets
3. Note the work being undertaken currently to formulate a new risk regarding potential increases to population along the West Coast.

MAIN SECTION

1. Introduction and Background

1.1 Strategic Risks

Risk is the threat that an event or action will affect the Constabulary's ability to achieve its organisational aim and objectives.

Each risk is managed at the level where the control to manage the risk resides. Therefore strategic risks are managed by the Chief Officer Group, significant operational risks are managed by Operations Board (Joint Crime and Territorial Policing Board) and significant strategic business risks are managed in the relevant business department and via the Business Board. Projects and programmes also have their own risks that are managed by the project / programme teams.

Strategic risks are those affecting the medium to long term objectives of the Constabulary and are the key, high level and most critical risks that the Constabulary faces. Best practice indicates that the number should be between 5 and 10.

The Chief Constable in his 'Annual Statement of Corporate Governance' determines the strategic direction for the Constabulary which is 'Keeping Cumbria Safe'. Following consultation, the annual review of the Constabulary's Strategic Assessment (based on operational intelligence), performance results, recommendations from independent inspections and audits and a review of the organisations' strategic risks, the following objectives have been identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns :

- Dealing with the issues related to vulnerable children - child abuse and child sexual exploitation.
- Responding to vulnerable adults and children who go missing from home.
- Reducing the harm caused by domestic abuse, violent and sexual offenders, encouraging people to report to the police.
- Preventing and detecting violence against the person offences, sexual offences and acquisitive crime.
- Preventing and dealing with antisocial behavior.
- Tackling alcohol and drug related crime and disorder.

The strategic risks identified by the Constabulary are concerned with:

1. The implications of longer-term reduction in budget.
2. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
3. Failure to deliver required change.
4. The significant increase in the number of reported rape and sexual offences.
5. Performance and productivity of police officers.
6. The integrity of police officers and staff.

The table on page 3 outlines the Constabulary's six strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**). It also indicates which Constabulary objectives the risks link to.

Strategic Risk Register

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	*Initial Score*	Latest Score	Link to Strategic Objectives
22	The Chief Constable & Chief Financial Officers for the Police & Crime Commissioner	The current funding gap continues to increase due to: • local and national financial sources reducing and/or, • greater than projected increases in expenses (for example pay and inflation), and • the removal of the police allocation damping mechanisms , and revision of funding allocation • the Government's statement about austerity continuing until early 2020s. If this risk occurs, the Constabulary would have to find and deliver further savings in addition to those already planned, resulting in a significantly reduced number of officers and staff and significant detrimental impact on police services delivered to the public.	High	High	*25*	25	All
25	The Chief Constable and Head of ICT	The Constabulary may be unable to fulfil its key strategic objectives because the new Emergency Services Network has potential to breach the Constabulary's risk capacity and appetite in terms of cost and acceptable levels of service provision. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.	High	High	*16*	16	All
2	Director of Corporate Improvement & Director of Corporate Support	The Constabulary may not have the capacity to deliver the Change Programme and Corporate Support Business Plan, in particular the reliance on IT to deliver systems which improve officer productivity and reduce manual intervention in processes. If this risk occurs the Constabulary would have to find further savings.	High	Medium	*10*	12	All

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	*Initial Score*	Latest Score	Link to Strategic Objectives
24	The Deputy Chief Constable and Detective Chief Superintendent Crime Command	There is potential reputational damage to the Constabulary because of the significant increase it has seen the number of reported rape and sexual offences caused by the large number of high profile cases reported in the media which has positively encouraged more victims to come forward and report these serious offences.	Medium	High	*15*	10	1,2,3 & 4
11	Assistant Chief Constable and Director of Corporate Improvement	The Constabulary's performance may be adversely affected due to the significant level of change across the Constabulary as a whole. This may result in adverse publicity and reputational damage, and potential direct intervention from Her Majesty's Inspector of Constabulary (HMIC).	Medium	Medium	*20*	9	All
23	The Deputy Chief Constable and Head of Professional Standards	There may be reduced public confidence in the Constabulary and reduced engagement with frontline police officers and staff due to a perceived (because of current national media focus and government communication) or actual lack of integrity amongst police officers and staff. This would result in significant reputational damage and a potential drop in performance because of less public support.	Medium	Low	*9*	6	All

Risk Tolerance Levels		
Risk Score 1-4 Acceptable. No action is required but continue monitoring.	**Risk Score 5-12** Tolerable risks but action is required to avoid a Red status. Investigate to verify and understand underlying causes and consider ways to mitigate or avoid within a specified time period.	**Risk Score 15-25** Unacceptable. Urgent attention is required. Investigate and take steps to mitigate or avoid within a specified short term.

Changes identified at COG on 1 September include:

Risk 22. The risk to funding has increased in terms of both likelihood and impact. The scores have both increased, resulting in a revised score of 25 (5 x 5). This is because a consultation on the police funding formula has been published, with a view to simplifying the allocation of funding across 43 police forces in England and Wales. Responses to be submitted to the Home Office by 15 September 2015. The document outlines a set of principles, a new methodology, and proposed indicators and, asks for views on timing and implementation. Current exemplifications developed by the Constabulary have shown that we are potentially a net loser and, that overall budget reductions including CSR could be greater than the current damping. We are responding to the consultation (as is the Commissioner) in the best interests of the public in Cumbria. We have undertaken an analysis of the cost driver for rurality and geographical isolation and are presenting these arguments as part of the response.

A further risk was identified as part of the scanning and discussions in COG. The risk concerns the impact on policing of a potential increase in population along the West Coast, which is predicted as a result of development of the nuclear industry. This will be assessed, scored and included on the Strategic Risk Register once formulated.

1.2 Drivers for Change

Effective risk management is a key component of effective corporate governance. Managing risk will contribute towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management will help improve decision-making and drive corporate activity that represents value for money.

Effective risk management will help protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

1.3 Consultation processes conducted or which needs to be conducted

Individual risk owners have been consulted as part of the standard risk management arrangements. Extended COG reviewed and approved the strategic risk register on 5th May 2015.

1.4 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

1.5 Timescales for decision required

Not applicable to this report.

1.6 Internal or external communications required

Not applicable to this report.

2. Financial Implications and Comments

Any financial implications are described in the relevant risks outlined within this report.

3. Legal Implications and Comments

Any legal implications are described in the relevant risks outlined within this report.

4. Risk Implications

The Constabulary's risks are described in section one of this report.

5. HR / Equality Implications and Comments

Any HR / Equality implications are described in the relevant risks outlined within this report.

6. ICT Implications and Comments

Any ICT implications are described in the relevant risks outlined within this report.

7. Procurement Implications and Comments

Any procurement implications are described in the relevant risks outlined within this report.

8. Supplementary Information

9.1 List any relevant documents and attach to report

Appendix 1	Risk Scoring Matrix

9.2 List persons consulted during the preparation of report

All departmental risk owners. Extended Chief Officer Group

Appendix 1

Risk Scoring Matrix

Impact Score	Description					
		IMPACT ON SERVICE PROVISION	**FINANCIAL IMPACT**	**IMPACT ON PEOPLE**	**DURATION OF IMPACT**	**IMPACT ON REPUTATION**
5	Very High	Unable to function, inability to fulfil obligations	Severe financial loss > £3M	Multiple fatalities	In excess of 2 years	Highly damaging, severe loss of public confidence or being declared a failing Force
4	High	Significant impact on service provision	Major financial loss £1M to £3M	Fatality	Between 1 year - 2 years	National publicity, major loss of confidence or serious IPCC complaint upheld
3	Medium	Service provision is disrupted	Significant financial loss £500k to £1M	Serious injury, RIDDOR reportable	Between six months to 1 year	Some adverse local publicity, legal implications, some loss of confidence
2	Low	Slight impact on service provision	Moderate financial loss £100k to £500k	Slight medical treatment required	2 to 6 months	Some public embarrassment, or more than 1 complaint
1	Very Low	Insignificant impact, no service disruption	Insignificant financial loss < £100k	First Aid treatment only No obvious harm/injury	Minimal - up to 2 months to recover	No interest to the press, internal only

Likelihood Score	Tolerance Levels – Likelihood Assessment	
5	Very High	A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly.
4	High	A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often.
3	Medium	A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally.
2	Low	A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25years. This means it is not expected to happen but it is possible.
1	Very Low	A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen.

		Impact	**Impact**	**Impact**	**Impact**	**Impact**
		Very Low (1)	**Low (2)**	**Medium (3)**	**High(4)**	**Very High (5)**
Likelihood	**Very High (5)**	**5**	**10**	**15**	**20**	**25**
Likelihood	**High (4)**	**4**	**8**	**12**	**16**	**20**
Likelihood	**Medium (3)**	**3**	**6**	**9**	**12**	**15**
Likelihood	**Low (2)**	**2**	**4**	**6**	**8**	**10**
Likelihood	**Very Low(1)**	**1**	**2**	**3**	**4**	**5**
		Impact	**Impact**	**Impact**	**Impact**	**Impact**