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PCC 15-07-16 Constabulary Revenue Budget Monitoring Quarter 4 to March 2016 and Provisional Outturn 2015-16 (with WRM changes)



Cumbria Constabulary

Police and Crime Panel: 15 July 2016

TITLE OF REPORT:	Revenue Budget Monitoring 2015/16 Quarter 4 to March 2016 and Provisional Outturn
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ORIGINATING OFFICERS:	Roger Marshall, Constabulary Chief Finance Officer Michelle Bellis, Deputy Chief Finance Officer
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PART 1 or PART 2 PAPER:	PART 1 (OPEN)
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Executive Summary:

The attached report provides details of the provisional outturn on the Constabulary's revenue budget for 2015/16. The figures quoted at this stage are reported as provisional as the final accounts are still subject to audit but it is not envisaged that there will be any significant changes.

The figures show net revenue expenditure on Constabulary controlled and managed budgets amounting to £108.258m which represents an underspend of £319k (0.29%) against the approved adjusted budget of £108.577m.

The underspend is made up of an overspend on expenditure budgets of £487k (0.43%) less an over achievement of income of £806k (18.36%).

The final underspend of £319k represents a decrease of £35k compared to that reported at the end of Quarter 3 of £354k and a decrease of £36k compared to that reported at February 2016 of £355k.

Recommendation:

The Police and Crime Panel are asked to note the Quarter 4 Provisional Outturn position of the revenue budget for 2015/16.

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MAIN SECTION**1. Introduction and Background**

- 1.1 The purpose of this report is to provide information on the provisional revenue outturn for 2015/16. Total net expenditure amounts to £108.258m which is £319k under the approved budget. This represents a decrease in the underspend of £35k when compared to the forecast reported at the end of Quarter 3 of £354k.
- 1.1 The total budget is based on the funding arrangement between the Commissioner and the Chief Constable. This was approved and signed off by both the Chief Constable and Police & Crime Commissioner on 1 April 2015.
- 1.2 The approved funding amounted to £113.647m, which is made up of a net revenue budget of £108.513m plus a plant and equipment capital budget of £5.134m. This report deals solely with the revenue funding. The original approved funding has subsequently been amended by a number of budget adjustments. The revised net revenue budget currently stands at £108.577m.

2. Revenue Expenditure

- 2.1 The provisional outturn of net revenue expenditure for 2015/16 is £108.258m, which is £319k (0.29%) below the approved adjusted budget of £108.577m, this represents a decrease in the underspend of £35k compared to that forecast as at 31 December 2015 (£354k). The provisional outturn is made up of an overspend on expenditure of £487k (0.43%) and an over achievement in income of £806k (18.36%).
- 2.2 The principal variances at the end of the financial year, together with comparatives as reported at December, are outlined in the table below:

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Description	Revised Budget	Provisional Outturn	Provisional (Under)/Overspend	Provisional (Under)/Overspend	Explanation Paragraph	Forecast (Under)/Overspend	Change in Forecast Dec'15
	2015/16 £'000s	2015/16 £'000s	2015/16 £'000s	2015/16 %		at Dec'15 £'000s	to year end £'000s
Constabulary Funding							
Police Officers	76,104	75,800	(304)	-0.40%	2.3	(702)	398
Police Community Support Officers	2,627	2,630	3	0.11%	2.4	(21)	24
Police Staff	18,900	18,988	88	0.47%	2.5	29	59
Other Employee Budgets	1,272	1,954	682	53.62%	2.6	576	106
Transport Related Expenditure	2,191	2,140	(51)	-2.33%	2.7	(178)	127
Supplies & Services	10,125	10,243	118	1.17%	2.8	273	(155)
Third Party Related Expenses	1,749	1,700	(49)	-2.80%	2.9	(13)	(36)
Total Constabulary Funding	112,968	113,455	487	0.43%		(36)	523
Income	(4,391)	(5,197)	(806)	18.36%	2.10	(318)	(488)
Total Constabulary Funding Net of Income	108,577	108,258	(319)	-0.29%		(354)	35

A more detailed analysis of the figures in the above table is provided at **Appendix A**. Commentary on specific variances is provided in the paragraphs below.

- 2.3 The provisional outturn variance reported for 2015/16 is only £35k different to the variance forecast as at the end of December (Qtr 3). The main reasons for this difference will be explained in the remainder of Section 2 heading by heading.

The quarterly reported variances for 2015/16 together with the comparators for 2014/15 are summarised in the table below:

Constabulary Reported Variance	(Under)/Overspend	
	2014/15 £'000s	2015/16 £'000s
Quarter 1 (to 30 June)	(167)	(51)
Quarter 2 (to 30 September)	(175)	(188)
Quarter 3 (to 31 December)	(245)	(354)
Quarter 4 (to 31 March)	(258)	(319)

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The provisional outturn incorporates the decisions to fund additional pressures on the 2015/16 budget from within the overall funding envelope provided by the Commissioner rather than drawing down the contingency (see Efficiency Savings section in 2.9). These pressures have principally arisen from the unforeseen costs arising from the implementation of the change programme reviews, additional requirements of projects and changes to the custody medical contract.

The provisional outturn also incorporates expenditure associated with the December 2015 floods, this includes both the policing of the floods and the damage caused to Constabulary property together with income received in relation to our insurance claims. It should be noted that some of the expenditure in relation to the flood recovery appears in the management accounts of the Constabulary and some in the accounts of the Commissioner. All of the income in respect of projected insurance receipts has been included in the accounts of the Constabulary. The net effect of the flooding for the combined position of the Constabulary and Commissioner is a credit of £27k, this is broken down into net income for the Constabulary of £171k and expenditure for the Commissioner of £144k.

2.4 Police Officer Pay, Allowances and Overtime came in under budget by £304k (£702k as at December).

The underspend of £304k is the combined impact of higher than anticipated leavers in the year, reduced payments in relation to unsocial hours and a reduction in intakes of new recruits which have resulted in an overall underspend on police pay. These underspends are being offset to a degree by an overspend on police officer overtime, largely attributable to the policing response to the December 2015 floods and a number of other specific operations.

During 2015/16 the Constabulary was on average 17.63 FTE below establishment and, on average, 16.15 FTE below the original workforce plan created at the time the 2015/16 budget was set.

Appendix B provides a graphical representation of the current HR WFP assumptions compared with the original WFP budget and budgeted establishment. Where the latest WFP forecast (red line) falls below the original WFP budget (green line) an underspend will result, where the workforce plan rises above the adjusted budget line an overspend will result.

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- 2.5 PCSO Pay, Allowances and Overtime came in over budget by £3k (£21k under budget as at December). It should be noted that £200k of the original PCSO funding has previously been returned to the Police & Crime Commissioner following the Constabulary's projection that PCSO recruitment for the year would be lower than expected. The overspend is largely as a result of increased overtime incurred responding to the December 2015 flooding. At the end of March there were 84.64 FTE in post (10.36 FTE under establishment). Recruitment through two intakes is planned for 2016/17 which will see the numbers increase to match the establishment of 95 FTE.
- 2.6 Police Staff Pay & Allowances came in over budget by £88k (£29k as at December). The overspend has arisen through a combination of circumstances but is largely as a result of some delays in the implementation of the change programme. These overspends have been offset to a degree by reduced expenditure in respect of overtime and other change programme reviews delivering higher/earlier than anticipated savings.
- 2.7 Other Employee Expenditure came in over budget by £682k (£576k as at December). The primary reason for the overspend is that during the budget setting process for 2016/17 the decision was taken to fund termination (redundancy and pension) costs in 2015/16 from the overall envelope of funding provided by the Commissioner rather than drawing down funds from the management of change reserve.
- 2.8 Transport related expenditure came in under budget by £51k (£178k as at December). It should be noted that £220k of the transport related budget has previously also been reallocated to other budgets to fund additional budget pressures (see Efficiency Savings section in 2.9).

The main reason for the underspend is in relation to a reduction of expenditure on vehicle fuel due to lower fuel prices during the year. This has been offset, to a degree, by increased expenditure on vehicle repair and maintenance, principally as a result of the flooding for which an insurance claim has been submitted. The income arising from the insurance claim is shown within the income section (2.11).

- 2.9 Supplies & Services related expenditure came in over budget by £118k (£273k over as at December). This heading covers a wide range of budgets. The principal reasons for the overspend are twofold. Firstly additional costs were incurred to replace office equipment and furniture damaged in the December 2015, for which insurance claims have been submitted and the income is shown within the income section (2.11). In

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addition, other expenditure pressures emerged in 2015/16 amounting to £366k (for example on custody medical contract, NPT restructure, command and control review and training). The decision was taken to fund these additional costs from within existing budgets rather than drawing down the Chief Constable's Contingency, Savings were realigned from Transport (£220k); Third Party Expenditure (£80k) and Income (£100k) for this purpose.

- 2.10 Third Party related expenditure came in under budget by £49k (£13k under budget as at December). It should be noted that £80k of the third party related expenditure budget has also been reallocated to fund additional budget pressures (see Efficiency Savings section in 2.9). This relates to lower than anticipated contributions to a number of collaborative operational policing arrangements, which are offset by the costs of a period of dual running following the change of provider for police pensions administration.
- 2.11 Income has exceeded the budget by £806k (£318k as at December). It should be noted that £100k of the income budget has also been reallocated to fund additional budget pressures (see Efficiency Savings section in 2.9). In addition, a decision was taken (under delegated limits) for a virement in respect of additional income of £150k be made into the estates budget (part of PCC budget) to help fund additional costs associated with the upgrade of the power supply to HQ to provide greater resilience and reduce risks associated with the power supply. The main areas of additional income are in respect of forecast insurance receipts following the December 2015 flooding and additional income in respect of Private Hire / Special Police Services in particular in relation to policing of events and concerts and escorting abnormal loads.
- 2.12 As reported in Sections 1 and 2 above, the Constabulary underspend for 2015/16 amounts to £319k. This figure can be adjusted to £175k if the distorting effects of the flood (whereby insurance income is included within the Constabulary budget to offset estates related spend within the Commissioners budget) is removed. A number of requests were made to carry forward budget underspend from 2015/16 into 2016/17 to meet specific requirements. These requests are summarised in the table below:

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Budget Carry Forward Requests	£'s
Finance Team - MBTI Training & Feedback	2,800
Marketing - Web Design & Running Costs	8,000
Marketing - Training	500
Legal Services - Training	1,000
Operation Tweed - Agency Staff	47,000
Mobile & Digital - Staff	80,900
Mobile & Digital - Non Staff	74,000
Fitness Room - Workington	4,000
Fitness Room - HQ	16,000
Drones - Training & Equipment	33,000
Occ Health Unit - Digital Recording System	33,000
Durranhill - Works to Aircon System	4,500
Total	304,700

The overall provisional outturn position for the Constabulary and Commissioner was for a combined underspend of £481k. Whilst the position at out-turn is a financial underspend, total applications to carry forward budget for the Constabulary and Commissioner combined exceed the amount of that underspend. There is also a risk in respect of accrued income that is currently being applied for to offset expenditure arising from the December floods. The cumulative impact of these financial pressures is £988k which would result in an overspend of £507k if were they applied in full to the 2015/16 budget. As a result of the total demand for resources exceeding the budget, the Commissioner's provisional outturn report proposes that the underspend should be ring-fenced to offset these pressures with further consideration then being given to wider options for resourcing this expenditure in 2016/17.

3. Summary Financial Statements

3.1 The full financial position as at 31 March 2016 is presented for police and crime panel members at Appendix C, within the summary financial statements.

4. Supplementary Information

4.1 Appendices to this report are provided as follows:

- Appendix A – Constabulary Revenue Budget monitoring as at the end of 2015/16.
- Appendix B – Graph showing current WFP assumptions compared to original/budget for 2015/16.
- Appendix C – Summary Financial Statements 2015/16.

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PCC 15-07-16 Constabulary Revenue Budget Monitoring Quarter 4 to March 2016 and Provisional Outturn 2015-16 (with WRM changes)

Appendix A

The Chief Constable for Cumbria Constabulary

Revenue Budget Monitoring Full Year 2015/16

Description	Base Budget 2015/16 £	Revised Budget 2015/16 £	Provisional Outturn 2015/16 £	Provisional (Under)/ Overspend 2015/16 £	Forecast (Under)/ Overspend 2015/16 %	Forecast (Under) / Overspend @ Dec'15 £	Change Dec'15 to year end £
Constabulary Funding							
Police Officers	76,347,224	76,103,613	75,799,754	(303,859)	-0.40%	(701,747)	397,888
Police Community Support Officers	2,810,501	2,626,741	2,630,377	3,636	0.14%	(21,045)	24,681
Police Staff	18,555,500	18,899,751	18,987,955	88,204	0.47%	28,920	59,284
Other Employee Budgets	803,280	1,272,012	1,954,003	681,991	53.62%	576,149	105,842
Transport Related Expenditure	2,469,876	2,190,963	2,140,299	(50,664)	-2.31%	(177,603)	126,939
Supplies & Services	9,877,535	10,125,098	10,242,876	117,778	1.16%	272,966	(155,188)
Third Party Related Expenses	1,615,709	1,749,399	1,700,309	(49,090)	-2.81%	(13,308)	(35,782)
Total Constabulary Funding	112,479,625	112,967,577	113,455,573	487,996	0.43%	(35,668)	523,664
Income	(3,966,595)	(4,390,227)	(5,197,132)	(806,905)	18.38%	(317,885)	(489,020)
Total Constabulary Funding Net of Income	108,513,030	108,577,350	108,258,441	(318,909)	-0.29%	(353,553)	34,644

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Appendix B

The Chief Constable for Cumbria Constabulary

Current Workforce Plan (WFP) Assumptions Compared to Budget & Original WFP Budget (Police Officers)



The Chief Constable for Cumbria Constabulary

Summary of Accounts 2015/16

Introduction

I am pleased to introduce the summary financial Statement of Accounts of the Chief Constable for Cumbria Constabulary for the 2015/16 financial year. The Police and Crime Commissioner for Cumbria (the Commissioner) has also produced group accounts which consolidate the single entity statements of the Chief Constable and the Commissioner. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

The summary statement provides a high level overview of net spending during the year and shows the overall financial position of the Chief Constable as at 31 March 2016. The reporting format is specifically designed to meet the requirements of the Code of Practice on Local Authority Accounting. 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. The summary statement is drawn from the Chief Finance Officer's narrative statement, which has been incorporated into the accounts for the first time in 2015-16, replacing the Chief Finance Officer introduction. The narrative statement provides a simplified summary of the financial statements, but is supported by information on the objectives, activities, performance and future financial prospects of the Constabulary. The intention is to give the reader greater understanding of the context in which the financial statements are set. 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.

Organisational Structure

The Chief Constable is supported by a Deputy Chief Constable and Assistant Chief Constable who are responsible for a portfolio of functions within the organisation.

Operational policing is split into two commands which report to the Assistant Chief Constable. The Territorial Policing command is responsible for neighbourhood policing, response, management of calls for service and criminal justice. Territorial policing is structured in three geographic areas, which are supported by shared specialist policing resources such as roads policing, dogs and firearms.

The Crime Command is responsible for investigating crime and includes specialist units for gathering intelligence, major crime investigation, countering serious and organised crime, public protection and scientific support.

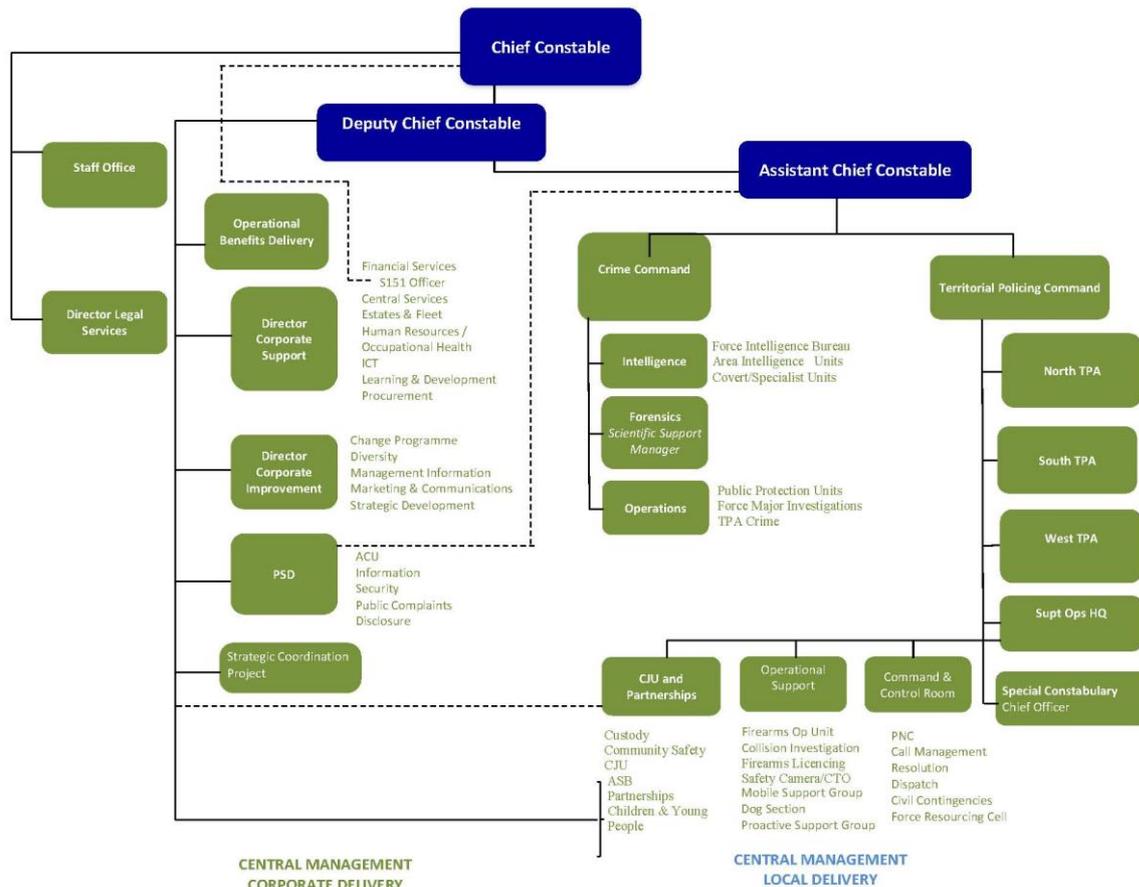
There are also two support directorates both of which report to the Deputy Chief Constable. The Corporate Support Directorate includes human resources, finance, estates, fleet, procurement, training, ICT and central services and aims to provide cohesive and integrated support for operational policing.

The Corporate Improvement Directorate includes a number of corporate functions including strategic development, marketing and communications and responsibility for coordinating the Constabulary's Change Programme. The Legal Services and Professional Standards departments are small specialist functions which operate independently from the main directorate structure, reporting to the Chief and Deputy Chief Constable respectively.

The Chief Constable for Cumbria Constabulary

Summary of Accounts 2015/16

A diagram showing the Constabulary's organisational structure is shown below



Strategic Objectives

For 2015/16 the Chief Constable determined the strategic direction for the Constabulary, which is 'Keeping Cumbria Safe'. Following consultation with a range of stakeholders, the annual review of the Constabulary's Strategic Assessment (based on operational intelligence), performance results, recommendations from independent inspections and audits and a review of the organisation's strategic risks, the following objectives were identified as key in reducing 'threat, risk and harm' and tackling our communities' concerns:

- Protecting vulnerable people:
 - Dealing with the issues related to vulnerable children- child abuse and child sexual exploitation
 - Reducing the harm caused by domestic abuse, encouraging people to report to the police
- Preventing and detecting violence against the person offences, especially sexual offences
- Tackling serious and organised crime, especially burglary, theft of vehicles and class A drug supply, particularly heroin and cocaine.

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

Chief Constable's Report

2015/16 has proved to be another challenging year for the constabulary. Operationally, the force played a pivotal role in December 2015, in co-ordinating the response to Storm Desmond which had a devastating impact across the county. Fortunately, the Constabulary is well practiced in responding to the effect of natural disasters and I was very proud of the way officers and staff rose to the challenge.

In terms of crime and disorder, Cumbria remains one of the safest places to live, work and visit in England and Wales. Over the past couple of years there has been a noticeable shift in the profile of offences being recorded by police, with an increase in reporting of domestic abuse, sexual offences and hate crime. This largely accounts for the 5% increase in crime recorded in the county and forms part of a national trend. The Constabulary is consistently examining how it can priorities its assets to ensure that we provide maximum protection for the public.

In line with other public services, since 2009 the Constabulary has been re-shaping itself to deliver its services more efficiently in the context of reduced funding. In this regard the Constabulary has a sophisticated change programme which is seeking to maximise the productivity of our staff to determine the best service to the public that can be afforded. Ensuring that we have the maximum numbers of staff in public facing roles, with the right training and equipment to deliver the service is central to our approach.

Uncertainty over when or if a revised police funding formula will be implemented and the potential

detrimental impact that this could have to policing in the county remains a concern.

Each year the Constabulary is inspected and graded as part of a regime known as PEEL (Police Efficiency, Effectiveness and Legitimacy) in 2015/16 the Constabulary were graded good in respect of our approach to efficiency and good in respect of legitimacy, particularly the way we engage with our communities. I was disappointed with a grade of requires improvement in respect of effectiveness. We are working hard to ensure that the issues identified in this Inspection report are addressed quickly and effectively.

In summary, despite the challenges, I look forward to working with the newly appointed PCC and partners across the county to deliver on our core mission to keep Cumbria Safe.

2015/16 Grant Settlement and Budget

Under the provisions of the Police and Social Responsibility Act 2011 the Commissioner receives external funding, principally in the form of central government grants and council tax. The Commissioner is responsible for setting the budget and maintaining the force through the provision of funding to the Chief Constable. Details of the 2015/16 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Summary of Accounts 2015/16

Of key importance in the grant settlement was the reduction of £3.225m (5.1%) in formula grant funding provided by the Government to the Commissioner in 2015/16 compared to 2014/15. This represents the fifth consecutive year in which central government grants have reduced. The impact on the resources available to the Constabulary, which represents by far the recipient of funding from the Commissioner, to police the county is significant.

During 2015/16 two further threats to future funding emerged. Following the general election in May 2015, the chancellor's budget indicated that unprotected public services including policing should prepare for further funding reductions in central government funding of between 25% and 40% over the next four year comprehensive spending review period. In July the Home Office also began consultation on the introduction of a new police funding formula, in which Cumbria stood to be the biggest loser of all policing areas with a potential annual funding reduction of up to £16m.

In the event the Chancellor's decision to add policing to those services which are protected from funding reductions and the postponement of the introduction of the new funding formula have provided a short term respite from the cuts. However, the continuing financial uncertainty and has been a significant influence on the Constabulary's business planning over the last year.

Business Activity

In addition to the day to day work of Protecting the People of Cumbria, the Constabulary, through its change programme and business strategies has

sought to identify savings and innovative ways to increase the productivity of its officers and staff. During 2015/16 the following changes have been made to the way we work:

Responding to the public

- Calls for service are dealt with, where possible, at the first point of contact – all callers speak to a police officer, who use their police skills and knowledge to deploy to need, based on the National Decision Model and using a THRIVE (threat, harm, risk, investigative opportunity, vulnerability & engagement) assessment.
- Developed and started to implement our new Engagement Strategy, including minimum standards to improve effectiveness of our community contact

Managing Our Resources and Demand

- Managing all of our resources across the county, applying the principles of soft border policing, sending the nearest available and appropriately skilled resource to deal with crimes and incidents
- Introduced the daily operational management meeting to prioritise resource allocation across the county, based on intelligence, performance and welfare
- Introduced the Strategic Resourcing Cell to support operating with fewer officers, making sure we have the right skills in the right place at the right time
- Changed the neighbourhood policing structure with fewer deployment centres to reduce costs, but with larger shifts that are aligned to demand better.

The Chief Constable for Cumbria Constabulary

Summary of Accounts 2015/16

- Provided 1500 mobile devices with easy to use apps and electronic pocket note book, that work on and off-line, so that officers can stay out of stations, remain visible to the public and reduce their paperwork
- Restructured problem solving and crime prevention activities across the county
- Successfully worked with partners to reduce risk of violent, sexual, child sexual exploitation, domestic abuse and persistent offenders
- Rationalised the administrative support provided to criminal justice processes and implemented a new custody and case file system, which delivers files digitally to the Courts & Crown Prosecution Service.
- Built a new police station in Barrow
- Begun converging the IT infrastructure to reduce costs
- Started to deliver a skills and knowledge programme to all frontline officers
- Delivered the first cohort of the leadership development programme

Performance

Summary Budget and Outturn

The Chief Constable's budget amounting to £108.5m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2015/16 as set on 24 February 2015, the revised budget (taking into account budget changes made

during the year) and the provisional outturn position (subject to audit).

Summary Budget & Provisional Outturn	Base Budget 2015/16 £000s	Revised Budget 2015/16 £000s	Provisional Outturn 2015/16 £000s	(Under)/ Overspend 2015/16 £000s
Police Officers	76,347	76,104	75,800	(304)
PCSOs	2,811	2,627	2,630	3
Police Staff	18,555	18,900	18,988	88
Other Employee	803	1,272	1,954	682
Transport	2,470	2,191	2,140	(51)
Supplies & Services	9,878	10,125	10,243	118
Third party Related	1,616	1,749	1,700	(49)
Total Expenditure	112,480	112,968	113,455	487
Income	(3,967)	(4,391)	(5,197)	(806)
Total Constabulary	108,513	108,577	108,258	(319)

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

The budget is predominantly made up of funding for employee costs, amounting in total to £98.52m, which is broken down into Police Officers £76.35m, PCSO's £2.81m, Police Staff £18.55m and other employee costs of £0.803m. The remainder of the budget relates to non-staff costs including, transport costs of £2.47m and supplies/other costs of £9.88m. Income of £3.97m, which is generated through policing activities, is also shown within the Chief Constable's budget.

In-Year Financial Performance

Revenue Expenditure : The Chief Constable's outturn position for 2015/16, compared to the revised budget and after taking into account approved budget carry forwards, is an underspend of £319k.

During the year the Constabulary came in under budget in a number of areas, principally through a combination of

- higher than anticipated turnover of police officers combined with lower than expected recruitment of officers towards the end of the year.
- a decision to delay recruitment of Police Community Support Officers (PCSOs) until the longer term budget position became clearer
- continuing low fuel prices
- lower than expected ICT projects costs partially due to resources being diverted from the mobile working to embedding the new Case and Custody system.

In addition, the Constabulary was able to generate more than £800k of additional income compared to the budget, principally due to insurance receipts and charges for policing the movement of abnormal loads.

These variances were managed pro-actively to contain a number of budget pressures, which emerged during the year, within the overall resources provided by the Commissioner. These pressures included

- a new custody medical contract.
- management of change costs arising from the change programme reviews.

- staffing, equipment and investigative costs to support operational policing.

The Constabulary's figures include expenditure and income incurred in responding to widespread flooding across Cumbria in December 2015. Whilst expenditure was incurred in additional overtime, repairing the estate and vehicles this was offset by a combination of insurance and a rebate on PFI charges due to the unavailability of the PFI station.

Capital Expenditure: Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £9.0m in 2015/16 are shown in the financial statements of the Commissioner. This included investment in a new Territorial Policing HQ in Barrow, replacement of fleet vehicles and a range of ICT systems to support operational policing. In comparison with the approved programme of capital expenditure there was slippage of £2.63m principally in relation to the purchase of a flood resilient site for a new police station in West Cumbria and supply problems for new mobile devices, which are now planned for early in 2016/17.

Organisational Performance

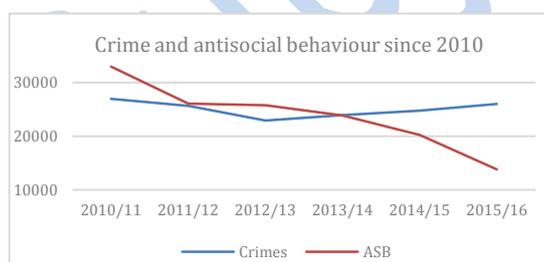
The Constabulary operates a comprehensive framework of performance measures to ensure it is meeting its objectives and support the Commissioner in delivering his Police and Crime Plan. The following section provides a summary of performance in

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relation to crime, incidents and other outcomes for 2015/16.

- Crime increased by 1,243 offences or 5%,
- 13% (163 offences) of this is due to increased reporting of rape, sex offences and hate crime – all of which we set out to increase
- We have significantly improved compliance with crime recording rules (accepted by the Office of National Statistics as a reason for increased crime).
- 49% of our rape cases are historic.
- 32% of the rise in violent crime is due to four new offences of harassment being brought into statute and these account for 271 crimes (the majority relating to texting)
- Serious violent crime resulting in injury has reduced.
- We perform better than our Most Similar Forces Group average and have the 2nd lowest volume of crime nationally
- We have delivered a 32% reduction in Anti-Social Behaviour, which has reduced to 13,803 incidents over the year – one of the best performers in the country



- Domestic abuse repeat victims and perpetrators have both fallen by 1%; first time reports are up 1%

- Cumbria performed significantly better than north west region and national averages for guilty pleas at first hearing and effective trials – and we exceed the targets set for us
- We are 5th out of 42 forces for user satisfaction with 88.6% of people using our services being satisfied with the experience.
- We have saved £20 million since 2010, at least £1.8 million of which was saved in 2015
- We have kept Cumbria safe during the unprecedented floods in November and December, providing Command throughout to manage the incidents and, we have received hundreds of *thank yous* from individuals and organisations

The table below summarises the Constabulary's performance indicators.

	Number of Crimes 2015/16	% Change from previous year
All Crime	26,000	5%
Violence against the person	7,380	13%
Homicide	5	-17%
Violence with injury	3,428	12%
Assault - cause serious harm	69	-13%
Assault with injury	3,350	13%
Other violence with Injury	9	-36%
Violence without injury	3,947	13%
Assault without injury	2,665	11%
Assault without injury on a Constable	165	-2%
Harassment	877	21%
Other violence without injury	240	17%
Rape and sexual offences	850	22%
Robbery	73	12%
Theft offences	9,240	4%
Burglary	2,222	14%
Vehicle offences	1,269	11%
Criminal damage and arson offences	5,192	5%
Drugs offences	1,074	-22%
Public order offences	1,621	2%

During 2015/16 all forces were subject to a PEEL (Police Effectiveness Efficiency and Legitimacy) inspection by Her Majesty's Inspector of

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Constabularies (HMIC). Cumbria was rated as good for the efficiency and legitimacy, recognising:

- Success in delivering savings, using resources to meet demand, providing value for money and having an affordable workforce model.
- Providing a fair service and having an ethical culture.

The Constabulary has been rated as 'requiring improvement' for effectiveness. Strengths were recognised in relation to preventing crime, dealing with anti-social behaviour and keeping people safe. Areas for improvement where weaknesses were identified include:

- Investigating crime and managing offenders.
- Protecting those who are vulnerable from harm and supporting victims.
- Tackling serious and organised crime.

A comprehensive action plan to address the issues raised by HMIC has been developed.

People

The Constabulary recognises that its workforce is its greatest asset and that maintaining healthy, engaged and motivated officers and staff is critical to the delivery of effective services.

At the 31st March 2016 the Constabulary employed

- 1111 Officers
- 85 PCSOs
- 563 Police staff

(all expressed in full time equivalents)

During 2015/16 numbers of all employee groups were maintained close to the budgeted establishment,

although PCSO recruitment was delayed in the latter part of the year due to the financial uncertainty. It is intended that Officer and PCSO numbers will be maintained during 2016/17.

The table below provides a breakdown of the Constabulary workforce (expressed in full time equivalents (FTE)) by gender.

Actual Employees as at 31 March 2016	CC	
	Male FTE	Female FTE
Directors/Chief Officers	8	3
Senior Managers	11	1
All Other Employees	952	784
Total CC Employees	971	788

During 2015/16 the percentage of contracted hours lost due to sickness was 4.39% for officers and 3.96% for staff, both of which exceed the Constabulary's target of 3%. In response, an attendance action plan has been put in place with a wide range of actions to pro-actively manage sickness.

During 2015/16 the Constabulary undertook a cultural survey in conjunction with Durham University, the main conclusions of which were that, despite the high level of uncertainty and change within the organisation:

- Ethical leadership across the force is high, suggesting that individuals believe their immediate supervisors are ethical individuals, manage morality actively and treat them fairly.
- Levels of job satisfaction, public service motivation, empowerment, mission value, and commitment towards the public and organisation are high.

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- High level of willingness to communicate ideas on work-related issues.

The Constabulary has also put in place a Wellbeing Strategy, with the aim of promoting and encouraging health and wellbeing at work.

The Constabulary is committed to promoting a workforce which reflects our communities and a culture that respects and celebrates all aspects of diversity. Achieving this aim will also lead to a working environment that is free from discrimination, harassment, bullying and victimisation. The Constabulary's diversity strategy has four objectives:

- 1) Improving engagement with communities which may be victims of hate crime.
- 2) Encouraging the reporting of hate crime.
- 3) Improving accessibility and awareness of pregnancy related workforce support.
- 4) Monitoring returns to work from maternity and disability leave.

Whilst Cumbria generally has a low level of hate crime compared to other forces (tenth lowest of all forces) the latest indications show a 12% increase in hate crime reporting compared to 2014/15, indicating that the public have increased confidence in reporting such crimes.

The Constabulary recognises the importance of developing the skills and knowledge of its workforce. The Constabulary's has an annual training plan, which aims to ensure that officers, PCSOs and staff are equipped with the requisite skills to perform their role, including mandatory accreditation for specialist

responsibilities. During 2015/16 particular training resource was directed to:

- The training of new recruits, in recognition of the high level of recruits joining the force.
- Training in the new 'Policeworks' Case and Custody ICT system.
- Development of a leadership skills framework.

The training plan was delivered through a strategic training collaboration with Lancashire Police, which has delivered benefits through increased capacity to deliver training and cost reductions.

Sustainability

Sustainability is at the heart of the Constabulary's approach to change and business improvement, with the focus on streamlining processes and emphasising quality by putting in systems to get things right first time. In addition, the Constabulary's Demand Strategy delivers sustainability by looking at how demand can be managed down through preventative and collaborative working with other public agencies.

The cultural survey of all officers and staff, undertaken in partnership with academia, has identified areas that the Constabulary can focus on to build the resilience of its workforce.

In relation to the Commissioner's Estate sustainability is promoted throughout design, with targets set for local labour and supply of materials. Strategies for natural ventilation are set out and BREEAM energy efficiency targets of a minimum of very good are set out in the contract. Tender evaluation considers whole life costing, running costs for the life of the

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building and a sustainability / environmental assessment.

Other measures to improve energy efficiency include:-

- Regular monitoring of consumption and proactive management.
- A programme of introducing low energy, high frequency light fittings across the estate.
- Improved heating controls.
- Replacement of the communications centre air conditioning unit with a low emission system.

The Constabulary runs a diesel fleet. This strategy is continually reviewed as technology advances including the trial of electric vehicles. Staff are encouraged to make use of public transport via travel plans along with promoting car sharing and supporting cycle to work schemes. The use of video conference equipment reduces the need for travel between sites to attend meetings.

Recycling is encouraged both through waste disposal and the choice of consumables where applicable.

The Financial Statements

This section of the financial summary provides an explanation of the various parts of the financial statement. The aim of the financial statements are to demonstrate to the reader the overall financial position of the Chief Constable at the end of the financial year, together with the cost of the services provided during the year and the financing of that expenditure.

The key financial statements are:

- The Movement in Reserves Statement (MiRS)

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

Movement in Reserves Statement

This statement shows the different reserves held by the Chief Constable analysed into 'Usable Reserves', which can be applied to fund expenditure and other 'Unusable Reserves', which are principally accounting adjustments. It shows the opening balance on each reserve at the start of the year, movements in year and the closing balance.

The Chief Constable's statement of movements in reserves is shown on page 25 in the full statement of accounts.

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

Summary Movement in Reserves	Balance	Movements	Balance
	31/03/2015	2015/16	31/03/2016
	£000s	£000s	£000s
Police Pensions Reserve	(1,142,570)	130,110	(1,012,460)
LGPS Pensions Reserve	(31,381)	5,845	(25,536)
Accumulated Absences Reserve	(2,684)	(164)	(2,848)
Total Reserves	(1,176,635)	135,791	(1,040,844)

The reserves shown above on the Chief Constable's movement in reserves statement are all classed as 'unusable' and provide a mechanism through which accounting adjustments can be made to present the accounts in accordance with proper accounting practices, whilst allowing the statutory amounts required to be charged for council tax purposes.

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The Chief Constable's movements in reserves statement principally records the Chief Constable's negative reserves in relation to the Police and Local Government Pension Schemes, reflecting the requirement to record pension assets and liabilities as they are earned rather than when they become due for payment. During 2015/16, whilst still large, the overall negative balance on both the police and local government pensions schemes have reduced, largely as a result of changes to actuarial assumptions.

All usable reserves are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner, who formally recognises the need to provide contingencies to meet unplanned and planned expenditure in the future. The Commissioner's usable reserves include a general reserve of £3.0m to meet unplanned risks and earmarked reserves of £20.9m for specific revenue and capital purposes. During 2015/16 a total of £1.5m of the Commissioner's earmarked reserves were drawn down to fund revenue and planned capital expenditure.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Chief Constable prepares this statement in accordance with the service expenditure analysis as required by the Service Reporting Code of Practice (SERCOP) developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This provides information

on the cost of policing, grouped in such a way to provide the reader with an understanding of the costs of providing different policing services over the financial year and a standardised benchmark to compare forces. The CI&ES is shown on page 26 of the full statement of accounts.

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

Summary CI&ES	Gross Expenditure 2015/16 £000s	Gross Income 2015/16 £000s	Net Expenditure 2015/16 £000s
Local Policing	45,350	(102)	45,248
Dealing with the public	8,360	(2)	8,358
Criminal justice arrangements	9,382	(24)	9,358
Road policing	5,977	(78)	5,899
Specialist operations	3,988	(17)	3,971
Intelligence	5,612	(4)	5,608
Investigation	13,851	(47)	13,804
Investigative support	3,219	(5)	3,214
National policing	1,629	(72)	1,557
Other costs	2,492	0	2,492
Funding Provided by PCC to CC	0	(104,109)	(104,109)
Cost of Services	99,860	(104,460)	(4,600)
Financing Costs and Investment Income	42,137	(3,532)	38,605
(surplus)/deficit on the provision of services	141,997	(107,992)	34,005
Other comprehensive income and expenditure			(169,796)
Total Comprehensive income and expenditure			(135,791)

The statement shows that the gross cost of providing policing services amounted to almost £100m in 2015/16. Of this figure local policing services delivered by the Territorial Policing Command, which includes neighbourhood policing, incident response, local investigation and community liaison, make up almost half of the overall cost. The next largest area of expenditure is investigations, which represents the cost of the Crime Command undertaking major investigations, including those into serious and

organised crime. This area of expenditure also includes the costs of the Public Protection Unit and managing serious offenders. Other areas of significant expenditure include roads policing, communication with the public and criminal justice arrangements. Further details of the services included within each heading can be found in page 39 of the full statement of accounts.

In addition, the CI&ES also records a number of technical adjustments including ‘financing costs & investment income’ £38.6m and ‘other comprehensive income & expenditure’ net income of £169.8m. These adjustments principally relate to changes to future pensions obligations over the year based on proper accounting practices. The overall effect of the cost of providing services and the pensions adjustment is to produce an accounting surplus of £135.8m for the year, which largely impacts on unusable pensions reserves. The analysis on page 6 of this summary, based on the management accounts, shows a surplus of £319k.

A subjective analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the technical annex to the statement of accounts (Annex B, Section C) on page 70.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2016) of the Chief Constable’s assets and liabilities.

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

Summary Balance Sheet	Balance	Balance
	31/03/2015	31/03/2016
	£000s	£000s
Current assets	11,740	11,155
Current Liabilities	(12,994)	(13,443)
Long Term Liabilities	(1,175,381)	(1,038,556)
Net Assets	(1,176,635)	(1,040,844)
Unusable Reserves	(1,176,635)	(1,040,844)
Total reserves	(1,176,635)	(1,040,844)

The Chief Constable’s current assets (£11.2m) are comprised of the Chief Constable’s share of short term debtors and the balance of funding between the Commissioner and the Chief Constable. Current liabilities (£13.4m) reflect amounts owed by the Chief Constable. They include the Chief Constable’s share of short term creditors and the balance of funding between the Chief Constable and the Commissioner. Long term liabilities (£1,039m) represent the Chief Constable’s share of the pensions deficit together with a small number of provisions to meet future liabilities. The net assets (assets less liabilities) are matched on the balance sheet by the Chief Constable’s reserves. The balance sheet reserves reflect the position at year end and therefore match the final position shown in the movement in reserves statement. The balance sheet is shown on page 27 in the full statement of accounts.

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The Chief Constable's 2015/16 balance sheet shows a combined pensions deficit of £1.038m (£1.174m in 2014/15) for the LGPS and the Police Pension Scheme to which its employees and former employees belong. However, statutory arrangements for funding the deficit, through increased contributions over a period designed to balance the pensions account and central government funding mean that the financial position of the Chief Constable remains healthy.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all cash and cash equivalents are held by the Commissioner and as such the Chief Constables cash flow statement simply reflects the surplus or deficit from the provision of services less adjustments for non-cash movements. The statement is shown on page 28 of the full statement of accounts.

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

Summary Cash Flow Statement	Cash flows 2014/15 £000s	Cash flows 2015/16 £000s
Cash & Cash Equivalents 1 April	0	0
Net (Surplus)/Deficit on the provision of services	36,523	34,005
Adjustments for non-cash movements	(36,523)	(34,005)
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.

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A summary of the pension fund is shown below.

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

The statement identifies contributions made in 2015/16 totaling £15.17m. The pension benefits that are payable from the fund, together with other payments amounted to £33.54m. The balance between contributions and pensions' benefits paid of £18.37m has been funded by the Home Office. The full pensions fund accounts and note can be found on pages 47-48 of the full statement of accounts

Supporting Information to the Financial Statements

The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements (Annex A). They also contain a comprehensive set of notes that explain in more detail a number of entries in the primary financial statements. A glossary of terms provides an explanation of the various technical accounting terms and abbreviations. The statements are published

alongside the Annual Governance Statement for the Chief Constable in accordance with the 2015 Accounts and Audit (England) Regulations.

The Annual Governance Statement of the Chief Constable can be found in (Annex C) of this Statement of Accounts on pages 73-113 or on the Constabulary website at: www.cumbria.police.uk.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner and Chief Constable as at 31 March 2016. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of potential future reductions in government funding. This has enabled reserves to be maintained at a level that provides some financial resilience.

Looking forward, the Government decision to add policing to those public services, which are protected from spending reductions over the next Comprehensive Spending Review process has had a beneficial impact on the Constabulary's future financial prospects. However significant uncertainty regarding future funding allocations remains, particularly in relation to changes to the funding formula. In addition, the financial impact of the implementation of the new Emergency Services Network and pension costs on force budgets are still to be determined.

The budget approved on 24 February 2016 for the 2016/17 financial year was set in the context of a four year medium term financial forecast, which currently assumes that changes to the funding formula will be introduced from 2017/18 which, based on extrapolations of the funding formula changes proposed in autumn 2015, could mean that between £9.9 and £15.8m of grant funding would be lost per annum. Based on these scenarios further savings of between £11.5m and £19.1m would be required by 2019/20. This is over and above the £20m of savings which have been delivered since 2010. However, if the funding formula changes were not to arise, a much more modest level of future savings would be required.

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

Risks

The primary focus of the Constabulary's strategic risk register is closely aligned with the financial challenges faced by the Constabulary and the consequential impact of implementing change across the organisation.

The Constabulary's joint highest scoring risk relates to the potential compromises in service delivery and resulting reduction in public confidence a result of delivering savings to balance the budget over the medium term. Related strategic risks recognise the difficulty and heavy reliance on ICT changes to deliver the required level of savings and productivity

improvements and the potential adverse effect of constant change on the performance of the Constabulary.

The other highest scoring risk recognises the threat to performance and additional cost implications of implementing the Emergency Services Network, which is a national system to replace radio communications.

Other strategic risks include the operational resource implications of policing nuclear and associated industrial developments in the west of Cumbria and the undermining of public confidence in the police as a result of media coverage of police integrity issues at a national level.

Change Programme

In response to the current financial uncertainty presented by the possible introduction of a new police funding formula, the Constabulary has developed a twin track approach to addressing its future savings requirements.

The first strand of the strategy is based around enhancing the scope, timing and savings targets of existing change programme reviews including both operational and support functions.

The second strand of work has commissioned a series of new reviews, which will aim to produce service solutions which are:

- Scalable
- Flexible

and where:

- Risks and benefits are understood.
- Core policing activities are protected.

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- Interdependencies are taken into account.

The ultimate objective will be to produce risk based options to deliver savings which will enable strategic decisions to be made in relation to the allocation of resources once the future funding position is clarified.

Three areas which will be subject to specific review are

- Problem solving and pro-active policing capability.
- The Crime Command
- Business administration systems in support functions.

The Constabulary will also continue to develop its Demand Management Strategy, with the aim of better understanding its demand for services and enable resources to be better aligned to meeting it. Planned specific work includes further development of Command and Control processes in the communications centre, working with partners to better manage demand, for example in mental health, and a demand review within the Crime Command. In addition, the Constabulary will continue its programme of ICT development in support of operational policing, which will increase the productivity of officers and PCSOs. Collectively these

initiatives will support the Constabulary in delivering effective policing services over the longer term with reduced resources.

Acknowledgements

The financial statements were authorised for issue by me as CC Chief Finance Officer (CFO), on 23 May 2016.

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

It is also appropriate to acknowledge the support and co-operation of the PCC Chief Finance Officer Ruth Hunter in the preparation of these accounts.

Roger Marshall

CC Chief Finance Officer

The accounts present a true and fair view of the position of the Chief Constable for Cumbria Constabulary as at 31 March 2016 and its income and expenditure for the year there ended.

CC Chief Finance Officer

Roger Marshall CPFA [Signature removed for publication on website](#)

Date 23 May 2016