

Introduction

I am pleased to introduce the summary Statement of Accounts for the 2017/18 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 2018. 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.

This is the third year that the statement has incorporated a narrative statement, which has replaced the Chief Finance Officer introduction. The narrative statement provides a simplified summary of the financial statements with expanded information on the objectives, activities, performance and future financial prospects of the Constabulary. This aims to give the reader greater understanding of the context in which the financial statements are set. The narrative statement is also available as a stand-alone document on the same website. The Commissioner's consolidated financial statements showing the group position can be accessed from the Commissioner's website: <https://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.

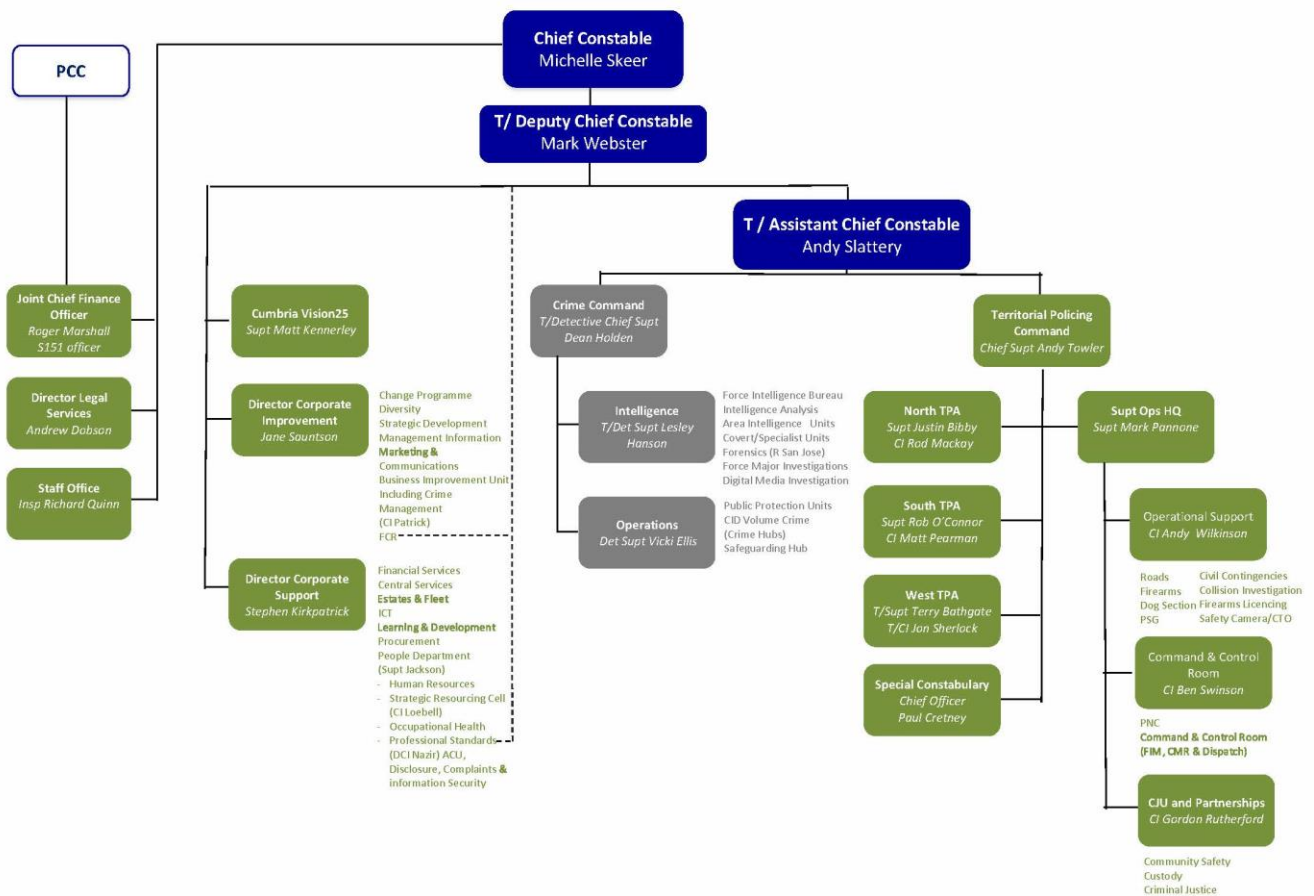
There are also two support directorates both of which report to the Deputy Chief Constable. The Corporate Support Directorate includes finance, people, estates, fleet, learning & development, ICT and central services. In overall terms, the Corporate Support directorate aims to provide cohesive and integrated support for operational policing.

The Corporate Improvement Directorate includes a number of corporate functions including strategic development, business improvement unit, marketing and communications and responsibility for coordinating the Constabulary's change programme. Legal Services is a small specialist function, which operates independently from the main directorate structure and provides legal advice to the Chief Constable and Commissioner.

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



Strategic Objectives

For 2017/18, 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 Chief Constable developed the 'BIG 6' priorities for reducing 'threat, risk and harm' and tackling our communities' concerns as follows:

- Engaging with communities and engaging with partners.
- Preventing crime, road casualties and anti-social

behaviour.

- Managing offenders.
- Managing calls for service.
- Protecting vulnerable people and communities.
- Investigating crime, caring for victims and bringing offenders to justice.

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

Chief Constable's Report

In terms of crime and disorder, Cumbria remains one of the safest places to live, work and visit in England and Wales. Levels of anti-social behavior in particular have shown a marked decline within the county over recent years. The public of Cumbria remain

overwhelmingly supportive of the service we provide as demonstrated by consistently high user satisfaction levels.

Nevertheless, there are no grounds for complacency. 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 the complexity of crime, which in turn requires more resources to investigate. To ensure that we understand and can respond effectively in an ever changing world we continually review our demand.

The rapid advances in digital technology is a double edged sword allowing policing systems and processes to be developed and made more effective, but it also a facilitator of crime and requires new skillsets from policing if it is to be countered effectively. In relation to digital innovation in policing Cumbria is recognised nationally as being at the leading edge in rolling out mobile technology to its officers and staff with the objective of improving their productivity.

Each year the Constabulary is inspected and graded as part of a regime known as PEEL (Police Efficiency, Effectiveness and Legitimacy). In 2017/18, the Constabulary were graded good in respect of all three elements. We will continue to work with HMICFRS to address the small number of areas, which were identified as areas for improvement.

Our financial position looks brighter. The combination of the Government's decision to maintain police grant for 2018/19 and 2019/20 in conjunction with the increased flexibility afforded to Police and Crime Commissioner's and the decision to defer any changes to the police funding formula until at least 2020/21

allows us to plan for the future with a greater degree of financial assurance. Nevertheless, there is still a need for the Constabulary to operate as efficiently as possible and deliver savings to balance the budget over the medium term.

In order to plan for an uncertain future I have established a Cumbria 2025 Plan, which seeks to bring together business and change planning into a single cohesive plan, which is aligned to the national policing vision. This will continue to be developed during 2018/19 under the leadership of the Deputy Chief Constable.

In summary, despite the challenges, I have established an effective working relationship with the Commissioner and look forward to continuing to work with partners across the county to deliver on our core mission of Keeping Cumbria Safe.

2017/18 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 2017/18 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

Of critical importance was the Chancellor's decision in the Comprehensive Spending Review of 2015 to add policing to those services which are protected from

worst effects of funding reductions, as the Government continues to address the national budget deficit. As a consequence of this decision, Cumbria received a relatively favourable grant settlement in 2017/18, despite this, the allocation of formula grant of £58.710m represented a reduction of £0.833m compared with the previous year. When this was consolidated with a 1.91% increase in council tax precept agreed by the Commissioner there was an overall increase in funding of £0.5m, which contributed to offsetting the impact of pay rises and inflation on the cost of providing policing services.

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 2017/18, the following changes have been made to enhance services:

- Undertook extensive demand analysis for operational staff and a 'day in the life' study for sergeants with the aim of understanding the workload and pressures faced by officers and improving working practices.
- Strengthened arrangements for crime recording including the development of a crime management action plan and training for 900 officers.
- Procured and commenced implementation of the 'SAFE' command and control system, which will deliver significant benefits within the Constabulary's control room.

- Continued the implementation of the action plan for the Command and Control Room with the aim of improving response 999 and 101 response.
- Piloted the implementation of 'Local Focus Hubs', which will bring together neighbourhood policing, problem solving and community safety functions and provide collaborative opportunities with other agencies in a one stop shop.
- Implemented crime hubs, which have increased capacity and resilience by bring together crime investigation and public protection functions.
- Rolled out the first phase of the replacement crime intelligence system 'Red Sigma'.

Performance

Summary Budget and Outturn

The Chief Constable's budget amounting to £111.6m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2017/18 as set on 22 February 2017, the revised budget (taking into account budget changes made during the year) and the outturn position.

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| Summary Budget & Outturn | Base Budget 2017/18 £000s | Revised Budget 2017/18 £000s | Outturn 2017/18 £000s | (Under)/Overspend 2017/18 £000s |
|---------------------------|------------------------------|---------------------------------|--------------------------|------------------------------------|
| Police Officers | 77,868 | 78,704 | 80,104 | 1,400 |
| PCSOs | 3,070 | 3,071 | 3,010 | (61) |
| Police Staff | 20,000 | 20,186 | 19,544 | (642) |
| Other Employee | 1,637 | 2,112 | 2,016 | (96) |
| Transport | 2,222 | 2,157 | 2,006 | (151) |
| Supplies & Services | 9,293 | 9,545 | 9,288 | (257) |
| Third party Related | 2,199 | 2,212 | 2,184 | (28) |
| Total Expenditure | 116,289 | 117,987 | 118,152 | 165 |
| Income | (4,682) | (6,344) | (6,550) | (206) |
| Total Constabulary | 111,607 | 111,643 | 111,602 | (41) |

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 £102.58m, which is broken down into Police Officers £77.87m, PCSO's £3.07m, Police Staff £20.00m and other employee costs of £1.64m. The remainder of the budget relates to non-staff costs including, transport costs of £2.22m and supplies/other costs of £11.49m. Income of £4.68m, 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 2017/18, compared to the revised budget is an underspend of £0.041m.

During the year the police pay budget, in particular, came under significant pressure through a combination of:

- Maintaining police officer numbers in the context of the decision to defer the implementation of a new police funding formula.
- The award nationally of a 1% bonus over and above the Government's public sector pay cap of 1% pay increases, which had been budgeted.
- Provision of additional overtime partially to provide public re-assurance following the terrorist attacks in London and Manchester.

Interim forecasts during the financial year indicated that the Constabulary could be overspent by around £1m, principally due to the additional cost of police pay.

In the event, a combination of pro-active management of budgets, difficulties in recruiting to some specialist police staff posts and a change in the accounting treatment of the Government's apprenticeship levy meant the Constabulary's overall expenditure came in very close to budget.

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 £5.254m

in 2017/18 are shown in the financial statements of the Commissioner. The principal component of this expenditure was £3.2m on ICT related schemes, including £1.9m on a new command and control system, which will be further developed in 2018/19. A further £1.6m was expended on the cyclical replacement of the vehicle fleet. The remaining capital expenditure largely related to enhancement of the estate. Overall capital expenditure was lower than budgeted, however, this was largely attributable to slippage on the construction of a new Eden Deployment Centre, which is commencing in early 2018/19.

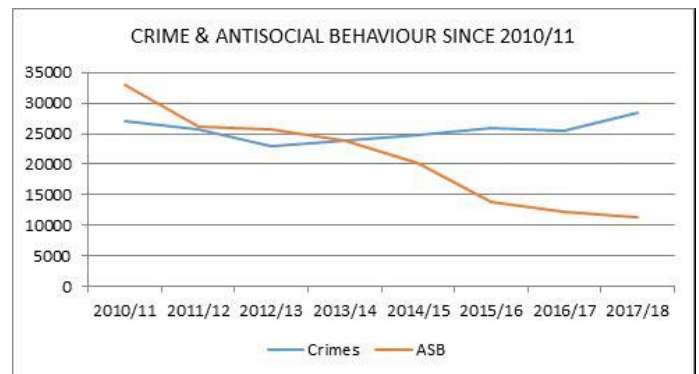
Organisational Performance

The Constabulary operates a comprehensive framework of performance measures to ensure it is meeting its objectives and support the Commissioner in delivering his Police and Crime Plan. The following section provides a summary of performance in relation to crime, incidents and other outcomes for 2017/18.

- Crime increased by 3,098 offences, which represented a 12% increase, but was largely attributable to improved crime reporting and recording.
- Violent crime has increased by 28% (2,032 offences). This mirrors the national picture where 42 out of 43 forces are reporting an increase, and again reflects improved crime recording practices. We remain lower than average for violent crime per head of population compared with a group of similar forces.
- We set out to increase reporting of rape and sex offences and this increased by 31% (319 offences). Of our rape cases 193 (45.5%) are historic of which

122 involved victims who were children at the time the offence took place.

- Overall theft offences have increased by 2% (175 offences). This includes increases in theft from a person (+1 offence), shoplifting (+30 offences), burglary (+59 offences).
- We perform better than our Most Similar Forces Group average and have the 3rd lowest volume of crime nationally.
- We have delivered a further 8.5% reduction in Anti-Social Behaviour, which has reduced to 11,247 incidents over the year.



- Domestic abuse incidents increased by 188 or 2.7% indicating greater public confidence in reporting.
- 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 perform well for user satisfaction with 88% of people using our services being satisfied with the overall experience.
- 83% of people in Cumbria say they have confidence in their police service, which is 4% better than the national average.

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The table below summarises the Constabulary's performance indicators.

| | Number of Crimes 2017/18 | % Change from previous year |
|---------------------------------------|--------------------------|-----------------------------|
| All Crime | 28,526 | 12% |
| Violence against the person | 9,306 | 28% |
| Homicide | 3 | -25% |
| Violence with injury | 3,959 | 19% |
| Assault - cause serious harm | 119 | 25% |
| Assault with injury | 3,809 | 18% |
| Other violence with Injury | 31 | 121% |
| Violence without injury | 5,344 | 36% |
| Assault without injury | 3,644 | 31% |
| Assault without injury on a Constable | 217 | 42% |
| Harassment | 1,228 | 50% |
| Other violence without injury | 255 | 36% |
| Rape and sexual offences | 1,337 | 31% |
| Robbery | 95 | 30% |
| Theft offences | 9,220 | 2% |
| Burglary | 2,062 | 3% |
| Vehicle offences | 1,170 | 0% |
| Criminal damage and arson offences | 5,140 | 1% |
| Drugs offences | 852 | -3% |
| Public order offences | 1,762 | 21% |

During 2017/18, all forces were subject to a PEEL (Police Effectiveness Efficiency and Legitimacy) inspection by Her Majesty's Inspector of Constabulary Fire and Rescue Services (HMICFRS). Cumbria was rated as good for all aspects of efficiency, effectiveness and legitimacy. Areas inspected included:

- Preventing crime and tackling anti-social behavior.
- Crime investigation and reducing re-offending.
- Protecting vulnerable people.
- Tackling serious and organised crime.
- Use of resources.
- Planning future demand.
- Treating people it serves fairly.
- Ethical behavior of the workforce
- Treating the workforce with fairness and respect.

In addition, the Constabulary received positive feedback from HMICFRS in relation to two thematic

inspections during the year in relation to child protection and modern slavery.

People

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

During 2017/18, the Constabulary built on the People Strategy established in 2016/17, which brings together the key themes of:

- health, safety and well-being
- workforce planning, recruitment and talent management
- employee relations
- reward and recognition
- managing workforce change
- learning and development

Initiatives under the People Strategy in 2017/18 included development of talent management processes to better recognise and reward staff for their work and the promotion of citizens in policing, with particular emphasis on engagement with young people through the mini police.

At the 31st March 2018 the Constabulary employed:

- 1106 Officers
- 97 PCSOs
- 586 Police staff

(all expressed in full time equivalents)

During 2017/18, a strategic decision was taken to maintain the officer establishment at 1,125 FTE in the context of the announcement of a delay in

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implementing a new police funding formula. Originally, flexibility had been built into the workforce plan in preparation for the introduction of formula changes in 2018/19, which could have impacted adversely on the Constabulary's resources. Over 2017/18 the numbers of officers and PCSOs were maintained close to the establishment. Police staff vacancies were higher than anticipated, with particular difficulties in recruiting to specialist ICT roles. The budget for 2018/19 includes provision for 25 additional officers to work in local policing roles. The numbers of PCSO and police staff posts are expected to be broadly maintained during the forthcoming year.

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

| Actual Employees as at 31 March 2018 | CC | | Total FTE |
|---|--------------|---------------|----------------|
| | Male FTE | Female FTE | |
| Directors/Chief Officers | 6.5 | 2.0 | 8.5 |
| Senior Managers | 9.0 | 6.0 | 15.0 |
| All Other Employees | 934.4 | 831.3 | 1,765.7 |
| Total CC Employees | 949.9 | 839.3 | 1,789.2 |

During 2017/18, the percentage of contracted hours lost due to sickness was 3.56% for officers and 3.06% for staff, both of which exceed the Constabulary's target of 3%, but have reduced from 2016/17. An attendance action plan is in place with a wide range of actions to pro-actively manage sickness.

A Wellbeing Strategy has been put in place, with the aim of promoting and encouraging health and wellbeing at work. Work on promoting and improving well-being during 2017/18 included the:

- Provision of a psychological screening programme to identify mental health issues for staff in stressful roles at an early stage.
- Roll-out of trained well-being advocates to signpost help and support staff,
- A repeat of the staff well-being survey in conjunction with Durham University.

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 three objectives:

- 1) To provide an equitable, responsive and appropriate service to all communities in Cumbria, encouraging and supporting the reporting of crime, appropriate use of services and promotion of health and well-being.
- 2) To engage with communities and stakeholders internally and externally, improving communication and building confidence and trust in the public sector in Cumbria, to ensure that all communities have a voice. Embedding equality into everyday business and processes to ensure all staff contribute to meeting these objectives.
- 3) Building an inclusive and supportive working environment that encourages development, progression and retention of staff. Creating a culture where all staff feel valued and where people want to work.

Whilst Cumbria generally has a low level of hate crime compared to other forces both nationally and in the north west, the latest figures for hate crime show an

annual increase of 103 crimes, which represents an increase of 32.7%. This indicates 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 2017/18, particular training resource was directed to:

- Crime recording.
- Vulnerability
- Stop and search for sergeants.
- File quality and disclosure.
- Development of a leadership and skills course for sergeants.

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.

A 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 and will be developed through the People Strategy.

In relation to the Commissioner's estate sustainability is promoted both in day to day management of the assets and in new capital developments. The capital programme promotes sustainability within design and strives to better the requirements of the current building regulations by 10%. Specific holistic design targets are set, encouraging use of natural ventilation and sustainable renewable technology where possible. Where applicable BREEAM energy efficiency targets of a minimum of very good are set.

Procurement of sustainable goods and services is encouraged with targets set for local labour and supply of materials. Tender evaluation considers whole life costing, including running costs for the life of the building and a sustainability / environmental assessment.

Other measures to improve energy efficiency include:

- Regular monitoring of consumption.
- A force wide building management system which is used to monitor and control mechanical building services.
- A programme of introducing low energy technology, including LED lighting and low emission air conditioning across the estate.
- Use of video conferencing to reduce travel between sites.

For many years the Constabulary has operated a recycling policy.

The Constabulary operates a diesel fleet with this strategy being continually reviewed as technology advances. The use of electric vehicles has been trialed and will continue to be monitored as this technology develops. The fleet includes vehicles of many different types, which are required to perform a number of roles. Each role has specific targets for omissions and the purchasing criteria for new vehicles dictates that they must be within these limits. Vehicles are purchased on a national framework, which includes sustainability and environmental criteria. The maintenance of vehicles is carried out at garages located strategically throughout the county, reducing downtime and transportation. Parts are bought locally and make use of the wider local supply chain where possible.

Staff are encouraged to make use of public transport via travel plans and promote car sharing and supporting cycle to work schemes.

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

Comprehensive Income and Expenditure Statement

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 expenditure analysis as prescribed by Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIES is shown on page 25 of the full statement of accounts.

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The table below sets out a summary CIES statement.

| Summary CI&ES | Gross Expenditure 2017/18 £000s | Gross Income 2017/18 £000s | Net Expenditure 2017/18 £000s |
|---|------------------------------------|-------------------------------|----------------------------------|
| Cost of Police Services | 99,634 | (355) | 99,279 |
| Funding Provided by PCC to CC | 0 | (105,851) | (105,851) |
| Cost of Services | 99,634 | (106,206) | (6,572) |
| Financing Costs and Investment Income | 37,304 | (3,328) | 33,976 |
| (surplus)/deficit on the provision of services | 136,938 | (109,534) | 27,404 |
| Other comprehensive income and expenditure | | | (88,822) |
| Total Comprehensive income and expenditure | | | (61,418) |

The statement shows that the gross cost of providing policing services amounted to £99.634m in 2017/18. This figure included the costs of neighbourhood policing, incident response, crime investigation, roads policing, communication with the public, criminal justice arrangements and a range of support services.

In addition, the CIES also records a number of technical adjustments including 'financing costs & investment income' £33.976m and 'other comprehensive income & expenditure' net income of £88.822m. 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 £61.418m for the year, which largely impacts on unusable pensions reserves. The analysis on page 6 of this summary, based on the management accounts, shows an underspend of £0.041m.

An Income and Expenditure analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the note 6 to the statement of accounts on page 34.

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 26 in the full statement of accounts.

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

| Summary Movement in Reserves | Balance 31/03/2017 £000s | Movements 2017/18 £000s | Balance 31/03/2018 £000s |
|------------------------------|-----------------------------|----------------------------|-----------------------------|
| Police Pensions Reserve | (1,243,120) | 55,450 | (1,187,670) |
| LGPS Pensions Reserve | (45,878) | 5,869 | (40,009) |
| Accumulated Absences Reserve | (2,849) | 99 | (2,750) |
| Total Reserves | (1,291,847) | 61,418 | (1,230,429) |

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

The Chief Constable's movements in reserves statement principally records the Chief Constable's negative reserves in relation to the Police and Local Government Pension Schemes, reflecting the requirement to record pension assets and liabilities as they are earned rather than when they become due for payment. During

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2017/18, 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 £19.9m for specific revenue and capital purposes. During 2017/18, a total of £1.4m has been drawn down from the Commissioner's earmarked reserves to fund revenue and planned capital expenditure in the year.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2018) 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 31/03/2017 £000s | Balance 31/03/2018 £000s |
|-----------------------|--------------------------------|--------------------------------|
| Current assets | 11,338 | 14,690 |
| Current Liabilities | (12,852) | (16,042) |
| Long Term Liabilities | (1,290,333) | (1,229,077) |
| Net Assets | (1,291,847) | (1,230,429) |
| Unusable Reserves | (1,291,847) | (1,230,429) |
| Total reserves | (1,291,847) | (1,230,429) |

The Chief Constable's current assets (£14.7m) 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 (£16.0m) 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 (£1,229m) represent the Chief Constable's share of the pensions deficit together with a small number of provisions to meet future liabilities. The net assets (assets less liabilities) are matched on the balance sheet by the Chief Constable's reserves. The balance sheet reserves reflect the position at year end and therefore match the final position shown in the movement in reserves statement. The balance sheet is shown on page 27 in the full statement of accounts.

The Chief Constable's 2017/18 balance sheet shows a combined pensions deficit of £1,228m (£1,289m in 2016/17) 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.

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

| Summary Cash Flow Statement | Cash flows 2016/17 £000s | Cash flows 2017/18 £000s |
|--|-----------------------------|-----------------------------|
| Cash & Cash Equivalents 1 April | 0 | 0 |
| Net (Surplus)/Deficit on the provision of services | 23,572 | 27,404 |
| Adjustments for non-cash movements | (23,572) | (27,404) |
| 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 2016/17 £000s | Pension Fund A/C 2017/18 £000s |
|---|-----------------------------------|-----------------------------------|
| Contributions - Employer | (8,133) | (8,194) |
| Contributions - Officers | (5,179) | (5,185) |
| Contributions - Other | (419) | (357) |
| Benefits Payable | 32,390 | 35,724 |
| Other Payments | 27 | 32 |
| Net Amount Payable | 18,686 | 22,020 |
| Contribution from Home Office | (17,590) | (20,918) |
| Additional Funding Payable by the Constabulary (2.9%) | (1,096) | (1,102) |
| Net Amount Payable | 0 | 0 |

The statement identifies contributions made in 2017/18 totaling £13.74m. The pension benefits that are payable from the fund, together with other payments amounted to £35.76m. The balance between contributions and pensions' benefits paid of £20.92m has been funded by the Home Office. The full pensions fund accounts and note can be found on pages 50-51 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 which are shown alongside the relevant note in the accounts or in Annex A where they are generic to the accounts as a whole. 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

The Annual Governance Statement of the Chief Constable can be found in (Annex D) of this Statement of Accounts on pages AGS 1-22 or on the Constabulary website at: www.cumbria.police.uk.

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 and Chief Constable as at 31 March 2018. 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. A reserves policy has been developed, which seeks to balance pro-actively utilising reserves to support current policing services with maintaining reserves at a level that provides some financial resilience.

Looking forward, the 2018/19 grant settlement was better than anticipated:

- Preserving formula grant at its 2017/18 level for both 2018/19 and 2019/20.

- Giving commissioner's the flexibility to increase council tax levels by a maximum of £12 pa for a band D property, which will apply for 2018/19 and 2019/20.
- Delaying any changes to the Police Funding Formula to the next comprehensive spending review in 2020/21.

Following public consultation the Commissioner set the council tax precept for 2018/19 at the maximum level, which represented an increase of 5.42%. Whilst the increase in funding is welcome, it does not represent a real increase in resources as both pay and prices are forecast to increase at 2% over the duration of the medium term financial forecast to 2021/22, following the removal of the Government's public sector pay cap of 1%.

The Constabulary's budget is set in the context of a four year medium term financial forecast (MTFF) to 2021/22, which assumes continuing funding restraints and cost pressures arising from the implementation of new technology including the new Emergency Services Network, proposed professionalisation of police training and pensions changes. Based on the MTFF, savings will be required to balance the budget from 2020/21, which will rise to £3.7m by 2021/22.

The Commissioner and Chief Constable recognise that, having already delivered £25m of savings since 2010, future savings will be hard won. They continue to work towards developing and implementing organisational changes that will seek to address the future gap between expenditure and income and consider the level of savings highlighted in the MTFF to be achievable.

In light of the financial outlook above and in the context of the MTFF and savings plans, the Chief Constable and the Chief Finance Officer have reviewed the going concern position of the Constabulary and have concluded that it is appropriate to produce the Chief Constable's accounts on a going concern basis.

Risks

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

The Constabulary's highest scoring strategic risk relates to the potential reduction in service delivery, safety and ultimately public confidence, which could result from a significant loss of funding through the new police funding formula or increase in costs as a result of removal of the public sector pay cap. A separate, but associated risk in relation to the capacity to deliver Vision 2025 is also included on the risk register.

The threat to performance and additional cost implications of implementing the Emergency Services Network, which is a national system to replace the force's radio communications, continues to be recognised in the risk register and is likely to remain until the project is implemented.

Other strategic risks recognise the potential impact of constant change on performance across the organisation, the continued challenge of answering

999 and non emergency calls within a reasonable time period and the increasing threats from acts of terrorism and digital crime.

Wherever possible the Constabulary actively mitigates and manages its strategic risks.

Change Programme

The Constabulary's change programme remains pivotal in identifying and delivering potential savings and now forms an integral part of the Cumbria 2025 vision project to ensure that a holistic approach to service delivery linked to changing service demand is adopted.

Planned work streams to generate savings include:

- Realising benefits from investments in digital technology to improve the efficiency of both operational and business systems and processes.
- Extending the concept of consolidation of operational resources into hubs, including locality based multi-agency working, with the aim of improving productivity and capacity.
- Realising workforce efficiencies.
- Exploiting opportunities for collaboration with other partners.

Acknowledgements

The financial statements were originally authorised for issue by me as Joint Chief Finance Officer, on 24 May 2018. Following completion of the audit, they were re-authorised by me on 19 July 2018 and were formally approved by the Chief Constable on 19 July 2018.

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.

Roger Marshall

Joint 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 2018 and its income and expenditure for the year there ended.

Signature removed for publication on website

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 19 July 2018

Signature removed for publication on website

Michelle Skeer QPM

The Chief Constable for Cumbria Constabulary

Date: 19 July 2018