



The Police and Crime Commissioner for Cumbria & The Chief Constable for Cumbria Constabulary

Annual Statement of Accounts 2018/19: Narrative

Joint Audit Committee 23 May 2019 Agenda Item 17 (i)

Report of the Joint Chief Finance Officer

1. Introduction and Background

- 1.1 For 2018/19 the May meeting of the Joint Audit Committee has again been scheduled at a slightly later date to allow the opportunity for members to review and comment on the draft financial statements of the Commissioner and Chief Constable prior to them being approved for issue. As in previous years, members will be provided with a further opportunity to review the statements, prior to their formal approval and publication, at the July meeting of the Joint Audit Committee. This will be accompanied by a more comprehensive paper, which will set out sources of assurance with regard to the statements and wider control framework, the opinion of the external auditor and any amendments, which have been made to the statements post audit.

- 1.2 The objective of this paper is to provide members with guidance as to fundamental rationale and principles which underpin the accounts and the changes which have been incorporated into the accounts in 2018/19. It is intended that this will assist members in the task of reviewing the accounts. Given that the issues raised impact on both the accounts of the Commissioner and Chief Constable a single report covering both entities has been produced.

2. Recommendations

- 2.1 Members of the Joint Audit Committee determine whether there any issues in respect of the draft statement of accounts that they wish to report to the Commissioner and Chief Constable.

3. Introduction and Background

- 3.1 Members of the Joint Audit Committee have received a copy of the draft statement accounts and accompanying governance statement for which they have a review and assurance role. The Statement of Accounts are highly complex technical documents. They take a number of weeks to produce and a similar period of time to audit by a team of technical and experienced staff. The audit process will typically involve support from national technical teams who assess and advise on accounting treatment for complex transactions against the requirements of international financial reporting standards and codes of practice. Within the finance profession, the Statement of Accounts is a very specialist field.
- 3.2 In this context, this narrative aims to provide a guide to the considerations that the members of the Joint Audit Committee can reasonably be expected to take account of in carrying out a review process and undertaking to approve the Statement of Accounts, also recognising the limited time available to members. It focuses on the key challenges and issues, which are the areas that influence the dialogue and engagement between the finance staff preparing the accounts and those undertaking the audit. In doing this, the narrative aims to ensure that members have sufficient information to fulfil their assurance role.
- 3.3 The Police Reform and Social Responsibility Act 2011 (PRORA) established the Police and Crime Commissioner (PCC) and the Chief Constable (CC) as separate corporate entities on the 22nd November 2012. The implications of this change are that there is a requirement for the PCC and the CC to have single entity Statement of Accounts and for a consolidated group Statement of Accounts. This was followed by the stage 2 transfer, which took on the 1st April 2014, the majority of staff formerly employed by the Police and Crime Commissioner transferred to the employment of the Chief Constable, under a transfer scheme in accordance with the transitional provisions within the PRORA.

3.4 The governance changes highlighted above required detailed consideration of the treatment of transactions in the accounts of the Commissioner and Chief Constable respectively. The key accounting considerations and rationale for decisions with respect how these matters should be presented in the financial statements were explored in detail within the equivalent report to this in previous years and included in summary:

- The relationship between the Commissioner and Chief Constable - which concluded that as both organisations are separate legal entities they are required to produce single entity financial statements. However, the Commissioner, in setting strategic direction exercises significant influence over the CC with the result that from an accounting perspective the CC is considered as a subsidiary with a requirement for the PCC to produce Group Accounts.
- Recognition of officers and civilian staff. This ultimately concluded that officers and staff should be recorded in the organisation which exercises direction and control, which resulted in all officers and the majority of police staff being included in the single entity statements of the CC. Where staff are employed not solely for the benefit of the force (mostly support functions) following the stage 2 transfer which vested direction and control with the CC, these staff are now shown in the single entity statements of the CC, however a charge is made to the single entity statements of the PCC to reflect the use of those resources as a shared support function.
- Capital Assets – whilst the CC is the primary user of assets such as the estate, vehicles and ICT equipment it was concluded that the control of assets and the risks and rewards pertaining to assets rests with the Commissioner and accordingly that assets are disclosed on the balance sheet of the PCC with a charge made to the CC for the use of the assets.
- Debtors, Creditors and Cash – in accordance with statutory provisions and the funding arrangement between the Commissioner and the Chief Constable, all contracts and procurement is undertaken in the name of the PCC and as funding is provided on the basis of cash flow, all cash is shown in the accounts of the PCC. In addition, the PCC's financial statements disclose all external debtor and creditors, reflecting the PCC's liability in respect of these transactions. Both the PCC and CC's

financial statements disclose any associated debtor and creditor liability between the entities.

3.5 2018/19 has again been a relatively light year in relation to technical changes which have impacted on the statement of accounts. Some changes include:

- 2018/19 saw the introduction of changes to disclosure notes in relation to financial instruments. The impact on the financial statements for the PCC and CC has been fairly minimal as all investing activities are simple in nature and the organisation does not currently have any borrowing.
- The code of practice introduces a new requirements for 2018/19 for the commissioner to show an aged debt analysis for his respective share of the council tax debtors, at the time of issuing the reports for the Joint Audit Committee and the draft statement of accounts, not all the information required to show this aged debt profile for 2018/19 and comparators for 2017/18 was available from the district councils. This information will be added as soon as it is available.
- April 2017 saw the introduction of the apprenticeship levy which is charged at 0.5% of the Constabulary pay bill, and amounts to around £320k per annum. The levy subsequently topped up by an additional 10% from the government and can be used to pay for apprenticeship training through a digital account. In the 2017/18 accounts, as the constabulary fully expected to use the amount in the digital account within the 2 year timeframe, the levy was treated as a pre-payment in the accounts and was intended to be only be charged to the accounts as it is used to deliver training. At the end of 2018/19 it was determined that delays to the planned intakes of police officers and PCSOs via the apprenticeship route would mean that approx. £219k of the levy paid in 2017/18 will now not be able to be utilised.
- From April 2018 changes to IFRS 15 (Revenue from Contracts with Service Recipients) have been made which require consideration to be given to when income is recognised in line with the delivery of services. There have been no changes to revenue recognition within the organisation and a working paper has

been prepared for the audit team to outline the approach and rationale to revenue recognition.

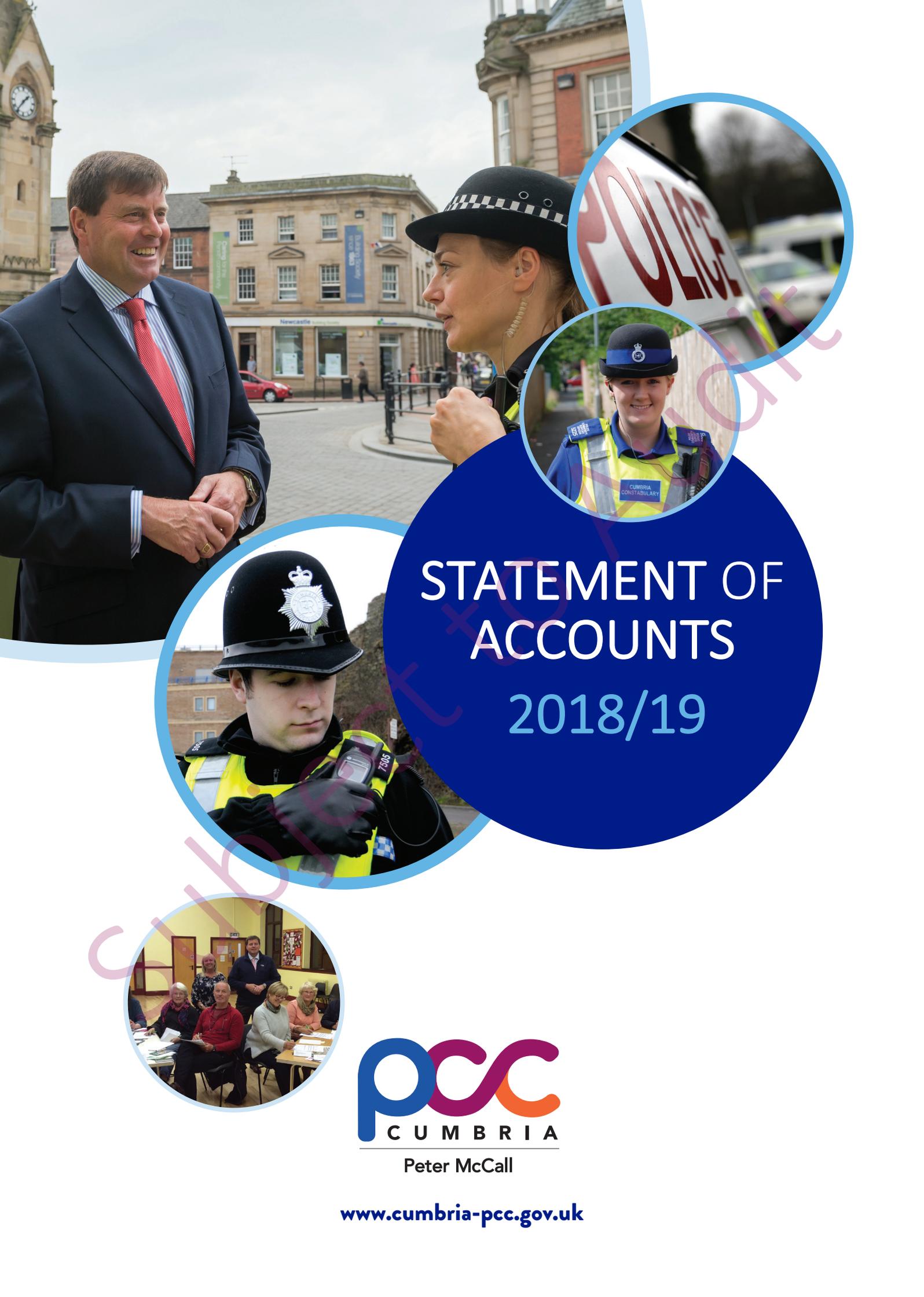
Members may also recall conversations in previous years with regard to the length of the Annual Governance Statement (AGS) which is published alongside the financial statements. The AGS for 2016/17 for both the PCC and CC were around 37 pages and a summarised version was later produced. The AGS now presented with the 2018/19 accounts follows the success of this summarised version and is now 17 pages for the Constabulary and 22 pages for the PCC including action plans.

Roger Marshall

Joint Chief Finance Officer

17 May 2019

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STATEMENT OF ACCOUNTS 2018/19



Peter McCall

www.cumbria-pcc.gov.uk

This draft Statement of Accounts was approved by the Joint Chief Finance Officer on 23 May 2019. At this point the Grant Thornton LLP 'appointed auditor' has not yet completed his annual audit and as such has not given an opinion on the accounts. The accounts are therefore watermarked 'subject to audit'. Once the audit has been completed, which is expected to be in July 2019, the Commissioner will be asked to approve the Statements and the audit opinion provided will be inserted at pages 27-30 and the watermarking removed. Page 24 and Page AGS 2 of these accounts include signatures which have been removed for the purposes of publication on the website.



Peter McCall

Police and Crime Commissioner
for Cumbria

Statement of Accounts 2018/19

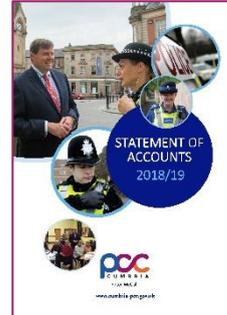
About this Publication

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



The Statement of Accounts for 2018/19 is available on the Commissioner's website at www.cumbria-pcc.gov.uk.

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



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

Alternative Formats



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

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2018/19

Contents

	Page
Joint Chief Finance Officer Narrative Report	3-24
Responsibilities for the Statement of Accounts	25-26
Auditors Report to the Commissioner	27-30
Core Financial Statements	31-32
• Comprehensive Income and Expenditure Statement	33-34
• Movement in Reserves	35-36
• Balance Sheet	37
• Cash Flow Statement	38-39
Notes to the Accounts	40-97
Police Officer Pension Fund Account	98-99
Glossary of Terms	100-102
Annex A - Statement of Accounting Policies	103-105
Annex B – Technical Annex – Financial Instruments	106-111
Annex C – Technical Annex - Pension Disclosures	112-123
Annex D – Annual Governance Statement	AGS 1-18

The Joint CFO Narrative Report. For a quick, highly summarised version of this Statement of Accounts please read the next 22 pages. The full story starts on page 25, please read that too.

Please see page 40 for a full list of the notes to the accounts and cross references to page numbers.

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

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2018/19 financial year. This financial statement sets out both the single entity statements of the Police and Crime Commissioner for Cumbria and the consolidated group position, incorporating the statements of the Chief Constable for Cumbria Constabulary. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

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

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

Statutory Framework

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

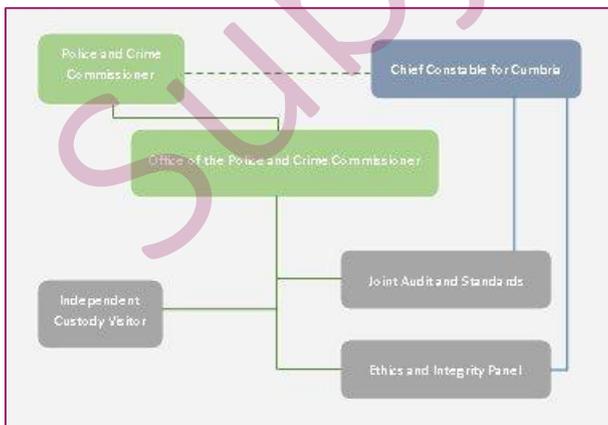
The PRSR 2011 also established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner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

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

England and Wales. The Code supports the statutory framework further setting out the financial relationships and requirements for the Commissioner and Chief Constable.

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

Our Organisation



The Police and Crime Commissioner is supported by an office of 11.5fte staff, this includes two statutory officers.

The Chief Constable is accountable to the Commissioner and has responsibilities to support the Commissioner in the delivery of the strategy and objectives set out in the Police and Crime Plan. Both entities have appointed a Joint Audit Committee and a Joint Ethics and Integrity Panel. The Committee and Panel comprise independent members to oversee arrangements for governance, including financial reporting and the arrangements for integrity and ethical behaviour. Four Custody Visiting Panels fulfil the statutory requirement for independent review of custody. Membership of the panels at the end of 2018/19 were: Barrow 10; Kendal 10, North Cumbria 11 and West Cumbria 9.

Our Goals

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

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

November 2016 setting out our future strategy and goals.

Our People

Our people are the most important resource we have in achieving our goals. Our values commit to having an empowered staff who are high performing, professional and have high levels of satisfaction in their roles. The Commissioner's Office and Constabulary perform well in relation to the gender diversity of the workforce. At Chief Officer Level, excluding the elected Police and Crime Commissioner, 67% of the single entity Chief Officers are female as are 100% of senior managers. A breakdown by gender of the number of men and women across the organisation at the end of the financial year and the number of men and women who were managers is set out below.

Actual Employees as at 31 March 2019	PCC		Total FTE
	Male FTE	Female FTE	
PCC Single Entity			
Chief Officers	0.5	1.0	1.5
Senior Management	0.0	1.0	1.0
All Other Employees	0.0	6.8	6.8
Total PCC Employees	0.5	8.8	9.3
Group			
Chief Officers	8.0	3.0	11.0
Senior Management	8.0	8.0	16.0
All Other Employees	952.7	860.7	1,813.3
Total Group Employees	968.7	871.7	1,840.3

Chief Executive Report

The Commissioner has nearly finished his third year in Office. The next Police and Crime Commissioner elections are due in May 2020.

The Commissioner has been able to further embed his Police and Crime Plan with the support of the Constabulary and partners. This has helped establish effective relationships with key local government, criminal justice, health and third sector partners to develop initiatives and commission activities to reduce crime, support victims and enhance community safety and criminal justice.

The Police and Crime Plan contains the police and crime objectives, which all contribute toward achieving the Commissioner's overall aim 'to make Cumbria an even safer place'. Objectives are monitored through a performance framework and Public Accountability Conferences; a public meeting where the Commissioner holds the Chief Constable to account. This structure has been in place for a number of years and works well.

The Commissioner has continued to provide a range of services for victims and specific services for victims of sexual violence, domestic violence and perpetrator programmes.

The Commissioner has well established financial and governance frameworks necessary to fulfil statutory, regulatory and best practice requirements, supported by the relevant professional bodies for local government and policing. This benefits from

continuous development to ensure the office continues to meet the highest standards.

Public consultation and engagement are paramount to the Commissioner as he is the 'voice' for the people of Cumbria for policing. A wide range of diverse opportunities are available for the public to speak directly to the Commissioner, when the Commissioner is out in the community or by speaking to groups directly. This is further supported by the public contacting the Commissioner by email and letter, with more than 514 people contacting the Commissioner in this way during 2018/19; a figure that is increasing year on year. The main themes raised in the year were Appleby Fair, the level of council tax, police performance and driving issues.

The Commissioner undertook a successful public consultation for the increase in the council tax precept for 2019/20, with more than 2,000 respondents with 71% supporting the proposal. As a result of the public consultation and the views of the Chief Constable and the unanimous support of the Police and Crime Panel, the Commissioner took the decision to increase council tax precept by £24 for a Band D property.

The Commissioner continues to hold the Chief Constable to account at bi-monthly Public Accountability Conferences and weekly 1-2-1s with the Chief Constable focusing on performance in terms of crime and anti-social behaviour.

This is further supported by the independent inspectorate; Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), external and internal auditors to assist in his scrutiny of

governance, finance, risks and internal control. In conjunction with the Constabulary the Commissioner also operates a Joint Audit Committee and an Ethics and Integrity Panel.

The Commissioner's staff embrace the fast-moving pace of the Office and this is evident for the work that is on-going in relation to the driving campaign and commissioning developments. The Office is well placed to deal with the new challenges for 2019/20 with responsibility for appeals expected to transfer to the Commissioner during 2019/20 and further develop the public facing responsibility of the Commissioner.

Finance Review

2018/19 Grant Settlement and Budget

The Commissioner set a combined net revenue budget of £98.627m for 2018/19 on 14 February 2018. Funding of this amount came from the Police Grant settlement (£58.710m) and income from Council Tax (£39.917m). The budget increased the Council Tax precept by 5.42%, taking the Commissioner's proportion of the band D equivalent tax to £232.74 per annum. The effect of the increase is to support the medium term financial forecast and mitigate the impact of the real terms reduction in Police Grant compared to 2017/18. The budget provided funding for the Chief Constable of £116.902m comprising a £121.686m expenditure budget to support policing and an income budget of £4.784m. The Commissioner's budget provided £2.245m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider

Joint Chief Finance Officer Narrative Report

community safety, crime reduction and victim support responsibilities.

The capital budget was set at £11.261m. Capital expenditure is made up broadly of expenditure on assets that have a useful life of beyond one year. Approximately 52% of the programme related to investment in ICT including the provision of mobile devices, with the remainder being made up estates improvements and the cyclical replacement of fleet vehicles. The budget was funded from capital grants (£1.1m), direct contributions from revenue (£1.7m) and capital reserves (£8.5m). The capital budget was subsequently revised downwards to £8.6m reflecting the effect of the 2017/18 capital outturn position and other changes to the planned profile of capital spend.

The table below shows the summary revenue budget for 2018/19 as set on 14 February 2018, the revised budget (taking into account budget changes made during the year) and the outturn position. The presentation below is as the figures are reported throughout the year in the management accounts. At the year-end a number of technical accounting adjustments (required by proper accounting practice) are made. For this reason, the outturn in the table below will not reconcile directly to the Summary Comprehensive Income and Expenditure statement on page 9. References to the PCC relate to the Police and Crime Commissioner.

Summary Budget and Outturn

Summary Budget & Outturn	Base Budget 2018/19 £000s	Revised Budget 2018/19 £000s	Outturn 2018/19 £000s	(Under)/ Overspend 2018/19 £000s
Constabulary Budget	116,902	115,180	115,397	217
Office of the PCC	723	723	676	(47)
Other PCC budgets	18,909	11,308	11,324	16
Grants/Contributions	(29,536)	(27,753)	(27,743)	10
To/(From) Reserves	(8,371)	(831)	(1,027)	(196)
Net Expenditure	98,627	98,627	98,627	0
Government Grants	(58,710)	(58,710)	(58,710)	0
Council Tax	(39,917)	(39,917)	(39,917)	0
Total External Funding	(98,627)	(98,627)	(98,627)	0

The Constabulary gross expenditure budget is made up of funding for employee costs (£107.6m; of which Police Officers comprise £82.6m), transport costs of £2.2m and supplies/other costs of £11.9m. The Commissioner's budgets comprise the costs of running his office (£0.723m) and the net position on a range of other costs. These include estates costs (£4.0m for premises used by the Constabulary and Commissioner), Commissioned Services (£1.92m to deliver the Police and Crime Plan) and budgets to finance capital expenditure and the costs of technical accounting adjustments (£4.91m). PCC other budgets also include the costs of insurance and past pension costs. Overall a net contribution from reserves of £1.03m was made in the year to fund expenditure.

In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2018/19 is an overspend of £0.196m. The overall overspend is made up of an overspend of £0.159m on the core budgets of the Commissioner and

Constabulary plus a one off contribution of £0.037m to a legal provision in relation to ongoing legal cases. The core underspend equates to 0.2% of the revised net budget of £99.458m, which is comfortably within the target for the revenue expenditure to be within 1% of the budget at out-turn. During 2018/19 the Constabulary's pay budget experienced pressure due to a combination of recruiting the additional 25 fte officers pledged by the Commissioner as early as possible, a decision to recruit a further 20 officers over establishment to insure against possible future recruitment delays when new police training arrangements are implemented from January 2020 and a higher than anticipated number of police ill health retirements, which were required to be funded. However, this was offset to a large degree by savings on supplies and services and additional income from special policing services. In relation to the Commissioner's budgets premises costs were slightly above budget, due, to higher utilities costs and repairs and maintenance. However, this was offset by savings in the Office of the Commissioner and additional investment income.

Budget forecasts during the year indicated that the Constabulary budget could be overspent by up to £0.75m. However, in the final quarter of the year a combination of pro-active work to manage the budget, lower than expected expenditure on supplies and services in the latter part of the year and generation of additional income, meant that the Constabulary came in just over budget at the year end.

The overall over-spend has been met from a budget support reserve, which was set aside for this purpose. Detailed outturn reports which explain the full range of

variances can be found on the budget and finance section of the Commissioner's website.

The Commissioner maintains the Police Property Act Fund. The fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of the Criminal Courts Act 1973. Community groups and individuals can submit applications for funding on a quarterly basis. During 2018/19 awards totaling £61k were made. As at 31 March 2019 the Police Property Act fund balance stood at £40k.

The 2018/19 Capital Expenditure Outturn amounted to £5.2m against a revised budget of £8.6m. During the year construction of a replacement deployment centre for the Eden area is now well underway. Preparations to roll out the new 'SAFE' Command and Control system in the control room are now well advanced, with the system due to go live in June 2019. Further development of the new crime system 'Red Sigma' and work on delivering mobile working solutions for officers and staff in roles, which are required to operate at multiple locations, has continued. Other capital expenditure has been incurred in the cyclical replacement of vehicles and ICT equipment.

The variance between actual expenditure and the revised budget is £3.4m (40%), which is significantly outside the 8% target for variations in capital expenditure. Whilst actual performance has fallen substantially short of target, this has been for a number of reasons, which were largely outside of the control of

staff working directly on schemes. The largest elements of slippage relate to a small delay in commencing construction of the Eden Deployment Centre, which began in early 2018/19 and a re-profiling of planned spend in relation to the control room futures and business futures ICT projects.

The Financial Statements

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

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

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of policing and other services provided in the year and the income from government grants and council tax that fund those services. The CIES is shown on page 33 of the full statement of accounts. An expenditure and income analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in note 6 on page 52.

The table below sets out a summary CIES statement.

Summary CI&ES	Gross Expenditure 2018/19 £000s	Gross Income 2018/19 £000s	Net Expenditure 2018/19 £000s
Cost of Police Services	107,986	(8,293)	99,693
Cost of Services	107,986	(8,293)	99,693
Other operating expenditure	20,343	(19,690)	653
Financing Costs and Investment Income	35,537	(3,841)	31,696
Council tax and grant income	0	(104,590)	(104,590)
(surplus)/deficit on the provision of services	163,866	(136,414)	27,452
Other comprehensive income and expenditure			36,255
Total Comprehensive income and expenditure			63,707

The statement shows that the net cost of providing services in the year amounted to £99.693m, which is predominantly the costs of policing.

In addition to showing the cost of services, the CIES also sets out net financing costs of £31.696m. The most significant element of financing costs comprise pension charges (£31.240m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2018/19 financial year. Financing costs also include the costs of borrowing (capital financing). These costs are extremely low other than those that

fund the Workington PFI building. This is because the capital programme is funded internally using cash reserves to reduce investment risk and reflect the relatively low interest rates available on investing such balances. At the end of the financial year £19.347m (inclusive of PFI contract) of the capital programme is funded by the use of cash backed internal reserves rather than borrowing from the open market. At some point in the future, due to a planned reduction in reserves, the Commissioner will need to consider external borrowing.

Showing expenditure and income within this statement in accordance with generally accepted accounting practices results in expenditure exceeding income (a deficit on the provision of services) by £27.452m. A further accounting adjustment of £36.255m expenditure through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a deficit of £63.707m. This is an accounting deficit that is taken to Unusable Reserves. Page 7 of this summary sets out the out-turn position based on the management accounts, and excluding the technical accounting entries required for the CI&ES. The management accounts show an overspend of £0.196m against the 2018/19 budget.

Movement in Reserves Statement

This statement shows the different reserves held by the Commissioner. These are analysed into 'Usable Reserves' and 'Unusable Reserves'. Usable reserves can be used to fund expenditure. They may help to pay for future costs or reduce the amount we need to raise

in council tax to meet our expenses. Unusable Reserves are principally technical accounting adjustments. The Movement in Reserves Statement shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The Movement in Reserves statement is shown on pages 35-36 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

Summary Movement in Reserves	Balance 31/03/2018 £000s	Movements 2018/19 £000s	Balance 31/03/2019 £000s
Police Fund	3,000	0	3,000
Earmarked Revenue Reserves	7,041	1,235	8,276
Earmarked Capital Reserves	12,854	(2,220)	10,634
Capital Receipts	1,449	647	2,096
Capital Grants Unapplied	5,781	363	6,144
Total Usable Reserves	30,125	25	30,150
Unusable Reserves	(1,184,603)	(63,841)	(1,248,444)
Total Reserves	(1,154,478)	(63,816)	(1,218,294)

Movements in usable reserves for 2018/19 show a net balance of £0.025m. This is the cumulative position recording the amounts we have drawn down from and contribute to specific (earmarked) reserves to help fund expenditure during the year. There are separate accounts to record our receipt and use of income from the sale of property and government grants for capital expenditure. Capital receipts amount to £0.647m and were received following the sale of Ulverston Police Station and one police house. Capital grants amounting to £0.939m were received during the year, of these £0.575m was applied to fund capital expenditure and the balance will in the future be applied to finance capital expenditure.

At the end of the year, the Police Fund at 31 March 2019 stands at £3.0m and provides for unplanned financial risks. Earmarked revenue reserves are £8.276m. These reserves provide for a number of specific operational contingencies, one off budget/project costs and funding to meet future liabilities in respect of insurances and the PFI contract. The most substantial area of reserves at £10.634m are now those set aside to fund the capital programme, the majority of which is planned to be fully applied by 2022/23. Further detail on earmarked reserves is provided within note 8 to the statement of accounts on pages 57-58.

At the 31st March 2019 we have negative unusable reserves of £1,248m. Unusable reserves provide a mechanism through which transactions are entered into the accounts in accordance with accounting standards. They also provide the means to manage differences in the timing and calculation of those transactions and the actual expenditure or income we need to charge to our accounts. For example, our properties are regularly re-valued. When this happens any increase in their value is shown in a revaluation reserve. The reserve 'records' the additional income we may receive when the property is sold, but it is 'unusable' until we decide to dispose of the property and achieve a sale. When we sell, the revaluation reserve will be reduced by any increase in value that was recorded before sale. The actual income we receive will be shown in our usable capital receipts reserve, where it can be used to fund new capital expenditure. The balance on our unusable reserves reflects the position following the required accounting

transactions. The cumulative position for unusable reserves includes reserves of:

- £47.724m in respect of the revaluation reserve and capital adjustment account, recording accounting transactions for our capital assets.
- -£1,294m in respect of negative pensions reserves. The pensions reserves record accounting transactions for the Police and Local Government Pension Schemes. The change in the balance on these reserves in 2018/19 is negative and is as a result of changes in actuarial assumptions that have had a positive impact on scheme liabilities.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2019) of the Commissioner's assets and liabilities. The balance sheet is shown on page 37 in the full statement of accounts. The table below sets out a summary balance sheet.

Summary Balance Sheet	Balance 31/03/2018 £000s	Balance 31/03/2019 £000s
Property, plant & equipment	61,494	65,329
Long Term Assets	2,003	2,743
Current assets	30,993	25,367
Current Liabilities	(14,048)	(11,761)
Long Term Liabilities	(1,234,920)	(1,299,972)
Net Assets	(1,154,478)	(1,218,294)
Usable reserves	30,125	30,150
Unusable Reserves	(1,184,603)	(1,248,444)
Total reserves	(1,154,478)	(1,218,294)

The balance sheets shows property, plant and equipment assets, which include the Commissioner's estate, fleet of vehicles and ICT/communications equipment, with a value of £65.329m. Of this, land and

buildings comprise £54.402m. Long terms assets are comprised of intangible assets £2.743m. Current assets are principally made up of investments (£9.034m), debtors (£10.995m) and cash (£5.065m) and have a total value of £25.367m. Investments are made in accordance with the Commissioner's treasury management strategy and support the management of reserves and cash flows. Debtors' balances are primarily made up of institutional debtors, for example central government, and prepayments. This means that the risk of not receiving the debt remains low. The Commissioner has a good collection record in respect of debtor invoices raised for services provided. During 2018/19 seven sundry debtor invoices totaling £1,764 were authorised to be written off as not collectable. The Bad Debt Provision stands at £1,828 against the future risk that not all outstanding invoices will prove to be 100% collectable. The Commissioner's debtors include a share of the debtors recorded by the 6 Cumbrian District Council's in respect of council tax. This debt amounts to £2.403m and is reduced by the Commissioner's share of their respective bad debt provisions of £1.057m. See note 14 to the statement of accounts (Page 72).

Balance sheet liabilities are amounts owed by the Commissioner. They include creditors, PFI debt, pensions and finance lease liabilities. They are split between short term (current) and long term liabilities, the current liabilities being those amounts due to be paid within 1 year. The most significant element of current liabilities are short term creditors which total £11.601m. The combined short and long term liability on the PFI scheme amount to £4.745m at 31st March 2019. Long term liabilities are the most significant

figure on the balance sheet, showing a balance of £1,300m (£1,235m in 2017/18). The main element of this amount is a pension's deficit of £1,294m (£1,229m in 2017/18) for the Local Government Pension Scheme (LGPS) and the Police Pension Scheme. However, this deficit will be funded over a number of years, with financial support from Central Government, meaning that the financial position of the Commissioner remains healthy.

The Cash Flow Statement

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

The statement shows how the Commissioner generates and uses cash and cash equivalents. Cash flows are classified within the cash flow statement as arising from operating activity, investing activity and financing activity. The statement is shown on pages 38-39 of the full statement of accounts. The table below sets out a summary cash flow statement.

Summary Cash Flow Statement	Cash flows 2017/18 £000s	Cash flows 2018/19 £000s
Cash & Cash Equivalents 1 April	(3,044)	(3,774)
Net cash flow from:		
Operating activity	(7,248)	(1,430)
Investing activity	6,393	(3)
Financing activity	125	142
Cash & Cash Equivalents 31 March, made up of:	(3,774)	(5,065)
Bank Accounts	(2,069)	(2,070)
Money Market Funds	(1,705)	(2,995)

Joint Chief Finance Officer Narrative Report

The table shows a cash inflow of £1.430m from operating activity. This is the net of our cash income including government grants, council tax and charges for services, less how much cash has been paid out, for example for salaries and goods that have been purchased. Cash flows from investing activity show an inflow of £0.003m and primarily represents the net balance of investment deposits less the amount of cash received when the investment comes to the end of its term. Investment activity provides a way to manage resources that will be used to fund future expenditure, earning interest on any balances. Investment activity also includes cash flows from the purchase and sale of capital assets (e.g. property). Cash flows arising from financing activities show a net cash outflow of £0.142m, this being amount of cash used in relation to financing and borrowing. The Commissioner has no borrowing other than that which relates to finance leases and the PFI agreement. An amount of £142k was paid to reduce those debts during the year.

The Commissioner's cash flow statement shows an overall balance of £5.065m, compared to £5.774m in 2017/18, reflecting an increase in cash and cash equivalents of £1.291m over the year. At the end of the year £2.995m of the Commissioner's cash deposits was held in money market funds and £2.070m in banks.

Police Officer Pension Fund Account

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

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

Summary Police Pension Fund	Pension Fund A/C 2017/18 £000s	Pension Fund A/C 2018/19 £000s
Contributions - Employer	(8,194)	(8,506)
Contributions - Officers	(5,185)	(5,372)
Contributions - Other	(357)	(578)
Benefits Payable	35,724	35,878
Other Payments	32	79
Net Amount Payable	22,020	21,501
Contribution from Home Office	(20,918)	(20,343)
Additional Funding Payable by the Police and Crime Commissioner (2.9%)	(1,102)	(1,158)
Net Amount Payable	0	0

The statement identifies contributions into the fund of £8.506m from the Constabulary (employer) and £5.372m from police officers. Employer contribution rates in 2018/19 were maintained at 21.3%. In total £35.878m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £21.501m has been funded by

Home Office Grant of £20.343m and additional contributions from the Commissioner of £1.158m. The full police officer pension fund account is shown on pages 98 to 99 of the financial statements accompanied with a page of explanatory notes.

Supporting Information to the Financial Statements

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

Business Review

During 2018/19, the Commissioner has continued a number of programmes and initiatives working with the Constabulary and wider partners to deliver the key priorities within the Police and Crime Plan.

During the year, there has been a significant focus on developing and commissioning services to support victims to recover from the impact of a crime and prevent further abuse or harm. A key service is the **Victim Support core service**, whose role is to provide information, practical and emotional support and advocacy for victims of all types of crime and domestic abuse, tailoring it to the individual following a needs assessment. Overall, service users have reported an

improvement in their experience of the criminal justice system, in how safe they feel, in reintegration into their normal life and, particularly, in their health and well-being.

In May 2018, the Commissioner took on the lead commissioning role for a new integrated **Integrated Independent Domestic Abuse & Sexual Abuse Crisis Support Service**, working with Cumbria County Council. This service brings together specialist support for victims through trained Independent Domestic Violence and Independent Sexual Violence Advisors, who conduct a risk assessment with the victim, help them to develop a safety plan and provide practical and emotional support and advocacy with other agencies. This support also forms part of the services available from The Bridgeway Sexual Assault Service, for which the Police and Crime Commissioner has continued to provide the lead commissioning and budget management role. He also contributes funding towards and works with providers to develop the forensic-medical and the therapeutic services.

The Commissioner has also worked with Cumbria County Council, NHS England and other partners to develop and commission a combined victim service under one contract, which aims to ensure victims get to the right person to support them as soon as possible and to avoid them having to repeat their story. This involved the implementation of a new approach to procuring the service, using the Light Touch Regime of procurement, to enable the Commissioner to shape a realistic service, maximising value for money, through negotiation with bidders.

The Commissioner has continued to fund **Remedi**, a not-for-profit company, to provide restorative justice services across Cumbria. Restorative Justice gives

victims the chance to meet with or write to the person who committed the crime so they can explain the impact it has had upon them and others close to them. They are able to ask questions and gain answers which can provide them with a degree of closure. Between April 2018 and December 2018, Remedi has facilitated 53 victim and offender face to face conferences and 22 indirect interventions (for example, where messages are passed between victim and perpetrator via a Remedi worker).

In October 2018, the Commissioner agreed to further fund the **Brathay Trust 'Be SAVY'** (Be Safe and Value Yourself) until 2021 following success of a two year pilot. The project provides young people who are identified as being vulnerable to sexual exploitation to undertake a group programme which builds their self-confidence, develops an understanding of what makes healthy relationships and how to identify grooming, as well as giving them healthy coping strategies.

In addition to commissioned services, the Office of the Police and Crime Commissioner has led a review of the compliance of criminal justice agencies with the Code of Practice for Victims of Crime, using the Quality Assessment Framework it developed during 2017-18. This is helping to shine a light on the requirements under the Victims' Code and focus agencies on improvements in key areas such as providing the opportunity to give a Victims' Personal Statement.

The Commissioner has supported his Victims' Advocate who continues to champion the cause for victims, and importantly, help drive up standards. The Victims' Advocate has worked with Cumbria County Council to dip-sample high and medium risk domestic abuse cases referred into Victim Support to evaluate the quality of service provided. Also, the Victims' Advocate coordinated and chaired quarterly

meetings with victims of antisocial behaviour and crime receiving, first hand feedback on their personal experience and acting as a sound board for potential service developments.

The OPCC has also continued to fund and drive improvements in programmes to work with perpetrators of domestic abuse, 'Turning the Spotlight' on domestic abuse of adult partners and 'Step-Up' which focus on reducing incidents of domestic abuse by working with perpetrators and victims, providing a holistic support service for the whole family. The 'Turning the Spotlight' programme has received over 700 referrals since its implementation in 2015. Between April 2018 and March 2019, 111 people completed the programme. In addition 106 families participated in the Step-up programme, which aims to change behaviours and reduce domestic abuse incidents perpetrated by adolescents and children on parents and/or carers. Over 6,400 students are now better informed to recognise the signs of grooming and the dangers associated with sexual exploitation having attended the theatre production **Chelsea's Choice** in their school during February and March 2018.

The Petal's programme, being delivered by Women's Community Matters, was launched in April 2017. This initiative provides an 8-week one to one support package that works with women who have experienced and perpetrated abuse and those at risk of offending. During the two year period 2017-19, 98 women have completed the Petals Programme, of which 67 had children under 18 years old.

The Commissioner has recently funded **The Well Project**, which provides support to ex-offenders and veterans to take control of their recovery from substance abuse, by working on a targeted approach

aimed at reducing offending. Working with the police and other agencies, this project is providing direct support right at the heart of Egerton Court (Barrow) where many of the residents experience problems such as substance misuse, mental health issues, housing instability and material poverty.

Continued to fund Get Safe Online project' offering a comprehensive programme of online safety and awareness training over the next three years. Over 750 people are now better informed about online safe having successfully completed a **Get Safe Online** community awareness training session, funded by the Commissioner. The sessions aim to help protect participants against fraud, identity theft, viruses and other security threats, as well as wider safety issues related to meeting people online.

The Commissioner funded workshops in primary and secondary schools to educate children and young people on the impact of getting involved in anti-social behaviour, gangs, serious and organised crime and victim awareness. Local Inspectors were involved in this project to help identify the topics for discussion aimed at providing specific interventions to address issues within a policing area. Workshops were delivered in 16 schools – 8 primary and 8 secondary schools across the county. A total of 1,556 children and young people attended the workshops.

294 young people aged 16 and 17 years old in South Cumbria have a better understanding of the consequences of buying/taking drugs, the different types of drugs available, and how to manage the situation if a friend or peer is in trouble after taking drugs. They have all attended a new psychoactive substance workshop delivered by **Youth Engagement**

Services (South Lakeland CIC), funded by the Commissioner.

Victim Support is commissioned to provide the **Turning the Spotlight** programme which works with perpetrators, victims and their families, using restorative principles to help service users better understand and maintain healthy relationships, reducing incidents of domestic abuse. It is a ground-breaking initiative developed in Cumbria in 2015, and is accessible county-wide, either by self-referral or through referral from partners (such as Children's Social Services) or the police. During January 2018 to December 2018, the project supported 85 perpetrators of domestic abuse and 68 victims. Children or young people were involved in 86% of cases.

The Commissioner has recently funded the specialist project **Operation Encompass**, following the successful pilot scheme in 2017. Operation Encompass is designed to provide early reporting to schools of any domestic abuse incidents that occurs outside of school hours and might have an impact on a child attending the school the following day. It is a partnership between the Constabulary, Cumbria County Council, the local Children's Safeguarding Hubs and schools. This project is providing early, efficient trauma-informed support to children of domestic abuse across the county.

Over 6,000 secondary school students are now more aware of coercive control and domestic abuse in teenage intimate relationships, having attended a **Tough Love** school performance during November and December 2018, funded by the Commissioner.

Over 6,400 students are now better informed to recognise the signs of grooming and the dangers

associated with sexual exploitation having attended the theatre production **Chelsea's Choice** in their school during February and March 2018.

Through his commissioning budget he has funded Alter Ego to deliver 'Feel the Hate', a bespoke Cumbrian educational theatre production delivered in secondary schools aimed at raising awareness of hate crime, its impact and where to go for help and advice. The play was delivered in 50 schools across Cumbria during September and October 2018. Feedback from schools has shown that young people now feel better informed about hate crime and that some schools are continuing to raise awareness in their lessons.

He continues to invest in a number of schemes through his Property Fund and Community Fund to provide diversionary, positive and healthy activities for young people. This has included funding for sports clubs and activities during the school holidays. Funded speed laser devices for use by local communities to deter people from speeding in their areas.

The Commissioner's Youth Commission continued to deliver projects across the county linking in with their priorities: drink driving, abusive relationships, child exploitation and new psychoactive substance (e.g. production of a hard hitting awareness video for drink and drug driving, working as an advisory group with the Longtown Community Alcohol Project, developed a video to raise awareness of child sexual exploitation (CSE), designed a mobile mural to be displayed at various events to raise awareness of young people and healthy relationships. Following the launch of Cumbria's Mini Police in 2018, participant schools and Mini Police Officers have taken part in everything from

road safety patrols, local litter picks, educational talks on county lines drug dealing, to supporting local events including the Tour of Britain. Cumbria currently has 26 member schools, with more new intakes planned for this year. The Commissioner also provided grant support to a range of youth activities.

The Commissioner has negotiated a collaboration agreement and governance structure between Cumbria County Council, Cumbria Fire & Rescue Service, the Constabulary and the North West Ambulance Service to develop work streams around Blue Light Collaboration. The Commissioner chairs the Blue Light Collaboration Executive Leaders Board, which oversees the work.

To date, a number of work streams have been undertaken:

- A six month trial is currently ongoing around shared tasking and co-ordination between Cumbria Rescue & Fire Service and the Constabulary to co-ordinate activity on a daily and monthly basis.
- Scoped and evaluated opportunities around a Joint Command and Control Centre for Cumbria, concluding that this is not a viable option at the moment.
- The Cumbria Fire & Rescue Service are now integrated within the Local Focus Hubs across the county.
- Plans are in place to enable the Constabulary and North West Ambulance Service to initially access up to seven Cumbria Fire & Rescue Service premises in rural areas across the county. This will

provide a rural base for these agencies, reducing the need to travel back to their initial deployment centre.

- Ongoing trial of two Joint Emergency Services Officers (JESO), one in the south of the county and one in the west. This role fulfils the function of a PSCO and an on call fire fighter. This is currently being evaluated.
- Three Joint Incident Command Unit Vehicles are being utilised across the county at public events and can be used for major incidents. An evaluation is currently being undertaken to identify the benefits of these.

The Youth Commission continues to deliver projects across the county linking in with their priorities: drink driving, abusive relationships, child exploitation and new psychoactive substance. Some of the work includes:

- The production of a hard hitting awareness video for drink and drug driving. The release of the video coincided with the Commissioner drink driving campaign in December 2018.
- Developed a video to raise awareness of child sexual exploitation (CSE) which will be launched in time for the national CSE awareness day on the 18th March 2019.
- Developed a mobile mural to be displayed at various events to raise awareness of young people and healthy relationships. This is currently being displayed at the Forum in Barrow.
- Working as an advisory group with the Longtown Community Alcohol Project as the voice of young people in rural and isolated areas.

Following the launch of Cumbria's Mini Police in 2018, participant schools and Mini Police Officers have taken part in everything from road safety patrols, local litter picks, educational talks on county lines drug dealing to supporting local events, including the Tour of Britain. Cumbria currently has 26 member schools, with new intakes planned for this year. The Police Cadets scheme is providing opportunities for young people to be involved in policing, giving them a chance to be heard and inspiring them to participate positively in their communities.

The Commissioner and Chief Constable agreed the budget following public consultation. The additional revenue contributed to funding:

- ❖ 25 additional police officers within the Local Focus Hubs, providing a visible presence across the six districts, tackling issues that are important.
- ❖ Maintaining Police Community Support Officers (PCSOs) guaranteeing the delivery of a strong proactive visible presence in the community.
- ❖ Increasing the number of armed officers available to protect and respond to potential terror threats or dangerous individuals.
- ❖ Improving the protection of children from abuse, especially online grooming and exploitation.

Greater protection against online crime and fraud.

During the year, the Commissioner launched a 12 month campaign to help keep Cumbria's road safer, in response to what local residents tell them are one of their main concerns within their community. Throughout this campaign, the Commissioner will be working with partners and local communities to

highlight the many aspects of safer driving, focusing on a different theme each month.

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

Key Events

April 2018

- Independent Custody Visitors attend the ICV Annual Conference.
- Chelsea's Choice returns to Cumbria to raise awareness of child sexual exploitation.

May 2018

- The new Independent Domestic and Sexual Abuse Crisis Support Service, commissioned by the PCC and Cumbria County Council, commenced on 1st May.
- PCC joins youngsters and their coaches in a free sports session at Pettril Bank, Carlisle to see first-hand how his Community fund award to Greenwich Leisure is progressing.
- Work commenced on the new Eden Police Deployment Centre.
- PCC thanks the public of Cumbria for their continued support having finished his second year in office.
- PCC joins Cumbria Police Mobile Support Group out on patrol in the north of the county.
- PCC sponsors The Diverse Cumbria Awards which celebrates equality and diversity across Cumbria.
- PCC attends the launch of the Cinnamon Network aimed at helping vulnerable people within Cumbria.
- PCC attends launch of the Triple A project 'All About Autism' the training film for police officer aims to raise awareness and promote an understanding of autism.
- Chelsea's Choice returns to Cumbria to raise awareness of child sexual exploitation.

June 2018

- The Commissioner attends the Cumberland Show.

- Get Safe Online Event is held in Workington Town Centre to raise awareness of online safety.
- PCC provides funding for speed watch laser devices to be used by local communities to tackle speeding in their area.
- Held three public surgeries across Cumbria to listen to the views of local communities.
- 3 projects awarded funding from the PCCs Community Fund and 13 from the Property Fund.
- PCC attends attestation events across the county as part of the Volunteer Police Cadet Scheme.
- In partnership with Cumbria Constabulary and through Safer Cumbria, a Serious Organised Crime Event was held to brief partners on the threats to Cumbria posed by serious and organised crime.

July 2018

- PCC hosts a visit from the Victims Commissioner, Baroness Newlove to show how victims of crime are supported in Cumbria.
- PCC holds 3 public surgeries across Cumbria.
- PCC attends the Citizen's in Policing Awards Ceremony.
- PCC attends Longtown Community Centre with the local policing team to discuss local issues with residents.
- PCC attended Mini Police Sports Day in support of the Constabulary's chosen charity JIGSAW.
- PCC attends the Constabulary's launch of Bodyworn Video Cameras.
- PCC attends Kendal Calling to see first-hand police dogs in action.
- Recruitment begins for additional volunteers for PCC's Independent Custody Visitor Scheme
- PCC announces the winners of the Community Awards for North, South and West Cumbria.

August 2018

- PCC runs campaign to attract volunteers to join the Independent Custody Visitor Scheme.

September 2018

- PCC attends Cumbria Pride Event in Carlisle.
- PCC attends Barrow Emergency Services Open Day.

- PCC attends Westmorland Show.
- The Commissioner joins representatives from Cumbria Constabulary and the Security Industry Authority (SIA) at a conference to help promote ways to safeguard people, especially the vulnerable, who are out enjoying the night time economy in Cumbria.
- PCC launches Innovation Programme aimed at supporting vulnerable young men.
- PCC takes part in covert operation to tackle retail crime in Carlisle.
- PCC joins a training session at Aspatria Hornets Junior Rugby Club to see how training equipment purchased through his Property Fund is being used.
- 6 projects are awarded funding from the PCC Property Fund.
- PCC runs campaign to attract volunteers to join the Independent Custody Visitor Scheme.
- The Commissioner attends the Westmorland Show
- 5 projects are awarded funding from the PCC Property Fund for September 2017
- PCC in partnership with Safer Cumbria held Domestic Abuse and Sexual Violence Support Service consultation.
- PCC reduces staff costs by combining existing roles of two senior members of staff to cover Chief Executive Post on a permanent basis.

October 2018

- PCC supports world Mental Health Day.
- PCC launches his second Annual Report.
- PCC attends the launch of the Cumbria Domestic Abuse Champions Network.
- PCC extends his support of the Brathay Trust 'Be SAVY' project to help keep safe young people at risk of sexual exploitation.
- PCC attends the North West Independent Custody Visitor Scheme conference.
- As part of the Hate Crime Awareness Week, the PCC attends the performance of 'Feel the Hate' at Queen Katherine's Secondary School, Kendal.
- PCC officially opens Hospice at Home Wigton Shop during National Hospice Care Week.
- PCC holds 2 public surgeries across Cumbria.
- PCC funds specialist project, Operation Encompass, designed to provide early reporting to schools of any domestic abuse incidents that

occur outside of school hours and may impact on a child attending school the following day.

November 2018

- 6 projects are awarded funding from the PCC Property Fund and 4 projects from the Community Fund.
- PCC attends the Neighbourhood Watch AGM.
- PCC holds 4 public surgeries across Cumbria.
- PCC supports National Anti-Bullying Week, attending presentations at primary schools to raise awareness.
- PCC attends Cumbria Youth Commission's Drink/Drug Driving Awareness Video premiere.
- PCC attends the Cumbria Community Heroes Awards.

December 2018

- PCC and Chief Constable launch a year-long campaign to help keep Cumbria's roads safer. In December, the campaign focused on the dangers of driving whilst under the influence of drink or drugs.
- PCC joins officers on patrol in Carlisle on Festive Friday.
- 5 Projects are awarded funding from the PCC's Property Fund for December 2018.

January 2019

- PCC launches consultation on Council Tax Precept.
- Police and Crime Panel voted unanimously to support the Commissioner's Council Tax proposal.

February 2019

- PCC agrees Police Budget for 2019/20.
- PCC attends Mencap's 'Mate Hate' Film Launch during Hate Crime week.
- PCC holds surgery at Sellafield.
- PCC joins MENCAP to celebrate their 50th Anniversary.

March 2019

- 12 projects are awarded funding from the PCCs Property Fund.
- PCC attends the Freedom Parade in Kendal.
- PCC holds live chat on Facebook regarding Child Sexual Exploitation.
- PCC attends Get Safe Online Business Event in Kendal.

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- PCC holds a public surgery in Kendal.
 - PCC holds Independent Custody Visitors Annual Conference.
 - MENCAP launches 'Mate Crime' DVD funded by PCC the DVD aims to raise awareness of this type of hate crime.
 - 7 Projects are awarded funding from the PCCs Property Fund for March 2018.
-

April 2019

-
- PCC attends Livestock Awareness Event in Buttermere.
 - PCC holds a surgery for students at West Lakes College.
-

May 2019

-
- PCC holds a Vulnerability Symposium at Newton Rigg College to raise awareness amongst students of the dangers associated with county lines and other forms of exploitation (such as sexual exploitation and human trafficking).
 - PCC supports the Diverse Cumbria Awards.
-

Performance Report

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

Effective Policing

- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Police Effectiveness Efficiency and Legitimacy (PEEL) Inspections: The PEEL Inspections judge the efficiency, effectiveness and legitimacy of the Constabulary in keeping people safe and reducing crime. For 2018/19 HMICFRS determined that the Cumbria Constabulary was 'good' in all aspects of effectiveness, efficiency and legitimacy. The Chief Constable reports to the Police and Crime

Commissioner on how the Constabulary will tackle any areas requiring improvement and her response to HMICFRS recommendations.

- In addition, the Constabulary was graded as 'Outstanding' in a thematic HMICFRS inspection of Crime Data Integrity. Cumbria is only the second force to achieve this rating on the first inspection.
- For 2018/19 overall crime increased by 29%, which equates to an increase of 8,268 crimes over the 12 month period to 31st March 2019. The increase is largely attributable to improved crime reporting.
- Violence against the person offences have increased by 53% over the year. Whilst almost all categories of violent crime showed an increase, the largest increases were seen in the less serious violence without injury category. Again, improved standards of crime reporting and recording are the principal reasons for the increase.

Community Safety

- Antisocial behaviour has continued to fall, and has seen a 19% reduction compared to the same period last year.
- Hate crimes and incidents continue to be closely monitored. During 2018/19, the number of incidents rose by 26%, which equates to 110 crimes. The Constabulary and partners continue to work to encourage reporting of hate crime. Based on the latest data, in comparison with other forces, Cumbria has one of the lowest levels of hate crimes both nationally and in the North West region.
- Work has also targeted increased reporting for sexual and domestic violence. During the year reported incidents of domestic abuse have increased by 9.6% and there has been a 26% increase in reported sexual offences.

Criminal Justice

- All recorded offences are assigned an outcome based on a national framework for crime. Crime outcomes are classed as positive where the offender is either charged or summonsed, receives an out of court disposal or where the Crown Prosecution Service (CPS) or police determine it is not in the public interest to prosecute. In all cases the crime outcome represents positive police activity in detecting the crime. Positive crime outcome performance is 19% for 2018/19.
- Cumbria conviction rates for Magistrates Court cases for the quarter to September 2018 equated to 92%, which is ranked 1st nationally amongst 42 forces. Crown Court convictions for the same period equated to 86%, Cumbria is ranked 4th out of 42 forces.

Customer and Victim Satisfaction

- Performance in customer and victim satisfaction is measured through regular independent surveys following police contact. This is supplemented by the process for police complaints that includes independent sampling of complaint files and scrutiny of local to national comparatives against complaints upheld.
- The latest satisfaction figures for the overall service experience (which includes criteria such as 'making contact', 'action taken', treatment by staff') remain high at 80.6%.
- When allegations are made against the police, those resolved locally perform well against national comparative timescales.

Finance & Value for Money

- We measure our performance against targets for achieving financial outturn within a percentage of the net budget. For 2018/19 this was set at 1% for the revenue budget and 8% for the capital budget.
- Actual performance for revenue (excluding the one off contribution to provisions) was 0.2%, achieving well within the target.
- Capital outturn was 40% below budget, falling significantly outside target. Whilst this was a disappointing result, the year-end position was expected and was largely attributable to milestone payments on large projects falling into early in the following year, rather than signalling a significant delay in delivering the programme. Stretch targets will continue to be set for capital expenditure going forward as a recognised area for performance improvement.
- In previous years the budget for the Commissioner and Office of the Police and Crime Commissioner was benchmarked against HMIC Value for Money profiles. Following the inclusion of fire and rescue services under the remit of HMIC, costs for police and crime commissioners are no longer included in the VFM comparators. It has therefore not been possible to undertake a Value for Money analysis for the Office of the Police and Crime Commissioner for 2018/19.
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) 2018/19 PEEL inspection assessed the Constabulary as good in respect of efficiency.
- Outcomes against wider performance measures that indicate the effectiveness of activity and interventions are strong against the priority areas

of keeping crime at low levels, reducing anti-social behaviour, bringing criminals to justice and increasing reporting of hate crime and domestic and sexual abuse.

- Collectively, these indicators provide assurance of Value for Money in respect of the 2018/19 financial year.

The Future Outlook

Following his election in 2016, Peter McCall the Police and Crime Commissioner for Cumbria launched his Police and Crime Plan covering the period to 2020. The Plan's key theme is 'Making Cumbria Even Safer' and sets the strategic direction for policing and wider aims for enhancing community safety, criminal justice and supporting victims.

The overall financial position remains strong, which is reflected in the Medium Term Financial Forecast, which sets out the revenue budget position until 2022/23 and a capital programme, which is fully funded over the same period and will support delivery of the 2016-2020 Police and Crime Plan. The current financial position has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of reductions in government funding since 2010. This has enabled reserves to be maintained at a level that balances financial resilience and supports continued investment.

The Medium Term Financial Strategy and 2019/209 budget was approved in the context of the Government providing additional funding to meet increased police pension contributions and affording Commissioners' increased flexibility to raise council

tax. However, this is accompanied by increasing cost pressures including national training and ICT initiatives and the economic uncertainty regarding Brexit.

Against this background the 2019/20 budget resources an establishment of 1165 Police Officers, an increase of 20 and maintenance of the establishments for Police Community Support Officers and Police Staff. The budget also supports smaller investments in cyber crime, victims safeguarding, staff welfare and engagement. The budget provides £130m funding for the Chief Constable to deliver policing for Cumbria. The longer term 10 year capital programme commits to £63.2m investment across the estate, fleet and ICT.

Whilst the position is financially resilient in the short term, the future outlook is uncertain. Based on the MTFF assumptions, savings will need to be delivered from 2020/21 to balance the budget forecast, which will rise to £4.1m by 2022/2023. There are a number of financial risks in relation to the adequacy and sustainability of funding, the cost of national policing programmes and the potential review of the police funding formula.

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

Acknowledgements

The financial statements were originally authorised for issue by me as Joint Chief Finance Officer on 23 May 2019.

In closing, it is appropriate to acknowledge the dedication and professionalism of Michelle Bellis the 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 financial reporting standards.

Roger Marshall

Joint Chief Finance Officer

The accounts present a true and fair view of the position of the Police and Crime Commissioner for Cumbria Single Entity and Group Accounts as at 31 March 2019 and its income and expenditure for the year there ended.

Signature removed for publication on website

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 23 May 2019

1 The Commissioner's Responsibilities

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

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

2 The Chief Constable's Responsibilities

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

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

3 The Joint Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the CFO has:

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

Responsibilities for the Statement of Accounts

The CFO has also:

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

The CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2019.

Subject to Audit



Independent auditor's report to the Police and Crime Commissioner for Cumbria

Report on the Audit of the Financial Statements

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Subject to Audit

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

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

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

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

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

Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables, the figures for 2018/19 and the comparators for 2017/18 are also shown in separate tables.

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

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

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

The balance sheet for the Group and PCC are shown side by side and include both 2018/19 figures and 2017/18 comparators.

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

The cash flow statement for the Group and PCC are shown side by side and include both 2018/19 figures and 2017/18 comparators.

Comprehensive Income and Expenditure Statement – Group

Comprehensive Income and Expenditure Statement (Group)	Notes	Group	Group	Group	Group	Group	Group
		2017/18	2017/18	2017/18	2018/19	2018/19	2018/19
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	104,646	(9,935)	94,711	107,986	(8,293)	99,693
Cost of Policing and Crime Services		104,646	(9,935)	94,711	107,986	(8,293)	99,693
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	9e	0	260	260	0	653	653
Transfer to Pension Fund/Pension Top Up Grant		20,917	(20,917)	0	20,343	(20,343)	0
		20,917	(20,657)	260	20,343	(19,690)	653
Financing and Investment Income and Expenditure							
Interest payable on PFI unitary payments		619	0	619	602	0	602
Net Interest on the net defined benefit liability (asset)	Annex C (Pg 115)	37,432	(3,425)	34,007	34,935	(3,695)	31,240
Investment interest income		0	(90)	(90)	0	(146)	(146)
		38,051	(3,515)	34,536	35,537	(3,841)	31,696
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27	0	(364)	(364)	0	(939)	(939)
Income from Council Tax	28	0	(37,212)	(37,212)	0	(39,403)	(39,403)
Council Tax Grant (Freeze & Support)	27	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	27	0	(30,391)	(30,391)	0	(30,391)	(30,391)
Home Office Police Grant	27	0	(28,320)	(28,320)	0	(28,320)	(28,320)
PFI Grant	27	0	(687)	(687)	0	(687)	(687)
		0	(101,824)	(101,824)	0	(104,590)	(104,590)
(Surplus) or Deficit on Provision of Services		163,614	(135,931)	27,683	163,866	(136,414)	27,452
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation (Gains)	9			(108)			(4,480)
Revaluation losses (chargeable to revaluation reserve)	9			0			544
Surplus or deficit on revaluation of available for sale financial assets				(7)			(11)
							0
Actuarial (gains) / losses on pension assets / liabilities							0
- Matching the entry to the pensions reserve	Annex C (Pg 115)			(89,091)			40,202
Other Comprehensive Income and Expenditure				(89,206)			36,255
Total Comprehensive Income and Expenditure				(61,523)			63,707

A more detailed analysis of the figures that make up the “Cost of Policing and Crime Services” can be found in the Expenditure and Funding Analysis (Note 5) and in the Expenditure and Income Analysed by Nature note (Note 6).

Movement in Reserves Statement - Group

The figures for the group in 2018/19 are provided in the table below:

Movement in Reserves Statement (Group) Figures for 2018/19		Note	Balance at 1 April 2018	Adjustment to Opening Balance 1 April 2018	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2018/19	Balance at 31 March 2019
			£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves												
Police Fund Account	-		3,000	0	(27,452)	0	(27,452)	26,467	(985)	985	0	3,000
Earmarked Revenue Reserves	8		7,041	0	0	0	0	0	0	1,235	1,235	8,276
Earmarked Capital Reserves	8		12,854	0	0	0	0	0	0	(2,220)	(2,220)	10,634
Capital Receipts Reserve	19		1,449	0	0	0	0	647	647	0	647	2,096
Capital Grants Unapplied	19		5,781	0	0	0	0	363	363	0	363	6,144
Total Usable Reserves			30,125	0	(27,452)	0	(27,452)	27,477	25	0	25	30,150
Unusable Reserves												
Revaluation Reserve	20a		9,452	0	0	3,936	3,936	(187)	3,749	0	3,749	13,201
Capital Adjustment Account	20b		37,026	0	0	0	0	(1,503)	(1,503)	0	(1,503)	35,523
Police Pensions Reserve	20e		(1,187,670)	0	0	(33,050)	(33,050)	(20,950)	(54,000)	0	(54,000)	(1,241,670)
LGPS Pensions Reserve	20e		(41,107)	(109)	0	(7,152)	(7,152)	(4,016)	(11,168)	0	(11,168)	(52,384)
Collection Fund Adjustment Account	20c		463	0	0	0	0	(513)	(513)	0	(513)	(50)
Accumulated Absences Account	20d		(2,756)	0	0	0	0	(308)	(308)	0	(308)	(3,064)
Available for Sale Financial Instruments Reserve	20f		(11)	0	0	11	11	0	11	0	11	0
Total Unusable Reserves			(1,184,603)	(109)	0	(36,255)	(36,255)	(27,477)	(63,732)	0	(63,732)	(1,248,444)
Total Reserves			(1,154,478)	(109)	(27,452)	(36,255)	(63,707)	0	(63,707)	0	(63,707)	(1,218,294)

The comparative figures for the group in 2017/18 are provided in the table below:

Movement in Reserves Statement (Group) Figures for 2017/18		Note	Balance at 1 April 2017	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2017/18	Balance at 31 March 2018
			£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves											
Police Fund Account	-		3,000	(27,683)	0	(27,683)	26,314	(1,369)	1,369	0	3,000
Earmarked Revenue Reserves	8		3,435	0	0	0	0	0	3,606	3,606	7,041
Earmarked Capital Reserves	8		17,829	0	0	0	0	0	(4,975)	(4,975)	12,854
Capital Receipts Reserve	19		926	0	0	0	523	523	0	523	1,449
Capital Grants Unapplied	19		5,417	0	0	0	364	364	0	364	5,781
Total Usable Reserves			30,607	(27,683)	0	(27,683)	27,201	(482)	0	(482)	30,125
Unusable Reserves											
Revaluation Reserve	20a		9,448	0	108	108	(104)	4	0	4	9,452
Capital Adjustment Account	20b		36,354	0	0	0	672	672	0	672	37,026
Police Pensions Reserve	20e		(1,243,120)	0	78,700	78,700	(23,250)	55,450	0	55,450	(1,187,670)
LGPS Pensions Reserve	20e		(47,136)	0	10,391	10,391	(4,362)	6,029	0	6,029	(41,107)
Collection Fund Adjustment Account	20c		720	0	0	0	(257)	(257)	0	(257)	463
Accumulated Absences Account	20d		(2,856)	0	0	0	100	100	0	100	(2,756)
Available for Sale Financial Instruments Reserve	20f		(18)	0	7	7	0	7	0	7	(11)
Total Unusable Reserves			(1,246,608)	0	89,206	89,206	(27,201)	62,005	0	62,005	(1,184,603)
Total Reserves			(1,216,001)	(27,683)	89,206	61,523	0	61,523	0	61,523	(1,154,478)

Movement in Reserves Statement – PCC

The figures for the PCC Single Entity in 2018/19 are provided in the table below:

Movement in reserves Statement (PCC) Figures for 2018/19											
	Note	Balance at 1 April 2018	Adjustment to Opening Balance 1 April 2018	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2018/19	Balance at 31 March 2019
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves											
Police Fund Account	-	3,000	0	(2,265)	0	(2,265)	1,280	(985)	985	0	3,000
Earmarked Revenue Reserves	8	7,041	0	0	0	0	0	0	1,235	1,235	8,276
Earmarked Capital Reserves	8	12,854	0	0	0	0	0	0	(2,220)	(2,220)	10,634
Capital Receipts Reserve	19	1,449	0	0	0	0	647	647	0	647	2,096
Capital Grants Unapplied	19	5,781	0	0	0	0	363	363	0	363	6,144
Total Usable Reserves		30,125	0	(2,265)	0	(2,265)	2,290	25	0	25	30,150
Unusable Reserves											
Revaluation Reserve	20a	9,452	0	0	3,936	3,936	(187)	3,749	0	3,749	13,201
Capital Adjustment Account	20b	37,026	0	0	0	0	(1,503)	(1,503)	0	(1,503)	35,523
LGPS Pensions Reserve	20e	(1,098)	(3)	0	(164)	(164)	(85)	(249)	0	(249)	(1,350)
Collection Fund Adjustment Account	20c	463	0	0	0	0	(513)	(513)	0	(513)	(50)
Accumulated Absences Account	20d	(6)	0	0	0	0	(2)	(2)	0	(2)	(8)
Available for Sale Financial Instruments Reserve	20f	(11)	0	0	11	11	0	11	0	11	0
Total Unusable Reserves		45,826	(3)	0	3,783	3,783	(2,290)	1,493	0	1,493	47,316
Total Reserves		75,951	(3)	(2,265)	3,783	1,518	0	1,518	0	1,518	77,466

The comparative figures for 2017/18 are provided in the table below:

Movement in Reserves Statement (PCC) Figures for 2017/18											
	Note	Balance at 1 April 2017	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2017/18	Balance at 31 March 2018	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Usable Reserves											
Police Fund Account	-	3,000	(279)	0	(279)	(1,090)	(1,369)	1,369	0	3,000	
Earmarked Revenue Reserves	8	3,435	0	0	0	0	0	3,606	3,606	7,041	
Earmarked Capital Reserves	8	17,829	0	0	0	0	0	(4,975)	(4,975)	12,854	
Capital Receipts Reserve	19	926	0	0	0	523	523	0	523	1,449	
Capital Grants Unapplied	19	5,417	0	0	0	364	364	0	364	5,781	
Total Usable Reserves		30,607	(279)	0	(279)	(203)	(482)	0	(482)	30,125	
Unusable Reserves											
Revaluation Reserve	20a	9,448	0	108	108	(104)	4	0	4	9,452	
Capital Adjustment Account	20b	36,354	0	0	0	672	672	0	672	37,026	
LGPS Pensions Reserve	20e	(1,258)	0	269	269	(109)	160	0	160	(1,098)	
Collection Fund Adjustment Account	20c	720	0	0	0	(257)	(257)	0	(257)	463	
Accumulated Absences Account	20d	(7)	0	0	0	1	1	0	1	(6)	
Available for Sale Financial Instruments Reserve	20f	(18)	0	7	7	0	7	0	7	(11)	
Total Unusable Reserves		45,239	0	384	384	203	587	0	587	45,826	
Total Reserves		75,846	(279)	384	105	0	105	0	105	75,951	

Balance Sheet – PCC & Group

Balance Sheet	Notes	PCC	PCC	Group	Group
		31 March 2018	31 March 2019	31 March 2018	31 March 2019
		£000s	£000s	£000s	£000s
Property, Plant & Equipment					
Land and Buildings	9	51,077	54,402	51,077	54,402
Vehicles	9	3,200	3,185	3,200	3,185
Information Technology Equipment	9	5,806	4,776	5,806	4,776
Furniture, Equipment & Plant	9	1,121	876	1,121	876
Assets Under Construction (Land & Buildings)	9	280	2,080	280	2,080
Investment Properties		10	10	10	10
		61,494	65,329	61,494	65,329
Intangible Assets - Software	11	2,003	2,743	2,003	2,743
Long Term Assets		63,497	68,072	63,497	68,072
Short Term Investments	17	12,082	9,034	12,082	9,034
Assets held for sale (within 1yr)	10	961	0	961	0
Inventories		0	0	232	273
Short Term Debtors (external)	14	13,944	10,995	13,944	10,995
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	14	11,542	9,358	0	0
Short Term Debtors (funding balance owed to PCC by CC)	14	4,500	3,003	0	0
Cash and Cash Equivalents	CF6	3,774	5,065	3,774	5,065
Current Assets		46,803	37,455	30,993	25,367
Short Term Creditors (external)	15	(13,906)	(11,601)	(13,906)	(11,601)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	15	(4,386)	(2,888)	0	0
Short Term Creditors (funding balance due from PCC to CC)	15	(10,072)	(7,477)	0	0
PFI Finance Lease Liability Due within 1 Year	12	(142)	(160)	(142)	(160)
Current Liabilities		(28,506)	(22,126)	(14,048)	(11,761)
Provisions	16	0	0	(1,398)	(1,333)
Other Long Term Liabilities					
Pensions liability - Police	18	0	0	(1,187,670)	(1,241,670)
Pensions liability - LGPS	18	(1,098)	(1,350)	(41,107)	(52,384)
PFI Finance Lease Liability	12	(4,745)	(4,585)	(4,745)	(4,585)
Long Term Liabilities		(5,843)	(5,935)	(1,234,920)	(1,299,972)
Net Assets		75,951	77,466	(1,154,478)	(1,218,294)
Usable reserves	19				
Police Fund		3,000	3,000	3,000	3,000
Earmarked reserves (revenue)	8	7,041	8,276	7,041	8,276
Earmarked reserves (capital)	8	12,854	10,634	12,854	10,634
Capital Receipts Reserve	7	1,449	2,096	1,449	2,096
Capital Grants Unapplied	7	5,781	6,144	5,781	6,144
		30,125	30,150	30,125	30,150
Unusable Reserves	20				
Revaluation Reserve	20a	9,452	13,201	9,452	13,201
Capital Adjustment Account	20b	37,026	35,523	37,026	35,523
Pensions Reserve - Police	20e	0	0	(1,187,670)	(1,241,670)
Pensions Reserve - LGPS	20e	(1,098)	(1,350)	(41,107)	(52,384)
Collection Fund Adjustment Account	20c	463	(50)	463	(50)
Accumulated Absences Account	20d	(6)	(8)	(2,756)	(3,064)
Available for Sale Financial Instruments Reserve	20f	(11)	0	(11)	0
		45,826	47,316	(1,184,603)	(1,248,444)
Total Reserves		75,951	77,466	(1,154,478)	(1,218,294)

The unaudited accounts were issued on 23 May 2019.

Signed: _____

Roger Marshall, Joint Chief Finance Officer.

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)	See Note Below	PCC 2017/18 £000s	PCC 2018/19 £000s	Group 2017/18 £000s	Group 2018/19 £000s
Net (Surplus) or Deficit on the provision of services		279	2,265	27,683	27,452
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(8,062)	(4,354)	(35,466)	(29,541)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	CF2	535	659	535	659
Net cash (inflow)/ outflow from Operating Activities	CF3	(7,248)	(1,430)	(7,248)	(1,430)
Investing Activities	CF4	6,393	(3)	6,393	(3)
Financing Activities	CF5	125	142	125	142
Net (increase) or decrease in cash and cash equivalents		(730)	(1,291)	(730)	(1,291)
Cash and cash equivalents at the beginning of the reporting period		(3,044)	(3,774)	(3,044)	(3,774)
Cash and cash equivalents at the end of the reporting period	CF6	(3,774)	(5,065)	(3,774)	(5,065)
Notes to the Cash Flow Statement					
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:					
Depreciation & Amortisation		(4,423)	(4,844)	(4,423)	(4,844)
Impairment & Downward Valuations		161	728	161	728
Carrying amount of non current assets - sold		(848)	(1,419)	(848)	(1,419)
Grants applied to the financing of capital expenditure		364	939	364	939
Pension Liability (Contributions to/from Pensions Reserve)		(109)	(85)	(27,612)	(24,966)
Creditors - Change in Balance Sheet		(2,980)	2,305	(2,980)	2,305
Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		(107)	553	(107)	553
Creditors - Adjustment re CC Share of Debtors		134	1,498	0	0
Creditors - Adjustment re Balance of Funding due from PCC to CC		(3,507)	2,595	0	0
Debtors - Change in Balance Sheet		62	(2,949)	62	(2,949)
Debtors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		0	(4)	0	(4)
Debtors - Change in Balance Sheet (Adjustment for Investment Interest)		1	11	1	11
Debtors - Adjustment re CC Share of Creditors		3,378	(2,185)	0	0
Debtors - Adjustment re Balance of Funding due from CC to PCC		(188)	(1,497)	0	0
Stock - Change in Balance Sheet		0	0	(21)	40
Provisions - Change in Balance Sheet		0	0	(63)	65
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(8,062)	(4,354)	(35,466)	(29,541)

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)		PCC 2017/18 £000s	PCC 2018/19 £000s	Group 2017/18 £000s	Group 2018/19 £000s
CF2 - The Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities are made up as follows:					
Proceeds from the Sale of Property, Plant & Equipment and Intangibles		535	659	535	659
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		535	659	535	659
CF3 - The cash flows from <i>Operating Activities</i> include the following items:					
Interest received		(89)	(135)	(89)	(135)
Interest Paid		599	588	599	588
CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:					
Purchase of property, plant and equipment and intangible assets		5,362	4,666	5,362	4,666
Purchase of short-term and long-term investments		30,900	30,986	30,900	30,986
Proceeds from the sale of property, plant and equipment and intangible assets		(535)	(659)	(535)	(659)
Proceeds from short-term and long-term investments		(28,970)	(34,057)	(28,970)	(34,057)
Other receipts from investing activities		(364)	(939)	(364)	(939)
Net cash flows from investing activities		6,393	(3)	6,393	(3)
CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:					
Other receipts from financing activities		0	0	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		125	142	125	142
Net cash flows from financing activities		125	142	125	142
CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:					
Bank current accounts		(37)	(52)	(37)	(52)
Short-term deposit with bank (overnight)		(2,032)	(2,018)	(2,032)	(2,018)
Investments in Money Market Funds (available on demand)		(1,705)	(2,995)	(1,705)	(2,995)
Total Cash and Cash Equivalents		(3,774)	(5,065)	(3,774)	(5,065)

Accounting Policy - Cash and Cash Equivalents

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

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

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

Index of Notes to the Accounts

Note	Title	Page
1	Accounting Policies	41
2	Critical Judgements in Applying Accounting Policies	41
3	Events after the Balance Sheet Date.....	42
4	Assumptions made about the future and other Sources of Estimation Uncertainty	43
5	Expenditure and Funding Analysis	44
6	Expenditure and Income Analysed by Nature	52
7	Adjustments between Accounting Basis and Funding Basis under Regulations.....	53
8	Transfers to/from Earmarked Reserves	57
9	Property, Plant and Equipment.....	59
10	Assets Held for Sale.....	66
11	Intangible Assets	67
12	Private Finance Initiative (PFI).....	68
13	Leases	70
14	Short-term Debtors	72
15	Short-term Creditors	73
16	Provisions	74
17	Financial Instruments.....	76
18	Pensions	76
19	Usable Reserves	77
20	Unusable Reserves	78
21	Related Party Transactions	83
22	Members Allowances and Expenses.....	84
23	Disclosure of Remuneration for Senior Employees	84
24	Employee Remuneration	87
25	Exit Packages/Termination Payments.....	88
26	Audit Fees.....	89
27	Grant Income	90
28	Income from Council Tax	92
29	Capital Expenditure and Capital Financing	93
30	Capital Commitments.....	94
31	Minimum Revenue Provision	95
32	Accounting Standards that have been Issued but have not yet been Adopted	95
33	Contingent Liabilities.....	96
34	Prior Period Adjustment.....	97

The notes to the accounts are provided to aid the understanding of material items within the core financial statements. Where the figures provided are different for the Group and PCC Single Entity either separate notes will be provided or a single note will show the respective figures in different columns, these will be headed Group or PCC. Where the figures are the same for the group and single entity a single note is provided, this is headed up PCC/Group. As a general rule, the column showing the figures for 2018/19 will be highlighted, whilst the comparatives for 2017/18 (where provided) will not.

The notes sometimes include terms that may require further explanation. Where possible, explanations are provided within the note, otherwise explanations are provided within the “glossary of terms” in pages 100-102. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

1 Accounting Policies

There are a number of accounting policies that determine how items within the accounts are treated. Where these accounting policies relate to a particular note to the accounts, the accounting policy will now be shown alongside that note in a grey text box. Where an accounting policy is more generic and applicable across the statement accounts it will continue to be shown in a separate technical annex, **Annex A** (see pages 103-105).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 103 to 105), the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Commissioner is deemed to control the services provided under the PFI agreement in relation to the West Cumbria TPA HQ at Workington. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement. The Commissioner has a number of options regarding ownership of the PFI building beyond the initial 25 year contract period including the right to purchase the asset for half of its market value at that time. In December 2015, the PFI building at Hall Brow Workington experienced flooding for the second time in six years. The impact of the flooding on the building highlighted resilience issues for the longer term in respect of both custody and deployment. As a result, options for the future provision of the police estate in West Cumbria are under review and the capital programme for 2018/19 and beyond includes an indicative scheme which seeks to address those resilience issues and provide a longer term solution to the PFI arrangement. In accounting for the PFI contract it is assumed that there is reasonable certainty that the Commissioner will exercise the right to purchase the building. Accordingly the PFI land and building are recognised as property, plant and equipment in the Commissioner's balance sheet at full value of £7.3m. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its market value at the end of the PFI period are also shown on the balance sheet. As the PFI contract approaches its end it may be necessary to reflect an additional liability to recognise that the market value of the asset may exceed the construction cost.

3 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Joint Chief Finance Officer on 23 May 2019. Events taking place after this date are not reflected in the financial statements or notes.

Accounting Policy - Events after the Balance Sheet Date

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

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

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

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

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

The items in the Commissioner's group balance sheet as at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Land and buildings assets are revalued on a two year rolling basis. Therefore the value of the assets that have not been subject to valuation in the financial year may not reflect the true value of that asset.</p> <p>At the balance sheet date 31 March 2019 the value of property, plant and equipment was £65m.</p>	<p>Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an annual impairment review, the impact of this is thought to be immaterial.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).</p> <p>At the balance sheet date, the liability in respect of the LGPS pension scheme was £52m and for the police pension scheme was £1,242m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts (Annex C) Pension Disclosures (pages 112-123).</p>
Provisions	<p>The Chief Constable has made a provision of £279k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Chief Constable.</p>	<p>An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £28k to the provision needed.</p>
	<p>The Chief Constable has made a provision of £819k in relation to the potential cost of legal claims against the Constabulary which are currently ongoing.</p>	<p>An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £82k to the provision needed.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions (continued)	The Chief Constable has made a provision of £235k in relation to the potential cost of capital equivalent costs associated with three ill health retirements agreed in 2018/19 but for which an appeal process can still be undertaken.	A 10% increase over the estimated average settlement would have the effect of adding £23k to the provision needed.

5 Expenditure and Funding Analysis

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

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

The figures for the group in 2018/19 are provided in the table below:

Expenditure and Funding Analysis (Group)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	Group 2018/19 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	81,472	0	81,472	(9,220)	72,252
PCSO Pay & Allowances	2,852	0	2,852	(341)	2,511
Police Staff Pay & Allowances	22,236	0	22,236	3,287	25,523
Other Employee Budgets	3,383	0	3,383	0	3,383
Premises Related Expenditure	4,192	0	4,192	0	4,192
Transport Related Expenditure	2,323	0	2,323	0	2,323
Supplies & Services Expenditure	10,423	0	10,423	0	10,423
Third Party Related Expenditure	3,487	0	3,487	0	3,487
Technical Accounting Adjustments	7,474	(4,845)	2,629	1,489	4,118
Income from Fees & Charges	(6,136)	0	(6,136)	0	(6,136)
Grants & Contributions	(22,500)	0	(22,500)	0	(22,500)
Use of Capital Receipts	(12)	0	(12)	12	0
Non distributed costs	55	0	55	0	55
Termination Payments	62	0	62	0	62
Net Cost of Services	109,311	(4,845)	104,466	(4,773)	99,693
Other Income and Expenditure	(103,481)	0	(103,481)	31,240	(72,241)
(Surplus)/Deficit on the Provision of Services	5,830	(4,845)	985	26,467	27,452
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2018	(3,000)	(7,041)	(12,854)	(22,895)	
Less Deficit on Police Fund Balance in Year	0	(1,235)	2,220	985	
Closing Police Fund Balance at 31 March 2019	(3,000)	(8,276)	(10,634)	(21,910)	

Notes to the Accounts

The comparative figures for the group in 2017/18 are provided in the table below:

Expenditure and Funding Analysis (Group)	Group 2017/18				
	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	78,760	0	78,760	(9,570)	69,190
PCSO Pay & Allowances	3,011	0	3,011	(388)	2,623
Police Staff Pay & Allowances	20,247	0	20,247	3,563	23,810
Other Employee Budgets	2,935	0	2,935	0	2,935
Premises Related Expenditure	4,118	0	4,118	0	4,118
Transport Related Expenditure	2,154	0	2,154	0	2,154
Supplies & Services Expenditure	10,236	0	10,236	0	10,236
Third Party Related Expenditure	4,959	0	4,959	0	4,959
Technical Accounting Adjustments	9,993	(4,423)	5,570	(1,309)	4,261
Income from Fees & Charges	(6,089)	0	(6,089)	0	(6,089)
Grants & Contributions	(24,763)	0	(24,763)	0	(24,763)
Use of Capital Receipts	(12)	0	(12)	12	0
Non distributed costs	1,018	0	1,018	0	1,018
Termination Payments	259	0	259	0	259
Net Cost of Services	106,826	(4,423)	102,403	(7,692)	94,711
Other Income and Expenditure	(101,034)	0	(101,034)	34,007	(67,027)
(Surplus)/Deficit on the Provision of Services	5,792	(4,423)	1,369	26,315	27,684
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2017	(3,000)	(3,435)	(17,829)	(24,264)	
Less Deficit on Police Fund Balance in Year	0	(3,606)	4,975	1,369	
Closing Police Fund Balance at 31 March 2017	(3,000)	(7,041)	(12,854)	(22,895)	

Notes to the Accounts

The figures for the PCC in 2018/19 are provided in the table below:

Expenditure and Funding Analysis (PCC)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	PCC 2018/19 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	20,343	0	20,343	0	20,343
Police Staff Pay & Allowances	819	0	819	58	877
Other Employee Budgets	43	0	43	0	43
Premises Related Expenditure	(1,140)	0	(1,140)	0	(1,140)
Transport Related Expenditure	(926)	0	(926)	0	(926)
Supplies & Services Expenditure	(2,034)	0	(2,034)	0	(2,034)
Third Party Related Expenditure	2,177	0	2,177	0	2,177
Technical Accounting Adjustments	7,780	(4,845)	2,935	1,183	4,118
Income from Fees & Charges	(6,136)	0	(6,136)	0	(6,136)
Grants & Contributions	(22,500)	0	(22,500)	0	(22,500)
Use of Capital Receipts	(12)	0	(12)	12	0
Funding Provided by PCC to CC	110,897	0	110,897	0	110,897
Net Cost of Services	109,311	(4,845)	104,466	1,253	105,719
Other Income and Expenditure	(103,481)	0	(103,481)	27	(103,454)
(Surplus)/Deficit on the Provision of Services	5,830	(4,845)	985	1,280	2,265
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2018	(3,000)	(7,041)	(12,854)	(22,895)	
Less Deficit on Police Fund Balance in Year	0	(1,235)	2,220	985	
Closing Police Fund Balance at 31 March 2019	(3,000)	(8,276)	(10,634)	(21,910)	

Notes to the Accounts

The comparative figures for the PCC in 2017/18 are provided in the table below:

Expenditure and Funding Analysis (PCC)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	PCC 2017/18 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	20,918	0	20,918	0	20,918
Police Staff Pay & Allowances	838	0	838	78	916
Other Employee Budgets	60	0	60	0	60
Premises Related Expenditure	(1,167)	0	(1,167)	0	(1,167)
Transport Related Expenditure	(653)	0	(653)	0	(653)
Supplies & Services Expenditure	(1,610)	0	(1,610)	0	(1,610)
Third Party Related Expenditure	3,514	0	3,514	0	3,514
Technical Accounting Adjustments	9,894	(4,423)	5,471	(1,210)	4,261
Income from Fees & Charges	(6,089)	0	(6,089)	0	(6,089)
Grants & Contributions	(24,763)	0	(24,763)	0	(24,763)
Use of Capital Receipts	(12)	0	(12)	12	0
Termination Payments	45	0	45	0	45
Funding Provided by PCC to CC	105,851	0	105,851	0	105,851
Net Cost of Services	106,826	(4,423)	102,403	(1,120)	101,283
Other Income and Expenditure	(101,034)	0	(101,034)	31	(101,003)
(Surplus)/Deficit on the Provision of Services	5,792	(4,423)	1,369	(1,089)	280
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2017	(3,000)	(3,435)	(17,829)	(24,264)	
Less Deficit on Police Fund Balance in Year	0	(3,606)	4,975	1,369	
Closing Police Fund Balance at 31 March 2017	(3,000)	(7,041)	(12,854)	(22,895)	

Notes to the Accounts

5.a Note to the Expenditure Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the Police Fund (as detailed in note 6) to arrive at the amounts in the Comprehensive Income and Expenditure Statement (pages 33-34). The relevant transfers between reserves are explained in the Movement in Reserves Statement (pages 35-36).

The figures for the Group for 2018/19 are set out in the table below:

Note to the Expenditure and Funding Analysis (Group)	Group 2018/19						
	Depreciation £000s	Rental Income £000s	Total to arrive at amount charged to the Police Fund £000s	Adjustment for capital purposes (See below) £000s	Net change for the Pensions Adjustment (See below) £000s	Other Differences (See below) £000s	Total Adjustment Between funding and accounting basis £000s
Cost of Policing & Crime Services							
Police Officer Pay & Allowances	0	0	0	0	(9,220)	0	(9,220)
PCSO Pay & Allowances	0	0	0	0	(341)	0	(341)
Police Staff Pay & Allowances	0	0	0	0	3,287	0	3,287
Technical Accounting Adjustments	(4,845)	0	(4,845)	668	0	821	1,489
Income from Fees & Charges	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	0	0	0	12	12
Net Cost of Services	(4,845)	0	(4,845)	668	(6,274)	833	(4,773)
Other Income and Expenditure	0	0	0	0	31,240	0	31,240
(Surplus)/Deficit on the Provision of Services	(4,845)	0	(4,845)	668	24,966	833	26,467
Further Analysis of Adjustments							
Depreciation/Amortisation				4,845	0	0	4,845
Minimum Revenue Provision (MRP)				(432)	0	0	(432)
Revaluations				(727)	0	0	(727)
Direct Revenue Contribution				(2,839)	0	0	(2,839)
Capital Grant Reversal				(939)	0	0	(939)
Profit & Loss on Sale of FA				760	0	0	760
Police Pensions - Interest on Liabilities				0	30,170	0	30,170
Police Pensions - Reverse Employer Contributions				0	(31,410)	0	(31,410)
Police Pensions - Current Service Cost				0	22,190	0	22,190
LGPS - Interest on Liabilities				0	4,765	0	4,765
LGPS - Return on Plan Assets				0	(3,695)	0	(3,695)
LGPS - Curtailment/Settlement				0	55	0	55
LGPS - Reverse Employer Contributions				0	(3,054)	0	(3,054)
LGPS - Current Service Cost				0	5,945	0	5,945
Use of Capital Receipts				0	0	12	12
Collection Fund Adjustment				0	0	513	513
Accumulated Absences Account Adj				0	0	308	308
Total Adjustments				668	24,966	833	26,467

The comparative figures for the Group for 2017/18 are set out in the table below:

Note to the Expenditure and Funding Analysis (Group)	Group 2017/18						
	Depreciation	Rental Income	Total to arrive at amount charged to the Police Fund	Adjustment for capital purposes (See below)	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services							
Police Officer Pay & Allowances	0	0	0	0	(9,570)	0	(9,570)
PCSO Pay & Allowances	0	0	0	0	(388)	0	(388)
Police Staff Pay & Allowances	0	0	0	0	3,563	0	3,563
Technical Accounting Adjustments	(4,423)	0	(4,423)	(1,466)	0	157	(1,309)
Use of Capital Receipts	0	0	0	0	0	12	12
Net Cost of Services	(4,423)	0	(4,423)	(1,466)	(6,395)	169	(7,692)
Other Income and Expenditure	0	0	0	0	34,007	0	34,007
(Surplus)/Deficit on the Provision of Services	(4,423)	0	(4,423)	(1,466)	27,612	169	26,315
Further Analysis of Adjustments							
Depreciation/Amortisation				4,423	0	0	4,423
Minimum Revenue Provision (MRP)				(423)	0	0	(423)
Revaluations				(161)	0	0	(161)
Direct Revenue Contribution				(5,254)	0	0	(5,254)
Capital Grant Reversal				(364)	0	0	(364)
Profit & Loss on Sale of FA				313	0	0	313
Police Pensions - Interest on Liabilities				0	32,820	0	32,820
Police Pensions - Reverse Employer Contributions				0	(31,240)	0	(31,240)
Police Pensions - Current Service Cost				0	20,870	0	20,870
Police Pensions - Curtailment/Settlement				0	800	0	800
LGPS - Interest on Liabilities				0	4,612	0	4,612
LGPS - Return on Plan Assets				0	(3,425)	0	(3,425)
LGPS - Curtailment/Settlement				0	218	0	218
LGPS - Reverse Employer Contributions				0	(2,944)	0	(2,944)
LGPS - Current Service Cost				0	5,901	0	5,901
Use of Capital Receipts				0	0	12	12
Collection Fund Adjustment				0	0	257	257
Accumulated Absences Account Adj				0	0	(100)	(100)
Total Adjustments				(1,466)	27,612	169	26,315

Notes to the Accounts

The figures for the PCC for 2018/19 are set out in the table below:

Note to the Expenditure and Funding Analysis (PCC)	Depreciation	Rental Income	Total to arrive at amount charged to the Police Fund	PCC 2018/19 Adjustment for capital purposes (See below)	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services							
Police Staff Pay & Allowances	0	0	0	0	58	0	58
Technical Accounting Adjustments	(4,845)	0	(4,845)	668	0	515	1,183
Income from Fees & Charges	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	0	0	0	12	12
Net Cost of Services	(4,845)	0	(4,845)	668	58	527	1,253
Other Income and Expenditure	0	0	0	0	27	0	27
(Surplus)/Deficit on the Provision of Services	(4,845)	0	(4,845)	668	85	527	1,280
Further Analysis of Adjustments							
Depreciation/Amortisation				4,845	0	0	4,845
Minimum Revenue Provision (MRP)				(432)	0	0	(432)
Revaluations				(727)	0	0	(727)
Direct Revenue Contribution				(2,839)	0	0	(2,839)
Capital Grant Reversal				(939)	0	0	(939)
Profit & Loss on Sale of FA				760	0	0	760
LGPS - Interest on Liabilities				0	131	0	131
LGPS - Return on Plan Assets				0	(104)	0	(104)
LGPS - Curtailment/Settlement				0	0	0	0
LGPS - Reverse Employer Contributions				0	(61)	0	(61)
LGPS - Current Service Cost				0	119	0	119
Use of Capital Receipts				0	0	12	12
Collection Fund Adjustment				0	0	513	513
Accumulated Absences Account Adj				0	0	2	2
Total Adjustments				668	85	527	1,280

Notes to the Accounts

The comparative figures for the PCC for 2017/18 are set out in the table below:

Note to the Expenditure and Funding Analysis (PCC)	Depreciation	Rental Income	Total to arrive at amount charged to the Police Fund	PCC 2017/18 Adjustment for capital purposes (See below)	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services							
Police Officer Pay & Allowances	0	0	0	0	0	0	0
PCSO Pay & Allowances	0	0	0	0	0	0	0
Police Staff Pay & Allowances	0	0	0	0	78	0	78
Other Employee Budgets	0	0	0	0	0	0	0
Premises Related Expenditure	0	0	0	0	0	0	0
Transport Related Expenditure	0	0	0	0	0	0	0
Supplies & Services Expenditure	0	0	0	0	0	0	0
Third Party Related Expenditure	0	0	0	0	0	0	0
Technical Accounting Adjustments	(4,423)	0	(4,423)	(1,466)	0	256	(1,210)
Income from Fees & Charges	0	0	0	0	0	0	0
Grants & Contributions	0	0	0	0	0	0	0
Use of Capital Receipts	0	0	0	0	0	12	12
Non distributed costs	0	0	0	0	0	0	0
Termination Payments	0	0	0	0	0	0	0
Net Cost of Services	(4,423)	0	(4,423)	(1,466)	78	268	(1,120)
Other Income and Expenditure	0	0	0	0	31	0	31
(Surplus)/Deficit on the Provision of Services	(4,423)	0	(4,423)	(1,466)	109	268	(1,089)
Further Analysis of Adjustments							
Depreciation/Amortisation				4,423	0	0	4,423
Minimum Revenue Provision (MRP)				(423)	0	0	(423)
Revaluations				(161)	0	0	(161)
Direct Revenue Contribution				(5,254)	0	0	(5,254)
Capital Grant Reversal				(364)	0	0	(364)
Profit & Loss on Sale of FA				313	0	0	313
LGPS - Interest on Liabilities				0	128	0	128
LGPS - Return on Plan Assets				0	(97)	0	(97)
LGPS - Curtailment/Settlement				0	0	0	0
LGPS - Reverse Employer Contributions				0	(73)	0	(73)
LGPS - Current Service Cost				0	151	0	151
Use of Capital Receipts				0	0	12	12
Collection Fund Adjustment				0	0	257	257
Accumulated Absences Account Adj				0	0	(1)	(1)
Total Adjustments				(1,466)	109	268	(1,089)

6 Expenditure and Income Analysed by Nature

This note provides an analysis of the expenditure and income by the nature of that spend/income.

Expenditure and Income	PCC	PCC	Group	Group
	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s
Expenditure				
Police Pay & Allowances	20,918	20,343	78,760	81,472
PCSO Pay & Allowances	0	0	3,011	2,852
Police Staff Pay & Allowances	838	819	20,247	22,236
Other Employee Costs	60	42	2,935	3,382
Premises Related Costs	(1,167)	(1,140)	4,118	4,192
Transport Related Costs	(653)	(926)	2,154	2,323
Supplies & Services	(1,610)	(2,033)	10,236	10,424
Third Party Payments	3,514	2,177	4,959	3,487
External Interest	619	602	619	602
(Gain)/Loss on the Disposal of Assets	260	653	260	653
Technical Accounting Adjustments	5,729	3,448	5,828	3,142
Non Distributed Costs	0	0	1,018	55
Termination Payments	45	0	259	62
Funding Between PCC & CC	105,851	110,897	0	0
Total Expenditure	134,404	134,882	134,404	134,882
Income				
Income from Fees & Charges	(6,089)	(6,136)	(6,089)	(6,136)
Investment Property Rental Income	0	0	0	0
Income from Grant & Contributions	(3,846)	(2,157)	(3,846)	(2,157)
Interest & Investment Income	(90)	(146)	(90)	(146)
PFI Grant	(687)	(687)	(687)	(687)
Pensions Top Up grant (Home Office)	(20,917)	(20,343)	(20,917)	(20,343)
Total Income	(31,629)	(29,469)	(31,629)	(29,469)
Use of Reserves				
Transfer to/(from) Earmarked Reserves (Revenue)	3,606	1,235	3,606	1,235
Transfer to/(from) Earmarked Reserves (Capital)	(4,975)	(2,220)	(4,975)	(2,220)
	(1,369)	(985)	(1,369)	(985)
External Financing				
Income from Council Tax	(37,212)	(39,403)	(37,212)	(39,403)
Collection Fund Adjustment	(257)	(513)	(257)	(513)
General Government Grants				
- Home Office Police Grant	(28,320)	(28,320)	(28,320)	(28,320)
- Home Office Capital Grant & Other Capital Grants	(364)	(939)	(364)	(939)
- Council Tax Grants (Freeze & Support)	(4,850)	(4,850)	(4,850)	(4,850)
Formula Funding	(30,391)	(30,391)	(30,391)	(30,391)
Total	(101,394)	(104,416)	(101,394)	(104,416)
(Surplus)/Deficit on the Provision of Services	12	12	12	12

7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

The figures for the Group for 2018/19 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance £000s	Group Capital Receipts Reserve £000s	Group Capital Grants Unapplied £000s	Group Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	24,966	0	0	24,966
- Council tax (transfers to or from Collection Fund)	20c/29	513	0	0	513
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	308	0	0	308
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	4,598	0	938	5,536
Total Adjustments to the Revenue Resources		30,385	0	938	31,323
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(659)	659	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	12	(12)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	32	(432)	0	0	(432)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	30a	(2,839)	0	0	(2,839)
Total Adjustments between Revenue and Capital Resources		(3,918)	647	0	(3,271)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	30a	0	0	0	0
- Application of capital grants to finance capital expenditure	20b	0	0	(575)	(575)
Total Adjustments to Capital Resources		0	0	(575)	(575)
Total Adjustments		26,467	647	363	27,477

The comparative figures for the Group for 2017/18 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance £000s	Group Capital Receipts Reserve £000s	Group Capital Grants Unapplied £000s	Group Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	27,612	0	0	27,612
- Council tax (transfers to or from Collection Fund)	20c/29	257	0	0	257
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	(100)	0	0	(100)
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	4,746	0	364	5,110
Total Adjustments to the Revenue Resources		32,515	0	364	32,879
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(535)	535	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	12	(12)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	32	(423)	0	0	(423)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	30a	(5,255)	0	0	(5,255)
Total Adjustments between Revenue and Capital Resources		(6,201)	523	0	(5,678)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	30a	0	0	0	0
- Application of capital grants to finance capital expenditure	20b	0	0	0	0
Total Adjustments to Capital Resources		0	0	0	0
Total Adjustments		26,314	523	364	27,201

The figures for the PCC for 2018/19 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	PCC Police Fund Balance £000s	PCC Capital Receipts Reserve £000s	PCC Capital Grants Unapplied £000s	PCC Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	85	0	0	85
- Council tax (transfers to or from Collection Fund)	20c/29	513	0	0	513
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	2	0	0	2
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	4,598	0	938	5,536
Total Adjustments to the Revenue Resources		5,198	0	938	6,136
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(659)	659	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	12	(12)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	32	(432)	0	0	(432)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	30a	(2,839)	0	0	(2,839)
Total Adjustments between Revenue and Capital Resources		(3,918)	647	0	(3,271)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	30a	0	0	0	0
- Application of capital grants to finance capital expenditure	20b	0	0	(575)	(575)
Total Adjustments to Capital Resources		0	0	(575)	(575)
Total Adjustments		1,280	647	363	2,290

Notes to the Accounts

The comparative figures for the PCC for 2017/18 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	PCC Police Fund Balance £000s	PCC Capital Receipts Reserve £000s	PCC Capital Grants Unapplied £000s	PCC Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	109	0	0	109
- Council tax (transfers to or from Collection Fund)	20c/29	257	0	0	257
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	(1)	0	0	(1)
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	4,746	0	364	5,110
Total Adjustments to the Revenue Resources		5,111	0	364	5,475
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(535)	535	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	12	(12)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	32	(423)	0	0	(423)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	30a	(5,255)	0	0	(5,255)
Total Adjustments between Revenue and Capital Resources		(6,201)	523	0	(5,678)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	30a	0	0	0	0
- Application of capital grants to finance capital expenditure	20b	0	0	0	0
Total Adjustments to Capital Resources		0	0	0	0
Total Adjustments		(1,090)	523	364	(203)

8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund balances in earmarked reserves to provide financing for future expenditure plans and the movement on earmarked reserves during 2018/19 (and comparatives for 2017/18).

Earmarked Reserves	PCC/Group 2017/18 £000s	PCC/Group 2018/19 £000s	Description/Purpose
Insurance Reserve			
Balance at Start of Year	738	1,142	To offset any insurance claims not specifically detailed in the insurance provision.
Transfer to Reserve in Year	353	76	
Transfer from Reserve in Year	51	(15)	
Transfers Between Reserves	0	19	
Balance at End of Year	1,142	1,222	
Commissioned Services Reserve			
Balance at Start of Year	419	674	To provide resources for future expenditure on existing commitments under PCC commissioned services.
Transfer to Reserve in Year	255	307	
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	0	0	
Balance at End of Year	674	981	
Motor Claim Reserve			
Balance at Start of Year	19	19	Now amalgamated into the main insurance reserve.
Transfer to Reserve in Year	0	0	
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	0	(19)	
Balance at End of Year	19	0	
Chief Constable's Operational Reserve			
Balance at Start of Year	144	250	To provide resources to assist in funding unexpected major events, if necessary. The Home Office Financial Management Code recommends that there should be an operational contingency.
Transfer to Reserve in Year	20	0	
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	86	0	
Balance at End of Year	250	250	
Chief Constable's Contingency			
Balance at Start of Year	0	500	Reserve held to meet an increase in budget pressure arising in year as a result of budgeting risks taken during the budget process. The establishment of this reserve has supported a significant reduction in the ongoing revenue budget requirement.
Transfer to Reserve in Year	500	0	
Transfer from Reserve in Year	0	0	
Balance at End of Year	500	500	
PFI Reserve & Lifecycle Replacement			
Balance at Start of Year	309	289	To equalise the impact on the Comprehensive Income and Expenditure Statement of changing levels of grant income and charges over the period of the PFI contract. A decision was taken during 2015/16 to transfer funds within this reserve in response to the December 2015 floods and consequent changes to the capital programme.
Transfer to Reserve in Year	0	0	
Transfer from Reserve in Year	(20)	(15)	
Transfers Between Reserves	0	0	
Balance at End of Year	289	274	
Police and Crime Commissioner Operational Contingency			
Balance at Start of Year	250	250	To provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected expenditure/budget pressures in line with the Commissioner's responsibilities. The Home Office Financial Management Code recommends that there should be an operational contingency.
Transfer to Reserve in Year	0	0	
Transfer from Reserve in Year	0	0	
Balance at End of Year	250	250	

Transfers to/from Earmarked Reserves (Continued)

Earmarked Reserves	PCC/Group 2017/18 £000s	PCC/Group 2018/19 £000s	Description/Purpose
Investment Fund			
Balance at Start of Year	984	730	This fund was established to invest in initiatives to deliver the police and crime plan.
Transfer to Reserve in Year	36	(460)	
Transfer from Reserve in Year	192	480	
Transfers Between Reserves	(482)	0	
Balance at End of Year	730	750	
Short Term Project Reserves			
Balance at Start of Year	571	3,187	To support a variety of locally managed initiatives granted under the scheme of devolved resource management. These are primarily multi-year technology based projects or resources to provide funding for unbudgeted revenue costs within the 2018/19 or 2019/20 financial year.
Transfer to Reserve in Year	3,344	1,778	
Transfer from Reserve in Year	(642)	(916)	
Transfers Between Reserves	(86)	0	
Balance at End of Year	3,187	4,049	
Total Revenue Reserves			
Balance at Start of Year	3,434	7,041	Total of all reserves earmarked for revenue purposes (as set out above).
Transfer to Reserve in Year	4,508	1,701	
Transfer from Reserve in Year	(419)	(466)	
Transfers Between Reserves	(482)	0	
Balance at End of Year	7,041	8,276	
Capital Reserves			
Balance at Start of Year	17,829	12,854	The capital reserve holds direct contributions from the revenue budget to fund capital schemes within the approved capital programme. Capital reserves are set at a level to ensure that the programme is fully funded for the life of the medium term financial forecast (4 years).
Transfer to Reserve in Year	0	493	
Transfer from Reserve in Year	(5,457)	(2,713)	
Transfers Between Reserves	482	0	
Balance at End of Year	12,854	10,634	

9 Property, Plant and Equipment

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

Property, Plant and Equipment	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2018	52,769	9,214	17,953	4,646	280	84,862	7,917
Adjustment to Opening Balance	0	0	395	0	0	395	0
Additions	0	939	959	137	1,800	3,835	0
Enhancements	315	0	0	0	0	315	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,703	0	0	0	0	1,703	(219)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	435	0	0	0	0	435	0
Derecognition - Disposals	(458)	(1,201)	(322)	(818)	0	(2,799)	0
At 31 March 2019	54,764	8,952	18,985	3,965	2,080	88,746	7,698
Accumulated Depreciation & Impairment							
At 1 April 2018	(1,692)	(6,014)	(12,147)	(3,525)	0	(23,378)	(485)
Adjustment to Opening Balance	0	0	(395)	0	0	(395)	0
Depreciation Charge	(1,195)	(954)	(1,989)	(382)	0	(4,520)	(168)
Derecognition - Disposals	0	1,201	322	818	0	2,341	0
Depreciation written out to the Revaluation Reserve	2,233	0	0	0	0	2,233	318
Depreciation written out to the Surplus/Deficit on the Provision of Services	285	0	0	0	0	285	0
Impairment written out to the Surplus/Deficit on the Provision of Services	7	0	0	0	0	7	7
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Depreciation as at 31 March 2018	(362)	(5,767)	(14,209)	(3,089)	0	(23,427)	(328)
Net Book Value							
At 31 March 2019	54,402	3,185	4,776	876	2,080	65,319	7,370
At 31 March 2018	51,077	3,200	5,806	1,121	280	61,484	7,432



Construction on the Eden Deployment Centre commenced in May 2018 (design image)

The comparative figures for 2017/18 are set out in the table below:

Property, Plant and Equipment	Land and Buildings	Vehicles	PCC/Group IT and Technology	Furniture Equipment & Plant	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in P.P.E.
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2017	53,596	8,640	19,834	4,639	7	86,716	7,917
Additions	89	1,614	1,379	7	273	3,362	0
Enhancements	103	0	0	0	0	103	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(35)	0	0	0	0	(35)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(821)	0	0	0	0	(821)	0
Derecognition - Disposals	0	(1,040)	(3,260)	0	0	(4,300)	0
Assets reclassified (to)/from Held for Sale	(163)	0	0	0	0	(163)	0
At 31 March 2018	52,769	9,214	17,953	4,646	280	84,862	7,917
Accumulated Depreciation & Impairment							
At 1 April 2017	(1,581)	(6,373)	(13,420)	(3,127)	0	(24,501)	(317)
Depreciation Charge	(1,236)	(681)	(1,987)	(398)	0	(4,302)	(168)
Derecognition - Disposals	0	1,040	3,260	0	0	4,300	0
Depreciation written out to the Revaluation Reserve	143	0	0	0	0	143	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	982	0	0	0	0	982	0
Depreciation as at 31 March 2018	(1,692)	(6,014)	(12,147)	(3,525)	0	(23,378)	(485)
Net Book Value							
At 31 March 2018	51,077	3,200	5,806	1,121	280	61,484	7,432
At 31 March 2017	52,015	2,267	6,414	1,512	7	62,215	7,600



Accounting Policy - Property, Plant and Equipment

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

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

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

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

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Measurement (continued)

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

Component Accounting

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

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

9.a Valuations Rolling Programme

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

Valuations Rolling Programme	Land and Buildings	Vehicles	PCC/Group IT and Technology	Furniture Equipment & Plant	Assets Under Construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s
Carried at Historical Cost	283	8,952	18,984	3,560	2,080	33,859
Valued at Current Value as at:						
- 31 March 2019	48,011	0	0	405	0	48,416
- 31 March 2018	6,470	0	0	0	0	6,470
Total Cost or Valuation	54,764	8,952	18,984	3,965	2,080	88,745

Accounting Policy - Valuations

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

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

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

Accounting Policy – Valuations Material Estimation Techniques

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

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

9.b Impairment Review

The Commissioner's professional valuer, Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT, has made an assessment of the possible effects of material impairment to land and buildings during the financial year. His assessment was based on a number of specific criteria, which, in his opinion, could affect the valuation of assets. The outcome of the assessment process is the valuer has concluded that there are no impairments. Following the December 2015 flooding, the valuer impaired the Workington premises on a permanent basis reflecting an increase in the perceived risk of future flooding, this impairment has now been incorporated into the 2018/19 revaluation of that premises.

Accounting Policy - Impairment

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

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

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

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

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

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

A brief analysis of the Commissioner's principal assets as at 31 March 2019 is set out below:

Property, Plant and Equipment in Ownership of PCC	PCC/Group As at 31 March	
	2018 Number	2019 Number
HQ, TPA HQ & Larger Police Stations	9	9
Other Police Stations	9	9
Police Houses and other Properties	11	11
Surplus Properties/ Held for Sale/ Investment Properties	3	1
Vehicles	359	323

9.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2018/19 accounts.

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

The table below analyses the (gain)/loss on sale of property, plant and equipment for the year ended 31 March 2019.

Gain/Loss on Sale of Property, Plant and Equipment	Net Book Value £000s	PCC/Group		(Gain) / Loss 2018/19 £000s
		Costs of Sale £000s	Proceeds of Sale £000s	
Land and Buildings	1,419	12	(659)	772
Vehicles	0	13	(132)	(119)
Total	1,419	25	(791)	653

The comparative figures for 2017/18 are set out in the table below:

Gain/Loss on Sale of Property, Plant and Equipment	Net Book Value £000s	PCC/Group		(Gain) / Loss 2017/18 £000s
		Costs of Sale £000s	Proceeds of Sale £000s	
Land and Buildings	848	12	(535)	325
Vehicles	0	6	(71)	(65)
Total	848	18	(606)	260

Note in 2018/19 £132k (£71k in 2017/18) of receipts from proceeds of sale included in the above table were individually below the £10k threshold for recognition as capital receipts and have therefore been treated as revenue income. This explains why the capital receipts recorded in note 7 show £659k (£535k in 2017/18) rather than £791k (£606k in 2017/18) as above.

Accounting Policy - Capital Receipts

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

10 Assets Held for Sale

Assets held for sale relate to land and buildings assets that are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets. The assets are being actively marketed for a sale at a price that is reasonable in relation to its current [fair value](#). The sale is expected to qualify for recognition as a completed sale within one year from the date of classification. The table below shows the movement on Assets Held for Sale in 2018/19 with comparative information for 2017/18.

Assets Held for Sale	PCC/Group As at 31 March	
	2018 £000s	2019 £000s
Balance outstanding at start of year	1,546	961
Newly classified as held for sale	163	0
Assets sold	(748)	(961)
Balance outstanding at end of year	961	0

At 31 March 2019 there were no assets classified as **held for sale**.

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

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

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

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

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

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

11 Intangible Assets

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

A summary of the movements in intangible assets during the year and the position as at 31 March 2019 (with comparatives for 2017/18) is set out in the table below:

Intangible Assets	PCC/Group	
	2017/18 £000s	2018/19 £000s
Balance at start of year		
- Gross carrying amount	3,318	5,027
- Accumulated amortisation	(2,984)	(3,024)
Net carrying amount at start of year	334	2,003
Additions	1,790	1,064
Disposals	(81)	(255)
Amortisations for the period	(121)	(323)
Amortisation adjustment re disposals	81	254
Net carrying amount at end of year	2,003	2,743
Comprising		
- Gross carrying amount	5,027	5,836
- Accumulated amortisation	(3,024)	(3,093)
	2,003	2,743

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

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

Accounting Policy - Intangible Assets

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

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

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

12 Private Finance Initiative (PFI)

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

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

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

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

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

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

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

12.a Movement on Fixed Assets

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

12.b PFI Finance Lease Liability

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

PFI Lease Liability	PCC/Group As at 31 March	
	2018 £000s	2019 £000s
Balance at the start of the year	(5,012)	(4,887)
Repayments made during year	125	142
Balance at the end of the year	(4,887)	(4,745)
Split of liability		
Current Liability	(142)	(160)
Long Term Liability	(4,745)	(4,585)
	(4,887)	(4,745)

12.c Payments Due to be made under PFI Contract

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

Payments Due under PFI Contract	PCC/Group			
	Repayment of Liability £000s	Interest Payments £000s	Service Costs £000s	Total £000s
Repayable within one year	160	584	515	1,259
Between two and five years	884	2,092	2,279	5,255
Between six and ten years	3,701	1,008	1,518	6,227
	4,745	3,684	4,312	12,741

The repayment of liability figures include a sum of £2,910k between 6 and 10 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 2 (page 41) for further explanation.

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

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

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

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

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

13 Leases

13.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

13.b Operating leases

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

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

Future Minimum Lease Payments	PCC/Group As at 31 March	
	2018	2019
	£000s	£000s
Not later than one year	194	199
Later than one year and not later than five years	124	124
Later than five years.	3,371	3,340
	3,689	3,663

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

Lease Expenditure Charged to Net Cost of Police Services	PCC/Group 2017/18 £000s	PCC/Group 2018/19 £000s
Minimum Lease Payments		
- Land and Buildings	120	110
- Equipment	74	85
	194	195



North Cumbria Territorial Policing Area HQ – Carlisle

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

Accounting Policy - Leases

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

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

Finance leases (as Lessee)

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

Lease payments are apportioned between:

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

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

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

Operating Leases (as Lessee)

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

Finance Leases (as Lessor)

- There are currently no finance leases as a lessor.

Operating Leases (as Lessor)

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

14 Short-term Debtors

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

A breakdown of the amounts owing to the Commissioner as at 31 March 2019 is set out in the table below:

Short-term Debtors	PCC		Group	
	As at 31 March		As at 31 March	
	2018	2019	2018	2019
	£000s	£000s	£000s	£000s
Central Government Bodies	5,915	4,452	5,915	4,452
Other Police / Local Authorities	630	279	630	279
NHS Bodies	39	39	39	39
Public Corporations & Trading Funds	27	0	27	0
Other Entities and Individuals (see below)	7,333	6,225	7,333	6,225
	13,944	10,995	13,944	10,995
Balances Owed From Chief Constable:				
- Re CC Share of External Creditors	11,542	9,358	0	0
- Re balance of Funding	4,500	3,003	0	0
Total Debtors	29,986	23,356	13,944	10,995

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

Analysis of Other Entities and Individuals	PCC		Group	
	As at 31 March		As at 31 March	
	2018	2019	2018	2019
	£000s	£000s	£000s	£000s
Police Pensioners Prepayment	2,353	2,474	2,353	2,474
Goods and Services	537	567	537	567
Prepayments/Payments In Advance	3,225	1,682	3,225	1,682
Employees (accumulated compensating absences)	118	158	118	158
Local Taxpayers (#)	1,971	2,403	1,971	2,403
	8,204	7,284	8,204	7,284
Less Impairment Allowance for Doubtful Debts:				
- Goods & Services	(3)	(2)	(3)	(2)
- Local Taxpayers (#)	(868)	(1,057)	(868)	(1,057)
	(871)	(1,059)	(871)	(1,059)
Other Entities and Individuals (Net of Impairment)	7,333	6,225	7,333	6,225

The debtors in respect of Local Taxpayers represent the Commissioner's share of the debtors recorded by the six Cumbrian District Councils in respect of Council Tax. This figure is reduced by the Commissioner's share of their respective impairment allowance for doubtful debts. In a new requirement for 2018/19 the Commissioner must show the age profile of debtors in respect of local taxation.

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax) can be analysed by age as follows:

Council Tax Debtors	PCC/Group	
	31 March 2018 £000s	31 March 2019 £000s
Less than Three Months		
Three to Six Months		
Six Months to One Year		
More than One Year		
	0	0

Please note, at the time of preparing the draft statement of accounts in May 2019 the split of aged debtors in relation to the Commissioner's share of council tax income was not available from each of the district councils to show in this table. The figures will be updated as soon as possible.

15 Short-term Creditors

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

An analysis of the amounts owed by the Commissioner as at 31 March 2019 is set out in the table below:

Short-term Creditors	PCC		Group	
	As at 31 March		As at 31 March	
	2018 £000s	2019 £000s	2018 £000s	2019 £000s
Central Government Bodies	(2,022)	(2,079)	(2,022)	(2,079)
Other Police / Local Authorities	(1,207)	(1,286)	(1,207)	(1,286)
NHS Bodies	(1,053)	(47)	(1,053)	(47)
Public Corporations & Trading Funds	(1)	(1)	(1)	(1)
Other Entities and Individuals (see below)	(9,623)	(8,188)	(9,623)	(8,188)
	(13,906)	(11,601)	(13,906)	(11,601)
Balances Owed to Chief Constable:				
- Re CC Share of External & Employee Debtors	(4,386)	(2,888)	0	0
- Re balance of Funding	(10,072)	(7,477)	0	0
Total Creditors	(28,364)	(21,966)	(13,906)	(11,601)

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

Analysis of Other Entities and Individuals	PCC		Group	
	As at 31 March		As at 31 March	
	2018	2019	2018	2019
	£000s	£000s	£000s	£000s
Goods and Services	(5,103)	(3,851)	(5,103)	(3,851)
Receipts In Advance	(955)	(325)	(955)	(325)
Employees (accumulated compensating absences)	(2,874)	(3,222)	(2,874)	(3,222)
Local Taxpayers	(691)	(790)	(691)	(790)
Other Entities and Individuals	(9,623)	(8,188)	(9,623)	(8,188)

16 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 2019 is provided below:

- Insurance liabilities – this provision has been established to meet a number of eventualities from ongoing claims which are not covered by external insurers. In particular, liability risks up to £100k per event (this figure was £25k until 1 November 2014 when the policy excess was increased from £25k to £100k) are retained by the Commissioner and met internally. The provision for insurance liabilities is subject to an actuarial review on a bi-ennial basis to determine the most appropriate level for the provision based on the circumstances at the time of the review.
- Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.
- Employee Related – This provision has been established to cover the potential costs in relation to the capital ill health charge in respect of three cases where the constabulary has been required to retire a police officer on ill health grounds. Whilst the initial decision was made in March, a potential to appeal the decision will mean that the ultimate cost will fall in to 2019/20.

The table below shows the movements during the year on each of the group provisions and the position as at 31 March 2019.

Provisions	Balance as at 01/04/18	Additional Provisions Made 2018/19	Amounts Used in 2018/19	Unused Amounts Reversed in 2018/19	Balance as at 31/03/19
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(279)	(105)	75	30	(279)
Legal Claims	(1,119)	(101)	337	64	(819)
Employee Related	0	(235)	0	0	(235)
Total Provisions	(1,398)	(441)	412	94	(1,333)

The comparative information for year ended 31 March 2018 is as follows:

Provisions	Balance as at 01/04/17	Additional Provisions Made 2017/18	Amounts Used in 2017/18	Unused Amounts Reversed in 2017/18	Balance as at 31/03/18
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(484)	(145)	43	307	(279)
Legal Claims	(851)	(331)	13	50	(1,119)
Total Provisions	(1,335)	(476)	56	357	(1,398)

Accounting Policy – Provisions

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

Provisions are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Details of provisions made during the year are shown below.

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

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

17 Financial Instruments

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

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the PCC/Group are included in Section A of a separate technical appendix at Annex B on pages 106 to 111.

The disclosures include:

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

18 Pensions

The PCC/Group participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the PCC/Group are included in a separate technical appendix at Annex C on pages 112 to 123.

The disclosures include:

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

19 Usable Reserves

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

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

- **Capital Receipts Reserve** – this reserve is used to hold capital receipts until they are utilised to finance capital expenditure or reduce borrowing.
- **Capital Grants Unapplied Account** – this reserve is used to hold capital grants until they are utilised to finance capital expenditure.
- **Capital Reserve** – this reserve is a revenue backed earmarked reserve that has been set aside to fund capital expenditure.
- **Earmarked Reserves** - The Commissioner has a number of earmarked reserves that exist both to provide a **contingency** to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Commissioner's earmarked reserves have been formulated in conjunction with the **CIPFA** guidance on Reserves and **Provisions**. Details of the earmarked reserves in existence and a brief description as to their purpose is included in note 8 to the accounts (see pages 57-58).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 35 to 36), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 7) and Transfer to/from Earmarked reserves (Note 8).

Accounting Policy - Reserves

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

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

20 Unusable Reserves

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

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

20.a Revaluation Reserve

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

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

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

The movements on the reserve during 2018/19 and the previous year are set out in the table below:

Revaluation Reserve	PCC/Group 2017/18 £000s	PCC/Group 2018/19 £000s
Balance at Start of Year	9,448	9,452
Upward revaluation of assets	108	4,480
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	(544)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	108	3,936
Accumulated gains on assets sold or scrapped	(104)	(187)
Amount written off to Capital Adjustment Account	(104)	(187)
Balance at End of Year	9,452	13,201

20.b Capital Adjustment Account

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

The movements on the account during 2018/19 and the previous year are set out in the table below:

Capital Adjustment Account	PCC/Group 2017/18 £000s	PCC/Group 2018/19 £000s
Balance at Start of Year	36,354	37,026
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(4,302)	(4,514)
Revaluation gains/(losses) on Property, Plant and Equipment	161	720
Amortisation of Intangible assets	(121)	(323)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(848)	(1,419)
	(5,110)	(5,536)
Adjusting amounts written out of the Revaluation Reserve	104	187
Net written out amount of the cost of non-current assets consumed in the year	(5,006)	(5,349)
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	575
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund	423	432
Capital expenditure charged against the Police Fund	5,255	2,839
	5,678	3,846
Balance at End of Year	37,026	35,523

20.c Collection Fund Adjustment Account

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

The end of year balance on the account reflects the Commissioner's aggregate share of the Surplus/(Deficit) on the Collection fund operated by each of the 6 district councils (or billing authorities) that has yet to be distributed. The movements on the account during 2018/19 and the previous year are set out in the table below:

Collection Fund Adjustment Account	PCC/Group	PCC/Group
	2017/18	2018/19
	£000s	£000s
Balance at Start of Year	720	463
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(257)	(513)
Balance at End of Year	463	(50)

A further breakdown of the movement in year by district council, is provided in note 28 on page 92.

Accounting Policy – Collection Fund

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

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

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

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

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

20.d Accumulated Absences Account

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

Accumulated Absences Account	PCC 2017/18 £000s	PCC 2018/19 £000s	Group 2017/18 £000s	Group 2018/19 £000s
Balance at Start of Year	(7)	(6)	(2,856)	(2,756)
Settlement or cancellation of accrual made at the end of the preceeding year	7	6	2,856	2,756
Amounts accrued at the end of the current year	(6)	(8)	(2,756)	(3,064)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1	(2)	100	(308)
Balance at End of Year	(6)	(8)	(2,756)	(3,064)

Accounting Policy - Employee Benefits payable during Employment

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

20.e Pensions Reserve

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

Pensions Reserve	PCC		Group		Group	
	LGPS Pensions		LGPS Pensions		Police Pensions	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(1,258)	(1,098)	(47,136)	(41,107)	(1,243,120)	(1,187,670)
Adjustment to Opening Balance	0	(3)	0	(109)	0	0
Adjusted Balance at Start of Year	(1,258)	(1,101)	(47,136)	(41,216)	(1,243,120)	(1,187,670)
Remeasurement of the net defined pension benefit liability/asset	269	(164)	10,391	(7,152)	78,700	(33,050)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(182)	(146)	(7,306)	(7,070)	(54,490)	(52,360)
Employer's pension contributions and direct payments to pensioners payable in the year.	73	61	2,944	3,054	31,240	31,410
Balance at End of Year	(1,098)	(1,350)	(41,107)	(52,384)	(1,187,670)	(1,241,670)

20.f Available for Sale Financial Instruments Reserve

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

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

Available for Sale Financial Instruments Reserve	PCC/Group	
	2017/18	2018/19
	£000s	£000s
Balance at Start of Year	(18)	(11)
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	7	11
Balance at End of Year	(11)	0

21 Related Party Transactions

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

21.a Chief Constable for Cumbria Constabulary

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

21.b Central Government

Central government has effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework within which the Commissioner operates and provides the majority of its funding in the form of grants. Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement (page 33). Government Grants included within the Net Cost of Services are detailed in note 27 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 14.

21.c Members

The Commissioner has eight appointed Members, four who serve on the Joint Audit Committee and four who serve on the Ethics and Integrity Panel. These members are required to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2018/19 financial year. The total members allowances paid in 2018/19 are shown in note 22.

21.d Officers and Employees

Employees of the Commissioner and senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2018/19 financial year.

21.e Other Public Bodies

The Commissioner's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex C) pages 112-123.

The amounts received in respect of council tax income from the six Cumbrian District Councils are detailed in note 28.

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

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

22 Members Allowances and Expenses

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

Members Allowances	PCC/Group 2017/18 £000s	PCC/Group 2018/19 £000s
Basic Allowance	15	19
Travel and Subsistence	8	7
	23	26

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

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

23 Disclosure of Remuneration for Senior Employees

The following tables sets out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is less than £150,000 but more than £50,000 per year. The first table provides the information for 2018/19 and the second provides comparatives for 2017/18.



The table below gives the PCC and Group information for 2018/19 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Police & Crime Commissioner								
Police & Crime Commissioner		66	1	0	0	67	10	77
PCC Chief Executive (A)	6	74	0	0	0	74	11	85
PCC Chief Executive (B)	6	74	0	0	0	74	11	85
Total PCC		214	1	0	0	215	33	248
Shown in Single Entity Statements of Chief Constable								
Chief Constable		153	7	0	3	164	32	196
Deputy Chief Constable	1	117	7	0	0	124	24	148
Temporary Assistant Chief Constable (A)	2	101	8	0	3	111	20	131
Temporary Assistant Chief Constable (B)	3	83	3	1	2	89	17	106
Joint Chief Finance Officer		77	0	0	0	77	12	89
Director of Corporate Support		85	0	0	0	85	13	98
Director of Corporate Improvement		85	0	0	0	85	13	98
Chief Superintendent - Territorial Policing		87	1	1	3	92	18	111
Superintendent - Head of People		79	2	1	0	81	17	98
Temporary Chief Superintendent - Crime Command	4	83	5	0	3	90	17	107
Temporary Chief Superintendent - Territorial Policing	5	82	5	1	2	90	17	107
Director of Legal Services		83	1	1	0	85	13	98
Total CC		1,112	39	5	16	1,173	213	1,386
Total Group		1,326	40	5	16	1,388	246	1,634

Notes:

- 1 The Deputy Chief Constable was promoted to DCC w.e.f. 18/09/18 following a period of Temporary promotion.
- 2 Temporary Assistant Chief Constable (A) was promoted to T/ACC w.e.f. 03/03/18.
- 3 Temporary Assistant Chief Constable (B) was promoted to Temp ACC for the period 14/01/19 to 24/03/19 following which he reverted to Superintendent.
- 4 Temporary Chief Superintendent Crime Command was promoted to the Temp. CS post from 03/03/19.
- 5 Temporary Chief Superintendent Territorial Policing was promoted to the Temp. CS post from 02/07/18.
- 6 The role of Chief Executive to the Commissioner is shared between two individuals each taking responsibility for six months of the year. For the other six month period each will act as Deputy Chief Executive.

The comparative PCC and Group figures for 2017/18 in £000s, are set out in the table below:

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Salary Sacrifice	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Police & Crime Commissioner										
Police & Crime Commissioner		65	2	0	0	0	0	67	10	77
PCC Chief Finance Officer	10	20	0	0	45	0	0	65	3	68
PCC Chief Executive (A)	11	46	0	0	0	0	0	46	7	53
PCC Chief Executive (B)	12	65	0	0	0	0	0	65	10	75
PCC Chief Executive (C)	13	66	0	(1)	0	0	0	65	10	75
Total PCC		262	2	(1)	45	0	0	308	40	348
Shown in Single Entity Statements of Chief Constable										
Chief Constable (A)	1	141	7	0	0	0	3	151	0	151
Deputy Chief Constable (A) / Chief Constable (B)	2	118	7	0	0	0	3	128	25	153
Temporary Assistant Chief Constable (A)	3	50	2	0	6	0	2	60	11	71
Assistant Chief Constable (A) / Temporary Deputy Chief Constable (B)	4	82	5	0	0	27	0	114	17	131
Temporary Assistant Chief Constable (B)	5	85	3	0	0	1	3	92	18	110
Joint Chief Finance Officer	6	71	0	0	0	0	0	71	11	82
Director of Corporate Support		82	0	0	0	0	0	82	10	92
Director of Corporate Improvement		82	0	0	0	0	0	82	12	94
Chief Superintendent - Territorial Policing	7	86	2	0	0	1	3	92	18	110
Superintendent - Head of People		75	1	0	0	1	0	77	17	94
Temporary Chief Superintendent - Crime Command	8	56	2	0	0	1	2	61	11	72
Temporary Chief Superintendent - Territorial Policing	9	78	2	0	0	1	3	84	16	100
Director of Legal Services		73	1	0	0	0	0	75	11	86
Total CC		1,079	32	0	6	33	19	1,169	177	1,346
Total Group		1,341	34	(1)	51	33	19	1,477	217	1,694

Notes:

- Chief Constable (A) retired from the Constabulary on 31/03/18.
- Deputy Chief Constable (A) became Temporary Chief Constable w.e.f. 03/03/18 and Chief Constable (B) from 01/04/18.
- Temporary Assistant Chief Constable (A) was T/ACC w.e.f. 01/01/17 to 30/06/17, reverting to Chief Superintendent on 01/07/17 until retirement on 18/10/17.
- Assistant Chief Constable (A) was appointed on 01/07/17 and was subsequently promoted to Temporary Deputy Chief Constable 03/03/18.
- Temporary Assistant Chief Constable (B) was appointed on 03/03/18, prior to this occupied the position of Chief Superintendent – Crime Command.
- The Chief Constable's Chief Finance Officer became the Joint Chief Finance Officer w.e.f. 31/05/17.
- Chief Superintendent – Territorial Policing was previously Chief Superintendent Operational Benefits Delivery until 18/06/17.
- Temporary Chief Superintendent – Crime Command was appointed on 05/06/17 and was subsequently promoted to Temporary Chief Superintendent on 03/03/18.
- Temporary Chief Superintendent – Territorial Policing was in post until 18/06/17 and then reverted to the role of Superintendent Operational Support.
- The PCC Chief Finance Officer left the organisation on 31/08/17 following a re-structure within the OPCC.
- Chief Executive (A) retired on 30/09/2017.
- Chief Executive (B) was chief executive for the period 01/09/17 to 13/03/18, for the remainder of the financial year, the post holder performed the role of Head of Partnerships and Commissioning.
- Chief Executive (C) was Chief Executive from 14/03/18, for the remainder of the financial year, the post holder performed the role of Head of Communications and Business Services.

24 Employee Remuneration

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

Remuneration Band	2017/18				2018/19			
	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total
£50,000 to £54,999	0	3	0	3	0	5	0	5
£55,000 to £59,999	0	2	2	4	0	2	0	2
£60,000 to £64,999	1	4	0	5	0	6	0	6
£65,000 to £69,999	3	0	0	3	1	0	0	1
£70,000 to £74,999	0	2	0	2	2	0	0	2
£75,000 to £79,999	1	0	0	1	0	1	0	1
£80,000 to £84,999	0	2	0	2	0	3	1	4
£85,000 to £89,999	0	0	2	2	0	0	1	1
£90,000 to £94,999	0	1	0	1	0	1	1	2
£95,000 to £99,999	0	0	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	0	0	1	1
£105,000 to £109,999	0	0	1	1	0	0	0	0
£110,000 to £114,999	0	0	0	0	0	0	0	0
£115,000 to £119,999	0	0	0	0	0	0	1	1
£120,000 to £124,999	0	0	1	1	0	0	0	0
£125,000 to £129,999	0	0	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0	0	0
£140,000 to £144,999	0	0	1	1	0	0	0	0
£145,000 to £149,999	0	0	0	0	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0	0	0
£155,000 to £159,999	0	0	0	0	0	0	1	1
Total	5	14	7	26	3	18	6	27

In 2018/19 the remuneration for 94 Police Officers (96 in 2017/18) superintendent rank and below (who are not required to be disclosed in the above note under regulations) exceeded £50,000.

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

25 Exit Packages/Termination Payments

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

Exit package cost band (including special payments)	PCC/Group		PCC/Group		PCC/Group		PCC/Group	
	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	2017/18 Headcount	2018/19 Headcount	2017/18 Headcount	2018/19 Headcount	2017/18 Headcount	2018/19 Headcount	2017/18 £000's	2018/19 £000's
£0-£20,000	0	1	1	1	1	2	16	21
£20,001 - £40,000	0	0	1	0	1	0	30	0
£40,001 - £60,000	1	1	1	0	2	1	89	41
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	0	1	0	129	0
Total	1	2	4	1	5	3	264	62

During 2018/19 the contracts of a small number of employees were terminated incurring termination payments amounting to £61k (£259k in 2017/18). This amount is made up exit packages paid and accrued in 2018/19.

The exit packages paid in 2018/19 amount to £62k (£264k in 2017/18). The exit packages can be further split into compensation for loss of employment £24k (£176k in 2017/18) and enhanced pension benefits £38k (£88k in 2017/18). The redundancies are as a result of the OPCC and Constabulary's change programme. The Exit Packages table above provides details of the number and total cost of exit packages per band and include those exit packages paid in 2018/19 and those agreed for individuals in 2018/19 but paid in 2019/20 for which an accrual was made in the 2018/19 accounts.

During 2018/19 an amount of -£1k arose as a result of a number of amounts that had been accrued in the 2017/18 accounts for which the final settlement during 2018/19 was slightly lower. These amounts are not included in the above table in 2018/19 as the exit packages for those individuals are included in the 2017/18 column. The figure shown on the face of the Expenditure and Funding Analysis (pages 41-42) for 2018/19 is made up of the exit packages paid in the year of £62k (per the table above) minus £1k in respect of these differences in accruals.

During 2017/18 an amount of -£5k arose as a result of a number of amounts that had been accrued in the 2016/17 accounts for which the final settlement during 2017/18 was slightly lower. These amounts are not included in the above table in 2017/18 as the exit packages for those individuals are included in the 2016/17 column. The figure shown on the face of the Expenditure and Funding Analysis (pages 41-42) for 2017/18 is made up of the exit packages paid in the year of £264k (per the table above) minus £5k in respect of these differences in accruals.

Accounting Policy - Termination Benefits

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

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

26 Audit Fees

In 2018/19 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	Group 2017/18 £000s	Group 2018/19 £000s
Amounts Relating to The Police and Crime Commissioner		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	30	23
	30	23
Amounts Relating to The Chief Constable		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	15	12
	15	12
Total External Audit Fees for Year	45	35

The above table shows the gross fees payable to the external auditor during the year. In 2017/18 rebates of audit fees of £4k for the PCC and £2k for the Chief Constable were received from Public Sector Audit Appointments.

27 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19.

Grant Income	PCC/Group	
	2017/18 £000s	2018/19 £000s
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions - General	364	939
Formula Funding (Home Office)	30,391	30,391
Council Tax Freeze & Local Council Tax Support Support (Home Office)	4,850	4,850
Home Office Police Grant	28,320	28,320
PFI Grant (Home Office)	687	687
Police Pension Grant (Home Office)	20,917	20,343
TOTAL	85,529	85,530
Credited to Services		
<i>Grants and Contributions - Central Government</i>		
Apprenticeship Levy (Home Office)	2	20
Criminal Records Bureau (Home Office)	305	325
Dedicated Security Posts (Home Office)	153	0
Innovation Fund (Home Office)	1,863	0
Victims Services (Ministry of Justice)	584	579
Collaborations (Various)	212	242
	3,119	1,166
<i>Grants and Contributions - Other</i>		
NHS Funding (SASS)	343	349
Local Partnership	163	400
Youth Offending Team (Cumbria CC)	99	101
Safer Cumbria Delivery Board (PCC for Cumbria)	122	141
	727	991
TOTAL	3,846	2,157

Accounting Policy - Government Grants and Contributions

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

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

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

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

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

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

28 Income from Council Tax

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

The income from Council Tax for 2018/19 is received as precept from the six district councils as set out below:

Council Tax Income	Precept Paid 2018/19 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	7,155	(111)	7,044
Barrow Borough Council	4,681	(113)	4,568
Carlisle City Council	7,854	(44)	7,810
Copeland Borough Council	4,904	(107)	4,797
Eden District Council	4,762	(57)	4,705
South Lakeland District Council	10,560	(81)	10,479
	39,916	(513)	39,403

The comparative information for 2017/18 is as follows:

Council Tax Income	Precept Paid 2017/18 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	6,800	(47)	6,753
Barrow Borough Council	4,209	(33)	4,176
Carlisle City Council	7,409	(97)	7,312
Copeland Borough Council	4,588	(1)	4,587
Eden District Council	4,518	(81)	4,437
South Lakeland District Council	9,945	2	9,947
	37,469	(257)	37,212

29 Capital Expenditure and Capital Financing

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

The commissioner approves on an annual basis a capital programme for the Constabulary. The capital programme is fully funded for a four year period to tie in with the medium term financial forecast. The capital programme covers the routine cyclical replacement of ICT equipment and vehicles and also includes specific one off projects. Due to the cyclical nature of the majority of the capital programme, the programme is also modelled at a high level over a 10 year longer term horizon. The capital programme for 2018/19 was approved by the Commissioner at his Public Accountability Conference on 14 February 2018. The capital strategy report can be found on the Commissioner's website at: <https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/2018-02-14-Part-1-PAC-Papers-for-website-COMBINED.pdf>

The capital outturn report for 2018/19 was approved by the Commissioner on 9 May 2019 and can also be found on the Commissioner's website.

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

Capital Expenditure	PCC/Group	
	2017/18 £000s	2018/19 £000s
Technology Schemes		
Case & Custody System	22	0
Computer Hardware & Infrastructure	586	452
Mobility & Digitisation	111	149
Wide Area Network (WAN)	67	0
Control Room Futures	296	208
ESN	34	0
Body Worn Video	225	63
Other Technology Schemes	38	87
	1,379	959
Vehicles Replacement Scheme	1,614	939
Building Schemes		
West Cumbria Land Purchase	(25)	283
Eden Deployment Centre	273	1,800
Other Building Schemes	217	32
	465	2,115
Equipment Schemes		
County Wide CCTV System	7	0
Automatic Number Plate Recognition (ANPR)	0	50
CCTV and Cell Call (Durranshill)	0	43
Ballistic Shields	0	44
	7	137
Intangible Assets	1,790	1,064
Total Capital Expenditure	5,255	5,214

29.a Capital Financing

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

Capital Financing Requirement	PCC/Group	
	2017/18 £000s	2018/19 £000s
Opening Capital Financing Requirement	18,402	17,979
<i>Capital investment</i>		
Property, Plant and Equipment	3,465	4,150
Intangible Assets	1,790	1,064
<i>Sources of Finance</i>		
Government grants and other contributions	0	(575)
Sums set aside from revenue:		
- Direct revenue contributions	(5,255)	(2,839)
- Minimum revenue provision	(423)	(432)
Closing Capital Financing Requirement	17,979	19,347
<i>Explanation of Movements in Year</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(423)	(432)
Notional/Internal Borrowing	0	1,800
Increase/(decrease) in Capital Financing Requirement	(423)	1,368

30 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £5,195k in respect of a number of schemes from the 2018/19 capital programme (£2,770k in 2017/18).

Outstanding Capital Commitments	PCC/Group As at 31 March	
	2018 £000s	2019 £000s
Control Room Futures	2,378	1,372
Digital Policing	0	6
E Business	53	79
Vehicle Replacement	42	372
Case and Custody	0	39
CCTV and Cell Call (Durranshill)	0	47
Heating and ventilation plant	0	3
Flood Works at HQ	10	0
Eden Deployment Centre/Carpark	225	3,277
Other Capital Commitments	62	0
Total	2,770	5,195

31 Minimum Revenue Provision

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

In line with the Capital Finance and Accounting regulations a Statement of MRP Policy was approved in February 2017 as part of the Treasury Management Strategy Statement. The policy states that MRP will be calculated using the regulatory method for debt incurred prior to 1 April 2008 and on the asset life basis for debt incurred after this date. In respect of PFI assets brought onto the balance sheet under the 2009 SORP, the MRP provision will match the annual principal repayment for the associated deferred liability.

The Minimum Revenue Provision charged for the year 2018/19 (and comparatives for 2017/18) is made up as follows:

Minimum Revenue Provision	PCC/Group 2017/18 £000s	PCC/Group 2018/19 £000s
Minimum Revenue Provisions (MRP)		
Core MRP	298	290
PFI MRP	125	142
Total MRP for Year	423	432

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

For 2018/19 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property.
- Annual Improvements to IFRS Standards 2014 – 2016 cycle.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9 Financial Instruments: Prepayments Features with Negative Compensation.

In the Financial Statements for 2019/20, the effect of the changes will be assessed and where necessary, the comparative figures restated.

33 Contingent Liabilities

Pension Challenge

The Chief Constable of Cumbria, along with other Chief Constables and the Home Office, currently has 146 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be approximately 5.4% of national pension scheme liabilities as at March 2018. This estimate is based on one potential remedy and depending on the outcome of the appeal, the remedy calculation and its applicability to the Police Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

The quantum and who will bear the cost is uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2018/19 Accounting Statements.

Accounting Policy - Contingent Liabilities

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

34 Prior Period Adjustment

There are no prior period adjustments in relation to the 2018/19 Statement of Accounts, the 2017/18 comparative figures are as reported in the 2017/18 Statement of Accounts.

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

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

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

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



Police Officer Pension Fund Account

Police Officer Pension Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2018/19 financial year together with comparative information for 2017/18.

Police Officer Pension Fund Account	Group 2017/18 £000s	Group 2018/19 £000s
Contributions Receivable		
Employer		
- Contributions (21.3% of Pensionable Pay in 2018/19 and 2017/18)	(8,194)	(8,506)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(1,881)	(1,572)
- 2006 Scheme Member Contributions (see narrative for rates)	(102)	(76)
- 2015 Scheme Member Contributions (see narrative for rates)	(3,202)	(3,724)
	(13,379)	(13,878)
Transferees in from Other Schemes	(197)	(178)
Capital Equivalent charge for ill-health schemes	(160)	(400)
	(357)	(578)
Benefits Payable		
Recurrent Pensions	27,076	28,529
Commutations and Lump Sums	8,491	7,190
Other (Scheme Pays)	157	159
	35,724	35,878
Payments to and on Account of Leavers		
Refund of Contributions	25	21
Transfer out to other schemes	7	58
	32	79
Net Amount Payable for the Year	22,020	21,501
Additional Contribution from the Police & Crime Commissioner	(20,918)	(20,343)
Additional Funding Payable by the Police and Crime Commissioner (2.9%)	(1,102)	(1,158)
Net Amount Payable (Receivable) for the Year	0	0

Net Assets Statement

This statement shows the net assets and liabilities of the scheme as at 31 March 2019.

Pension Fund Net Assets & liabilities	Group 2017/18 £000s	Group 2018/19 £000s
Current Assets		
Pensions Benefits paid in advance	2,295	2,401
Current Liabilities		
Amount due to the Police & Crime Commissioner	(2,295)	(2,401)
	0	0

Accounting Policies

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

Operation of Police Pensions Schemes

Since 1 April 2015 the Chief Constable has operated three Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The original Police Officer Pension scheme is known as the 1987 scheme. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the 2006 scheme and the previous 1987 scheme was closed to new members. Officers who were members of the 1987 scheme were allowed by regulation to become members of the 2006 scheme if they wished. Members' contribution rates for 2018/19 and 2017/18 were between 11% and 12.75% for the 2006 scheme and between 14.25% and 15.05 for the 1987 scheme.

From 1 April 2015, a new pension scheme was introduced for Police Officers, known as the 2015 Scheme. The 2015 scheme is based on career average revalued earnings (CARE). All Police Officers recruited from 1 April 2015 will automatically become members of the new scheme and the two previous schemes (1987 and 2006) have been closed to new members from that date. Members of the two older police pension schemes will either be fully protected in those schemes, transfer to the new 2015 scheme on 1 April 2015, or will transfer on different tapering dates in the future subject to individual circumstances around age and length of service remaining. The members' contribution rates for the new scheme ranged between 12.44% and 13.78% in 2018/19 and 2017/18.

The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 37). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex C Pensions on pages 112-123).

Funding of Police Pension Schemes

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

Glossary of Terms

Accruals

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

Actuarial Valuation

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

Agency Costs

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

Amortisation/Amortised Cost

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipt

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

Cash and Cash Equivalents

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

CC or Chief Constable

The Chief Constable for Cumbria Constabulary.

CFO

The Joint Chief Finance Officer.

CIPFA

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

Commissioner

The Police and Crime Commissioner for Cumbria.

Componentisation

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

Contingency

A sum set aside to meet unforeseen expenditure.

Creditors

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

Debtors

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

Depreciation

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

De-minimis

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

Direct Revenue Contributions (DRC)

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

Earmarked Reserves

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

Fair Value

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

Hedge Funds

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

Heritage Assets

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

HMICFRS

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

Impairment/Impaired

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

Investment Property

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

Leasing

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

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

Minimum Revenue Provision (MRP)

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

Non-current Assets

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

NPCC

The National Police Chiefs Council.

PCC

The Police and Crime Commissioner for Cumbria.

Pension actuarial gains and losses

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

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

Pension – current service costs

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

Pension – defined benefit scheme

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

Pension assets – expected rate of return

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

Pension – interest costs

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

Pension - past service costs

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

Police Objective Analysis (POA)

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

Precept

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

Private Equity Funds

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

Provision

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revaluation Reserve

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

SERCOP

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

The Commissioner

The Police and Crime Commissioner for Cumbria.

TPA

Territorial Policing Area.

Annex A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2018/19 financial year and the financial position at the 31 March 2019. The Police and Crime Commissioner and [Chief Constable](#) are each required to prepare an annual Statement of Accounts (single entity) in accordance with the Accounts and Audit Regulations 2015 which stipulate that the statements be prepared in accordance with proper accounting practices. Those practices primarily comprise the [CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19](#) (the Code) and the Service Reporting Code of Practice 2018/19 [SERCOP](#)), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The [Commissioner](#) is responsible for combining the single entity statements to form a set of consolidated group accounts.

Where accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a [grey text box](#), in the notes to the accounts section (see pages 40 to 97). Where an accounting policy is more generic and applicable across the statement accounts it is shown in this **Annex A**.

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

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

2 Accruals of Income and Expenditure

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

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

Accrual Example 1

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

Accrual Example 2

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

Annex A - Statement of Accounting Policies

3 Exceptional Items

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

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

4 Inventories

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

5 Treatment of Overheads

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

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

6 Heritage Assets

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

Annex A - Statement of Accounting Policies

7 Investment Property

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

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

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

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

8 Contingent Assets

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

9 Value Added Tax (VAT)

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

Annex B – Technical Annex – Financial Instrument Disclosures

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

Accounting Policy - Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

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

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

Where assets are identified as [impaired](#) because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. An example of such a charge would be the adjustment made to the [debtors](#) balance as an [impairment allowance for doubtful debts](#) (see note 14, page 72).

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

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

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

B1 Categories of Financial Instrument

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

Categories of Financial Instruments	PCC Long Term		PCC Current		Group Long Term		Group Current	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financial Assets								
Loans and Receivables								
Investments	0	0	12,082	9,034	0	0	12,082	9,034
Cash & Cash Equivalents	0	0	3,774	5,065	0	0	3,774	5,065
Debtors	0	0	6,225	4,950	0	0	6,343	5,108
Total Financial Assets	0	0	22,081	19,049	0	0	22,199	19,207
Financial Liabilities								
Financial liabilities carried at contract amounts								
Creditors	0	0	(8,326)	(5,681)	0	0	(11,194)	(8,895)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(4,745)	(4,585)	(142)	(160)	(4,745)	(4,585)	(142)	(160)
Total Financial Liabilities	(4,745)	(4,585)	(8,468)	(5,841)	(4,745)	(4,585)	(11,336)	(9,055)

B2 Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2018/19 relating to financial instruments are made up as follows:

Gains and Losses on Financial Instruments	PCC/Group 2017/18				PCC/Group 2018/19			
	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest Expense	0	619	0	619	0	602	0	602
Impairment Losses (Impairment Allowance for Doubtful Debts Increase)	(2)	0	0	(2)	1	0	0	1
Total Expenses in (Surplus) or Deficit on the Provision of Services	(2)	619	0	617	1	602	0	603
Interest Income	0	0	(90)	(90)	0	0	(146)	(146)
Impairment Gain (Impairment Allowance for Doubtful Debts Reduction)	0	0	0	0	(2)	0	0	(2)
Total Income in (Surplus) or Deficit on the Provision of Services	0	0	(90)	(90)	(2)	0	(146)	(148)
Net (Gain)/Loss for the Year	(2)	619	(90)	527	(1)	602	(146)	455

Annex B – Technical Annex – Financial Instrument Disclosures

B3 Fair value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and assets represented by loans and receivables and long term [debtors](#) and [creditors](#) are carried in the balance sheet at amortised cost. Financial Instruments are to be measured at fair value. The fair value hierarchy must now be followed, whereby inputs used in the valuation techniques for assets and liabilities are prioritised to give the most accurate and appropriate measurement of fair value. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. For example, where the instrument is not actively marketed or measurable, quoted prices of similar assets or liabilities may be used.
- Level 3 – unobservable inputs for the asset or liability.

The fair valuation of the PCC's long term liabilities is classed as level 2 in the hierarchy.

The PCC reviews the categorisation of inputs when new formal valuations are undertaken and when trigger events occur (for example a major change of tenant of a rented property, or change in Bank of England base lending rate). The change in category is reported at the next financial year-end following the trigger event.

Their [fair value](#) can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced amount.
- In calculating the fair value of the PFI a discount rate based on the returns of a zero coupon AA corporate bond have been used to discount future cash flows as this instrument has an estimated risk profile equivalent to that of public sector PFI schemes.

The fair values calculated are as follows:

Fair Values of Assets and Liabilities	PCC		PCC		Group		Group	
	31 March 2018		31 March 2019		31 March 2018		31 March 2019	
	Carrying Amount	Fair Value						
	£000s							
Financial Liabilities								
Creditors	(8,326)	(8,326)	(5,681)	(5,681)	(11,194)	(11,194)	(8,895)	(8,895)
Other Long-term Liabilities (PFI/Finance Lease)	(4,887)	(9,631)	(4,745)	(8,911)	(4,887)	(9,631)	(4,745)	(8,911)
	(13,213)	(17,957)	(10,426)	(14,592)	(16,081)	(20,825)	(13,640)	(17,806)
Financial Assets								
Investments	12,082	12,082	9,034	9,034	12,082	12,082	9,034	9,034
Cash and Cash Equivalents	3,774	3,774	5,065	5,065	3,774	3,774	5,065	5,065
Debtors	6,225	6,225	4,950	4,950	6,343	6,343	5,108	5,108
	22,081	22,081	19,049	19,049	22,199	22,199	19,207	19,207

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

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

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

B4 (i) Credit Risk

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

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

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's ratings services. The annual TMSS (approved by the Commissioner in February 2018), also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria as set out in the 2018/19 TMSS in respect of financial assets held by the Commissioner are detailed below:

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

Annex B – Technical Annex – Financial Instrument Disclosures

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £11m at the balance sheet date cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31 March 2019 that this was likely to happen.

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

Potential Maximum Exposure to Credit Risk	Amount	Historical	Historical	Estimated	Comparative
	at 31/03/19 £000s	Experience of Default %	Experience Adjusted for Market Conditions at 31/03/19	maximum exposure to default and uncollectability £000s	Estimated maximum exposure at 31/03/18 £000s
Customers - Operational Debtors	2,071	0.03%	0.05%	1	1

The Commissioner does not generally allow credit for customers. At the 31 March 2019, £123k (6%) of the £2,071k balance of operational debt was past the due date for payment. This sum has reduced from the balance at 31 March 2018 (£241k (14%) out of £1,758k overdue), as a consequence the Commissioner has reduced the bad debt provision as at 31 March 2019 to £2k to reflect a degree of uncertainty around a number of the longer standing debts. The past due amount can be analysed by age as follows:

Aged Debt Past Due Date	PCC/Group As at 31 March	
	2018 £000s	2019 £000s
Total Operational Debtors	1,758	2,071
Aged Debt past its due date by:		
1-30 Days	145	83
31-60 Days	25	8
61-90 Days	28	0
91-180 Days	25	10
181-360 Days	10	6
361+ Days	8	16
	241	123

B4 (ii) Liquidity Risk

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

As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2019 no actual external debt having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A more pertinent risk is that the Commissioner will be required to replenish a significant proportion of its internal borrowings at a time of unfavourable interest rates. At the balance sheet date the Commissioner is confident that it has adequate working capital principally as a result of its [reserves](#) to mitigate this risk. Nevertheless, prevailing money market rates are regularly monitored with a view to ensuring that long term debt financing decisions are made at the optimum time.

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

B4 (iii) Market Risk

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

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

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

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

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

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

The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year. No new external borrowing was undertaken in 2018/19.

C1 Pension Schemes

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

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

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

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

The LGPS for Police Staff employees, is administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded defined benefit scheme, meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2018/19 the Commissioner made a contribution of 15.4% of pensionable pay. The past service contribution made in 2016/17 of £1,478k (£47k for the PCC Single Entity Statements) represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2016 with revised rate for employers contributions of 15.4% being applicable from April 2017.

- **The Police Pension Scheme**

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

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

The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards there is an employer's contribution rate set by the Home Office (21.3% of pensionable salary for 2017/18 and 2018/19 (previously 24.2%)), which is charged to the Comprehensive Income and Expenditure Statement. In addition, the Constabulary is required to make an additional contribution to the Police Pension Fund Account which equates to 2.9% of pensionable pay to fund the difference between the contributions calculated with the current and previous rates. The pension contribution rates were last reviewed in March 2012.

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

Annex C – Technical Annex – Pensions Disclosures

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 98-99). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the Police Fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office.

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

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

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

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

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

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

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

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

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

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

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

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

Annex C – Technical Annex – Pensions Disclosures

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

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

Pension Transactions in MIRS and CI&ES	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme		Group Total Pension Schemes	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Comprehensive Income and Expenditure Statement												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	5,901	5,945	0	0	8,810	8,320	440	330	11,620	13,540	26,771	28,135
• Past service costs	0	0	0	0	800	0	0	0	0	0	800	0
• (Gain)/loss from settlements/curtailments	218	55	0	0	0	0	0	0	0	0	218	55
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	1,157	1,041	30	29	30,610	27,720	1,330	1,210	880	1,240	34,007	31,240
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,276	7,041	30	29	40,220	36,040	1,770	1,540	12,500	14,780	61,796	59,430
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement												
<i>Remeasurement of the net defined benefit liability comprising:</i>												
• Return on plan assets (excluding the amount included in the net interest expense)	(1,693)	(5,252)	0	0	0	0	0	0	0	0	(1,693)	(5,252)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	0	0	0	(36,720)	0	(1,570)	0	(2,340)	0	(40,630)	0
• Actuarial (gains) and losses arising on changes in financial assumptions	(8,778)	12,252	(26)	37	30,570	30,330	3,580	2,460	970	3,200	26,316	48,279
• Experience (gains) and losses on liabilities	0	0	0	0	(66,350)	(3,060)	(6,710)	(1,030)	(130)	1,150	(73,190)	(2,940)
• Administration expenses	106	115	0	0	0	0	0	0	0	0	106	115
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(10,365)	7,115	(26)	37	(72,500)	27,270	(4,700)	1,430	(1,500)	4,350	(89,091)	40,202
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(3,089)	14,156	4	66	(32,280)	63,310	(2,930)	2,970	11,000	19,130	(27,295)	99,632
<i>Movement in Reserves Statement</i>												
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(7,276)	(7,041)	(30)	(29)	(40,220)	(36,040)	(1,770)	(1,540)	(12,500)	(14,780)	(61,796)	(59,430)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	2,880	2,990	64	64	0	0	0	0	0	0	2,944	3,054
• Retirements benefits payable to pensioners	0	0	0	0	34,550	35,260	(100)	(40)	(3,210)	(3,810)	31,240	31,410
Total amount charged against the Police Fund Balance for pensions in the year	2,880	2,990	64	64	34,550	35,260	(100)	(40)	(3,210)	(3,810)	34,184	34,464

Annex C – Technical Annex – Pensions Disclosures

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

Pension Transactions in MiRS and CI&ES	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits		PCC Total LGPS Pension Scheme	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Comprehensive Income and Expenditure Statement						
<i>Cost of Services</i>						
<i>Service cost comprising:</i>						
• Current service cost	151	119	0	0	151	119
• Past service costs	0	0	0	0	0	0
• (Gain)/loss from settlements/curtailments	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>					0	0
• Net interest expense	30	26	1	1	31	27
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	181	145	1	1	182	146
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement						
<i>Remeasurement of the net defined benefit liability comprising:</i>						
• Return on plan assets (excluding the amount included in the net interest expense)	(48)	(147)	0	0	(48)	(147)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	0	0	0	0	0
• Actuarial (gains) and losses arising on changes in financial assumptions	(223)	308	(1)	1	(224)	309
• Experience (gains) and losses on liabilities	0	0	0	0	0	0
• Administration expenses	3	2	0	0	3	2
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(268)	163	(1)	1	(269)	164
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(87)	308	0	2	(87)	310
<i>Movement in Reserves Statement</i>						
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(181)	(145)	(1)	(1)	(182)	(146)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>						
• Employers' contributions payable to the scheme	71	59	2	2	73	61
• Retirements benefits payable to pensioners	0	0	0	0	0	0
Total amount charged against the Police Fund Balance for pensions in the year	71	59	2	2	73	61

Annex C – Technical Annex – Pensions Disclosures

C2 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March 2019 are as follows:

Pension Scheme Assets & Liabilities	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(176,324)	(197,503)	(1,114)	(1,116)	(1,100,580)	(1,128,630)	(47,100)	(50,110)	(39,990)	(62,930)
Fair value of plan assets	136,331	146,235	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(39,993)	(51,268)	(1,114)	(1,116)	(1,100,580)	(1,128,630)	(47,100)	(50,110)	(39,990)	(62,930)

The liabilities in the above table show the underlying commitments that the Commissioner has, in the long run, to pay retirement benefits. The total group liability of £1.294m (£1.229m at 31 March 2018) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £1.218m (£1.154m at 31 March 2018).

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

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

The underlying assets and liabilities for retirement benefits attributable to the PCC Single Entity at 31 March 2019 are as follows:

Pension Scheme Assets & Liabilities	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(4,917)	(5,397)	(36)	(36)
Fair value of plan assets	3,855	4,083	0	0
Net liability arising from defined benefit obligation	(1,062)	(1,314)	(36)	(36)

Annex C – Technical Annex – Pensions Disclosures

Reconciliation of present value of scheme liabilities for the group:

Reconciliation of Scheme Liabilities	Group LGPS		Group LGPS		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	Funded Benefits	2017/18	2018/19	Unfunded Benefits	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(176,229)	(176,324)	(1,174)	(1,114)	(1,167,410)	(1,100,580)	(49,930)	(47,100)	(25,780)	(39,990)
Adjustment to Opening Balance #	0	(42)	0	0	0	0	0	0	0	0
Adjusted Balance at Start of Year	(176,229)	(176,366)	(1,174)	(1,114)	(1,167,410)	(1,100,580)	(49,930)	(47,100)	(25,780)	(39,990)
Current service cost	(5,901)	(5,945)	0	0	(8,810)	(8,320)	(440)	(330)	(11,620)	(13,540)
Interest cost	(4,582)	(4,736)	(30)	(29)	(30,610)	(27,720)	(1,330)	(1,210)	(880)	(1,240)
Contributions by Scheme Participants	(1,148)	(1,242)	0	0	(1,920)	(1,570)	(100)	(80)	(3,170)	(3,720)
Remeasurement gains and (losses):										
- Arising from changes in demographic assumptions	0	0	0	0	36,720	0	1,570	0	2,340	0
- Arising from changes in financial assumptions	8,778	(12,252)	26	(37)	(30,570)	(30,330)	(3,580)	(2,460)	(970)	(3,200)
- Experience gains/(losses)	0	0	0	0	66,350	3,060	6,710	1,030	130	(1,150)
Past service cost	0	0	0	0	(800)	0	0	0	0	0
Gains/(losses) on curtailment	(218)	(55)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	2,976	3,093	64	64	36,470	36,830	0	40	(40)	(90)
Balance at End of Year	(176,324)	(197,503)	(1,114)	(1,116)	(1,100,580)	(1,128,630)	(47,100)	(50,110)	(39,990)	(62,930)

The above table includes an adjustment to the opening balance, this has arisen as a result of changes made to the actuarial valuations in 2017/18 that were not considered to be material and as such were not reflected in the 2017/18 audited statement of accounts. The adjustment is now required to ensure that the opening and closing balances for 2018/19 agree to the latest actuarial valuations.

The liabilities under both the LGPS and Police Pension Schemes have increased during 2018/19. The principal reason for this increase is in relation to a change in financial and demographic assumptions by the scheme actuaries.

Accounting Policy – Post-Employment Benefits – Measurement of Liabilities

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in C3 on page 122).

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

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Liabilities	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Balance at Start of Year	(4,928)	(4,917)	(38)	(36)
Adjustment to Opening Balance #	0	(3)	0	0
Adjusted Balance at Start of Year	(4,928)	(4,920)	(38)	(36)
Current service cost	(151)	(119)	0	0
Interest cost	(127)	(130)	(1)	(1)
Contributions by Scheme Participants	(36)	(32)	0	0
Remeasurement gains and (losses):				
- Arising from changes in financial assumptions	223	(308)	1	(1)
Benefits Paid/Transfers	102	112	2	2
Balance at End of Year	(4,917)	(5,397)	(36)	(36)

The liabilities under the LGPS Pension Scheme have increased during 2018/19. The principal reason for this increase is in relation to a change in financial and demographic assumptions

The above table includes an adjustment to the opening balance, this has arisen as a result of changes made to the actuarial valuations in 2017/18 that were not considered to be material and as such were not reflected in the 2017/18 audited statement of accounts. The adjustment is now required to ensure that the opening and closing balances for 2018/19 agree to the latest actuarial valuations.

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Assets	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits	
	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s
Balance at Start of Year	130,267	136,331	0	0
Adjustment to Opening Balance #	0	(67)	0	0
Adjusted Balance at Start of Year	130,267	136,264	0	0
Interest Income	3,425	3,695	0	0
Remeasurements - Gains and (Losses)	1,693	5,252	0	0
Administration Expenses	(106)	(115)	0	0
Employer Contributions	2,880	2,990	64	64
Contributions by Scheme Participants	1,148	1,242	0	0
Benefits Paid	(2,976)	(3,093)	(64)	(64)
Balance at End of Year	136,331	146,235	0	0

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

Reconciliation of Scheme Assets	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s
Balance at Start of Year	3,708	3,855	0	0
Adjustment to Opening Balance #	0	0	0	0
Adjusted Balance at Start of Year	3,708	3,855	0	0
Interest Income	97	104	0	0
Remeasurements - Gains and (Losses)	48	147	0	0
Administration Expenses	(3)	(2)	0	0
Employer Contributions	71	59	2	2
Contributions by Scheme Participants	36	32	0	0
Benefits Paid	(102)	(112)	(2)	(2)
Balance at End of Year	3,855	4,083	0	0

The above tables include an adjustment to the opening balance, this has arisen as a result of changes made to the actuarial valuations in 2017/18 that were not considered to be material and as such were not reflected in the 2017/18 audited statement of accounts. The adjustment is now required to ensure that the opening and closing balances for 2018/19 agree to the latest actuarial valuations.

Accounting Policy – Post-Employment Benefits – Measurement of Assets

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

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

Annex C – Technical Annex – Pensions Disclosures

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

LGPS Asset Breakdown	Quoted Y/N	PCC 2017/18		PCC 2018/19		Group 2017/18		Group 2018/19	
		£000s	%	£000s	%	£000s	%	£000s	%
Equities									
UK Quoted	Y	488	12.66%	386	9.45%	17,312	12.70%	13,748	9.40%
Global Quoted	Y	825	21.40%	882	21.60%	29,176	21.40%	31,587	21.60%
UK Equity Pooled	N	42	1.09%	41	1.00%	1,499	1.10%	1,463	1.00%
Overseas Equity Pooled	N	559	14.50%	576	14.11%	19,768	14.50%	20,619	14.10%
Equity Protection	N	0	0.00%	53	1.30%	0	0.00%	1,901	1.30%
Bonds									
UK Corporate Bonds	Y	227	5.89%	249	6.10%	8,043	5.90%	8,920	6.10%
Overseas Corporate Bonds	Y	12	0.31%	8	0.20%	410	0.30%	292	0.20%
UK Government Indexed Pooled	N	674	17.48%	731	17.90%	23,857	17.50%	26,176	17.90%
Property									
UK	N	247	6.41%	257	6.29%	8,725	6.40%	9,213	6.30%
Property Funds	N	112	2.91%	122	2.99%	3,954	2.90%	4,387	3.00%
Alternatives									
Private Equity Funds	N	93	2.41%	118	2.89%	3,272	2.40%	4,240	2.90%
Infrastructure Funds	N	247	6.41%	318	7.79%	8,725	6.40%	11,406	7.80%
Real Estate Debt Funds	N	23	0.60%	20	0.49%	818	0.60%	731	0.50%
Private Debt Funds	N	85	2.20%	98	2.40%	3,000	2.20%	3,510	2.40%
Healthcare Royalties	N	16	0.42%	24	0.59%	546	0.40%	877	0.60%
Cash									
Cash Accounts	Y	205	5.32%	196	4.80%	7,226	5.30%	7,019	4.80%
Net Current Assets	N	0	0.00%	4	0.10%	0	0.00%	146	0.10%
		3,855	100.00%	4,083	100.00%	136,331	100.00%	146,235	100.00%

C3 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which provides an estimate of the pensions that will be payable in future years using assumptions about mortality rates, salary levels, etc. William M Mercer, an independent firm of actuaries, has carried out the assessment on the Local Government Pension Scheme. These accounts are based on the actuarial valuation undertaken on 31 March 2019. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Accounting Policy – Pensions Material Estimation Techniques

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

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

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

For 2018/19 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that discount rates of 2.45% for Police and 2.50% for LGPS are appropriate.

Annex C – Technical Annex – Pensions Disclosures

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2017/18	2018/19	2017/18	2018/19
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.2	23.3	22.6	22.7
- Women	25.8	25.9	24.2	24.3
Longevity at 65 for future pensioners:				
- Men	25.5	25.6	24.5	24.6
- Women	28.5	28.6	26.1	26.2
Rate of Inflation (CPI)	2.10%	2.20%	2.30%	2.35%
Rate of increase in salaries	3.60%	3.70%	4.30%	4.35%
Rate of increase in pensions	2.20%	2.30%	2.30%	2.35%
Rate of Revaluation for CARE Pensions	-	-	3.55%	3.60%
Rate for discounting scheme liabilities	2.70%	2.50%	2.55%	2.45%

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

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	PCC			Group		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme						
Longevity (1 Year increase in life expectancy)	101	3	3	3,694	134	94
Rate of Inflation (increase by 0.1%)	108	4	3	4,312	203	109
Rate of Increase in Salaries (increase by 0.1%)	15	0	0	716	0	18
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(105)	(4)	(1)	(4,219)	(196)	(58)

Annex C – Technical Annex – Pensions Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police	Group	Police
	Pensions	Pensions	Pensions
	1987	2006	2015
	Scheme	Scheme	Scheme
	£000s	£000s	£000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	28,000	1,000	2,000
Rate of Increase in Pensions (increase by 0.5%)	83,000	5,000	12,000
Rate of Increase in Salaries (increase by 0.5%)	11,000	4,000	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(105,000)	(9,000)	(11,000)

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

C4 Impact on the Commissioner's Cash Flows

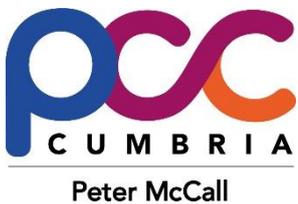
The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The Commissioner has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis. The next triennial valuation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

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

The total group contributions expected to be made to the Local Government Pension Scheme by the Commissioner in the year to 31 March 2020 are £3,163k (PCC single entity £70k). Expected contributions for the Police Pension Scheme in the year to 31 March 2020 are £12,862k.

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

Weighted Average Duration of the Defined benefit Obligation	2017/18	2018/19
	Years	Years
Pensions Scheme		
Local Government Pension Scheme - PCC	20	20
Local Government Pension Scheme - CC	22	22
Police Pension -1987 Scheme	19	21
Police Pension -2006 Scheme	32	38
Police Pension -2015 Scheme	33	40



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2018/19

Peter McCall

Subject to Audit



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2018/19

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

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

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

This Annual Governance Statement (AGS) describes how the Commissioner has followed The Code. It also meets

the requirements of regulation 6(1) and 10(1) of the Accounts and Audit Regulations 2015. The regulations say that we must prepare and publish an Annual Governance Statement (AGS) to accompany the Commissioner's statement of accounts.

REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements for 2018/19 have been guided by the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework applicable to the 2018/19 financial year. This is the standard against which all local government bodies, including police, should assess themselves.

The Commissioner has responsibility for conducting, at least annually, a review of the effectiveness of his governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers who have responsibility for the development and maintenance of the governance environment. The review process comprises:

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Ethics and Integrity

The Commissioner has in place arrangements for anti-fraud and corruption, which have been reviewed in 2018/19 by the Governance Manager, the conclusions of which were reported to the Joint Audit Committee in May 2019. The review concluded that arrangements are effective. Whilst fraud risk remains low within the OPCC office, matters of integrity are re-enforced including enhanced arrangements in respect of recording gifts and hospitality and/or supplier contact. The anti-fraud and corruption arrangements also highlight mechanisms for confidential reporting and whistleblowing.

The process of commissioning services and award of grants present a potentially high risk with regard to integrity. Grant Regulations are in place to ensure that grant awards are made in a fair, transparent and consistent manner and that appropriate conditions are attached to safeguard public money. An internal audit review in 2017/18, which focussed on the award of open grants, provided reasonable assurance and during 2018/19 recommendations arising from the audit have been implemented.

A fraud risk assessment undertaken by the Joint Chief Finance Officer in compliance with International Financial Reporting Standards did not reveal serious concerns.

In respect of the arrangements for standards, ethics and integrity, no complaints have been received against the Commissioner or members of his office in relation to matters of integrity.

During 2018/19 the Ethics and Integrity Panel have carried out dip sample processes and thematic inspections for a number of different areas of business including, adherence with the Code of Ethics and Code of Conduct, public complaints, police misconduct and staff misconduct cases, all of which were found to support high

- A cyclical detailed review of the key documents within the Commissioner's governance framework.
- A review of the governance arrangements in place to support each core principle, culminating in an updated Code of Corporate governance.
- A review of what has happened during the past year to evidence how the governance framework has been complied with.
- A review of the effectiveness of the arrangements for Internal Audit. The review is supported by consideration of the opinion of the Chief Internal Auditor, as set out in his annual report.
- A review of the effectiveness of the Joint Audit and Standards Committee against CIPFA guidance on Audit Committees for Police.

The following Annual Governance Statement, demonstrates how the Commissioner has complied with the governance framework set out within the Code, to meet of each of the seven governance principles. The Annual Governance Statement is published alongside the Statement of Accounts and also incorporates an action plan of planned future improvements for governance arrangements.

standards of ethics and integrity. This enabled the Police and Crime Commissioner to fulfil his statutory duty to have oversight of the Constabulary's complaints and misconduct processes.

The scope of the Panel's work has developed during 2018/19 through the completion of three thematic inspections, which began in 2017/18, in relation to the use of Stop and Stop/Search, the use of Body Worn Video and the operation of the Professional Discretionary Framework within the Constabulary's Communications Centre. The findings of the Panel's work, including recommendations, have been reported to the Commissioner's Public Accountability Conference to improve transparency and support public scrutiny.

The Joint Audit and Standards Committee received the 2018/19 annual report of the Ethics & Integrity Panel in May 2019 to support assurances in respect of arrangements for standards and ethical governance.

During 2018/19 new legislation giving Commissioner's explicit responsibility for the performance of the local complaints system and hearing misconduct appeals was expected to be enacted. The implementation of the new

requirements has now been deferred awaiting legislation being approved by Parliament.

Respecting the rule of law

Officers within the OPCC receive updates on changes in legislation through their professional bodies, APACCE, PACTS, the APCC and from the government. The Commissioner provides funding to the Constabulary's Legal Services Department, who deliver support to the OPCC on legal matters.

During the year formal reviews has been undertaken of the role of the Commissioner's Chief Finance Officer and the Head of Internal Audit (HIA) and the Joint Audit and Standards Committee against the respective CIPFA statements, which concluded there was full compliance.

Principle B: Ensuring openness and Comprehensive stakeholder engagement

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

Openness is a key element of the role of the Commissioner and is not just about publishing information, but listening and influencing as well. The Commissioner operates in accordance with the Elected Local Policing Bodies (Specified Information) Orders of 2011, 2012, 2013 and the guidance provided by the Information Commissioner. This is demonstrated, documented and communicated through an information publication scheme that ensures the openness of all key information to the public. Examples of information that is published includes agendas and reports of public meetings, guidance on the Commissioner's funds, freedom of information requests, financial information and details of key decisions. A range of communications media are used including the Commissioner's website and social media.

The Commissioner is highly committed to be the voice of the people of Cumbria. This is demonstrated through a wide range of engagement opportunities for the public to make contact so their views are heard and responded to.

The Commissioner has held public meetings where the public have expressed local feelings about a specific issue, as was experienced following this year's Appleby Horse Fair.

The Commissioner also publishes information for the public to see how he is representing their views and holding the force to account through his Public Accountability Conferences.

To promote openness and transparency, all Public Accountability Conferences have been advertised to allow members of the press and public to attend, and all minutes arising from these meetings are published subsequently. An Annual Report, outlining the work of the Commissioner, is published annually.

Engaging Comprehensively with Institutional Stakeholders

The Commissioner is actively engaged with a wide range of bodies to encourage a multi-agency approach to matters within his remit including:

- Chairing the Safer Cumbria Delivery Board, which is both the county-wide Community Safety Partnership and Criminal Justice Board for Cumbria.
- Membership of the Cumbria Leaders' Board.
- Chairing the Blue Light Collaboration Executive Leaders Board.

During 2018/19 the Commissioner has led a range of partnership working initiatives to deliver the Commissioning Strategy and ensure arrangements are in place for victims support services. This has included:

- Refinement of a Quality Assessment Framework to monitor compliance with the Victims Code in Cumbria and drive improvements in specific areas through this process.
- Working with Cumbria County Council and other statutory partners through Safer Cumbria, commissioning a new model of victims service, combining emotional and practical support for those affected by all types of crime with specialist domestic and sexual abuse services, to improve ease of access to the right support service.
- Recommissioning a therapeutic service for people who have experienced sexual abuse and sexual

assault, on behalf of partner agencies which contribute to The Bridgeway Sexual Assault Support Service budget.

- Continued to work in collaboration with Get Safe Online and through local Community Safety Partnership to deliver a range of community events and workshops to prevent local people and businesses becoming victims of online crime.
- Funded Community Safety Partnerships to continue to work with communities and partners on issues impacting on their specific areas of Cumbria, including alcohol-related violence and antisocial behaviour.

Engaging Stakeholders Effectively including Citizens and Service Users

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

The Commissioner is directly involved in all of the engagement activities and encourages the Commissioner's ethos of 'we, not they' to emphasise that communities, stakeholders and partners need to all work together to help deliver the Police and Crime Plan, to make Cumbria even safer.

During 2018/19 engagement included:

- Public surgeries/drop-ins at various locations - with a focus on going to where people.
- Numerous speaking engagements and attendance at public events.
- Meetings with a diverse range of community groups.
- Media engagements.
- Public consultation on setting the council tax percept and identify policing priorities.
- Cumbria Community Messaging.
- The Commissioner's website.
- Social media: Twitter, Facebook and YouTube.
- a bi-monthly newsletter.
- Campaign focusing on safer driving.

The Commissioner's Public Accountability Conference is open to the public and supports engagement.

The Commissioner launched public consultation on the proposal to increase the policing part of the council tax precept. More than 70% of the respondents (over 2,000) agreed with raising the council tax which for a Band D property would represent an increase of just under £24 per year. The Commissioner also undertook a survey in summer 2019 to determine the priorities of the public in relation to police and crime matters and as a result launched the campaign for safer driving.

The OPCC logs all quality of service issues that are raised with the Commissioner, which are tracked and escalated with the Chief Constable where appropriate. This feedback is also used by the Constabulary to assess what lessons can be learned from examples of poor or unsatisfactory service, to make improvements. As a result of public feedback improvements have been made to the telephone 101 service in order to reduce call waiting times.

In summary, the engagement with all stakeholders allows the Commissioner to develop a vision for policing services,

which in turn is incorporated within the Police and Crime Plan.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

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

The Police and Crime Plan 2016-2020 contains the police and crime objectives which all contribute toward achieving the PCC's overall aim 'to make Cumbria an even safer place'. Each objective is supported by actions that

the Constabulary and/or partners will undertake to contribute to successful outcomes. These objectives and actions are underpinned by performance measures used to assess how well the objectives are being achieved, which are set out in the PCC's Performance Management Framework.

The priorities within the plan are:

1 Your Priorities For Cumbria

2 A Visible and Effective Police Presence

3 Tackle Crime and Anti-Social Behaviour

4 Ensure Offenders Face A Consequence For Their Crime

5 Always Put Victims First

6 Focus our Police on Online and Sexual Crime

7 Spend your Money Wisely

8 Supporting Young People

An action plan setting out how the objectives of the Police and Crime Plan has been developed within the OPCC. This is reviewed annually to ensure it reflects key activity and takes into consideration any emerging issues.

Key performance indicators were also set with the Chief Constable at the start of the financial year to support the objectives within the Police and Crime Plan. A comprehensive Accountability Framework, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspections and Value for Money Reports further support the Commissioner in holding the Chief Constable to account for performance of the force.

The PCC regularly reviews progress against his police and crime objectives. Where grants have been awarded, the awards are made against agreed timescales and milestones for delivery and include success criteria or performance measures.

During 2018/2019 a detailed programme of work has been developed with the Police and Crime Panel to facilitate effective scrutiny of delivery of the plan's objectives. Progress reports are presented to the Panel on a quarterly basis supported by thematic reports, which are agreed at the start of the year.

The Chief Constable is held to account for delivery of policing objectives through the PCC's Public Accountability Conferences (PACs). These meetings are divided into two key areas of business: performance and finance. A reporting schedule for these meetings is

agreed annually with the Constabulary and ensures the PCC monitors performance in a number of areas of policing. During 2018/19 thematic reports provided assurance on anti-social behaviour, criminal justice, domestic abuse, hate crime, uniformed policing visibility, serious crime, cyber-crime, investigation of sexual offences, offender management and the policing of Appleby Fair. In addition, reports were also received covering equality and diversity, financial monitoring, and ethics.

The Police and Crime Act 2017 conferred a duty on Commissioners to collaborate on the delivery of emergency services. During 2018/19 the Commissioner negotiated a collaboration agreement and governance structure with Cumbria Constabulary, Cumbria County Council, Cumbria Fire & Rescue Service and the North West Ambulance Service to develop work streams around Blue Light collaboration. The PCC chairs the Blue Light Collaboration Executive Leaders Board, which oversees the work.

The Commissioning Strategy sets out the processes by which the Commissioner will identify and fund services to support his priorities. This was reviewed and updated in 2017/18.

Sustainable economic, social and environmental benefits

The Head of Partnerships and Commissioning ensures that the services commissioned are consistent with the PCC's objectives as set out in the Police and Crime Plan 2016-2020. For the financial year 2018/19, the PCC committed over £2.6m to projects and initiatives aimed at reducing offending and re-offending and supporting victims of crime. A significant proportion of that funding has been committed to supporting the reduction in domestic abuse and sexual violence.

A review of the Joint Procurement Regulations has been undertaken between the Office of Police and Crime Commissioner and Constabulary Procurement Department. A Social Value policy incorporating a modern slavery statement has been drafted and, once approved, will support procurement and commissioning activity.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning & Determining Interventions

During the course of 2018/19 the Commissioner's Public Accountability Conference received Constabulary assurance covering a range of areas of performance including Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) performance recommendations to support police effectiveness, efficiency and legitimacy (PEEL). This enabled the Commissioner to hold the Chief Constable to account. Crime levels, public satisfaction and police performance have also been regularly monitored

The OPCC's Head of Partnerships and Commissioning chairs the Cumbria 'Out of Court (OoCDs) Disposal Scrutiny Panel'. OoCDs allow the police to deal quickly and proportionately with low level, often first time, offending, which can be appropriately resolved without a prosecution at court. The Panel seeks to increase the public's understanding and confidence in how the Constabulary uses OoCDs. Inappropriate and inconsistent disposals associated with domestic abuse cases have been almost eliminated following Panel feedback. In some

cases where concerns are raised by the Panel, guidance and advice is feedback to officers and decision markers which has then contributed to training and changes to policy.

During the last year, the Commissioner has continued to build on partnership working to address priorities in the Police and Crime Plan. Projects have included:

- Putting in place a new integrated domestic and sexual abuse crisis support service, bringing together two previously separate services, working with Cumbria County Council and Cumbria Constabulary.
- Commissioning a victim service, which integrates support for people who have experienced all types of crime, working with Cumbria County Council, NHS and Local Authority partners.
- Leading the implementation of the Quality Assessment Framework developed in 2017-18 to review and improve how criminal justice and support agencies comply with national standards for working with victims.
- The Commissioner has negotiated a collaboration agreement and governance structure between Cumbria County Council, Cumbria Fire & Rescue

Service, the Constabulary and the North West Ambulance Service to develop a number of streams of work around Blue Light Service Collaboration.

- Working with Cumbria's three Community Safety Partnerships and Get Safe Online to raise public knowledge of how to protect themselves against fraud and other crimes committed via the internet.
- Bringing together a range of agencies, working with the Constabulary and through Safer Cumbria, to develop understanding of the threat of serious and organised crime in the county and gain support to address this.
- Working with the Constabulary and Crimestoppers to develop a year-long Safer Driving Campaign, in response to what local residents have said is one of their main local concerns. The campaign highlights the many aspects of safer driving, focusing on a dedicated theme each month.

The policing grant settlement, received in December 2019, protected police grant funding, but only on a cash basis. The Government also provided Commissioner's with greater flexibility to increase council tax. Following a public consultation exercise, the Commissioner approved the 2019/20 budget in February 2019 based on a council

tax increase of 10.29%. The £130m provided to the Constabulary has primarily allowed services to be maintained against a background of rising costs, but has also supported a modest increase in frontline officers who will be directed into priority areas consistent with the Police and Crime Plan's principal objective of keeping Cumbria safe.

In the context of a new Government Comprehensive Spending Review, which is due to report in the autumn of 2019 and the potential economic impact of Brexit, the future financial outlook is uncertain, although it is likely that funding constraints will remain. The OPCC and Constabulary are jointly modelling a range of financial scenarios and are working to better understand and manage demands for service and realise benefits from investment in new technology, with the aim of delivering a sustainable policing service in the County.

Optimising Achievement of Intended Outcomes

All planning is undertaken in the context of a four year medium term financial strategy, incorporating financial modelling, operational plans and capital strategies.

Recommendations contained in a victim's needs assessment, conducted by the Victims Advocate in

2016/17, have provided a clear focus of activity for the PCC and partners' work and future commissioning strategy to keep victims safe and at the heart of the Criminal Justice system. During 2018/19 the Commissioner has:

- Provided restorative services, enabling victims to inform offenders of the impact a crime has had on them.
- Funded 'Chelsea's Choice', a production for children raising awareness of Child Sexual Exploitation.
- Together with Cumbria County Council, funded an Integrated Independent Domestic Abuse & Sexual Abuse Crisis Support Service.
- Working with Cumbria County Council, the Constabulary, NHS England, Local District Councils and other agencies, developed the support available for people who have been affected by crime and abuse by bringing together a number of services, previously commissioned separately, to commission a service which will provide a 'gateway' through which people can access emotional, practical and advocacy support services.
- Continued to develop and fund Cumbria Youth Commission, ensuring young people across the

county have a voice on the issues and problems impacting on them.

- Funded support for people with dementia to help reduce calls to the police.
- Commissioned Victim Support to provide emotional, practical, advocacy and signposting services.
- Continued to develop and fund the Bridgeway Sexual Assault Support Services.
- Funded county-wide Perpetrator Programmes “Turning the Spotlight” for domestic abuse and “Step Up” for families experiencing child-on-parent or guardian violence.
- Funded ‘I Feel the Hate’ Hate Crime production for secondary school pupils.
- Reviewed and developed further the **Cumbria Together website**.
- Through his Innovation, Community and Property Funds continued to provide financial support for numerous projects working with victims across Cumbria.
- Supported his Victims’ Advocate who continues to champion the cause for victims, and importantly, help drive up standards. The Victims’ Advocate has worked with Cumbria County Council to dip-sample

high and medium risk domestic abuse cases referred into Victim Support to evaluate the quality of service provided. Also, the Victims’ Advocate coordinated and chaired quarterly meetings with victims of antisocial behaviour and crime receiving, first hand feedback on their personal experience and acting as a sound board for potential service developments.

- Worked closely with the Constabulary to inform the development of their new Victims’ Booklet providing information on the criminal justice process and support available for all victims of crime.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the entity’s capacity

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

During 2018/19 the final stages of the re-structure of the OPCC took place. Overall, the re-structure has provided greater capacity and flexibility to respond to changes in demand particularly in relation to public engagement activities. The changes have also delivered financial savings. The OPCC is a small team and works together to address any issues arising from natural movement of staff into and out of the office.

Following the re-structure of the OPCC, the Commissioner and Chief Constable have agreed to a shared Chief

Finance Officer arrangement. A protocol and range of safeguards have been put in place to handle potential conflicts of interest arising from the joint role. A review of the operation of the Joint Chief Finance Officer arrangement has been conducted aligned to the CIPFA statement on the Role of the Chief Finance Officer. This exercise has shown full compliance and has not revealed any significant issues.

The temporary arrangement of the Head of Partnerships and Commissioning and Head of Communications and Business Services performing the roles of Chief Executive and Deputy Chief Executive on a six month rotating basis became permanent following approval by the Police and Crime Panel in October 2018.

Developing the entity's leadership

The Chief Executive receives support through the Association of Police and Crime Commissioner Chief Executives (APACCE), while the Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society (PaCCTS) and the associated technical information service.

During 2018/19 development activity for members of the Audit and Standards Committee included development

sessions on the Police and Crime Plan, ICT Security, treasury management and the budget and medium term financial forecast. A formal review of effectiveness of the Committee against the new CIPFA guidance for Audit Committees evidenced compliance with CIPFA guidance and elements constituting best practice. The full report of the Committee can be found on the Commissioner's website at:

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

The four Independent Custody Visiting Panels continue to operate. Developments during the year included:

- Weekly visits to each of the four custody suites
- Recruitment campaigns to attract new candidates Carlisle, Kendal and West Cumbria.
- Induction training courses.
- Delivery of on-going ICVA thematic training packages for existing members. In 2018-19 the theme was Equality and Diversity.
- Membership of the Independent Custody Visitors Association (ICVA).

- Attendance at national, regional and local conferences
- Under the Animal Welfare Scheme, monthly visits to Cumbria Constabulary and the Civil Nuclear Constabulary to ensure the welfare of police dogs

Developing the capability of individuals within the entity

During 2018/19 arrangements to support staff in tasking and performance have been reviewed and some aspects of activity have been piloted for example:

- Weekly tasking meetings attended by all staff.
- Monthly team meetings focused on policy and procedures.
- Arrangements for performance reviews have also been reviewed and will be embedded in 2019/20.

A monthly informal team catch-up also takes place where staff can share information about their role or themselves in a less formal environment.

During 2018/19 specific training has been provided for staff in the areas of stress management, team building workshop, OneNote, Code of Ethics, risk management and the budget. Individual staff have attended conferences, workshops and specific training events to help them develop within their roles.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

The Commissioner's Risk Management Strategy is reviewed on a 3-year cyclical basis and is next due for review in 2020. A high level review is undertaken annually to ensure that the strategy reflects the current risk environment. Any changes are presented to the Joint Audit Committee.

Risk has become embedded within the everyday work of the OPCC, staff continually assess risks within their roles. Both strategic and operational risks are reviewed on a quarterly basis and appropriate updates made. The Commissioner also provides scrutiny of the Constabulary's management of strategic risks.

The strategic risk register is updated on a quarterly basis and currently incorporates risks in relation to future funding, financial and operational risks regarding the implementation of the Emergency Services Network, capacity within the Procurement function and compliance with General Data Protection Regulations.

The Commissioner's arrangements for Risk Management include procedures for Business Continuity, which are reviewed and tested throughout the year.

Managing Performance

The Public Accountability Conferences facilitate arrangements for the scrutiny of quarterly performance updates and thematic reports around priority areas of policing including, domestic abuse, child sexual exploitation, sexual offences, anti-social behaviour and reducing reoffending. The Commissioner also receives updates on how the Constabulary is supporting victims of

crime and antisocial behaviour and monitors the implementation of actions and recommendations arising from inspections, including those undertaken by HMICFRS. This is supported by regular one to one meetings between the Chief Constable and Commissioner. Senior officers within the OPCC also attend strategic Constabulary meetings to provide challenge and oversight of the arrangements that support decision making, delivery of key areas of business and the allocation of resources.

The Police and Crime Panel have met five times during 2018/19. All meetings are held in public, providing an open and transparent process for scrutinising the decisions and work of the Commissioner. During 2018/19 the Panel has placed a significant focus on monitoring delivery of the Police and Crime Plan, receiving progress reports at every meeting supported by thematic reports against priority areas. The Panel has also reviewed the arrangements for the Joint Chief Finance Officer, the work progressing as part of Blue Light Collaboration and supported the Commissioner's proposed precept for 2019/20.

Robust Internal Control

During 2018/19 a number of areas of the corporate governance framework have been subject to cyclical review and update. This process is supported by the professional advice of the Joint Audit and Standards Committee. During 2018/19 the Committee has considered and provided scrutiny of the Joint Financial Regulations and Rules, the Joint Procurement Regulations, the Commissioner's, the Code of Corporate Governance, the Internal Audit Charter, Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

Internal controls have also been reviewed through the annual process of management assurances and the annual internal audit plan. Of seventeen audits completed to date in 2018/19 covering the activities of the OPCC and Constabulary, 93% provided either substantial or reasonable assurance. All audits relating specifically to the OPCC provided substantial assurance.

Managing Data

The OPCC operates within the parameters of legislation governing the protection of data, ensuring that all data is appropriately stored and shared where necessary.

Information is provided to members of the public under the Freedom of Information Act, with requests and responses published on the Commissioner's website. The Ethics and Integrity Panel provide additional assurance in this respect. Physical data within the OPCC is held securely with appropriate office and cabinet security provided. An action plan has been developed with the aim of ensuring that the OPCC meets the requirements of the General Data Protection Regulations (GDPR) introduced in May 2018.

Internal audit carried out a review of the OPCC's compliance with GDPR, which provided Substantial Assurance.

Strong Public Financial Management

At the Public Accountability Conference on the 14th February 2018, the Commissioner set the 2018/19 annual budget and precept in the context of a medium term financial strategy 2018-2022. In line with his duty to maintain the police force the Commissioner agreed a net revenue budget of £117m and a capital budget of £7m for the Chief Constable for the 2018/19 financial year and a funding arrangement that codifies the terms for that funding, including arrangements for financial

management. The budget for 2018/19 also included £0.7m for the operation of the Office of the Police and Crime Commissioner and £2.2m funding within a commissioned services budget for victims, community safety and crime reduction.

During 2018/19 the Commissioner received regular financial reports including revenue and capital budget monitoring and treasury management. A summary format of financial reports incorporating tables and graphs, wherever appropriate, is used to improve accessibility. Financial reports are published on the Commissioner's website.

The outcome of all audits of financial arrangements during 2018/19 was an opinion that provided either reasonable or substantial assurance.

During 2018/19 financial sustainability in the context of increasing costs and service pressures, flat government funding and the potential impact of a future review of the police funding formula, has remained on the Commissioner's strategic risk register. A number of mitigation measures have been put in place including the detailed medium term financial forecast and

development of savings plans in conjunction with the Constabulary.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in transparency

The Commissioner has published an annual report covering 2017/18. The report, entitled "Making Cumbria an Even Safer Place", includes information on how the Commissioner has responded to issues raised during community engagement activity and how engagement has informed future priorities.

Throughout the year the Commissioner has published regular financial monitoring information in a short and succinct format that aims to increase the transparency

and accessibility of financial information. Further to this, the reported financial statements published in May 2018 include the statutory Chief Finance Officers' Narrative Report. The Narrative report incorporates a more accessible summary of the statements and financial and performance information alongside a business review.

Implementing good practices in reporting

The Commissioner's activities, performance and achievements have been published in an annual report, which can be found on the Commissioner's website at www.cumbria-pcc.gov.uk. It highlights the commissioner's key achievements during his third year in office, including:

- Continuing to fund numerous community projects and support services to tackle the key priorities in the Police and Crime Plan, including on line safety, protecting vulnerable members of the community, supporting victims of domestic abuse and sexual violence, and empowering victims by providing the chance for them to meet or communicate with their offender to explain the real impact of the crime.
- Setting the policing budget for 2019/20, maintaining the additional 25 police officers from the previous

year and increasing by a further 20 police officers to support operational policing areas that are often not seen by the public but crucial in keeping the county safe.

- Improved youth engagement through the work of the Cumbria Youth Commission, Mini Police and Cadets.
- Prioritised and supported work to address the top public concerns raised with him namely, police visibility, anti-social behaviour, driving and Appleby Fair.

A revised and updated Code of Corporate Governance was adopted in line with the 2016 CIPFA Good Governance Framework for Local Government.

A review of the arrangements for internal audit have confirmed that the service meets the requirements of the Public Sector Internal Audit Standards (PSIAS) during 2018/19.

The Commissioner's unaudited financial statements for 2017/18 were released in May, with the final version published in July, thus meeting new deadlines for financial reporting. The External Auditor's Audit Findings report noted that the accounts were supported by excellent working papers.

Assurance and effective accountability

The external auditor's opinion for the 2017/18 financial year was that the Commissioner's Financial Statements provided a true and fair view of the financial position and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting. The auditors further confirmed in their Annual Audit Letter that that the Commissioner had proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

Implementation of recommendations arising from the internal audit plan, external audit reports and HMICFRS are monitored by the Joint Audit Committee.

The Ethics and Integrity Panel monitors and reports on some specific areas of activity, such as complaint handling and ethical issues.

FURTHER INFORMATION

Further information on the arrangements for Governance can be found on the Commissioner's website under the tab headed Governance and Transparency.

We welcome your views on the Commissioner's Annual Governance Statement. You can do this by using the contact information below:

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*Peter McCall

Police and Crime Commissioner for Cumbria

*Gill Shearer
Chief Executive

*Roger Marshall
Chief Finance Officer

09 May 2019

*Signatures are removed for the purposes of Publication on the website

Appendix A – Update on 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2019	Implementation by	Revised Implementation Date	Status
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.						
CPA/1	Implement systems and processes to facilitate the OPCC's new responsibility for administering local appeals	Governance Manager	Home Office have advised that they are unable to lay the five statutory instruments before Parliament by February 2019, thereby the implementation will be delayed beyond 1 April 2019. Once layed there will be a 6 months period for arrangements to be made prior to implementation	31st March 2019	31st March 2020 (To be confirmed by Home Office)	Ongoing (original timescale extended)
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.						
CPB/1	To refresh the Engagement Strategy to reflect the increase in capacity as a result of the new Engagement Officer post.	Head of Communications and Business Services	Capacity was increased in the team during 2019/19 however, capacity was subsequently reduced following a member of staff resigning. The engagement activities are still relevant within the existing plan. The strategy will be brought up to date as a priority.	31st March 2019	30th September 2019	Ongoing (original timescale extended)
Core Principle C: Focusing on defining outcomes in terms of sustainable, economic, social and environmental benefits						
CPC/1	Implement an over-arching governance framework for the OPCC.	Head of Communications and Business Services	A new governance framework has been produced in draft and is being consulted on within the OPCC.	31st March 2019	30th June 2019	Ongoing (original timescale extended)
CPC/2	In collaboration with stakeholders produce a vision for developing Emergency Services collaboration in the County for the remainder of the Police and Crime Plan period, supported by a detailed action plan.	Blue-light Collaboration Manager	Blue Light Collaboration agreement signed by PCC, CFRS, Cumbria Constabulary, CCC, and NWAS. This sets out a clear vision and plan, for the ambitious programme of work. Governance Structure in place with Exec Leaders Board, Programme Board, and Working Group, which drives the programme, providing scrutiny and oversight. There is a detailed TOR for each project within the wider programme. Updates provided monthly to the working group and programme board, and quarterly to the Exec Leaders Board.	30th September 2018		Completed
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.						
CPD/1	Embed a new integrated Independent Domestic Violence and Sexual Violence Advisory Service.	Head of Partnerships and Commissioning	Procurement has taken place and a contract has been awarded. The Integrated Service is operating across the county. Dip sampling of cases has been conducted and learning shared with the Provider.	31st March 2019		Completed
CPD/2	Collaborate with partner bodies to develop a consistent approach to the delivery of Womens' Centres across the County.	Head of Partnerships and Commissioning	Grant agreements that support a consistent service delivery are in place with the Women's Centre's in the North and South of the County. A business case, supported by the PCC, has been developed by a third sector organisation to open a women's centre in West Cumbria. The OPCC is working collaboratively with Copeland BC and Time to Change to develop the WoW (Women out West) Centre.	31st March 2019	30th September 2019	Ongoing (original timescale extended)
CPD/3	Implement a joint Social Value Policy with the Constabulary	Head of Partnerships and Commissioning	The OPCC has worked with the Constabulary's Head of Procurement to produce a Social Value Policy, which will complement the Joint Procurement Regulations. A draft has been developed which is currently being consulted on. Social value has been incorporated into the evaluation of recent tenders.	30th September 2018	30th September 2019	Ongoing (original timescale extended)

Appendix A – Update on 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2019	Implementation by	Revised Implementation Date	Status
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and the individuals within it.						
CPE/1	Complete the staffing re-structure of the Office of the Police and Crime Commissioner.	Head of Communications and Business Services	The staffing re-structure has been completed. The new structure came into place from 1 July with new staff recruited for September. The Police and Crime Panel approved the permanent CEO arrangements in October.	30th September 2018		Completed
CPE/2	Evaluate options and implement a formal PDR process for all OPCC staff.	Head of Communications and Business Services	A structure is in place for annual PDRs, supported by Strength Based Competency meetings on a 12 week basis within work 1-2-1s on a monthly basis. Line managers have attended a training session and all staff have been briefed.	31st December 2018		Completed
CPE/3	Develop a rolling training and development programme for all OPCC staff incorporating for example ethics and integrity, risk, well-being and health and safety.	Head of Communications and Business Services	The first Tuesday of every month has been allocated as a two hour training session for all staff. This is supported by a time table of training requirements.	31st March 2019		Completed
CPE/4	Develop a vision for the delivery of Procurement within the Constabulary and OPCC to meet organisational needs.	Director of Corporate Support	A three year Commercial Strategy has been agreed detailing the future vision and approach for the service. The Strategy is based on three phases - Mandatory, Transformation and Ambition and ultimately aims to reach a point where Procurement can be accredited to professional standards. It is anticipated that the mandatory phase, which will ensure compliance with Procurement Regulations, will be completed by mid 2019/20.	30th September 2018	30th September 2019	Ongoing (original timescale extended)
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.						
CPF/1	Work with the Constabulary to develop a revised public accountability framework.	Head of Partnerships and Commissioning	A development of a revised framework has been overseen by the OPCC Chief Executive and the Deputy Chief Constable and approved by Collaborative Board.	31st March 2019		Completed
CPF/2	Implement an action plan to ensure that the OPCC complies with new General Data Protection Regulations	Governance Manager	The OPCC is interdependent upon the constabulary for some policies, strategies and data sharing agreements. An action plan has been completed for the OPCC. Monthly monitoring meetings take place the findings from which are reported to the OPCC Exec Team	31st December 2018	31st March 2019	Completed

Appendix B – 2019/20 Development and Improvement Plan

Ref	Action	Lead Officer	Implementation by
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.			
CPA/1	Implement systems and processes to facilitate the OPCC's new responsibility for administering local appeals	Governance Manager	31st March 2020 (To be confirmed by Home Office)
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.			
CPB/1	Review and evaluate Communications and Engagement arrangements.	Head of Communications and Business Services	31st December 2019
CPB/2	Arising from the review of communications and engagement, develop an Engagement Strategy 2020-2024	Head of Communications and Business Services	30th June 2020
Core Principle C: Focusing on defining outcomes in terms of sustainable, economic, social and environmental benefits			
CPC/1	Implement and embed an over-arching governance framework for the OPCC.	Head of Communications and Business Services	30th June 2019
CPC/2	Undertake a review of how the OPCC works in Partnership (formal / informal) to allow resources to be used more efficiently and outcomes achieved more effectively.	Head of Partnerships and Commissioning	31st March 2020
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.			
CPD/1	Working with Cumbria County Council, the Constabulary, NHS England, Local District Councils, and other agencies, embed a new integrated Victims Service.	Head of Partnerships and Commissioning	31st March 2020
CPD/2	Continue to collaborate with partner bodies to develop a consistent and join-up approach to the delivery of Womens' Centres across the County.	Head of Partnerships and Commissioning	31st March 2020
CPD/3	Implement a joint Social Value Policy with the Constabulary including a Modern Slavery Statement	Head of Partnerships and Commissioning	30th September 2019

Appendix B – 2019/20 Development and Improvement Plan

Ref	Action	Lead Officer	Implementation by
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and the individuals within it.			
CPE/1	Implement a programme of training and development programme within the OPCC. safety.	Head of Communications and Business Services	30th September 2019
CPE/2	Review contract management arrangements and implement recommendations.	Head of Partnerships and Commissioning	31st March 2020
CPE/3	Develop a vision for the delivery of Procurement within the Constabulary and OPCC to meet organisational needs.	Director of Corporate Support	30th September 2019
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.			
CPF/1	Scope the approach and put in place arrangements to support the development of the Police & Crime Plan 2020/2024.	Head of Partnerships and Commissioning	31st January 2020



Subject to PCC



Peter McCall

www.cumbria-pcc.gov.uk

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**STATEMENT
OF ACCOUNTS
2018/19**



www.cumbria.police.uk

This draft Statement of Accounts was approved by the Joint Chief Finance Officer on 23 May 2019. At this point the Grant Thornton LLP 'appointed auditor' has not yet completed his annual audit and as such has not given an opinion on the accounts. The accounts are therefore watermarked 'subject to audit'. Once the audit has been completed, which is expected to be in July 2019, the Chief Constable will be asked to approve the Statements and the audit opinion provided will be inserted at pages 21-24 and the watermarking removed. Pages 19 and Page AGS 2 of these accounts include signatures which have been removed for the purposes of publication on the website.



The Chief Constable for Cumbria
Constabulary

Statement of Accounts 2018/19

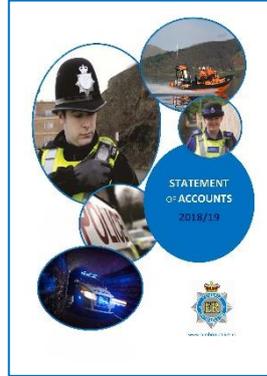
About this Publication

This publication contains the single entity financial statements for the Chief Constable for Cumbria Constabulary. All funding for the Constabulary comes from the Police and Crime Commissioner for Cumbria (the Commissioner). For an overall (group) financial position please see the Commissioner's Statement of Accounts which incorporates those of the Chief Constable.



The Statement of Accounts for 2018/19 is available on the Constabulary's website at www.cumbria.police.uk

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



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

Alternative Formats



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

Bengali

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Cantonese

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Lithuanian

Paskambinę telefonu 01768 217734, galite užsisakyti šio dokumento kopiją įvairiais formatais, pavyzdžiui, atspausdintą dideliu šriftu, Brailio raštu, užsisakyti garso įrašą arba gauti dokumentą, išverstą į norimą kalbą.

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The Chief Constable for Cumbria Constabulary

Statement of Accounts 2018/19

Contents	Page(s)
Joint Chief Finance Officer Narrative Report	3-19
Responsibilities for the Statement of Accounts	20
Auditors Report to the Chief Constable	21-24
Core Financial Statements	
• Comprehensive Income and Expenditure Statement	25
• Movement in Reserves	26
• Balance Sheet	27
• Cash Flow Statement	28
Notes to the Accounts	29-49
Police Officer Pension Fund Account	50-51
Glossary of Terms	52-54
Annex A - Statement of Accounting Policies	55-58
Annex B – Technical Annex - Financial Instruments	59-60
Annex C – Technical Annex – Pension Disclosures	61-70
Annex D – Annual Governance Statement	AGS 1-20

The Joint CFO Introduction.

For a quick highly summarised version of this statement of accounts please read the next 17 pages. The full story starts on page 20, please read that too.

Please see page 29 for a full list of the notes to the accounts and cross references to page numbers.

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

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2018/19 financial year. This financial statement sets out the single entity statements of the Chief Constable for Cumbria Constabulary. The Police and Crime Commissioner for Cumbria (the Commissioner) has 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 statement provides a breakdown of net spending during the year and shows the overall financial position of the Chief Constable as at 31 March 2019. The reporting format is specifically designed to meet the requirements of the Code of Practice on Local Authority Accounting. A series of notes are provided to assist readers in their understanding of the statement, whilst the presentational format is designed to make for easier reading by those who access the document through the Chief Constable's website: www.cumbria.police.uk

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.

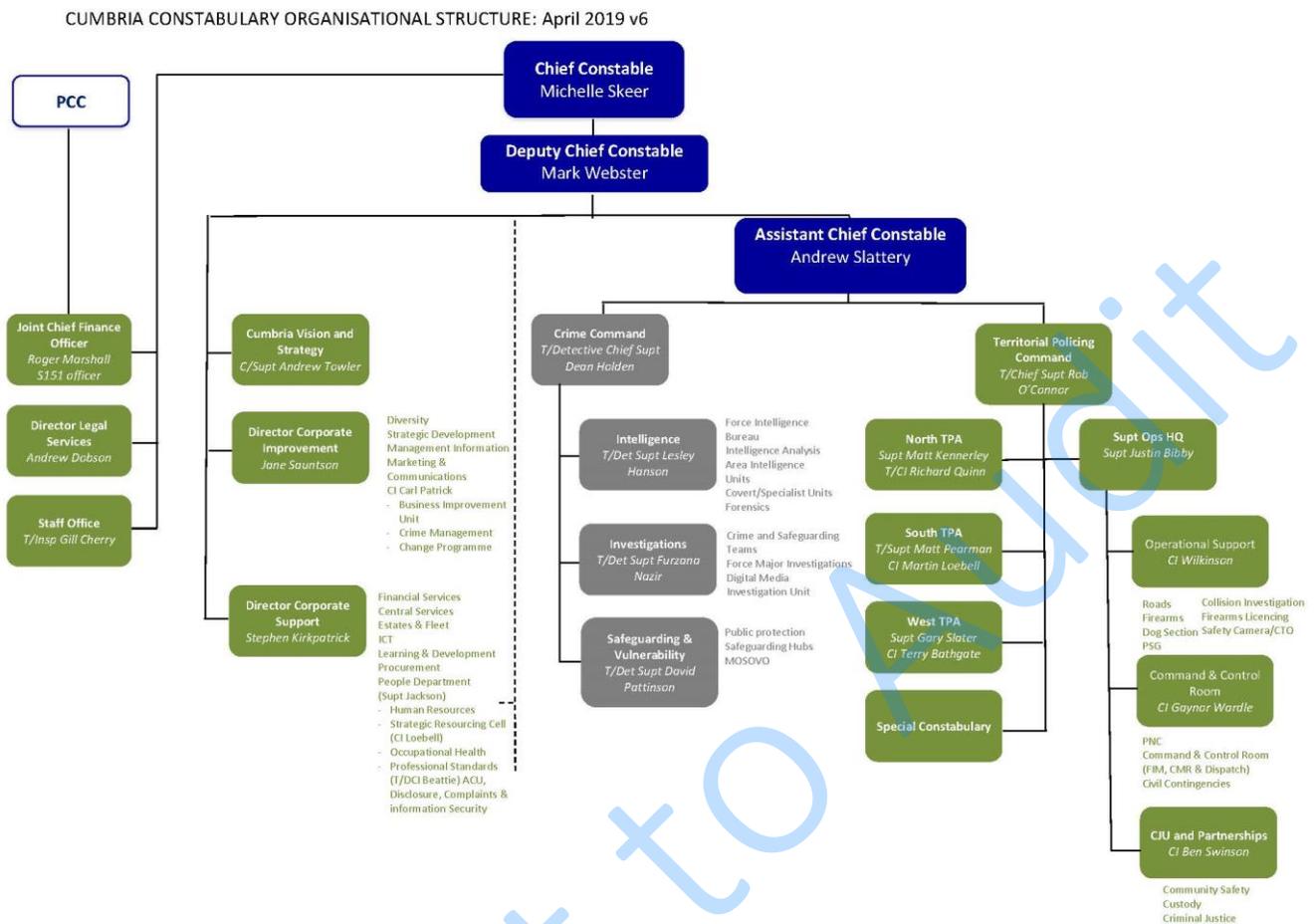
The Crime Command is responsible for investigating crime and includes specialist units for gathering intelligence, major crime investigation, countering serious and organised crime, public protection and scientific support.

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, performance and management information, 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.

Joint Chief Finance Officer Narrative Report

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



Strategic Objectives

For 2018/19, 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), demand and resource analysis, performance results, recommendations from independent inspections and audits and a review of the organisation's strategic risks, the Chief Constable developed the core operational priorities for reducing threat, risk and harm and tackling our communities' concerns as follows:

- Responding to the public
- Prevention and deterrence
- Investigation

- Protecting vulnerable people
- Monitoring dangerous and repeat offenders
- Disrupting organised crime
- Responding to major incidents

The Commissioner approved these key objectives and incorporated them into his Police & Crime 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 supportive of the service we provide as demonstrated by consistently high user satisfaction levels.

Nevertheless, there are no grounds for complacency. Over the last year there has been an increase in recorded crime, whilst this is largely attributable to improvements in crime recording methods, there has been an undeniable rise in demand for policing services, most particularly in relation to violent crime. In tandem with this 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 and to manage offenders. 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. Recognising the scale of this threat the Constabulary is utilising some of the extra officers included in the 2019/20 budget to set up a dedicated Cyber Unit to counter on-line crime. 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) by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). In 2018/19, the Constabulary was graded good in respect of all services. In addition, Cumbria received a thematic inspection in relation to its Crime Data Integrity, for which it was rated as 'Outstanding' and is one of only two forces to receive

this grading on first inspection. We will continue to work with HMICFRS to address the small number of areas, which were identified as areas for improvement.

The future financial position is uncertain. Whilst the additional flexibility afforded to Commissioners to increase the precept in 2019/20 has allowed policing resources to be maintained and a small increase in officer numbers, this takes place in the context of rising costs. Longer term risks in relation to the sustainability of funding, the financial burden of national policing initiatives and potential changes to the police funding formula remain. In the meantime, the Constabulary will continue to operate as efficiently as possible and deliver savings to balance the budget.

The Cumbria 2025 Plan remains pivotal to the delivery of a policing service to meet the future needs of the county. It seeks to bring together business and change planning into a single cohesive plan, which is aligned to the national policing vision. During 2018/19 there has been significant progress in rolling out Local Focus Hubs to provide integrated Neighbourhood Policing in conjunction with partners, use of body worn video, various well-being initiatives to support our workforce and continued development of operational ICT systems such as SAFE (Command and Control) and Red Sigma. The plan will continue to be developed during 2019/20 under the leadership of the Chief Officer team.

In summary, despite the challenges, I will continue to work with the Commissioner and partners across the county to deliver on our core mission of Keeping Cumbria Safe.

2018/19 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 2018/19 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

In summary, the Government have recognised the financial challenges in maintaining policing services. Accordingly, in 2018/19 formula grant funding was protected in cash terms at £58.710 and Commissioners were allowed greater flexibility to raise council tax by up to £12 for a band D property. Following public consultation the Commissioner increased the precept by £11.97 for a band D property, which is equivalent to 5.42%. This enabled services to be maintained offsetting the effect of pay and price increases, but also allowed an investment in an additional 25 officers ring fenced to work in local policing.

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 2018/19 we have made the following changes to enhance services:

- Undertook extensive demand and activity analysis for operational staff and investigative and safeguarding staff to inform how we need to allocate resources to manage demand.
- Strengthened arrangements for crime management including the development of an action plan and training to improve ethical crime reporting standards.
- Undertook a range of audits and knowledge checks across the operational policing portfolio to improve services for victims.
- Continued the implementation plan for the new Command and Control system with the aim of improving response to 999 and 101 calls.
- Rolled out the next phases of the crime system – crime management and safeguarding modules
- Introduced an automated annual leave system to reduce paperwork and make significant financial savings.
- Implemented a range of products and upgrades to improve ICT security.
- Implemented the business benefits strategy to ensure that all productivity gains from ICT systems are captured and delivered.

Performance

Summary Budget and Outturn

The Chief Constable's budget amounting to £116.9m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2018/19 as set on 14 February 2018, the revised budget (taking into account budget changes made during the year) and the outturn position.

Joint Chief Finance Officer Narrative Report

Summary Budget & Outturn	Base Budget 2018/19 £000s	Revised Budget 2018/19 £000s	Outturn 2018/19 £000s	(Under)/Overspend 2018/19 £000s
Police Officers	82,603	80,918	81,967	1,049
PCSOs	3,131	3,131	2,867	(264)
Police Staff	20,685	21,007	21,198	191
Other Employee	1,160	1,935	2,099	164
Transport	2,171	2,130	2,171	41
Supplies & Services	9,828	10,059	9,723	(336)
Third party Related	2,108	2,062	2,053	(9)
Total Expenditure	121,686	121,242	122,078	836
Income	(4,784)	(6,062)	(6,681)	(619)
Total Constabulary	116,902	115,180	115,397	217

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 £107.58m, which is broken down into Police Officers £82.60m, PCSO's £3.13m, Police Staff £20.69m and other employee costs of £1.16m. The remainder of the budget relates to non-staff costs including, transport costs of £2.17m and supplies/other costs of £11.94m. Income of £4.78m, 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 2018/19, compared to the revised budget is an overspend of £0.217m.

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

- Recruiting the additional 25 officers, associated with the Commissioner's 2018/19 council tax pledge, earlier than anticipated.
- A decision to recruit a further 20 officers over establishment, to provide an insurance against possible future recruitment delays when new police training arrangements are introduced in 2019/20.
- The requirement to fund a higher than budgeted number of police ill health retirements during the year under police pension regulations.

Interim forecasts during the financial year indicated that the Constabulary could be overspent by up to £750k for the reasons outlined above. In the event, a combination of pro-active management of budgets, lower than expected expenditure on supplies and services in the latter part of the year and generation of additional income brought the final overall expenditure much closer 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 £5.214m in 2018/19 are shown in the financial statements of the Commissioner. The principal component of this expenditure was £2.2m on upgrade of the Estate including £1.8m on a new deployment centre for Eden. Expenditure on ICT related schemes amounted to £2.0m, the largest single element of which was £1.2m

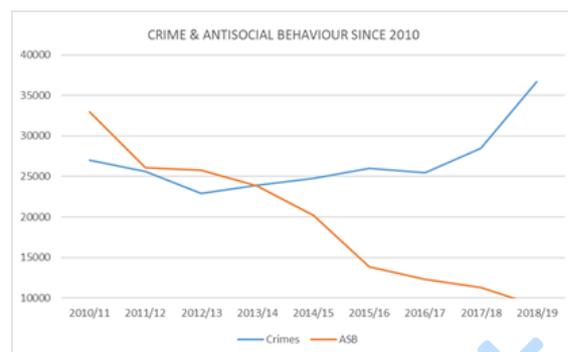
on a new command and control system, which will be fully implemented in 2019/20. A further £0.9m was expended on the cyclical replacement of the vehicle fleet. Overall capital expenditure was lower than budgeted, however, this was largely attributable to expected large milestone payments for the Eden Deployment Centre and the Command and Control system falling into early 2019/20 rather than being indicative of large scale slippage on the programme.

Earlier in 2018/19 an underspend of £0.9m on the Business Analytics and Intelligence project was declared. The resulting saving has been used to offset the revenue overspend in the year.

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 2018/19.

- Crime increased by 29% (8,268 crimes). This is, in the main, attributable to improved crime recording.
- The biggest impact of improved crime recording is on lower level crime categorised as violent crime without injury, which has increased by 74% (3,980 crimes).
- We set out to increase reporting of rape and sex offences and this increased by 26% (342 offences).
- Overall theft offences have increased by 6% (558 offences), however there has been a 3% reduction in burglary offences (-57 offences).



- We have delivered a further 19% reduction in Anti-Social Behaviour, which has reduced to 9,063 incidents over the year.
- Domestic abuse incidents increased by 695 or 9.6% indicating greater public confidence in reporting.
- 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 110 crimes, which represents an increase of 26%. This indicates that the public have increased confidence in reporting such crimes.

The table below summarises the Constabulary's performance indicators.

	Number of Crimes 2018/19	% Change from previous year
All Crime	36,713	29%
Violence against the person	14,242	53%
Homicide	4	33%
Violence with injury	4,937	25%
Assault - cause serious harm	211	77%
Assault with injury	4,702	23%
Other violence with Injury	24	-23%
Violence without injury	9,301	74%
Assault without injury	5,080	39%
Assault without injury on a Constable	270	24%
Harassment	3,593	193%
Other violence without injury	358	40%
Rape and sexual offences	1,667	25%
Robbery	142	49%
Theft offences	9,758	6%
Burglary	2,009	-3%
Vehicle offences	1,171	0%
Criminal damage and arson offences	5,580	9%
Drugs offences	1,003	18%
Public order offences	3,294	87%

Joint Chief Finance Officer Narrative Report

Her Majesty's Inspector of Constabulary Fire and Rescue Services (HMICFRS) has graded the Constabulary as providing a good service across all aspects of the Police, 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.

The Constabulary has also been graded as outstanding in a thematic inspection of crime data integrity, one of only two forces to receive this grade on first inspection.

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 2018/19, 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 2018/19 included the development of strengths based conversations to replace the previous performance development process and the promotion of citizens in policing, with particular emphasis on engagement with young people through cadets and mini police.

At the 31st March 2019 the Constabulary employed:

- 1151 Police Officers
- 84 PCSOs
- 596 Police staff

(all expressed in full time equivalents)

As part of the Commissioner's council tax pledge in 2018/19, a strategic decision was taken to increase the police officer establishment by 25fte, from 1,120 FTE to 1,145 to work in local policing roles. The additional posts were recruited to early in the financial year. Over 2018/19 the numbers of police staff and PCSOs operated slightly below establishment. The budget for 2019/20 includes provision for a further 20 additional officers.

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

Actual Employees as at 31 March 2019	CC		Total FTE
	Male FTE	Female FTE	
Directors/Chief Officers	7.5	2.0	9.5
Senior Managers	8.0	7.0	15.0
All Other Employees	952.7	853.9	1,806.5
Total CC Employees	968.2	862.9	1,831.0

The 2018/19 average percentage of working time lost due to sickness remained consistent with previous years. Police officer rate had a negligible reduction to

3.51% (approx. 8 working days) whilst police staff showed a slight reduction to 2.73% (7 working days).

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 2018/19 included the:

- Investment in further Wellbeing initiatives in the Constabulary and the training of Mental Health First Aiders who can signpost staff for early help and support.
- Investment in a Strength Based Conversation model that promotes a coaching approach by managers, and helps to build resilience in our employees.
- Streamlined processes in duty management so staff can access automated leave systems
- Investment in anti-corruption software and resources to safeguard the safety and wellbeing of the workforce.
- Revision of grievance and mediation handling services to that the constabulary can positively support staff in the workplace

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.

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 2018/19, particular training resource was directed to:

- National Crime Recording Standards
- Mental health.
- Leadership and skills course for sergeants, with an equivalent programme for inspectors being developed.
- ICT skills to get the best from systems such as SAFE (Command & Control), Red Sigma and Office 365.

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.

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.

The estate is served by a force wide building management system which is used for:

- Regular monitoring and control of consumption.
- Controlling mechanical building services.

Each year a programme to introduce low energy technology, including LED lighting and low emission air conditioning across the estate is undertaken.

An emerging programme of work is being undertaken to promote the use of agile and partnership working. This will reduce travel between sites and improve space efficiency at a number of sites.

For many years the Constabulary has operated a recycling policy. Later this year a refresh of the internal energy management procedures will be completed, with a strong emphasis being placed on local energy management.

In line with the national fleet strategy, the Constabulary currently operates a diesel fleet, with this strategy being continually reviewed as technology advances. During 2019 the first full electric vehicles will be introduced into the fleet. Two of these vehicles will be operational within the Eden area. Their use will be monitored and evaluated and the strategy of vehicle replacement will be adapted to meet the technology that is available both in the short and longer term. To support this, the estate will soon be equipped with its first electric charging points creating the infrastructure to support the roll out of an electric car programme.

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.

Work is being undertaken on a review of hire car procedures with an emphasis being placed on improved utilisation of hire cars. In addition, suppliers will be required to provide green fleet including a mix of electric vehicles.

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.

The table below sets out a summary CIES statement.

Summary CI&ES	Gross Expenditure 2018/19 £000s	Gross Income 2018/19 £000s	Net Expenditure 2018/19 £000s
Cost of Police Services	105,249	(378)	104,871
Funding Provided by PCC to CC	0	(110,897)	(110,897)
Cost of Services	105,249	(111,275)	(6,026)
Financing Costs and Investment Income	34,804	(3,591)	31,213
(surplus)/deficit on the provision of services	140,053	(114,866)	25,187
Other comprehensive income and expenditure			40,038
Total Comprehensive income and expenditure			65,225

The statement shows that the gross cost of providing policing services amounted to £105.249m in 2018/18. 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' £31.213m and 'other comprehensive income & expenditure' net expenditure of £40.038m. 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 deficit of £65.225m for the year, which largely impacts on unusable pensions reserves. The analysis on page 8 of this summary, based on the management accounts, shows an overspend of £0.217m.

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 31/03/2018 £000s	Movements 2018/19 £000s	Balance 31/03/2019 £000s
Police Pensions Reserve	(1,187,670)	(54,000)	(1,241,670)
LGPS Pensions Reserve	(40,009)	(11,025)	(51,034)
Accumulated Absences Reserve	(2,750)	(306)	(3,056)
Total Reserves	(1,230,429)	(65,331)	(1,295,760)

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 2018/19, the overall negative balance on both the police and local government pensions schemes have increased, 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 £18.9 for specific revenue and capital purposes. During 2018/19, a total of £1.0m 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 2019) of the Chief Constable's assets and liabilities.

Joint Chief Finance Officer Narrative Report

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

Summary Balance Sheet	Balance	Balance
	31/03/2018	31/03/2019
	£000s	£000s
Current assets	14,690	10,638
Current Liabilities	(16,042)	(12,361)
Long Term Liabilities	(1,229,077)	(1,294,037)
Net Assets	(1,230,429)	(1,295,760)
Unusable Reserves	(1,230,429)	(1,295,760)
Total reserves	(1,230,429)	(1,295,760)

The Chief Constable's current assets (£10.6m) 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 (£12.4m) 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 (£1,294m) 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 2018/19 balance sheet shows a combined pensions deficit of £1,293m (£1,228m in 2017/18) 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	Cash flows
	2017/18	2018/19
	£000s	£000s
Cash & Cash Equivalents 1 April	0	0
Net (Surplus)/Deficit on the provision of services	27,404	25,187
Adjustments for non-cash movements	(27,404)	(25,187)
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

Joint Chief Finance Officer Narrative Report

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 Annual Governance Statement of the Chief Constable can be found in (Annex D) of this Statement of Accounts on pages AGS 1-20 or on the Constabulary website at: www.cumbria.police.uk.

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	Pension Fund A/C
	2017/18 £000s	2018/19 £000s
Contributions - Employer	(8,194)	(8,506)
Contributions - Officers	(5,185)	(5,372)
Contributions - Other	(357)	(578)
Benefits Payable	35,724	35,878
Other Payments	32	79
Net Amount Payable	22,020	21,501
Contribution from Home Office	(20,918)	(20,343)
Additional Funding Payable by the Constabulary (2.9%)	(1,102)	(1,158)
Net Amount Payable	0	0

The statement identifies contributions made in 2018/19 totaling £14.46m. The pension benefits that are payable from the fund, together with other payments amounted to £35.96m. The balance between contributions and pensions' benefits paid of £20.34m 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 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 2019. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of past and 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 2019/20 grant settlement was better than anticipated:

- Providing additional grant funding to meet increased employer pension contribution rates for police officer pensions.
- Giving commissioner's the flexibility to increase council tax levels by a maximum of £24 pa for a band D property.
- Delaying any changes to the Police Funding Formula until after the next comprehensive spending review and are unlikely to be introduced until at least 2021/22.

Following public consultation the Commissioner set the council tax precept for 2019/20 at close to the maximum level, which represented an increase of 10.29%. Whilst the increase in funding is welcome, it does not represent a significant real increase in resources in the context of rising wages and other costs and the increased demand for services.

The Constabulary's budget is set in the context of a four year medium term financial forecast (MTFF) to 2022/23, which assumes continuing funding restraints and cost pressures arising from the implementation of new technology including the new Emergency Services Network and proposed professionalisation of police training. The financial outlook is particularly uncertain and will depend on the outcome of the Government's Comprehensive Spending Review, which will be concluded in Autumn 2019, and the economic impact of Brexit on the national finances. There are also

financial risks regarding whether the additional pension grant provided in 2019/20 will be maintained in future years and over the sustainability of a funding model which relies on local taxpayers to meet all cost increases. Based on the MTFF, savings will be required to balance the budget from 2020/21, which will rise to £4.1m by 2022/23.

The Commissioner and Chief Constable recognise that, having already delivered £26m 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 presented 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 real terms loss of funding, arising from a

combination of funding failing to keep pace with increases in the cost of providing services, the potential impact of changes to the police funding formula or the cost of national policing initiatives.

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.

Ensuring the provision of medical care within custody units remains a challenge, which is reflected in the strategic risk register.

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, the increasing threats from acts of terrorism and digital crime, compliance with General Data Protection Regulations and lack of professional procurement capability within the organisation.

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, it 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.
- Use of business analytics and intelligence to improve management information and generate efficiencies.
- 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.
- Improving the efficiency of business systems and procedures to better support operational policing.
- Exploiting opportunities for collaboration with other partners.
- Specific reviews of business activities.

Acknowledgements

The financial statements were originally authorised for issue by me as Joint Chief Finance Officer, on 23 May 2019.

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 2019 and its income and expenditure for the year there ended.

Signature removed for publication on website

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 23 May 2019

Responsibilities for the Statement of Accounts

1 The Chief Constable's Responsibilities

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

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

2 The Joint Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the CFO has:

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

The CFO has also:

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

The CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2018.



Independent auditor's report to the Chief Constable for Cumbria Constabulary

Report on the Audit of the Financial Statements

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Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement (CC)	Notes	CC	CC	CC	CC	CC	CC
		2017/18 Gross Expenditure re-stated £000s	2017/18 Gross Income re-stated £000s	2017/18 Net Expenditure re-stated £000s	2018/19 Gross Expenditure £000s	2018/19 Gross Income £000s	2018/19 Net Expenditure £000s
Cost of Policing and Crime Services	#	99,634	(355)	99,279	105,249	(378)	104,871
Funding Provided by PCC to CC		0	(105,851)	(105,851)	0	(110,897)	(110,897)
Cost of Policing and Crime Services		99,634	(106,206)	(6,572)	105,249	(111,275)	(6,026)
Financing and Investment Income and Expenditure							
Net Interest on the net defined benefit liability (asset)	Annex C	37,304	(3,328)	33,976	34,804	(3,591)	31,213
		37,304	(3,328)	33,976	34,804	(3,591)	31,213
(Surplus) or Deficit on Provision of Services		136,938	(109,534)	27,404	140,053	(114,866)	25,187
Remeasurement of the net defined pension benefit liability/asset	Annex C			(88,822)			40,038
Other Comprehensive Income and Expenditure				(88,822)			40,038
Total Comprehensive Income and Expenditure				(61,418)			65,225

A more detailed analysis of the figures that make up the "Cost of Policing and Crime Services" can be found in the Expenditure and Funding Analysis (Note 5) and in the Expenditure and Income Analysed by Nature note (Note 6).

Movement in Reserves Statement

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

The figures for the Chief Constable in 2018/19 are provided in the table below:

Movement in Reserves Statement (CC) Figures for 2018/19										
	Note	Balance at 1 April 2018	Adjustment to Opening Balance 1 April 2018	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Increase/ (decrease) in 2018/19	Balance at 31 March 2019
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Chief Constable's Constabulary Fund	-	0		0	(25,187)	0	(25,187)	25,187	0	0
Total Usable Reserves		0		0	(25,187)	0	(25,187)	25,187	0	0
Unusable Reserves										
Chief Constable's Police Pension Reserve	14a	(1,187,670)		0	0	(33,050)	(33,050)	(20,950)	(54,000)	(1,241,670)
Chief Constable's LGPS Pension Reserve	14a	(40,009)		(106)	0	(6,988)	(6,988)	(3,931)	(10,919)	(51,034)
Chief Constable's Accumulated Absences Account	14b	(2,750)		0	0	0	0	(306)	(306)	(3,056)
Total Unusable Reserves		(1,230,429)		(106)	0	(40,038)	(40,038)	(25,187)	(65,225)	(1,295,760)
Total Reserves		(1,230,429)		(106)	(25,187)	(40,038)	(65,225)	0	(65,225)	(1,295,760)

The comparative figures for 2017/18 are provided in the table below:

Movement in Reserves Statement (CC) Figures for 2017/18										
	Note	Balance at 1 April 2017	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Increase/ (decrease) in 2017/18	Balance at 31 March 2018	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Usable Reserves										
Chief Constable's Constabulary Fund	-	0	(27,404)	0	(27,404)	27,404	0	0	0	
Total Usable Reserves		0	(27,404)	0	(27,404)	27,404	0	0	0	
Unusable Reserves										
Chief Constable's Police Pension Reserve	14a	(1,243,120)	0	78,700	78,700	(23,250)	55,450	55,450	(1,187,670)	
Chief Constable's LGPS Pension Reserve	14a	(45,878)	0	10,122	10,122	(4,253)	5,869	5,869	(40,009)	
Chief Constable's Accumulated Absences Account	14b	(2,849)	0	0	0	99	99	99	(2,750)	
Total Unusable Reserves		(1,291,847)	0	88,822	88,822	(27,404)	61,418	61,418	(1,230,429)	
Total Reserves		(1,291,847)	(27,404)	88,822	61,418	0	61,418	61,418	(1,230,429)	

Balance Sheet

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the reserves held by the Chief Constable.

Balance Sheet	Notes	CC	CC
		31 March 2018	31 March 2019
		£000s	£000s
Inventories		232	273
Short Term Debtors (amounts owed to CC by PCC re CC share of external Debtors)	10	4,268	2,730
Short Term Debtors (amounts owed to CC by employees re accumulated absences)	10	118	158
Short Term Debtors (funding balance owed to CC by PCC)	10	10,072	7,477
Current Assets		14,690	10,638
Short Term Creditors (amounts owed by CC to PCC re share of external creditors)	11	(8,674)	(6,144)
Short Term Creditors (amounts owed by CC to employees re accumulated absences)	11	(2,868)	(3,214)
Short Term Creditors (funding balance due from CC to PCC)	11	(4,500)	(3,003)
Current Liabilities		(16,042)	(12,361)
Provisions	12	(1,398)	(1,333)
Other Long Term Liabilities			
Pensions liability - Police	Annex C	(1,187,670)	(1,241,670)
Pensions liability - LGPS	Annex C	(40,009)	(51,034)
Long Term Liabilities		(1,229,077)	(1,294,037)
Net Assets		(1,230,429)	(1,295,760)
Unusable Reserves			
Pensions Reserve - Police	14a	(1,187,670)	(1,241,670)
Pensions Reserve - LGPS	14a	(40,009)	(51,034)
Accumulated Absences Account	14b	(2,750)	(3,056)
		(1,230,429)	(1,295,760)
Total Reserves		(1,230,429)	(1,295,760)

The unaudited accounts were issued on 23 May 2019.

Signed: _____

Roger Marshall, Joint Chief Finance Officer.

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. Under the funding arrangement between the Police and Crime Commissioner and the Chief Constable, the Chief Constable does not engage in investment and financing activities therefore all cash flows are classified as operating activities.

Cash Flow Statement (CC)		CC 2017/18 £000s	CC 2018/19 £000s
	Net (Surplus) or Deficit on the provision of services	27,404	25,187
	Adjustment to net surplus or deficit on the provision of services for non-cash movements	(27,404)	(25,187)
	Net cash (inflow)/ outflow from Operating Activities	0	0
	CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:		
	Pension Liability (Contributions to/from Pensions Reserve)	(27,503)	(24,881)
	Debtors - Adjustment re CC Share of Debtors	(134)	(1,498)
	Debtors - Adjustment re Balance of Funding due from PCC to CC	3,507	(2,595)
	Creditors - Adjustment re CC Share of Creditors	(3,378)	2,185
	Creditors - Adjustment re Balance of Funding due from CC to PCC	188	1,497
	Stock - Change in Balance Sheet	(21)	40
	Provisions - Change in Balance Sheet	(63)	65
	Adjustment to net surplus or deficit on the provision of services for non-cash movements	(27,404)	(25,187)

Notes to the Accounts

Index of Notes to the Accounts

Note	Title	Page
1	Accounting Policies.....	30
2	Critical Judgements in Applying Accounting Policies	30
3	Events after the Balance Sheet Date	30
4	Assumptions made about the future and other Sources of Estimation Uncertainty.....	31
5	Expenditure and Funding Analysis.....	32
6	Expenditure and Income Analysed by Nature	34
7	Adjustments between Accounting Basis and Funding Basis under Regulations.....	35
8	Audit Fees	36
9	Financial Instruments	36
10	Short-term Debtors	37
11	Short-term Creditors	37
12	Provisions.....	38
13	Pensions	39
14	Unusable Reserves.....	40
15	Members Allowances and Expenses	42
16	Disclosure of Remuneration for Senior Employees.....	42
17	Employee Remuneration.....	45
18	Exit Packages/Termination Payments	46
19	Related Party Transactions.....	47
20	Contingent Liabilities	48
21	Accounting Standards that have been Issued but have not yet been Adopted.....	49
22	Prior Period Adjustment	49

The notes to the accounts are provided to aid the understanding of material items within the core financial statements. As a general rule, the column showing the figures for 2018/19 will be highlighted, whilst the comparatives for 2017/18 (where provided) will not.

The notes sometimes include terms that may require further explanation. Where possible, explanations are provided within the note, otherwise explanations are provided within the “glossary of terms” in pages 52-54. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

Notes to the Accounts

1 Accounting Policies

There are a number of accounting policies that determine how items within the accounts are treated. Where these accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a grey text box. Where an accounting policy is more generic and applicable across the statement accounts it will continue to be shown in a separate technical annex, **Annex A** (see pages 55-58).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 55 to 58), the [Chief Constable](#) has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

3 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Joint Chief Finance Officer on 23 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting Policy - Events after the Balance Sheet Date

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

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

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

Notes to the Accounts

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

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

The items in the Chief Constable's balance sheet as at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Chief Constable has made a provision of £279k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Chief Constable.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £28k to the provision needed.
	The Chief Constable has made a provision of £819k in relation to the potential cost of legal claims against the Constabulary which are currently ongoing.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £82k to the provision needed.
	The Chief Constable has made a provision of £235k in relation to the potential cost of capital equivalent costs associated with three ill health retirements agreed in 2018/19 but for which an appeal process can still be undertaken.	A 10% increase over the estimated average settlement would have the effect of adding £23k to the provision needed.
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Two firms of consulting actuaries are engaged to provide the Chief Constable with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).</p>	The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts Annex C, Pensions on pages 61-70.

Notes to the Accounts

5 Expenditure and Funding Analysis

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

The figures for the Chief Constable in 2018/19 and comparatives for 2017/18 are provided in the table below:

Expenditure and Funding Analysis (CC)	Net Expenditure Chargeable to the Police Fund balance and as reported for resource management	CC 2017/18 Adjustments between Funding and Accounting Basis (Note 5 & 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the Police Fund balance and as reported for resource management	CC 2018/19 Adjustments between Funding and Accounting Basis (Note 5 & 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services						
Police Officer Pay & Allowances	57,842	(9,570)	48,272	61,129	(9,220)	51,909
PCSO Pay & Allowances	3,011	(388)	2,623	2,852	(341)	2,511
Police Staff Pay & Allowances	19,409	3,485	22,894	21,417	3,229	24,646
Other Employee Budgets	2,875	0	2,875	3,340	0	3,340
Premises Related Expenditure	5,285	0	5,285	5,332	0	5,332
Transport Related Expenditure	2,807	0	2,807	3,249	0	3,249
Supplies & Services Expenditure	11,846	0	11,846	12,457	0	12,457
Third Party Related Expenditure	1,445	0	1,445	1,310	0	1,310
Technical Accounting Adjustments	99	(99)	0	(306)	306	0
Non distributed costs	1,018	0	1,018	55	0	55
Termination Payments	214	0	214	62	0	62
Funding Provided by PCC to CC	(105,851)	0	(105,851)	(110,897)	0	(110,897)
Net Cost of Services	0	(6,572)	(6,572)	0	(6,026)	(6,026)
Other Income and Expenditure	0	33,976	33,976	0	31,213	31,213
(Surplus)/Deficit on the Provision of Services	0	27,404	27,404	0	25,187	25,187

Notes to the Accounts

5.a Note to the Expenditure Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the Police Fund (as detailed in note 6) to arrive at the amounts in the Comprehensive Income and Expenditure Statement (page 25). The relevant transfers between reserves are explained in the Movement in Reserves Statement (page 26).

The figures for 2018/19 and comparatives for 2017/18 are shown in the table below:

Note to the Expenditure and Funding Analysis (CC)	CC 2017/18		Total Adjustment Between funding and accounting basis £000s	CC 2018/19	
	Net change for the Pensions Adjustment (See below) £000s	Other Differences (See below) £000s		Net change for the Pensions Adjustment (See below) £000s	Other Differences (See below) £000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	(9,570)	0	(9,570)	(9,220)	0
PCSO Pay & Allowances	(388)	0	(388)	(341)	0
Police Staff Pay & Allowances	3,485	0	3,485	3,229	0
Technical Accounting Adjustments	0	(99)	(99)	0	306
Net Cost of Services	(6,473)	(99)	(6,572)	(6,332)	306
Other Income and Expenditure	33,976	0	33,976	31,213	0
(Surplus)/Deficit on the Provision of Services	27,503	(99)	27,404	24,881	306
Further Analysis of Adjustments					
Police - Interest on Liabilities	32,820	0	32,820	30,170	0
Police - Reverse Employer Contributions	(31,240)	0	(31,240)	(31,410)	0
Police - Current Service Cost	20,870	0	20,870	22,190	0
Police - Curtailment/Settlement	800	0	800	0	0
LGPS - Interest on Liabilities	4,484	0	4,484	4,634	0
LGPS - Return on Plan Assets	(3,328)	0	(3,328)	(3,591)	0
LGPS - Curtailment/Settlement	218	0	218	55	0
LGPS - Reverse Employer Contributions	(2,871)	0	(2,871)	(2,993)	0
LGPS - Current Service Cost	5,750	0	5,750	5,826	0
Accumulated Absences Account Adj	0	(99)	(99)	0	306
Total Adjustments	27,503	(99)	27,404	24,881	306

Notes to the Accounts

6 Expenditure and Income Analysed by Nature

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

Expenditure and Income	CC 2017/18 £000s	CC 2018/19 £000s
Expenditure		
Police Pay & Allowances	57,842	61,129
PCSO Pay & Allowances	3,011	2,852
Police Staff Pay & Allowances	19,409	21,417
Other Employee Costs	2,875	3,340
Premises Related Costs	5,285	5,332
Transport Related Costs	2,807	3,249
Supplies & Services	11,846	12,457
Third Party Payments	1,445	1,310
Technical Accounting Adjustments	99	(306)
Non Distributed Costs	1,018	55
Termination Payments	214	62
Funding Between PCC & CC	(105,851)	(110,897)
Total Expenditure	0	0
(Surplus)/Deficit on the Provision of Services	0	0

Notes to the Accounts

7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the [Chief Constable](#) in the year in accordance with proper accounting practice to the resources that are specified by statutory [provisions](#) as being available to the Chief Constable to meet future expenditure.

The figures for 2018/19 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC Constabulary Fund Balance £000s	CC Police Pension Reserve £000s	CC LGPS Pension Reserve £000s	CC Accumulated Absences Account £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	Annex C	24,881	(20,950)	(3,931)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	14b	306	0	0	(306)
Total Adjustments		25,187	(20,950)	(3,931)	(306)

The comparative figures for 2017/18 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC Constabulary Fund Balance £000s	CC Police Pension Reserve £000s	CC LGPS Pension Reserve £000s	CC Accumulated Absences Account £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	Annex C	27,503	(23,250)	(4,253)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	14b	(99)	0	0	99
Total Adjustments		27,404	(23,250)	(4,253)	99

Notes to the Accounts

8 Audit Fees

In 2018/19 the [Chief Constable](#) incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	CC	CC
	2017/18 £000s	2018/19 £000s
Amounts Relating to The Chief Constable		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	15	12
Total External Audit Fees for Year	15	12

The above table shows the gross fees payable to the external auditor during the year. In 2017/18 a rebate of audit fees of £2k was received from Public Sector Audit Appointments.

9 Financial Instruments

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

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the Chief Constable are included in a separate technical appendix at Annex B on pages 59 to 60.

The disclosures include:

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

Notes to the Accounts

10 Short-term Debtors

A breakdown of the amounts owing to the [Chief Constable](#) as at 31 March 2019 with comparative information for the previous year is set out in the table below:

Short-term Debtors	CC	
	2018	2019
	£000s	£000s
Balance Owed from PCC re CC Share of External Debtors		
- Police pensions prepayment	2,353	2,474
- Prepayments/Payments in Advance	1,915	256
	4,268	2,730
Balance Owed from Employees (re accumulated Absences)	118	158
Balance Owed from PCC re Balance of Funding	10,072	7,477
Total Debtors	14,458	10,365

11 Short-term Creditors

An analysis of the amounts owed by the [Chief Constable](#) as at 31 March 2019 with comparative information for the previous year is set out in the table below:

Short-term Creditors	CC	
	2018	2019
	£000s	£000s
Balance Owed to PCC re CC Share of External Creditors		
- Central Government Bodies	(2,010)	(2,069)
- Other Police/Local Authorities	(1,207)	(1,310)
- NHS Bodies	(1,053)	(47)
Other Entities and Individuals		
- Goods & Services	(4,404)	(2,718)
	(8,674)	(6,144)
Balance owed to Employees (re accumulated absences)	(2,868)	(3,214)
Balance owed to PCC re balance of Funding	(4,500)	(3,003)
Total Creditors	(16,042)	(12,361)

12 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 2019 is provided below:

Insurance liabilities – this provision has been established to meet a number of eventualities from ongoing claims which are not covered by external insurers. In particular, liability risks up to £100k per event (this figure was £25k until 1 November 2014 when the policy excess was increased from £25k to £100k) are retained by the Chief Constable and met internally. The provision for insurance liabilities is subject to an actuarial review on a bi-ennial basis to determine the most appropriate level for the provision based on the circumstances at the time of the review.

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

Employee Related – This provision has been established to cover the potential costs in relation to the capital ill health charge in respect of three cases where the constabulary has been required to retire a police officer on ill health grounds. Whilst the initial decision was made in March, a potential to appeal the decision will mean that the ultimate cost will fall in to 2019/20.

Accounting Policy – Provisions

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

Provisions are charged as an expense to the appropriate function line in the Comprehensive Income and Expenditure Statement in the year that awareness of the obligation arises, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties.

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

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

Notes to the Accounts

The table below shows the movements during the year on each of the provisions and the position as at 31 March 2019.

Provisions	Balance as at 01/04/18	Additional Provisions Made 2018/19	Amounts Used in 2018/19	Unused Amounts Reversed in 2018/19	Balance as at 31/03/19
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(279)	(105)	75	30	(279)
Legal Claims	(1,119)	(101)	337	64	(819)
Employee Related	0	(235)	0	0	(235)
Total Provisions	(1,398)	(441)	412	94	(1,333)

The comparative information for year ended 31 March 2018 is as follows:

Provisions	Balance as at 01/04/17	Additional Provisions Made 2017/18	Amounts Used in 2017/18	Unused Amounts Reversed in 2017/18	Balance as at 31/03/18
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(484)	(145)	43	307	(279)
Legal Claims	(851)	(331)	13	50	(1,119)
Total Provisions	(1,335)	(476)	56	357	(1,398)

13 Pensions

The Chief Constable participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the Chief Constable are included in a separate technical appendix at Annex C on pages 61 to 70.

The disclosures include:

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

Notes to the Accounts

14 Unusable Reserves

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

Certain [reserves](#) are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the [Chief Constable](#).

Accounting Policy – Reserves

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

14.a Pensions Reserve

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

Pensions Reserve	CC		CC	
	LGPS Pensions		Police Pensions	
	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s
Balance at Start of Year	(45,878)	(40,009)	(1,243,120)	(1,187,670)
Adjustment to Opening Balance #	0	(106)	0	0
Adjusted Balance at Start of Year	(45,878)	(40,115)	(1,243,120)	(1,187,670)
Remeasurement of the net defined pension benefit liability/asset	10,122	(6,988)	78,700	(33,050)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,124)	(6,924)	(54,490)	(52,360)
Employer's pension contributions and direct payments to pensioners payable in the year.	2,871	2,993	31,240	31,410
Balance at End of Year	(40,009)	(51,034)	(1,187,670)	(1,241,670)

The above table includes an adjustment to the opening balance, this has arisen as a result of changes made to the actuarial valuations in 2017/18 that were not considered to be material and as such were not reflected in the 2017/18 audited statement of accounts. The adjustment is now required to ensure that the opening and closing balances for 2018/19 agree to the latest actuarial valuations.

Notes to the Accounts

14.b Accumulated Absences Account

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

Accumulated Absences Account	CC	CC
	2017/18 £000s	2018/19 £000s
Balance at Start of Year	(2,849)	(2,750)
Settlement or cancellation of accrual made at the end of the preceeding year	2,849	2,750
Amounts accrued at the end of the current year	(2,750)	(3,056)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	99	(306)
Balance at End of Year	(2,750)	(3,056)

Accounting Policy - Employee Benefits Payable during Employment

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

Notes to the Accounts

15 Members Allowances and Expenses

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

Members Allowances	CC	CC
	2017/18	2018/19
	£000s	£000s
Basic Allowance	15	19
Travel and Subsistence	8	7
	23	26

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

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

16 Disclosure of Remuneration for Senior Employees

The following table sets out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is less than £150,000 but more than £50,000 per year.

The tables include members of the Extended Chief Officer Group which is the formal decision making body for the Constabulary.



Notes to the Accounts

The table below gives the information for 2018/19 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Chief Constable		153	7	0	3	164	32	196
Deputy Chief Constable	1	117	7	0	0	124	24	148
Temporary Assistant Chief Constable (A)	2	101	8	0	3	111	20	131
Temporary Assistant Chief Constable (B)	3	83	3	1	2	89	17	106
Joint Chief Finance Officer		77	0	0	0	77	12	89
Director of Corporate Support		85	0	0	0	85	13	98
Director of Corporate Improvement		85	0	0	0	85	13	98
Chief Superintendent - Territorial Policing		87	1	1	3	92	18	111
Superintendent - Head of People		79	2	1	0	81	17	98
Temporary Chief Superintendent - Crime Command	4	83	5	0	3	90	17	107
Temporary Chief Superintendent - Territorial Policing	5	82	5	1	2	90	17	107
Director of Legal Services		83	1	1	0	85	13	98
Total Chief Constable		1,112	39	5	16	1,173	213	1,386

Notes:

- 1 The Deputy Chief Constable was promoted to DCC w.e.f. 18/09/18 following a period of Temporary promotion.
- 2 Temporary Assistant Chief Constable (A) was promoted to T/ACC w.e.f. 03/03/18.
- 3 Temporary Assistant Chief Constable (B) was promoted to Temp ACC for the period 14/01/19 to 24/03/19 following which he reverted to Superintendent.
- 4 Temporary Chief Superintendent Crime Command was promoted to the Temp. CS post from 03/03/19.
- 5 Temporary Chief Superintendent Territorial Policing was promoted to the Temp. CS post from 02/07/18.

Notes to the Accounts

The table below gives the comparative information for 2017/18 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Chief Constable (A)	1	141	7	0	0	3	151	0	151
Deputy Chief Constable (A) / Chief Constable (B)	2	118	7	0	0	3	128	25	153
Temporary Assistant Chief Constable (A)	3	50	2	6	0	2	60	11	71
Assistant Chief Constable (A) / Temporary Deputy Chief Constable (B)	4	82	5	0	27	0	114	17	131
Temporary Assistant Chief Constable (B)	5	85	3	0	1	3	92	18	110
Joint Chief Finance Officer	6	71	0	0	0	0	71	11	82
Director of Corporate Support		82	0	0	0	0	82	10	92
Director of Corporate Improvement		82	0	0	0	0	82	12	94
Chief Superintendent - Territorial Policing	7	86	2	0	1	3	92	18	110
Superintendent - Head of People		75	1	0	1	0	77	17	94
Temporary Chief Superintendent - Crime Command	8	56	2	0	1	2	61	11	72
Temporary Chief Superintendent - Territorial Policing	9	78	2	0	1	3	84	16	100
Director of Legal Services		73	1	0	1	0	75	11	86
Total Chief Constable		1,079	32	6	33	19	1,169	177	1,346

Notes:

- Chief Constable (A) retired from the Constabulary on 31/03/18.
- Deputy Chief Constable (A) became Temporary Chief Constable w.e.f. 03/03/18 and Chief Constable (B) from 01/04/18.
- Temporary Assistant Chief Constable (A) was T/ACC w.e.f. 01/01/17 to 30/06/17, reverting to Chief Superintendent on 01/07/17 until retirement on 18/10/17.
- Assistant Chief Constable (A) was appointed on 01/07/17 and was subsequently promoted to Temporary Deputy Chief Constable 03/03/18.
- Temporary Assistant Chief Constable (B) was appointed on 03/03/18, prior to this occupied the position of Chief Superintendent – Crime Command.
- The Chief Constable's Chief Finance Officer became the Joint Chief Finance Officer w.e.f. 31/05/17.
- Chief Superintendent – Territorial Policing was previously Chief Superintendent Operational Benefits Delivery until 18/06/17.
- Temporary Chief Superintendent – Crime Command was appointed on 05/06/17 and was subsequently promoted to Temporary Chief Superintendent on 03/03/18.
- Temporary Chief Superintendent – Territorial Policing was in post until 18/06/17 and then reverted to the role of Superintendent Operational Support.

Notes to the Accounts

17 Employee Remuneration

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

Remuneration Band	2017/18			2018/19		
	CC Police Staff	CC Snr Police Officers	CC Total	CC Police Staff	CC Snr Police Officers	CC Total
£50,000 to £54,999	3	0	3	5	0	5
£55,000 to £59,999	2	2	4	2	0	2
£60,000 to £64,999	4	0	4	6	0	6
£65,000 to £69,999	0	0	0	0	0	0
£70,000 to £74,999	2	0	2	0	0	0
£75,000 to £79,999	0	0	0	1	0	1
£80,000 to £84,999	2	0	2	3	1	4
£85,000 to £89,999	0	2	2	0	1	1
£90,000 to £94,999	1	0	1	1	1	2
£95,000 to £99,999	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	1	1
£105,000 to £109,999	0	1	1	0	0	0
£110,000 to £114,999	0	0	0	0	0	0
£115,000 to £119,999	0	0	0	0	1	1
£120,000 to £124,999	0	1	1	0	0	0
£125,000 to £129,999	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0
£140,000 to £144,999	0	1	1	0	0	0
£145,000 to £149,999	0	0	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0
£155,000 to £159,999	0	0	0	0	1	1
Total	14	7	21	18	6	24

In 2018/19 the remuneration for 94 Police Officers (96 in 2017/18) superintendent rank and below (who are not required to be disclosed in the above note under regulations) exceeded £50,000.

The table above includes those employees and senior police officers that are also required to be disclosed on a more detailed individual basis. Please see note 16 for more information.

Notes to the Accounts

18 Exit Packages/Termination Payments

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

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	Headcount	Headcount	Headcount	Headcount	Headcount	Headcount	£000's	£000's
£0-£20,000	0	1	1	1	1	2	16	21
£20,001 - £40,000	0	0	1	0	1	0	30	0
£40,001 - £60,000	1	1	0	0	2	0	44	41
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	0	1	0	129	0
Total	1	2	3	1	5	2	219	62

During 2018/19 the contracts of a small number of employees were terminated incurring termination payments amounting to £61k (£214k in 2017/18). This amount is made up exit packages paid and accrued in 2018/19.

The exit packages paid in 2018/19 amount to £62k (£219k in 2017/18). The exit packages can be further split into compensation for loss of employment £24k (£131k in 2017/18) and enhanced pension benefits £38k (£88k in 2017/18). The redundancies are as a result of the OPCC and Constabulary's change programme. The Exit Packages table above provides details of the number and total cost of exit packages per band and include those exit packages paid in 2018/19 and those agreed for individuals in 2018/19 but paid in 2019/20 for which an accrual was made in the 2018/19 accounts.

During 2018/19 an amount of -£1k arose as a result of a number of amounts that had been accrued in the 2017/18 accounts for which the final settlement during 2018/19 was slightly lower. These amounts are not included in the above table in 2018/19 as the exit packages for those individuals are included in the 2017/18 column. The figure shown on the face of the Expenditure and Funding Analysis (pages 32-33) for 2018/19 is made up of the exit packages paid in the year of £62k (per the table above) minus £1k in respect of these differences in accruals.

During 2017/18 an amount of -£5k arose as a result of a number of amounts that had been accrued in the 2016/17 accounts for which the final settlement during 2017/18 was slightly lower. These amounts are not included in the above table in 2017/18 as the exit packages for those individuals are included in the 2016/17 column. The figure shown on the face of the Expenditure and Funding Analysis (pages 32-33) for 2017/18 is made up of the exit packages paid in the year of £219k (per the table above) minus £5k in respect of these differences in accruals.

Accounting Policy - Termination Benefits

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

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

19 Related Party Transactions

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

19.a Police and Crime Commissioner

The Police and Crime Commissioner has direct control over the Chief Constable's finances, providing funding for all running costs. [The Commissioner](#) is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the funding agreement set by the Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan.

19.b Central Government

Central government has effective control over the general operations of the Chief Constable – it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of its funding via [the Commissioner](#).

19.c Officers and Employees

Senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Chief Constable. No material transactions have been reported in respect of the 2018/19 financial year.

19.d Other Public Bodies

The Chief Constable's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex C) pages 61-70.

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

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

20 Contingent Liabilities

Pension Challenge

The Chief Constable of Cumbria, along with other Chief Constables and the Home Office, currently has 146 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015.

Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. It is envisaged that if this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes potentially including Police Pension Scheme members. This would lead to an increase in Police Pension Scheme liabilities and our actuaries (The Government Actuary Department) using specific assumptions have estimated the potential increase in scheme liabilities as a result of the judgment to be approximately 5.4% of national pension scheme liabilities as at March 2018. This estimate is based on one potential remedy and depending on the outcome of the appeal, the remedy calculation and its applicability to the Police Pension Scheme will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and forces will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Police Pension Fund Regulations 2007. These require a police authority to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

The quantum and who will bear the cost is uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2018/19 Accounting Statements.

Accounting Policy - Contingent Liabilities

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

Notes to the Accounts

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

For 2018/19 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property.
- Annual Improvements to IFRS Standards 2014 – 2016 cycle.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9 Financial Instruments: Prepayments Features with Negative Compensation.

In the Financial Statements for 2019/20, the effect of the changes will be assessed and where necessary, the comparative figures restated.

22 Prior Period Adjustment

There are no prior period adjustments in relation to the 2018/19 Statement of Accounts, the 2017/18 comparative figures are as reported in the 2017/18 Statement of Accounts.

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

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

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

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

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

Police Officer Pension Fund Account

Police Officer Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2018/19 financial year together with comparative information for 2017/18.

Police Officer Pension Fund Account		CC 2017/18 £000s	CC 2018/19 £000s
Contributions Receivable			
Employer			
- Contributions (21.3% of Pensionable Pay in 2018/19 and 2017/18)		(8,194)	(8,506)
Officers' Contributions			
- 1987 Scheme Member Contributions (see narrative for rates)		(1,881)	(1,572)
- 2006 Scheme Member Contributions (see narrative for rates)		(102)	(76)
- 2015 Scheme Member Contributions (see narrative for rates)		(3,202)	(3,724)
		(13,379)	(13,878)
Transferees in from Other Schemes		(197)	(178)
Capital Equivalent charge for ill-health schemes		(160)	(400)
		(357)	(578)
Benefits Payable			
Recurrent Pensions		27,076	28,529
Commutations and Lump Sums		8,491	7,190
Other (Scheme Pays)		157	159
		35,724	35,878
Payments to and on Account of Leavers			
Refund of Contributions		25	21
Transfer out to other schemes		7	58
		32	79
Net Amount Payable for the Year		22,020	21,501
Additional Contribution from the Police & Crime Commissioner		(20,918)	(20,343)
Additional Funding Payable by the Constabulary (2.9%)		(1,102)	(1,158)
Net Amount Payable (Receivable) for the Year		0	0

Net Assets Statement

This statement shows the net assets and liabilities of the scheme as at 31 March 2019.

Pension Fund Net Assets & liabilities		CC 2017/18 £000s	CC 2018/19 £000s
Current Assets			
Pensions Benefits paid in advance		2,295	2,401
Current Liabilities			
Amount due to the Police & Crime Commissioner		(2,295)	(2,401)
		0	0

Notes to the Police Officer Pension Fund Account

Accounting Policies

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

Operation of Police Pensions Schemes

Since 1 April 2015 the Chief Constable has operated three Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The original Police Officer Pension scheme is known as the 1987 scheme. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the 2006 scheme and the previous 1987 scheme was closed to new members. Officers who were members of the 1987 scheme were allowed by regulation to become members of the 2006 scheme if they wished. Members' contribution rates for 2018/19 and 2017/18 were between 11% and 12.75% for the 2006 scheme and between 14.25% and 15.05 for the 1987 scheme.

From 1 April 2015, a new pension scheme was introduced for Police Officers, known as the 2015 Scheme. The 2015 scheme is based on career average revalued earnings (CARE). All Police Officers recruited from 1 April 2015 will automatically become members of the new scheme and the two previous schemes (1987 and 2006) have been closed to new members from that date. Members of the two older police pension schemes will either be fully protected in those schemes, transfer to the new 2015 scheme on 1 April 2015, or will transfer on different tapering dates in the future subject to individual circumstances around age and length of service remaining. The members' contribution rates for the new scheme ranged between 12.44% and 13.78% in 2018/19 and 2017/18.

The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 27). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex C Pensions on pages 61-70).

Funding of Police Pension Schemes

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

Glossary of Terms

Accruals

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

Actuarial Valuation

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

Agency Costs

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

Amortisation/Amortised Cost

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipt

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

Cash and Cash Equivalents

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

CC or Chief Constable

The Chief Constable for Cumbria Constabulary.

CFO

The Joint Chief Finance Officer.

CIPFA

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

Commissioner

The Police and Crime Commissioner for Cumbria.

Componentisation

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

Contingency

A sum set aside to meet unforeseen expenditure.

Creditors

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

Glossary of Terms

Debtors

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

Depreciation

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

De-minimis

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

Direct Revenue Contributions (DRC)

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

Earmarked Reserves

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

Fair Value

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

Hedge Funds

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

Heritage Assets

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

HMICFRS

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

Impairment/Impaired

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

Investment Property

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

Leasing

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

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

Minimum Revenue Provision (MRP)

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

Non-current Assets

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

NPCC

The National Police Chiefs Council.

PCC

The Police and Crime Commissioner for Cumbria.

Pension actuarial gains and losses

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

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

Pension – current service costs

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

Glossary of Terms

Pension – defined benefit scheme

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

Pension assets – expected rate of return

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

Pension – interest costs

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

Pension - past service costs

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

Police Objective Analysis (POA)

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

Precept

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

Private Equity Funds

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

Provision

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revaluation Reserve

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

SERCOP

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

The Commissioner

The Police and Crime Commissioner for Cumbria.

TPA

Territorial Policing Area.

Annex A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2018/19 financial year and the financial position at the 31 March 2019. The Police and Crime Commissioner and Chief Constable are each required to prepare an annual Statement of Accounts (single entity) in accordance with the Accounts and Audit Regulations 2015 which stipulate that the statements be prepared in accordance with proper accounting practices. Those practices primarily comprise the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the Service Reporting Code of Practice 2018/19 (SERCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The Police and Crime Commissioner is responsible for combining the single entity statements to form a set of consolidated group accounts.

Where accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a [grey text box](#), in the notes to the accounts section (see pages 30 to 49). Where an accounting policy is more generic and applicable across the statement accounts it is shown in this **Annex A**.

2 Accruals of Income and Expenditure

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories (stock) on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- An [accrual](#) is made in respect of employee benefits payable during employment

Accrual Example 1

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

Accrual Example 2

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

3 Cash and Cash Equivalents

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

Annex A - Statement of Accounting Policies

4 Exceptional Items

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

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

5 Charges to Revenue for Non-Current Assets

In accordance with the terms of [the Commissioner's](#) funding arrangement to the [Chief Constable](#), the Commissioner holds all [non-current assets](#). Accordingly, all [depreciation](#), revaluations and [impairments](#) are recorded in the Commissioner's single entity statement. However, the Commissioner makes a charge to the Chief Constable in the Comprehensive Income and Expenditure Statement for the use of non-current assets, which is equivalent to his share of depreciation.

6 Government Grants and Contributions

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

7 Intangible Assets

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

8 Inventories

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

9 Leases

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

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

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

Annex A - Statement of Accounting Policies

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

10 Treatment of Overheads

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

Under the [Commissioner's](#) funding arrangement to the [Chief Constable](#) premises costs (except where they are directly attributable to the Chief Constable) are initially recorded in the accounts of the Commissioner and a recharge is made to the Chief Constable in the single entity comprehensive income and expenditure statements on an appropriate basis.

Under the Commissioner's funding arrangement to the Chief Constable transport, supplies and services costs and those for police staff supporting both the Commissioner and Chief Constable (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity comprehensive income and expenditure statements on an appropriate basis.

11 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Under the terms of the [Commissioner's](#) funding arrangement to the [Chief Constable](#) all property, plant and equipment is held by the Commissioner. Accordingly, all accounting entries in relation to the acquisition, enhancement, revaluation, [impairment](#), [depreciation](#) and sale of such assets are recorded in the single entity accounts of the Commissioner. As noted in policy 6 above, the Commissioner makes a charge to the Chief Constable for the use of such assets which is equivalent to the Chief Constable's share of depreciation.

12 Private Finance Initiative (PFI) and Similar Contracts

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

There is currently one PFI scheme and this relates to the West Cumbria [TPA](#) HQ at Workington. Under the terms of the [Commissioner's](#) funding arrangement to the [Chief Constable](#), the Commissioner controls all property and accordingly the PFI building is recorded on the balance sheet of the Commissioner. A charge is made by the Commissioner to the Chief Constable in the comprehensive income and expenditure statement for the Constabulary's use of the building and the services provided.

13 Heritage Assets

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

Annex A - Statement of Accounting Policies

14 Contingent Assets

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

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

15 Material Estimation Techniques

IAS 1 Presentation of Financial Statements requires disclosure of any estimation techniques applied, such that if a different methodology had been used a material variance in the amounts disclosed would have been arrived at. The only material estimation techniques used is in relation to pensions disclosures as set out in the technical annex, Annex B.

16 Value Added Tax (VAT)

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

Subject to Audit

Annex B – Technical Annex – Financial Instrument Disclosures

B1 Categories of Financial Instrument

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

Categories of Financial Instruments	CC Current	
	31 March 2018 £000s	31 March 2019 £000s
Financial Assets		
Debtors		
Financial assets carried at contract amounts	7,915	5,348
Total Financial Assets	7,915	5,348
Financial Liabilities		
Creditors		
Financial liabilities carried at contract amounts	(10,665)	(8,404)
Total Financial Liabilities	(10,665)	(8,404)

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

Accounting Policy – Financial Instruments

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

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

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

B2 Fair value of Assets and Liabilities Carried at Amortised Cost

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

- The fair value of trade and other receivables is taken to be the invoiced amount.

As the [Chief Constable](#) only holds debtors and creditors as financial instruments, the fair value is estimated to be the same as the carrying amount as set out in the table above.

B3 Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The [Chief Constable's](#) activities expose him to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Chief Constable.
- Liquidity Risk – the possibility that the Chief Constable might not have funds available to meet its commitments to make payments.

Credit Risk

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

As the [Chief Constable](#) is funded by the [Commissioner](#), the Chief Constable's credit risk arises indirectly through the Commissioner's deposits with banks and financial institutions, as well as credit exposures to the Commissioner's customers.

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's ratings services. The annual TMSS (approved by the Commissioner in February 2018), also imposes a maximum sum to be invested with a financial institution located within each category.

Liquidity Risk

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

Under the terms of the funding arrangement between the Commissioner and the Chief Constable the Commissioner provides funding to the Chief Constable on a cash basis. As the Commissioner has ready access to borrowings from the Public Works Loans Board (PWLB) and had at 31 March 2019 no actual external debt, having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments to the Chief Constable within the terms of the funding arrangement.

C1 Pension Schemes

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

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

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

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

The LGPS for Police Staff employees is administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded [defined benefit scheme](#), meaning that the Chief Constable and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2018/19 the Chief Constable made a contribution of 15.4% of pensionable pay. The past service contribution made in 2016/17 of £1,431k represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2016 with a revised rate for employers contributions of 15.4% being applicable from April 2017.

- **The Police Pension Scheme**

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

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

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

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

Annex C – Technical Annex – Pension Disclosures

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 50-51). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the police fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office. As the Commissioner is responsible for maintaining the police fund the receipt of Home Office pension grant and corresponding contribution to the Police Pension Fund Account are shown in the accounts of the Commissioner.

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

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

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

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

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

Annex C – Technical Annex – Pension Disclosures

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

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

Pension Transactions in MIRS and CI&ES	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme		CC Total Pension Schemes	
	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s	2017/18 £000s	2018/19 £000s
Comprehensive Income and Expenditure Statement												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	5,750	5,826	0	0	8,810	8,320	440	330	11,620	13,540	26,620	28,016
• Past service costs	0	0	0	0	800	0	0	0	0	0	800	0
• (Gain)/loss from settlements/curtailments	218	55	0	0	0	0	0	0	0	0	218	55
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	1,127	1,015	29	28	30,610	27,720	1,330	1,210	880	1,240	33,976	31,213
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,095	6,896	29	28	40,220	36,040	1,770	1,540	12,500	14,780	61,614	59,284
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement												
<i>Remeasurement of the net defined benefit liability comprising:</i>												
• Return on plan assets (excluding the amount included in the net interest expense)	(1,645)	(5,105)	0	0	0	0	0	0	0	0	(1,645)	(5,105)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	0	0	0	(36,720)	0	(1,570)	0	(2,340)	0	(40,630)	0
• Actuarial (gains) and losses arising on changes in financial assumptions	(8,555)	11,944	(25)	36	30,570	30,330	3,580	2,460	970	3,200	26,540	47,970
• Experience (gains) and losses on liabilities	0	0	0	0	(66,350)	(3,060)	(6,710)	(1,030)	(130)	1,150	(73,190)	(2,940)
• Administration expenses	103	113	0	0	0	0	0	0	0	0	103	113
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(10,097)	6,952	(25)	36	(72,500)	27,270	(4,700)	1,430	(1,500)	4,350	(88,822)	40,038
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(3,002)	13,848	4	64	(32,280)	63,310	(2,930)	2,970	11,000	19,130	(27,208)	99,322
<i>Movement in Reserves Statement</i>												
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(7,095)	(6,896)	(29)	(28)	(40,220)	(36,040)	(1,770)	(1,540)	(12,500)	(14,780)	(61,614)	(59,284)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	2,809	2,931	62	62	0	0	0	0	0	0	2,871	2,993
• Retirements benefits payable to pensioners	0	0	0	0	34,550	35,260	(100)	(40)	(3,210)	(3,810)	31,240	31,410
Total amount charged against the Police Fund Balance for pensions in the year	2,809	2,931	62	62	34,550	35,260	(100)	(40)	(3,210)	(3,810)	34,111	34,403

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

All accounting entries in relation to the Comprehensive Income and Expenditure Statement and the subsequent liability for police officers pensions are wholly recorded in the Chief Constable's accounts. For police staff all Comprehensive Income and Expenditure Statement entries and subsequent balance sheet liabilities in relation to pensions are apportioned between the Commissioner and the Chief Constable single entity statements by the scheme actuary.

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

Accounting Policy - Post-Employment Benefits - CIES Entries

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

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

Annex C – Technical Annex – Pension Disclosures

C2 Assets and Liabilities in relation to Retirement Benefits

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

The underlying assets and liabilities for retirement benefits attributable to the [Chief Constable](#) at 31 March 2019 with comparative information for the previous year are as follows:

Pension Scheme Assets & Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(171,407)	(192,106)	(1,078)	(1,080)	(1,100,580)	(1,128,630)	(47,100)	(50,110)	(39,990)	(62,930)
Fair value of plan assets	132,476	142,152	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(38,931)	(49,954)	(1,078)	(1,080)	(1,100,580)	(1,128,630)	(47,100)	(50,110)	(39,990)	(62,930)

The liabilities in the above table show the underlying commitments that the Chief Constable has, in the long run, to pay retirement benefits. The total liability of £1.293b (£1.228b in 2017/18) has a substantial impact on the net worth of the Chief Constable as recorded in the balance sheet, resulting in a negative overall balance of £1.296b (£1.230b in 2017/18).

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

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

Annex C – Technical Annex – Pension Disclosures

Reconciliation of present value of scheme liabilities:

Reconciliation of Scheme Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(171,301)	(171,407)	(1,136)	(1,078)	(1,167,410)	(1,100,580)	(49,930)	(47,100)	(25,780)	(39,990)
Adjustment to Opening Balance #	0	(39)	0	0	0	0	0	0	0	0
Adjusted Balance at Start of Year	(171,301)	(171,446)	(1,136)	(1,078)	(1,167,410)	(1,100,580)	(49,930)	(47,100)	(25,780)	(39,990)
Current service cost	(5,750)	(5,826)	0	0	(8,810)	(8,320)	(440)	(330)	(11,620)	(13,540)
Interest cost	(4,455)	(4,606)	(29)	(28)	(30,610)	(27,720)	(1,330)	(1,210)	(880)	(1,240)
Contributions by Scheme Participants	(1,112)	(1,210)	0	0	(1,920)	(1,570)	(100)	(80)	(3,170)	(3,720)
Remeasurement gains and (losses):										
- Arising from changes in demographic assumptions	0	0	0	0	36,720	0	1,570	0	2,340	0
- Arising from changes in financial assumptions	8,555	(11,944)	25	(36)	(30,570)	(30,330)	(3,580)	(2,460)	(970)	(3,200)
- Experience gains/(losses)	0	0	0	0	66,350	3,060	6,710	1,030	130	(1,150)
Past service cost	0	0	0	0	(800)	0	0	0	0	0
Gains/(losses) on curtailment	(218)	(55)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	2,874	2,981	62	62	36,470	36,830	0	40	(40)	(90)
Balance at End of Year	(171,407)	(192,106)	(1,078)	(1,080)	(1,100,580)	(1,128,630)	(47,100)	(50,110)	(39,990)	(62,930)

The liabilities under both the LGPS and Police Pension Schemes have increased during 2018/19. The Principal reason for this increase is in relation to a change in financial assumptions by the scheme actuaries.

The above table includes an adjustment to the opening balance, this has arisen as a result of changes made to the actuarial valuations in 2017/18 that were not considered to be material and as such were not reflected in the 2017/18 audited statement of accounts. The adjustment is now required to ensure that the opening and closing balances for 2018/19 agree to the latest actuarial valuations.

Accounting Policy - Post-Employment Benefits – Measurement of Liabilities

The liabilities of the pension fund are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in C3 on page 69).

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

Annex C – Technical Annex – Pension Disclosures

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

Reconciliation of Scheme Assets	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits	
	2017/18	2018/19	2017/18	2018/19
	£000s	£000s	£000s	£000s
Balance at Start of Year	126,559	132,476	0	0
Adjustment to Opening Balance #	0	(67)	0	0
Adjusted Balance at Start of Year	126,559	132,409	0	0
Interest Income	3,328	3,591	0	0
Remeasurements - Gains and (Losses)	1,645	5,105	0	0
Administration Expenses	(103)	(113)	0	0
Employer Contributions	2,809	2,931	62	62
Contributions by Scheme Participants	1,112	1,210	0	0
Benefits Paid	(2,874)	(2,981)	(62)	(62)
Balance at End of Year	132,476	142,152	0	0

The above table includes an adjustment to the opening balance, this has arisen as a result of changes made to the actuarial valuations in 2017/18 that were not considered to be material and as such were not reflected in the 2017/18 audited statement of accounts. The adjustment is now required to ensure that the opening and closing balances for 2018/19 agree to the latest actuarial valuations.

Accounting Policy - Post-Employment Benefits – Measurement of Assets

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

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

Annex C – Technical Annex – Pension Disclosures

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

LGPS Asset Breakdown	Quoted Y/N	CC 2017/18		CC 2018/19	
		£000s	%	£000s	%
Equities					
UK Quoted	Y	16,824	12.70%	13,362	9.40%
Global Quoted	Y	28,351	21.40%	30,705	21.60%
UK Equity Pooled	N	1,457	1.10%	1,422	1.00%
Overseas Equity Pooled	N	19,209	14.50%	20,043	14.10%
Equity Protection	N	0	0.00%	1,848	1.30%
Bonds					
UK Corporate Bonds	Y	7,816	5.90%	8,671	6.10%
Overseas Corporate Bonds	Y	398	0.30%	284	0.20%
UK Government Indexed Pooled	N	23,183	17.50%	25,445	17.90%
Property					
UK	N	8,478	6.40%	8,956	6.30%
Property Funds	N	3,842	2.90%	4,265	3.00%
Alternatives					
Private Equity Funds	N	3,179	2.40%	4,122	2.90%
Infrastructure Funds	N	8,478	6.40%	11,088	7.80%
Real Estate Debt Funds	N	795	0.60%	711	0.50%
Private Debt Funds	N	2,915	2.20%	3,412	2.40%
Healthcare Royalties	N	530	0.40%	853	0.60%
Cash					
Cash Accounts	Y	7,021	5.30%	6,823	4.80%
Net Current Assets	N	0	0.00%	142	0.10%
		132,476	100.00%	142,152	100.00%

C3 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which provides an estimate of the pensions that will be payable in future years using assumptions about mortality rates, salary levels, etc. William M Mercer, an independent firm of actuaries, has carried out the assessment on the Local Government Pension Scheme. These accounts are based on the [actuarial valuation](#) undertaken on 31 March 2019. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Accounting Policy – Pensions Material Estimation Techniques

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

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

For 2018/19 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that discount rates of 2.55% for Police and 2.70% for LGPS are appropriate.

Annex C – Technical Annex – Pension Disclosures

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2017/18	2018/19	2017/18	2018/19
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.2	23.3	22.6	22.7
- Women	25.8	25.9	24.2	24.3
Longevity at 65 for future pensioners:				
- Men	25.5	25.6	24.5	24.6
- Women	28.5	28.6	26.1	26.2
Rate of Inflation (CPI)	2.10%	2.20%	2.30%	2.35%
Rate of increase in salaries	3.60%	3.70%	4.30%	4.35%
Rate of increase in pensions	2.20%	2.30%	2.30%	2.35%
Rate of Revaluation for CARE Pensions	-	-	3.55%	3.60%
Rate for discounting scheme liabilities	2.70%	2.50%	2.55%	2.45%

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

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	CC		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme			
Longevity (1 Year increase in life expectancy)	3,593	131	91
Rate of Inflation (increase by 0.1%)	4,204	199	106
Rate of Increase in Salaries (increase by 0.1%)	701	0	18
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(4,114)	(192)	(57)

Annex C – Technical Annex – Pension Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police	CC	Police
	Pensions 1987 Scheme £000s	Pensions 2006 Scheme £000s	Pensions 2015 Scheme £000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	28,000	1,000	2,000
Rate of Increase in Pensions (increase by 0.5%)	83,000	5,000	12,000
Rate of Increase in Salaries (increase by 0.5%)	11,000	4,000	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(105,000)	(9,000)	(11,000)

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

C4 Impact on the Chief Constable's Cash Flows

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2020 are £3.093m. Expected contributions for the Police Pension Scheme in the year to 31 March 2020 are £12.862m.

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

Weighted Average Duration of the Defined benefit Obligation	2017/18 Years	2018/19 Years
Pensions Scheme		
Local Government Pension Scheme - CC	22	22
Police Pension -1987 Scheme	19	21
Police Pension -2006 Scheme	32	38
Police Pension -2015 Scheme	33	40



The Chief Constable for Cumbria Constabulary

Annual Governance Statement 2018/19

Subject to Audit



The Chief Constable for Cumbria Constabulary

Annual Governance Statement 2018/19

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

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

The key elements of the system and processes that comprise the Chief Constable's governance arrangements are detailed in this document. The elements are based on the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework, the standard against which all local government bodies, including police, should assess themselves.

The Chief Constable has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Chief Constable governs and sets out the frameworks that are in place to support the overall arrangements that are in place for fulfilling the Chief Constable's functions. This statement explains how the

Chief Constable has complied with The Code. It also meets the requirements of regulation 6(1) and 10(1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement, which must accompany the Chief Constable's statement of accounts.

THE REVIEW OF EFFECTIVENESS

The Chief Constable has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Chief Officers and senior managers within the organisation who have responsibility for the development and maintenance of the governance environment. The review comprises

- A cyclical detailed review of the key documents within the Chief Constable's governance framework e.g. Financial Regulations.
- An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance.
- A review of what has happened during the past year to evidence how the Code has been complied with, which is articulated in the Annual Governance Statement.

- A review of the effectiveness of the arrangements for internal audit against the Public Sector Internal Audit Standards and the Internal Audit Charter.
- Formal reviews of the role of the Chief Constable's Chief Finance Officer and the Head of Internal Audit (HIA) against the respective CIPFA statements, which demonstrated full compliance.
- A review of the effectiveness of the Joint Audit Committee against CIPFA guidance.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS Ethics and Integrity & Respecting the Rule of Law

During 2018/19 the Constabulary took a pro-active approach to communicating and promoting the highest standards of integrity in all elements of its business. Work has continued to embed and develop ethical behaviour based on:

- The Constabulary's Corporate Values
- The College of Policing Code of Ethics.
- Preventing the abuse of authority for sexual gain.
- The Constabulary's Anti-Fraud and Corruption Policy and Procedures.

These arrangements are supported by the Director of Legal Services, who is a qualified solicitor and acts as the Chief Constable's 'Monitoring Officer', providing advice to the Constabulary on all legal matters and is consulted on all strategic decisions to ensure that laws are not contravened.

The Constabulary's Professional Standards Department is central to the maintenance of high standards of conduct and behaviour within the organisation. The priorities of the Constabulary's Professional Standards Department are shaped by a People Control Strategy, which seeks to predict future risks to integrity in relation to workforce. The People Control Strategy is broken down into four main areas, people we know, areas we go, standards of professional behaviour and systems we use.

Key priorities which are currently identified are

- People - vulnerable associations, abuse of position for sexual purposes and vetting.
- Areas – security
- Standards -disclosure of information / confidentiality and discreditable conduct.
- Systems – misuse of force systems and social media.

Two emerging themes have also been identified as further employee vulnerability and financial matters.

The Professional Standards Department operate a preventative approach designed to ensure all officers and staff are aware of their responsibilities and potential consequences if their conduct falls below required professional standards. This includes the issue of PASS newsletters, which provide guidance on matters of integrity. Subjects covered in 2018/19 have included

The following paragraphs constitute the Annual Governance Statement, demonstrating how the Chief Constable has complied with the governance framework, set out within the Code, to meet of each of the seven governance principles. The Annual Governance Statement is published alongside the Statement of Accounts and also incorporates an action plan of planned future improvements for governance arrangements.

Michelle Skeer
Chief Constable
14 May 2019

Roger Marshall
Joint Chief Finance Officer

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

advice on business interests and additional occupations, advice on security of personal information, how good record keeping and access to CCTV can prevent the need to record a complaint, advice following the outcome of penetration testing of the Constabulary estate and advice following the outcome of misconduct hearings.

During 2018/19 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) conducted a Legitimacy inspection of the Constabulary as part of the force's PEEL Inspection, this covered the conduct and behaviour of the force. The report graded Cumbria as good and made a minor recommendations for improvement in relation to:

- external scrutiny of use of force and stop and search powers
- capacity to pro-actively monitor potential corruption.

During 2018/19 the Professional Standards has continued pro-active work with all officers and staff in support of the preventative approach, including

- 7 minute briefings on data protection, confidentiality and abuse of power for sexual purposes (APSP).
- Training and presentations to new student officers and refresher workshops for sergeants and inspectors.

- Strategic level briefings on APSP to the Adult Social Care Board and Local Safeguarding Children's Board.
- Internal and external poster campaigns promoting ethical behaviour.
- Use of the NPCC risk assessment tool to help identify officers and staff at risk of perpetrating ASAP offences and further health checks if vulnerability is revealed.
- Detailed guidance on the use of social media.

The number of intelligence reports into the anti-corruption unit has remained steady with a wide range of issues reported including self referrals, data protection issues and associations.

In relation to complaints, the Constabulary remains committed to delivering effective customer service. To make the complaints process more accessible for all, a Information for Complainants (Help and Advice) booklet and an easy read version of the online complaint form have been introduced on the website. Further developments to the website to make it easier for the public to consider alternative options for resolving issues have been made during 2018/19.

The Constabulary demonstrates a progressive attitude towards failure / mistakes. A key element of any PSD investigation is to highlight any actions which could

prevent similar mistakes being repeated. To this end following every investigation the lead officer carries out a rigorous assessment to determine key actions and lessons, which may include

- Low level misconduct – practice requires improvement.
- Systemic breakdown – change in policy / reminder to all staff via a PASS newsletter.
- Official misconduct proceedings.

In the interests of openness and transparency, police gross misconduct hearings are now held in public. Two public misconduct hearings took place in 2018/19; as a result of which two officers received final written warnings. All such hearings are presided over by a legally qualified chair. The outcomes of misconduct hearings are publicised on the Constabulary website.

The Ethics and Integrity Panel continue to provide independent oversight for the OPCC and Constabulary in relation to standards, ethics and integrity. During 2018/19 the Panel completed three thematic inspections, which began in 2017/18, in relation to the Professional Discretion Framework, the use of Stop and Search and use of body worn cameras. The Panel also reviews 'Quality of Service and Policing Issues' raised by members of the public including public complaints, police misconduct and staff misconduct cases. The Panel's work

is reported to the Commissioner's Public Accountability Conference to improve transparency and support public scrutiny. Whilst the Panel's conclusions provide assurance regarding high standards of ethics and integrity, where applicable, recommendations to enhance or improve the level of service provided by the Constabulary have been made.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

To support transparency and ensure that the Chief Constable's vision is clearly communicated, the Chief Officer Group have held strategy days for senior management and road shows across the county, which were open to all officers and staff. This has been supported by a range of communications across the force through various mediums including the internal intranet site and noticeboards. As part of the implementation of Cumbria Vision 2025, the Chief Constable sent the Vision 25 document to all supervisors in the Constabulary, with an accompanying letter, thanking everyone for their contribution and hard work and, setting out her vision for

the Constabulary and services to the public and her expectations of managers and staff.

Engaging Effectively with Institutional Stakeholders

The Constabulary works closely with the Office of the Police and Crime Commissioner (OPCC) through formal mechanisms (such as Public Accountability Conferences and Collaborative Board meetings) and informally through one to one meetings with senior staff from both organisations.

The Constabulary recognises that working with partners can deliver a more effective policing service to the public and meet the aims of the Commissioner's Police and Crime Plan. Accordingly, the Constabulary actively participates in a range of partnership activities and functions in collaboration with other agencies, both at a strategic and tactical level. Examples include:

- the Local Resilience Forum (major incident planning)
- the CRASH partnership (road safety)
- the Safer Cumbria Action Board
- the Local Safeguarding Board (child protection)
- Community Safety Partnerships
- The Cumbria Alcohol Board (countering alcohol abuse)
- Combating anti-social behaviour
- County Council

- Further development of links with criminal justice and mental health agencies and other blue-light partners.
- Local Focus Hubs in each area, where the Constabulary works closely with a range of local agencies to prevent and solve problems at the earliest opportunity.
- Collaborations with Lancashire Constabulary (training) and Durham Constabulary (ICT)

In accordance with the Joint Financial Regulations and Rules, arrangements are in place to ensure that for significant partnerships and joint working relationships there is appropriate governance including, a legal power to engage, appropriate approval by the Chief Constable and Commissioner, clear objectives, documentation of financial and other resource commitments and risk assessment.

Engaging stakeholders effectively, including citizens and service users

The Constabulary has a Community Engagement and Consultation Strategy, which co-ordinates all on-going consultation activities and is refreshed on an annual basis to understand the needs of service users. During the year, the Constabulary consulted with the public to find out their priorities, how confident they felt, how they would

like to be engaged and their areas of concern. These informed the development of the Constabulary's and Commissioner's plans.

The Constabulary has developed a marketing and communications strategy aimed at establishing clear channels of communication with all sections of the community, providing crime prevention and safety advice as well as information about services. Access to information has been developed to include community messaging and all social media. The Constabulary's e-community has grown and is now at more than 210,000 followers.

Engagement with the public is pivotal to the work of Neighbourhood Policing Teams (NPTs) embedded in Local Focus Hubs in determining local priorities. This is achieved through Community Engagement Plans, which detail contact with all stakeholders particularly those that are hard to reach or with protected characteristics. The Community Engagement Strategy includes:

- Clear communications with schools
- Attendance at Town Council meetings
- Holding community/partnership meetings
- Police Desks
- Use of web and social media

- Specific engagement plans for the 15 geographical areas, which are available on the intranet for officers and on the website for the public.
- Publication of local crime and performance data on the Constabulary's website to aid transparency.

These arrangements are supported by a toolkit, which is available to officers.

Specific initiatives in relation to diversity and equality and hate crime provide cross cutting engagement support across all areas of activities.

The Constabulary uses Community Impact Assessments to identify issues that may affect a community's confidence in the ability of the police to respond effectively to their needs, thereby enhancing the police response, particularly after major incidents.

The Constabulary has further improved its internal communications strategy by:

- Refining the tiered approach based on priorities, which ensures that the most important messages are communicated effectively to the frontline
- aligning with training and internal inspection to ensure that all officers and staff have the information they need to provide the best service for the public.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

The Chief Constable determined the strategic direction for the Constabulary, which is '*Keeping Cumbria Safe*'. Following consultation, the Chief Constable refined the Plan on a Page. This plan outlined the Constabulary's core policing priorities:

- Responding to the public
- Prevention and deterrence
- Investigation
- Protecting vulnerable people
- Monitoring dangerous and repeat offenders
- Disrupting organised crime
- Responding to major incidents

Each key function or specialism within those priorities is the responsibility of a Professional Lead at senior level and improvement actions are included in the Constabulary's Improvement Plan.

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

In addition, the Plan on a Page identifies our values, our approach (how we will support officers and staff to deliver), our culture and future challenges, which are outlined in Vision 25.

The Plan on a Page shows how everyone in the organisation contributes to the overall aim of *Keeping Cumbria Safe* and improves knowledge and understanding by linking strategic objectives to operational and business daily activity on the ground and maintaining performance.

Sustainable economic, social and environmental benefits

During 2018/19, significant work has started to deliver the local policing Vision 25, which complements the Constabulary's priorities, builds on achievements to date and provides a roadmap to transform policing to meet the challenges of delivering an effective service for communities into the mid 2020s.

Cumbria Vision 25 has five key themes:

- Local Policing
- Specialist Capabilities
- Digital Policing

- Workforce
- Business Support

Each theme has an accompanying work programme outlined in the Vision 25 document. Business planning and governance has been organised around these core themes, each of which is headed by a senior business lead. Progress against the programme is reported bi-monthly to Chief Officer Group.

During 2018/19 the Commissioner incorporated the Constabulary's budget proposals into his 2019/20 budget in the context of a medium term financial forecast (MTFF) covering four years to 2022/23.

The 2019/20 grant settlement provided reduced real term formula grant funding for 2019/20 but greater flexibility to increase council tax. Following public consultation the budget was agreed, which will allow services to be maintained and modest investment in recruiting an additional 20 officers, who will be deployed to work in priority operational policing areas, principally in relation crime investigation, offender management, protecting vulnerable people and tackling antisocial driving behaviour

The proposed Home Office review of the police funding formula has been deferred until the next spending review period from 2021/22, however financial uncertainties

remain in relation to the outcome of the next Comprehensive Spending Review, the sustainability of the current police funding model and the level of future pay increases. In response a range of financial scenarios are being modelled over the medium term, however, it is likely that further savings of £4m will be required to balance the budget by 2022/23. A major theme of each of the Cumbria Vision 2025 work-streams is to develop savings options and realise business benefits, particularly in areas where investment in new technology has been made, as a means of balancing the budget.

During 2018/19 the Business Improvement Unit undertook extensive demand analysis to inform the financial and work plans for future years and to allocate resources to the priority areas. Demand has continued to increase and become more complex.

During 2018/19 the Constabulary has continued to develop its business planning aligned to the MTFF. Refreshed strategies in relation to people, ICT, fleet, estates and procurement have been produced and agreed by the Commissioner.

Innovative development of mobile and digital technology to increase the productivity of officers continued to be delivered during 2019/20. This has included replacement of the crime system with 'Red Sigma', automation of the

annual leave process and, improvements to mobile working in conjunction with national programmes. Body worn video has been introduced and is used across the operational frontline.

Benefits management and delivery has been introduced to ensure that productivity gains and financial benefits are delivered from the investment of all the programmes of work in Vision 25.

In relation to Estates, a new deployment centre for the Eden Neighbourhood Policing team, which also includes hostel and conferencing facilities is progressing well and on target for completion in autumn 2019.

During 2018/19 the fleet replacement programme has been further reviewed to meet emerging operational needs, whilst ensuring that efficiencies are realised. Green considerations are also becoming increasingly prominent.

Following the development of the People Strategy, initiatives in 2018/19 have included:

- Investment in further Wellbeing initiatives in the Constabulary and the training of Mental Health First Aiders who can signpost staff for early help and support .

- Investment in a Strength Based Conversation model that promotes a coaching approach by managers, and helps to build resilience in our employees.
- Streamlined processes in duty management so staff can access automated leave systems
- Investment in anti-corruption software and resources to safeguard the safety and wellbeing of our workforce.
- Revision of our grievance and mediation handling services to that the constabulary can positively support staff in the workplace

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning Interventions

The Chief Officer Group is the Constabulary's strategic decision making forum. In the last 12 months key decisions have included considering and approving:

- Demand reviews
- Business strategies
- Resource allocation

- Financial updates (including the budget proposal)
- Governance documents
- Business cases in relation to operational and support functions and investment in ICT systems.

All decisions support delivery of the Chief Constable's vision. Decisions are minuted and subject to scrutiny by the Commissioner. To improve communication and transparency all COG decisions are published on a decision log, which is made available to key stakeholders. Members of the Chief Officer Group have also attended meetings of the Police and Crime Panel to provide context to Commissioner's precept proposal.

Determining Interventions & Optimising Outcomes

The Constabulary worked with the Office of the Police and Crime Commissioner (OPCC) to develop the performance framework. This set of measures and targets supports delivery of the Police and Crime Plan and is the mechanism used by the Commissioner to hold the Chief Constable to account. Progress against these measures has been reported to the Commissioner every quarter at the Public Accountability Conference.

Performance for all crime types, antisocial behaviour, road collisions, user satisfaction and productivity is monitored through the performance management conference arrangements, where issues are identified

and discussed. Potential solutions and actions required are developed and allocated to individuals to implement.

This is supported by thematic reports for specific areas of activity, which are discussed at the Commissioner's Public Accountability Conference. Reports in 2018/19 included domestic abuse, child sexual exploitation, sexual offences, anti-social behaviour and reducing reoffending.

In the operational environment, on a monthly basis, senior police officers carry out a full assessment of operational risk, harm and threat to communities and an assessment of performance changes and their root causes. This encompasses consideration of vulnerable people, repeat offenders, vulnerable missing from home, significant domestic abuse, prison issues, organised crime groups, threats to life, crime and anti-social behaviour trends. Action has been taken and resources tasked to deal with the operational issues raised.

Every day, officers in each Territorial Policing Area hold a Daily Management Meeting, which identifies the crimes and incidents that have occurred over the previous 24 hours and any vulnerable or high profile incident. A supporting force-wide Daily Operational Review Meeting ensures that resources are directed to meet strategic priorities across the county.

As part of the Constabulary's work on managing demand, the principles of THRIVESC (threat, harm, risk, investigative opportunity, vulnerability, engagement, safeguarding and ethical crime recording) have been introduced within the communications room when grading calls for service and, as part of the National Decision Making Model, deciding whether to deploy officers to incidents.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the Entity's capacity & leadership

The key functions and roles of the Chief Constable and the Police and Crime Commissioner are set out in the Police Reform and Social Responsibility Act 2011 (PRSA) and the Policing Protocol Order 2011 (PPO). The Chief Constable's statutory responsibilities for maintaining the Queen's Peace are set out in various Police Acts. Both the Chief Constable and Commissioner are statutorily required to employ a Chief Finance Officer.

The arrangement for the Commissioner and Chief Constable to operate with a shared Chief Finance Officer is now well embedded. To date no issues have been identified, however, a protocol and range of safeguards remain in place to handle potential conflicts of interest arising from the joint role. A review of the operation of the Joint Chief Finance Officer arrangement has been conducted and aligned to the CIPFA statement on the Role of the Chief Finance Officer. This exercise has shown full compliance and has not revealed any significant issues.

The Constabulary has used HMICFRS Value for Money profiles and Police Objective Analysis to inform its Change Programme and applied zero based budgeting, with robust financial challenge to budget holders, to secure maximum value from the resources available. Although there are difficulties in ensuring true comparisons, in general, the VFM work has shown the Constabulary to benchmark well, although, in some instances costs may appear to be relatively high when measured per head of population. This is principally attributable to the logistics of providing an effective policing service over such a geographically sparse county.

Developing the Capability of Individuals within the entity

The Constabulary's annual training plan for mandatory training was developed in early 2018/19 in conjunction with operational leadership teams in the context of best practice guidance from the National Police Chief's Council.

The training plan was delivered through a strategic training collaboration with Lancashire Police.

During the year force-wide training has been delivered to all frontline officers to increase workforce skills and operational capabilities in key areas:

- National crime recording standards
- Mental Health

Newly appointed Sergeants have attended a development course designed specifically to equip them with the skills they need to effectively manage and develop their teams as new leaders. The aim is to widen their thinking and understanding of what it means to be a leader in the organisation responsible not only for their own skills development but for that of their team. A programme for newly appointed Inspectors has also been developed and is being rolled out.

A team of ICT trainers have been appointed to co-ordinate delivery of training for the force's major IT projects, to ensure the workforce has the skills they need to use the new systems in their roles. In 2018/19 24 area based training sessions were undertaken attended by 660 officers and staff. Systems covered included :

- Safe (Command & Control)
- Red Sigma
- Office 365
- Business Futures (booking annual leave)

The force has applied to become a Supporting Provider for Apprenticeships, this enables the force to recoup some of the apprenticeship levy paid to the government by working in collaboration with the Education Skills Funding Agency (ESFA) and local education providers. An apprenticeship strategy has been agreed, which sets out the constabulary's commitment to identify skills gaps and increase the capabilities both of our current and future workforce. Implementation of the action plan is ongoing.

In 2018/19 the force went through procured the services of a university partner to work together on designing, developing and delivering a Police Constable Degree Apprenticeship (PCDA) and a Degree Holder Entry Programme (DHEP). These, along with the university led Pre-join Policing Degree, will be the programmes to

support new officers joining policing through the new entry routes from January 2020. The partnership blends the academic rigour of a university programme with the operational requirements of a serving police officer.

During 2018/19 a strengths-based conversations approach to Performance Development Review (PDR) was rolled out and extensive training provided to managers and supervisors across the force. The approach is based on the national College of Policing model focusing on personal responsibility for development built around a central competency framework (including individual objectives). A suite of continuing professional development resources and events have also been delivered, allowing all employees to take responsibility for developing themselves in their own time and at their own pace using a variety of methods.

Core Principle F: Managing risks and performance through robust internal controls and strong public sector management.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

The Constabulary has a risk management strategy, which stresses that it is the responsibility of all officers and staff to identify and manage risk.

Risk management is a standing agenda item on all Constabulary boards, including programme and project management boards. Mitigating actions are identified and tracked to ensure that risks are minimised.

During 2018/19, specific risks associated with the potential reduction in funding as a result of future funding constraints, the introduction of the Emergency Services Network and the Constabulary's capacity to implement change have continued to feature prominently on the Constabulary's strategic risk register. Emerging strategic risks in relation to digital crime, custody medical provision, the delivery of Vision 25, procurement capacity

and compliance with General Data Protection Regulations have also been recognised.

Managing performance

A strategy entitled – 'Performance management in Cumbria Constabulary' *Managing our resources to improve outcomes for the people of Cumbria* outlines is embedded within the Constabulary. This is achieved mainly through the use of:

- Specific focus on performance in relation to protecting vulnerable people through the Vulnerability Steering Board .
- Performance Development Conferences every four months, where all functions are held accountable for performance. The approach has been refined over the past 12 months so that PDCs are appropriately focussed on priorities, for example violent crime.
- Reviewing performance at Strategy Days.
- Metrics have been developed to support the new governance structure and Chief Officer Group. This work will be further developed in 2019/20 as part of the Business Intelligence Programme of work
- A performance report for Vision 25 work programme is provided to Chief Officer Group every two months.
- Accessible daily performance figures.
- An individual officer performance dashboard and performance meetings every 15 weeks.

- A formal performance development and review (PDR) process for all officers and staff based on strengths based conversations, in accordance with College of Policing guidance. This is an annual process and determines the competence of individual officers and staff, based on the Police Professional Framework.

The Constabulary has a 'Delivering Excellence' Strategy, which aims to embed continuous improvement across the Constabulary and has three key areas of work:

- Development of Business Improvement Plans based on our priorities and all HMICFRS recommendations
- Improving on standards and quality across policing activities known as the Quality Counts initiative.
- Harnessing ideas and suggestions for improvement
- Developing and delivering the Change Programme

In addition during 2018/19, Business Improvement Unit has been given designated responsibility in the benefits realisation process where it checks the delivery and impact of benefits from changes.

During 2018/19, Business Improvement Unit has provided reassurance to chief officers that:

- Priorities and recommendations from inspection bodies are being progressed through reality checking.

These are tracked through the Cumbria Constabulary Improvement Plan.

- Systems and processes are working effectively.
- Crime recording is to a national standard.

Key work undertaken in 2018/19 has been in relation to understanding of current and future demand upon the Constabulary, which has supported the completion of the Force Management Statement. This is a self-assessment that Chief Constables prepare and provide to HMICFRS every year and explains; current and future demand over four years, performance of the force, improvement activity and the money the force expects to have to deliver policing services. To support this work an 'understanding demand' review was completed, and included an in-depth analysis of incidents reported to the control room, and activities linked to these incidents across the Constabulary. A review of demand relating to serious and complex crimes, including a 'Day in the Life' study of Crime and Safeguarding Teams was undertaken, which determined the number of detectives and other specialist officers needed over the next two years.

Other significant pieces of work undertaken by the unit in 2018/19 in support of the Constabulary's objectives include:

- Testing officer and staff knowledge on
 - the abuse of position for gain
 - management of police information, and recording, retention and disposal of information
 - fraud identification and response
- Auditing all 'stop and search' completed in the Constabulary, providing feedback to officers and supervisors, together with an assessment as to whether the Constabulary appropriately uses stop and search powers, to ensure police powers are being used proportionately.
- In conjunction with the Professional Standards Department, an audit of officers' use of force, involving the reviewing of Body Worn Video, providing direct feedback to officers and supervisors, and broader performance monitoring through the Constabulary Use of Force Board, and the Cumbria Strategic Independent Advisory Group.
- Audit of Body Worn Video to maximise the use of this new technology, and the advantages associated with it.
- Vulnerable victims audit, which has involved ensuring that the 'Voice of the child' is recorded to ensure learning is captured and services improved.
- Domestic Abuse quality of service audits, involving 1300 incidents of domestic abuse being reviewed to ensure that officers are adhering to investigative standards, safeguarding practices and the victims

code of practice. Individual feedback is provided to officers and their supervisors where necessary.

- National Crime Recording Standards audits of sexual offences, violence, domestic abuse, stalking and harassment. This resulted in 5,892 calls for service being reviewed, to ensure all crimes have been identified and recorded.
- An audit of the Command and Control Rooms Call Management and Resolution use of the THRIVESC assessment tool.
- A hate crime audit to ensure officers are adhering to the constabulary hate crime procedure.
- Audit of E-learning completion, to ensure officers and staff are maximising the benefits of electronic learning opportunities.
- Review of the following policy and procedure:
 - Wanted persons process, to maximise the number of offenders being brought to justice.
 - Domestic abuse, to ensure the constabulary adheres to national best practice
 - Vulnerable adults procedure to ensure some of the most vulnerable in society are protected.
- Undertaking a Custody inspection against the HMICFRS inspection criteria.
- Development and implementation of the Crime Recording Action Plan, which has supported the Constabulary in preparation for the HMICFRS Crime Data Integrity Inspection

- Preparation for the following external inspections: HMICFRS PEEL, fraud, counter terrorism, crime data Integrity

Completion of the Constabulary's Force Management Statement.

- Engaging in the National Modern Slavery and Human Trafficking Transformation Project.
- Managing the staff suggestion scheme.

Robust internal control

The Constabulary maintains robust internal controls systems. Assurance with regard to internal controls is provided by:

- A risk based internal audit plan. 93% of audits completed in 2018/19, including all those relating to finance, were graded as providing either substantial or reasonable assurance. One audit in relation to the use of stingers received only partial assurance. A robust management action plan has been put in place to address the recommendations made.
- The Chief Internal Auditor's overall opinion that the Chief Constable's frameworks for governance, risk and internal control are reasonable and that there are no significant control issues.
- Action plans to respond to recommendations, the implementation of which are monitored by the Joint Audit Committee.

- An Joint Audit Committee, which is self assessed against CIPFA guidance, and is judged as being highly effective in its role.

Managing Data

During 2018/19 arrangements for managing data have been strengthened as follows:

- Core information security and records management strategies have been reviewed and updated.
- Work remains ongoing to identify and implement relevant policies and procedures to ensure the Constabulary is compliant with Data Protection Act 2018
- Agreement that a review of 'information governance' should be undertaken to ensure that relevant areas are adequately resourced, taking into account level of risk acceptable to Chief Officers. This work will be ongoing during 2019/20.
- Mandatory requirement for all Constabulary personnel to complete NCALT Managing Information e-learning course.
- A unit, established in 2018, remains in place and continues to review existing practices of 'review, retention and disposal' of information in compliance with Management of Police Information (MOPI), reporting to Business Support Board on a regular basis highlighting risks and areas where improvements can be made

Strong public financial management

Strong financial management provides a framework for all business decision making and planning within the Constabulary. This includes the Joint Chief Finance Officer being a member of the leadership team and finance representation at all significant decision making forums. Regular financial reporting, clear budget ownership and responsibilities (as set out in the Chief Constable's Scheme of Delegation and scheme of budget management) and consideration of the medium term financial position in all strategic decision making are also key features of the financial management framework within the force.

The Constabulary's unaudited financial statements for 2017/18 were released in May, with the final version published in July, thus meeting new tighter deadlines for financial reporting. The External Auditor's Audit Findings report gave an unqualified audit opinion and noted that the accounts were supported by excellent working papers.

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in Transparency & Reporting

The principal means by which the Constabulary reports to the public are through themed presentations to the Commissioner's Public Accountability Conferences, which are open to the public. Reports are also available through the Commissioner's website.

During 2018/19 work has been undertaken to improve the presentation of these reports to make them more accessible and readable for members of the public.

The external auditor's opinion for the 2017/18 financial year was that the Chief Constable's Financial Statements provided a true and fair view of the financial position and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting. The auditors further confirmed in their Annual Audit Letter that the Chief Constable had proper arrangements in

place for securing economy, efficiency and effectiveness in the use of resources.

Assurance & Effective Accountability

During 2018/19 the Constabulary has been inspected by HMICFRS in relation to police efficiency, effectiveness and legitimacy (known as PEEL). There are four grades that can be achieved - outstanding, good, requires improvement and inadequate.

The Constabulary has been rated as good for all aspects efficiency, effectiveness and legitimacy. Areas inspected included:

- Preventing crime & tackling ASB
- Investigating crime
- Protecting vulnerable people
- Tackling serious and organised crime
- Armed policing
- Meeting current demands and using resources
- Planning for the future
- Treating the public fairly
- Ethical and lawful workforce behaviour
- Treating the workforce fairly

During 2018/19, HMICFRS TO BE COMPLETED

During 2018/19 the Chief Constable received assurances with regard to the Constabulary's arrangements for risk

management, internal control and governance from a number of sources which included:

- The CFO's annual review of internal audit.
- The Head of Internal Audit and Joint CFO's assessment of the internal audit service against Public Sector Internal Audit Standards.
- The Head of Internal Audit's opinion on the framework of governance, risk management and internal control.
- A review of the effectiveness of the Joint Audit Committee against CIPFA guidelines.
- Monitoring of the implementation of actions in response to HMICFRS, internal and external audit recommendations through the Joint Audit Committee.
- Management assurances in respect of financial systems and processes.
- The CFO's fraud risk assessment.

All of the sources above indicated that systems and processes are operating effectively and have raised no significant concerns.

Appendix A – Update on 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update as at 31 March 2019	Implementation by	Revised Implementation Date	Status
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.						
CPA/1	Complete outstanding vetting checks to ensure compliance with new enhanced vetting requirements and ensure arrangements are sustainable.	Head of People	All vetting checks in the constabulary have now been now completed and we are 100% compliant	30th September 2018		Completed
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.						
CPB/1	Evaluate the requirements and implement the Single On-Line Home external website in conjunction with the National Police Chiefs Council to improve public contact and access to services.	Director of Corporate Improvement	The national project has rebased its programme of work and, as a result, the timetable for forces to be included in the project has changed. Latest intelligence suggests that the revised schedule of work will be available by the end November 2019.	30th June 2019 subject to adoption by the national project.	TBA	Ongoing (original timescale extended)
CPB/2	Hold engagement and consultation events within the Constabulary in relation to Vision 2025	Director of Corporate Improvement	Completed	31st March 2019		Completed
CPB/3	Complete the review of policy management arrangements and make recommendations for streamlining the process, the products and their accessibility.	Director of Corporate Improvement	Due to competing requirements for resources, this work has been reprioritised and will start later in the year	31st July 2018	31st March 2019	Overdue / timescale exceeded
CPB/4	The Constabulary will review the Independent Advisory Group arrangements at strategic and local level with a view to strengthening their impact.	Director of Corporate Improvement	Completed	30th June 2018		Completed
Core Principle C: Focusing on defining outcomes in terms of sustainable economic, social and environmental benefits						
CPC/1	Develop and deliver a detailed action plan for the Vision 2025 strategy.	Deputy Chief Constable	The action plans have been developed and circulated to all senior staff and supervisors and is available on the Constabulary intranet.	31st March 2019		Completed
CPC/2	Embed revised meetings and governance arrangements in support of Vision 2025	Director of Corporate Improvement	Completed. An evaluation is planned during this financial year.	30th September 2018		Completed
CPC/3	Implement Local Focus Hubs across the County including agreed objectives, governance, performance framework and developing collaboration opportunities.	Superintendent - West	The NPT and Local Focus Project has now moved into the formal implementation phase. The key deliverables include : A Constabulary Neighbourhood Policing Strategy. A Revised Local Focus Hub Operating model for the county's 6 districts. A Prevention and Deterrence Strategy. The Adoption of the Connected Communities framework. A bespoke Performance Management Framework and agreed metrics. Revised role profiles for all roles connected with Local Policing and Partnership working , Community safety. A Local Policing T&CG process implemented Nov 2018. Bespoke Training and Development programme for local staff, partners and volunteers (Nov 2018). The Local focus Hubs are now the Tactical CSPs for the county and work to the three Strategic CSPs using combined data to identify and agree their priorities. The only outstanding action from the remit remains the provision of a Common data platform , work is currently ongoing through ICT to utilise Microsoft 365 in this regards following initial work by Deloitte on behalf of the National ICT Programme. All other actions can be listed as complete.	30th September 2018		Completed

Appendix A – Update on 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update as at 31 March 2019	Implementation by	Revised Implementation Date	Status
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.						
CPD/1	Embed changes to the scope of the Business Improvement Unit's role to deliver change and business benefits.	Director of Corporate Improvement	The change management portfolio of work has moved into BIU. The process for business benefits has been agreed and work has started to quantify these benefits.	31st March 2019		Completed
CPD/2	Incorporate the production of Force Management Statements into business planning and re-align processes to drive benefits.	Director of Corporate Improvement	Completed. The FMS is part of the Constabulary's resource allocation process, which has been agreed and implemented	30th September 2018		Completed
CPD/3	Undertake further analysis of current and future demand to inform strategic business planning.	Director of Corporate Improvement	Completed as part of FMS work plus additional activity and demand analysis to inform the resource allocation process.	31st March 2019		Completed
CPD/4	Plan and implement actions to demonstrate increased visibility to communities.	Deputy Chief Constable / Director of Corporate Improvement	A performance framework for visibility has been agreed and work is ongoing to include this as part of the Business intelligence product suite. The product will be continuously improved as more IT systems come online. - it will be completed once Control Room systems are able to provide location data.	31st March 2019	30th September 2020	Ongoing (original timescale extended)
CPD/5	Re-design business processes in relation to the Control Room as part of the implementation of the Safe system to deliver business benefits.	Superintendent - Organisational Business Delivery	Work on implementing the SAFE system in the control room is progressing in line with the project plan, as part of the overall plan business processes will be re-designed.	30th September 2019		Ongoing (within original timescale)
CPD/6	Roll out and provide training for Body Worn Video for Officers	Superintendent - Organisational Business Delivery	The roll out and training for BWV was completed in the period April to July 2018. Support staff have also been trained over a longer time period. The roll out includes the deployment of 664 body cams and 137 flex cameras and the training of 1,096 users on evidence.com.	31st July 2018		Completed
CPD/7	In conjunction with the OPCC and other stakeholders, plan, evaluate and implement initiatives to improve emergency services inter-operability, including urgent care desk, tri service officers brought forward from 2017/18	Assistant Chief Constable	Blue Light Collaboration agreement signed by PCC, CFRS, Cumbria Constabulary, CCC, and NWAS. This sets out a clear vision and plan, for the ambitious programme of work. Governance Structure in place with Exec Leaders Board, Programme Board, and Working Group, which drives the programme, providing scrutiny and oversight. There is a detailed TOR for each project within the wider programme. Updates provided monthly to the working group and programme board, and quarterly to the Exec Leaders Board.	31st March 2019		Completed

Appendix A – Update on 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update as at 31 March 2019	Implementation by	Revised Implementation Date	Status
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and individuals within it.						
CPE/1	Implement the College of Policing PDR process and provide associated training.	Head of People	Our new PDR / Strengths Based Conversation model has now been launched and is business as usual. Training is almost completed.	31st March 2019		Completed
CPE/2	Evaluate the requirements and prepare an action plan in relation to the introduction of the College of Policing PEQF requirements.	Head of Learning and Development	A full implementation plan was drawn up and progress against it is monitored through the PEQF/Apprenticeship Management Board. We have regular contact with CoP to check progress against key milestones. A procurement exercise has been undertaken with the University of Lancashire appointed as preferred supplier subject to contracts which are being finalised at present. Initial PCDA intake planned for February 2020.	31st December 2018		Completed
CPE/3	Develop and begin implementing the action plan supporting the Apprenticeship Strategy	Apprenticeship Manager	The Apprenticeship Strategy Implementation Plan has been developed and actions are being progressed as per the plan. Process and procedures are being developed inline with the plan. To date there has been limited success in the number of apprentices within Constabulary, impacting on the ability of the Constabulary to meet the Governments target for apprenticeships in the Public Sector. A PEQF Implementation Plan for the introduction of the PCDA and PCSO Apprenticeships in to the Constabulary, sits alongside the Apprenticeship Strategy. Going forward the action plan which supports the Apprenticeship Strategy will be reviewed to reflect the now proposed date of May 2020 for the implementation of the PCSO apprenticeship and how apprenticeship opportunities can be further promoted. Progress towards the plan is monitored at the PEQF Implementation and Apprenticeship Management Group.	31st March 2019	31st March 2019	Completed
CPE/4	Develop an action plan arising from the Well-Being survey.	Head of People	The force has re-established the Wellbeing Board headed up by the DCC. The wellbeing action plan is being formulated as per the national Oscar Kilo programme. We are also working to the Time to Change national pledge/ action plan and the Better Health at Work Bronze award. All will need a significant lead in time to complete	31st July 2018	31st July 2019	Ongoing (original timescale extended)
CPE/5	Develop a vision for the delivery of Procurement within the Constabulary and OPCC to meet organisational needs.	Director of Corporate Support	A three year Commercial Strategy has been agreed detailing the future vision and approach for the service. The Strategy is based on three phases Mandatory, Transformation and Ambition and ultimately aims to reach a point where Procurement can be accredited to professional standards. It is anticipated that the mandatory phase, which will ensure compliance with Procurement Regulations, will be completed by mid 2019/20.	30th September 2018	30th September 2019	Ongoing (original timescale extended)

Appendix A – Update on 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update as at 31 March 2019	Implementation by	Revised Implementation Date	Status
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.						
CPF/1	Develop the balanced scorecard approach to performance management and embed this within the Vision 2025 governance arrangements.	Director of Corporate Improvement	The balanced scorecards have been developed for whole organisation, workforce, business support and specialist capability strands have been developed and agreed. Constraining factors include data available in the data warehouse and, the plan for inclusion has had to be rescheduled to accommodate iterative development of Red Sigma and SAFE delivery dates. It is anticipated that products will be available in their initial form by the specified date.	31st March 2019	30th September 2019	Ongoing (original timescale extended)
CPF/2	Further develop the strategic resource management performance framework to drive improvements in our use of resources, and ensure that the benefits of significant investment in change and ICT are delivered.	Director of Corporate Improvement	The framework is a combination of resource allocation (completed) benefits realisation (ongoing and on schedule and the balanced scorecards (see above)	31st March 2019	30th September 2019	Ongoing (original timescale extended)
CPF/3	Work with the OPCC to develop a revised public accountability framework.	Director of Corporate Improvement	A development of a revised framework has been overseen by the OPCC Chief Executive and the Deputy Chief Constable and approved by Collaborative Board.	31st March 2019		Completed
CPF/4	Implement an action plan to ensure that the OPCC complies with new General Data Protection Regulations	Head of People	The national self assessment template has been completed and forms the basis for action taken. Additional resources have been invested in GDPR. The longer term GDPR action plan is being developed and activities scheduled over the next six months.	31st December 2018	30th April 2019	Ongoing (original timescale extended)
CPF/5	Further develop the Business Intelligence Strategy to inform future ICT developments, improve the information available to managers for effective decision making, to support improvements in services for the public and, develop and improve the dashboards available to officers and staff.	Director of Corporate Improvement / Director of Corporate Support	The business case has been approved and the BI strategy will be developed as part of that project. Early developments for reporting are underway. The project has been delayed by recruitment difficulties for requisite skills.	31st March 2019	31st March 2020	Ongoing (original timescale extended)

Ref	Action	Lead Officer	Implementation by
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.			
CPA/1	Undertake review of the PSD function.	Head of People	31st March 2020
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.			
CPB/1	Evaluate the requirements and implement the Single On-Line Home external website in conjunction with the National Police Chiefs Council to improve public contact and access to services.	Director of Corporate Improvement	TBA
CPB/2	Complete the review of policy management arrangements and make recommendations for streamlining the process, the products and their accessibility.	Director of Corporate Improvement	31st March 2020
CPB/3	Develop the current internal communications strategy to include internal social media channels, that provide enhanced engagement and involvement in organisational decision making and policy development.	Director of Corporate Improvement	31st March 2020
CPB/4	Review the public consultation arrangements to improve the timeliness and relevance of information from the public that can inform Constabulary decision-making and policy development	Director of Corporate Improvement	30th September 2019
Core Principle C: Focusing on defining outcomes in terms of sustainable economic, social and environmental benefits			
CPC/1	Develop a Strategy for the affordable storage of Digital Data		31st March 2020
CPC/2	Conduct an options evaluation for future Estates provision in West Cumbria	Head of Estates and Fleet	30th June 2020

Ref	Action	Lead Officer	Implementation by
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.			
CPD/1	Re-design business processes in relation to the Control Room as part of the implementation of the Safe system to deliver business benefits.	Superintendent - Organisational Business Delivery	31st March 2020
CPD/2	Undertake further analysis of current and future demand to inform strategic business planning, the Force management Statement and the resource allocation process for 2020/21.	Director of Corporate Improvement	31st March 2020
CPD/3	Evaluate the Local Focus Hubs and their effectiveness in reducing demand and dealing with vulnerability issues in the local area	Director of Corporate Improvement	31st March 2020
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and individuals within it.			
CPE/1	Develop and deliver the strategy to improve digital capability in the organisation and, deliver improvements to productivity	Director Corporate Improvement	31st March 2020
CPE/2	Develop an action plan arising from the Well-Being survey.	Head of People	31st July 2019
CPE/3	Develop a vision for the delivery of Procurement within the Constabulary and OPCC to meet organisational needs.	Director of Corporate Support	30th September 2019
CPE/4	In conjunction with Higher Education partners, implement the new PEQF arrangements for new officer recruits.	Head of Learning & Development	30th September 2020

Ref	Action	Lead Officer	Implementation by
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.			
CPF/1	Review the current risk management arrangements to ensure relevance and effectiveness	Director Corporate Improvement	30th September 2019
CPF/2	Develop the balanced scorecard approach to performance management and embed this within the Vision 2025 governance arrangements.	Director of Corporate Improvement	31st March 2020
CPF/3	Further develop the strategic resource management performance framework to drive improvements in our use of resources, and ensure that the benefits of significant investment in change and ICT are delivered.	Director of Corporate Improvement	31st March 2020
CPF/4	Implement an action plan to ensure that the OPCC complies with new General Data Protection Regulations	Head of People	31st March 2020
CPF/5	Further develop the Business Intelligence Strategy to inform future ICT developments, improve the information available to managers for effective decision making, to support improvements in services for the public and, develop and improve the dashboards available to officers and staff.	Director of Corporate Improvement / Director of Corporate Support	31st March 2020
CPF/6	Undertake a review of Data Management arrangements and resourcing covering information security, GDPR and MOPI	Director of Corporate Improvement	30th September 2019



Subject to



www.cumbria.police.uk



Peter McCall

Treasury Management Activities 2018/19 Quarter 4 (January to March 2019) and Annual Report 2018/19

Public Accountability Conference 09 May 2019 and JAC Meeting 23 May 2019

Purpose of the Report

The purpose of this paper is to report on the Treasury Management Activities (TMA), which have taken place during the period January to March 2018, in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.

TMA are undertaken in accordance with the Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) approved by the Commissioner in February each year.

Recommendations

The Commissioner is asked to note the contents of this report.

JAC Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

Economic Background

Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that they would remain at 0.50%. At the start of 2018/19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, investment interest rates were on a gently rising trend in anticipation that the MPC would raise the Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018.

It was not expected that the MPC would raise Bank Rate again during 2018/19, after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances were sufficient to allow this. Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by counterparty security risk

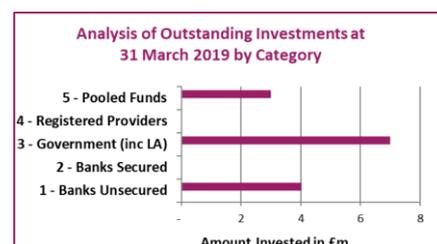
considerations, resulting in relatively low returns compared to borrowing rates.

TM Operations and Performance Measures

The Commissioners day to day TMA are undertaken in accordance with the TMSS. The TMSS establishes an investment strategy with limits for particular categories of investment and individual counterparty limits within the categories.

Outstanding Investments: As at 31 March 2019 the total value of investments was **£14.009m** and all were within TMSS limits.

The chart below shows the outstanding investments at 31 March by category.



A full list of the investments that make up the balance of £14.009m is provided at **Appendix A**.

Investment Activity: During quarter 4 a total of 4 investments with a combined value of £6.998m were made within TM categories 1-3 (banks unsecured, banks secured and Government). In addition to these there were regular smaller investments in category 5 (money market pooled funds).

Non-specified investments: The TMSS sets a limit for investments with a duration of greater than 364 days at the time the investment is made (known as non-specified investments), this limit is £5m. At 31 March the Commissioner had one investment meeting this description for £2.0m. This investment does not have an outstanding duration of over 364 days. The investment is:

- Lancashire County Council £2m (17/04/18 to 16/04/19)

Investment Income: The budget for investment interest receivable in 2018/19 was set at £75k. Shortly after the budget had been set the base rate rose and expected income was anticipated to be in the region of £120k. The actual income achieved against this target was £146k, which provides an surplus of £71k (95%). Previous reports forecast actual interest would be in the region of £135k. Factors such as interest rates

available and increased investment balances due to slippage in the capital programme have increased the final outturn.

The average return on investment during quarter 4 was 0.79%. As a measure of investment performance the rate achieved on maturing investments of over 3 months in duration is compared with the average BOE base rate for the period of the investment.

The table below illustrates the rate achieved on the two maturing investments of over three months duration in quarter 4 compared with the average base rate for the duration of the investment.

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
East Dunbartonshire	£2m	6	0.90%	0.80%
Treasury bills	£2m	6	0.63%	0.72%

Cash Balances: The aim of the TMSS is to invest surplus funds and minimise the level of un-invested cash balances. The actual un-invested cash balances for the period January to March are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	89	2,524	12,155
Days Overdrawn	1	(333)	(333)

The bank account had only one large un-invested balance during quarter

4. This was for an amount of £12k and occurred on 28 March and was in relation to a number of un-anticipated cash bankings being made by central services and area staff.

The largest/only overdrawn balance occurred on 31st December (£333) (and carried over the bank holiday) and was as a result of the monthly online banking charges being applied to the account being omitted from the cash flow forecast. The estimated interest incurred as a result of the unauthorised overdraft usage would be zero as the Commissioners accounts are pooled together.

Prudential Indicators

In accordance with the Prudential Code, the TMSS includes a number of measures known as Prudential Indicators which determine if the TMSS meets the requirements of the Prudential Code in terms of *Affordability, Sustainability and Prudence*.

An analysis of the current position with regard to those prudential indicators for the financial year 2018/19 is provided at **Appendix B**. The analysis confirms that the Prudential Indicators set for 2018/19 have all being complied with.

Annual Report on Treasury Management Operations 2018/19

Treasury Strategy: In February 2018 the Commissioner approved the 2018/19 Treasury Management Strategy Statement (TMSS). The TMSS incorporated the investment and borrowing strategies for the 2018/19 financial year. The investment strategy approved for 2018/19 was largely the same as had been adopted for the previous year. The limits for each category of investment were based on the relative security of each class of financial institution and a percentage of the estimated balances, which would be available for investment during the year.

In relation to borrowing, the Commissioner has an underlying need to borrow funds to finance the capital programme, which is measured by the Capital Financing requirement (CFR).

The CFR at the start of 2018/19 amounted to £17.98m (including £4.89m relating to the PFI agreement for West Cumbria TPA HQ in Workington) leaving a £13.09m exposure to external borrowing at some time in the future, which is presently being covered by the use of internal funds (reserves).

The closing CFR for 2018/19 is anticipated to be £19.35m, of which £4.75m relates to the PFI thereby leaving a £14.60m exposure to the requirement to undertake external borrowing at some point.

During 2018/19 the Commissioner has maintained this strategy of using cash balances, arising primarily from reserves, to meet the cash flow commitments and was not therefore compelled to borrow.

Although long term borrowing rates remained relatively low during

2018/19, a conscious decision was made to defer long term financing decisions as the short term cost of carrying debt (i.e. the differential between the borrowing rate estimated at 2.7% and the rate of 1% available when such funding was invested) would have had an adverse effect on the revenue budget for the year and the immediate outlook period.

During 2018/19 the contract for the provision of treasury management advice services was re-tendered with the result that with effect from 1 April 2019 a new advisor (Link Asset Services Ltd) was appointed.

The Commissioner, in consultation with the treasury advisors continues to look for the most opportune time to undertake any longer term borrowing to fund the capital financing requirement.

Key Statistics

Principal:

Number of investments placed during 2018/19 was **218** (220 in 2017/18).

Value of investments placed during 2018/19 was **£135.565m** (£149.32m in 2017/18).

Of these investments made, 63 were to external counterparties and as such will have attracted a £10 transfer fee per transaction. The transfer to the NatWest Liquidity Select account for overnight money is classed as an inter-account transfer' as the NatWest holds the Commissioner's main bank account. This type of transfer is free although we do pay a small fee to access the internet banking site.

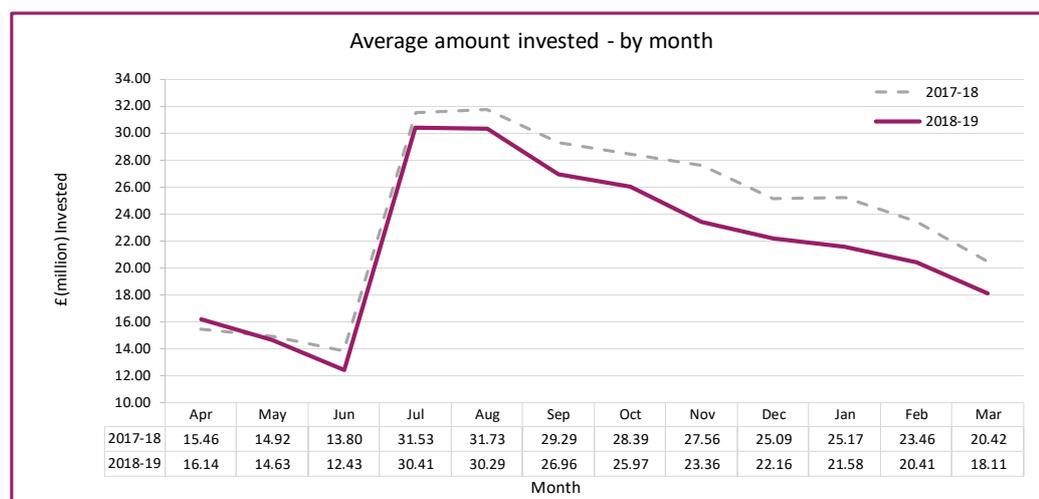
The **average** daily investment balance during 2018/19 was **£21.90m** (£23.93m in 2017/18).

The **highest** daily investment balance in 2018/19 was **£35.11m** (£36.24m in 2017/18)

The **lowest** daily investment balance in 2018/19 was **£9.23m** (£9.68m in 2017/18).

A detailed breakdown of the closing balance invested as at 31 March 2019 is provided at **Appendix A**.

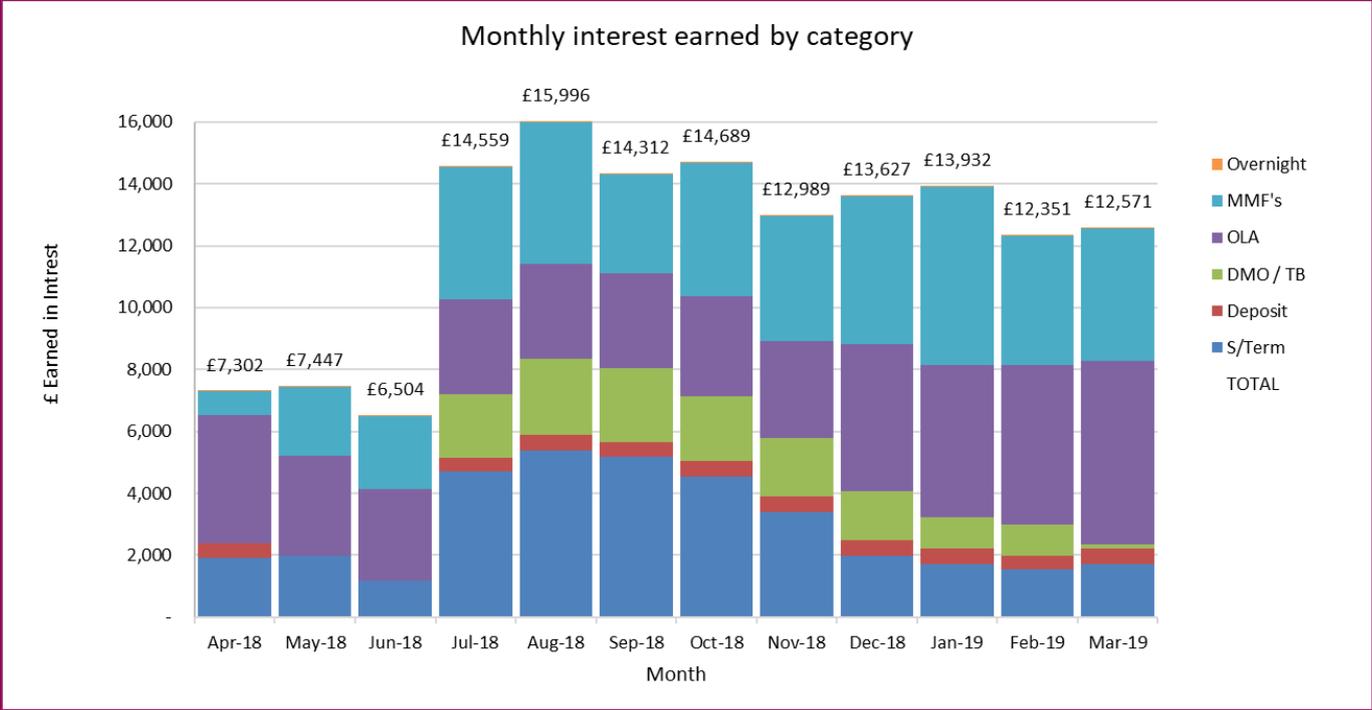
The level of cash reserves available to invest has followed the same pattern as seen in previous years. Following the introduction of the Home Office Police Pensions Grant in 2007/08, there has been an annual spike in investments in July, when the majority of the grant is received, followed by a gradual decline in balances as pension payments are made throughout the remainder of the year.



This chart illustrates the monthly average amounts invested during 2018/19 (with monthly comparatives for 2017/18).

Interest:

A total of £146k was earned in 2018/19 (£90k in 2017/18) from the Commissioner’s treasury management activities and can be broken down as follows:



The average return on investments for 2018/19 was 0.67% (0.38% in 2017/18) which is identical to the average bank base rate for the year. The base rate was increased from 0.50% to 0.75% on 2 August 2018.

The table above shows the outturn on investment interest as £146k for 2018/19, which is £71k above a base budget of £75k. The increase compared to the budget is largely as a result of interest rates increasing part the way through the year, which was not forecast when the strategy was produced and budgets were approved.

Treasury Operations:

As discussed above the aim of the Treasury Management Strategy is to invest surplus cash and minimise the level of un-invested cash balances, whilst limiting risks to the Commissioner’s funds. Actual un-invested balances for 2018/19 for the Commissioner’s main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	362	4,038	496,109
Days Overdrawn	3	(247)	(333)

The largest credit balance occurred during quarter three, the largest overdrawn balance occurred during the fourth quarter.

The quarter 4 explanation for the highest overdrawn balance is

provided above and the explanation for the quarter 3 credit balance provided below, having previously been reported in the relevant quarterly activity report to the Commissioner and Members.

The largest un-invested balance occurred on the 19th December (£496k) whereby the capital receipt from the sale of Ulverston Police Station was received late in the day from the solicitors. In line with procedure, any funds banked during the day are subject to checking by the bank and could be removed from our account again while any issues are resolved, which would have resulted in an overdrawn account. It is therefore normal practice that this cash is not invested and was left in the main fund.

As outlined on page 2 above, the largest overdrawn balance occurred on 31st December (£333) (and carried over the bank holiday) and was as a result of the monthly online banking charges being applied to the account being omitted from the cash flow forecast.

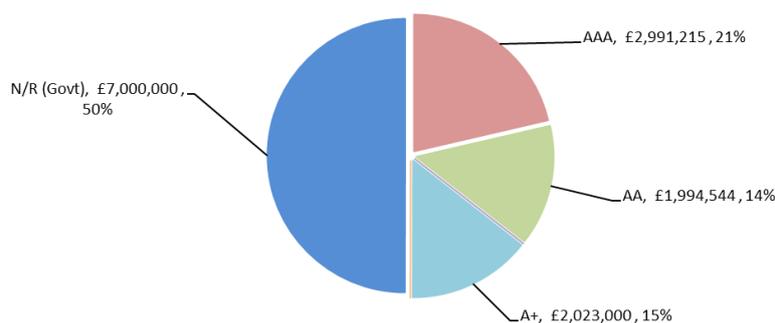
Compliance with Prudential Indicators

All treasury related Prudential Indicators for 2018/19, which were set in February 2018 as part of the annual Statement of Treasury Management Strategy, have been complied with. Further details can be found at **Appendix B**.

Appendix A Investment Balance at 31 March 2019

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Svenska (Deposit Account)	AA	Various	On Demand	N/A	0.30%	1,994,544	1,994,544
Lloyds Bank	A+	24/12/2018	24/06/2019	85	1.000%	2,000,000	2,000,000
NatWest (Liquidity Select Account)	A+	29/03/2019	01/04/2019	O/N	0.20%	23,000	23,000
						4,017,544	4,017,544
Category 2 - Banks Secured (Includes Banks & Building Societies)							
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Lancashire County Council	NR	17/04/2018	16/04/2019	16	1.00%	2,000,000	2,000,000
East Dunbartonshire Council	NR	06/03/2019	06/09/2019	159	1.05%	2,000,000	2,000,000
Moray Council	NR	03/12/2018	03/06/2019	64	1.00%	2,000,000	2,000,000
Thurrock Council	NR	31/01/2019	31/07/2019	122	0.93%	1,000,000	1,000,000
						7,000,000	7,000,000
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
						0	0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Fidelity	AAA	Various	On demand	O/N	0.69%	91,215	91,215
Goldman Sachs	AAA	Various	On demand	O/N	0.72%	400,000	400,000
Invesco	AAA	Various	On demand	O/N	0.78%	400,000	400,000
Aberdeen Standard	AAA	Various	On demand	O/N	0.78%	2,100,000	2,100,000
						2,991,215	2,991,215
Total						14,008,759	14,008,759

Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 March 2019 (Minimum Criteria per TMSS A-)



Note – The credit ratings in the table & chart relate to the standing as at 31 March 2019, these ratings are constantly subject to change.

Appendix B

Prudential Indicators 2018/19

Prudential indicators (numbering references the indicator number from the Treasury Management Strategy)			
Treasury Management Indicators			RAG
	The Authorised Limit		
5	<i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section 3(1) of the Local Government Act 2003.</i>	TEST - Is current external borrowing within the approved limit	●
	The Operational Boundary		
6	<i>The operational boundary represents an estimate of the most likely but not worst case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	TEST - Is current external borrowing within the approved limit	●
	Actual External Debt		
7	<i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing.</i>	TEST - Is the external debt within the Authorised limit and operational boundary	●
	Gross and Net Debt		
9	<i>The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	TEST - Is the PCC planning to borrow in advance of need	●
	Interest Rate Exposure		
10/11	<i>The purpose of this indicator is to contain the Commissioner's exposure to unfavourable movements in future interest rates. This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.</i>	TEST - Is the PCC exposed to unfavourable interest rates	●
	Maturity Structure of Borrowing		
12	<i>The indicator is designed to ensure control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>	TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time	●
	Upper Limit for total principal sums invested for over 364 Days		
13	<i>The purpose of this indicator is to ensure that the Commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>	TEST - Is the value of long term investments within the approved limit	●
Affordability Indicators			
	Ratio of Financing Costs to Net Revenue Stream		
3	<i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs</i>	TEST - Is the ratio of capital expenditure funded by revenue within planned limits	●
	Impact of capital investment decisions on the Council Tax		
8	<i>This indicates the incremental impact of the capital investment decisions funded from prudential borrowing proposed for the period 2018/19 based on a Band D property in line with the proposed council tax level.</i>	TEST - Is the effect of capital expenditure on council tax within planned estimates	●
Prudence Indicators			
	Net Borrowing and the Capital Financing Requirement		
1	<i>This indicator is to ensure that net borrowing will only be for capital purposes. The Commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i>	TEST - Is net debt less than the capital financing requirement	●
	Capital Expenditure and Capital financing		
2	<i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2018/19</i>	TEST - Is the current capital outturn within planned limits	●
	Capital Financing Requirement		
3	<i>The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	TEST - Is the capital financing requirement within planned limits	●