



The Chief Constable of Cumbria
Constabulary
STATEMENT OF ACCOUNTS
2019/20





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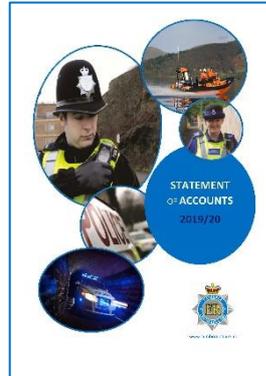
About this Publication

This publication contains the single entity financial statements for the Chief Constable of 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 2019/20 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



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The Chief Constable of Cumbria Constabulary

Statement of Accounts 2019/20

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The Joint CFO Introduction.

For a quick highly summarised version of this statement of accounts please read the next 18 pages. The full story starts on page 21, please read that too.

Please see page 30 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 2019/20 financial year. This financial statement sets out the single entity statements of the Chief Constable of 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 2020. 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.

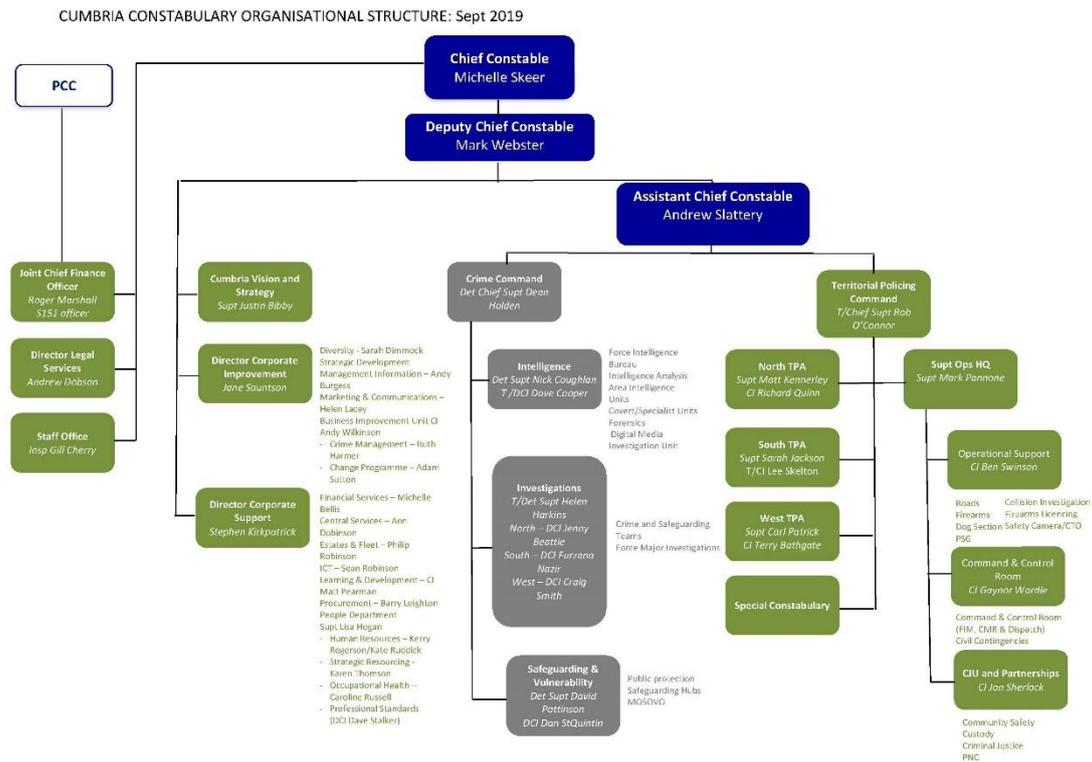
There are also two support directorates both of which report to the Deputy Chief Constable. The Corporate Support Directorate includes finance, people, estates, fleet, ICT, learning & development, commercial and central services. In overall terms, the Corporate Support directorate aims to provide cohesive 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 services 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 2019/20, 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.

The priorities also support delivery of the Constabulary's Vision 25 Strategy which seeks to provide a roadmap to transform policing to meet the challenges of delivering an effective service for communities into the mid 20s.

Cumbria Vision 25 has five key themes

- Local Policing
- Specialist Capabilities
- Digital Policing
- Workforce
- Business Support

Each work-stream has a delivery plan and professional lead. Governance processes are also aligned to the themes.

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. Cumbria has the third lowest volume of crime and anti-social behaviour, and traffic incidents have steadily reduced over the past three years. The people of Cumbria remain supportive of the service we provide, with 79% of them having confidence in their local police.

Nevertheless, there are no grounds for complacency. Over the last year, there has been a small increase of 4% in recorded crime. This is mainly attributable to our continuing improvements to crime recording processes and practices, this has had most impact on violent crime without injury and public order offences – both of which increased. There has been an undeniable rise in demand for policing services, most particularly in relation to stalking and harassment and domestic abuse related crime. More generally, crime investigation and the subsequent management of offenders to prevent further harm has become more complex and requires more resources to manage. We review our demand to inform our resourcing options, making sure that we address changing criminality.

The 2019/20 financial year will be remembered for two events, which have had a significant impact on the policing landscape. In August 2019, the Government announced its intention to recruit an additional 20,000 officers nationally by 2023, known as Operation Uplift. Cumbria's target in the first phase was to recruit an additional 51 officers by the end of 2020/21. Under the leadership of the Deputy Chief Constable, Cumbria has embraced this challenge with gusto and has been able

to recruit 48 of the 51 officers by the 31st March 2020; a year ahead of schedule. At the end of the financial year the effect of the Covid-19 pandemic began to impact on the Constabulary's operations. Whilst the major financial impact will be felt in 2020/21 and beyond, the Constabulary responded quickly, dispersing officers and staff, adapting working practices and provisioning enhanced ICT capability to facilitate home working. To date these actions have been successful in limiting staff absence and have enabled the Constabulary to continue to provide a normal policing service.

The Constabulary remains at the forefront in the use of digital technology in the fight against crime and is recognised nationally as being at the leading edge in rolling out mobile technology. During 2019/20, all officers were issued with new smartphones with enhanced functionality which will maximise the time they are able to be out providing a visible service to our communities. In addition, the force's new Command and Control system went live in June 2019. This is a critical system, which is used in the control room as the first point of public contact to direct resources to crimes and incidents. Developments such as call back and chat, which are due to be introduced in 2020/21, will enhance the caller experience for the 101 non-emergency service. Other projects to develop the main crime system in collaboration with Durham police are continuing, as is the replacement of a number of business systems as part of the Business Transformation Programme.

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).

At its last inspection 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 continue to work with HMICFRS to address the small number of areas, which were identified as areas for improvement.

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 2019/20, in addition to the continued development of operational ICT systems previously highlighted, we have

- designed the new Post Education Qualification Framework for new recruit training in conjunction with the University of Central Lancashire
- Re-purposed the new Eden Deployment Centre to provide a training facility to accommodate the increased level of new officer recruits through Operation Uplift
- Commenced a plan to deploy officers from rural stations to provide more visibility and an enhanced level of service in these locations.

The plan will continue to be developed during 2020/21 under the leadership of the Chief Officer team.

Whilst the additional grant funding for Operation Uplift and flexibility afforded to Commissioners to increase the precept in 2020/21, has allowed officer numbers to increase, this takes place in the context of rising uncertainty regarding the longer term financial outlook. The unprecedented level of Government

financial support to the economy in the Covid-19 crisis will weigh heavily on national finances for many years to come and is likely to constrain funding levels in the public sector. This will compound existing financial risks regarding the sustainability of funding, the financial burden of national policing initiatives, pensions costs and potential changes to the police funding formula. In the meantime, the Constabulary will continue to operate as efficiently as possible and deliver savings to balance the budget.

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.

2019/20 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 2019/20 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, whilst the Government provided additional grant funding in 2019/20 this was entirely required to meet the costs of increased employer pension contributions for police officers, effectively meaning that grants were reduced in real terms. Police and Crime Commissioners were afforded flexibility to

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increase council tax significantly above inflation to make up the shortfall. Following public consultation the Commissioner increased the precept by £23.94 for a band D property, which is equivalent to 10.29%. This enabled services to be maintained offsetting the effect of pay and price increases, but also allowed an investment in recruiting an additional 20 officers.

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 2019/20 we have made the following changes to enhance services:

- Undertook extensive analysis of current and future demand to support the production of a Force Management Statement for submission to HMICFRS as a means of shaping future service delivery.
- Audits of stop and search and the use of Body Worn Video to provide feedback to officers and improve services.
- Undertook a range of audits and knowledge checks again to improve services across the operational policing portfolio including services for victims, released under investigation, domestic abuse, crime recording and handling of drugs offences.
- Undertook a review of Information Management for implementation in 2020/21.
- Went live with the new Command and Control system with the aim of improving response to 999 and 101 calls.
- Continued development of the crime system 'Red Sigma' in collaboration with Durham Police.

- Rolled out new smartphones to all officers with enhanced functionality.
- Completed construction of the new Learning and Development Centre.
- Strengthened governance arrangements in relation to procurement of goods and services.
- Worked on refinement of the benefits management and delivery model.

Performance

Summary Budget and Outturn

The Chief Constable's budget amounting to £124.5m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2019/20 as set on 20 February 2019, the revised budget (taking into account budget changes made during the year) and the outturn position.

Summary Budget & Outturn	Base Budget 2019/20 £000s	Revised Budget 2019/20 £000s	Outturn 2019/20 £000s	(Under)/Overspend 2019/20 £000s
Police Officers	88,105	85,872	86,480	608
PCSOs	2,738	2,738	2,549	(189)
Police Staff	22,497	22,588	22,498	(90)
Other Employee	1,341	1,827	1,709	(118)
Transport	2,293	2,291	2,155	(136)
Supplies & Services	10,529	10,618	10,444	(174)
Third Party Related	2,189	2,184	2,212	28
Total Expenditure	129,692	128,118	128,047	(71)
Income	(5,211)	(6,708)	(6,833)	(125)
Total Constabulary	124,481	121,410	121,214	(196)

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 £114.68m, which is broken down into Police Officers £88.10m, PCSO's £2.74m, Police Staff £22.50m and other employee costs of £1.34m. The remainder of the budget relates to non-staff costs including, transport costs of £2.29m and supplies/other costs of £12.72m. Income of £5.21m, 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 final expenditure position for 2019/20, compared to the revised budget is an underspend of £0.196m, which represents 0.2% of the budget.

During the year the police pay budget, in particular, came under significant pressure through the conscious decision to recruit Cumbria's allocation of 51 additional officers as part of Operation Uplift as soon as possible, against a background of severe competition from other forces for new recruits.

Interim forecasts during the financial year indicated that the Constabulary could be overspent by £0.64m by the year end. In the event a combination of careful management of ancillary costs associated with Operation Uplift, savings on both Police Community Support Officers and police staff pay, lower than expected non staffing costs including training, vehicle repairs and fuel and forensics and generation of

additional income, meant that the Constabulary expenditure came in slightly under 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 £6.331m in 2019/20 are shown in the financial statements of the Commissioner. The principal component of this expenditure was £3.5m on upgrade of the Estate, which almost entirely comprised the construction costs of a new deployment centre for Eden, which has been temporarily re-purposed as a training centre in response to the increased officers through Operation Uplift. Expenditure on ICT related schemes amounted to almost £2.0m, the largest elements of which were £1.15m on a new command and control system and £0.73m on devices, principally smartphones. A further £0.73m was expended on the cyclical replacement of the vehicle fleet, including the Constabulary's first electric vehicles. Overall capital expenditure was lower than budgeted. This was as a result of delays in procuring the force's replacement single purpose vehicles whilst a decision was made on the correct approach rather than being indicative of large scale slippage on the programme.

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

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section provides a summary of performance in relation to crime, incidents and other outcomes for 2019/20.

- Crime increased by 4% (1,487 crimes). This is, in the main, attributable to improved crime recording.
- Whilst ‘Violence against the person’ has increased by 13% the biggest impact in terms of numbers of crimes has been on lower level crimes categorised as violence without injury, which increased by 8%, and stalking and harassment 39% increase, both of which are areas where greater emphasis has been placed on crime recording.
- We encourage the reporting of rape and sex offences; however this reduced by 13% (212 offences) compared to the previous year.
- Whilst theft offences have reduced by 1,066 (16%), there has been an 8% increase in burglary offences (155 offences).
- There has been a further 19% reduction in Anti-Social Behaviour, which has fallen to 7,352 incidents over the year.
- Domestic abuse incidents reduced by 298 or 4.2%, however domestic abuse crimes increased by 12.7% indicating the serious way in which such reports are treated.
- Cumbria generally has a low level of hate crime compared to other forces both nationally and in the North West, the latest figures for crimes with a hate indicator show an annual decrease of 39, which represents a fall of 5.7%.

The table below summarises the Constabulary’s performance indicators.

	Number of Crimes 2019/20	% Change from previous year
All Crime	38,200	4%
Violence against the person	16,026	13%
Homicide	4	0%
Death or Serious Injury - Unlawful Driving	18	125%
Stalking and Harassment	5,005	39%
Violence with injury	4,824	-2%
Assault - cause serious harm	203	-4%
Assault with injury	4,593	-2%
Other violence with Injury	28	75%
Violence without injury	6,175	8%
Assault without injury	5,495	8%
Assault without injury on a Constable	303	12%
Other violence without injury	377	5%
Rape and sexual offences	1,455	-13%
Robbery	141	-1%
Theft offences	5,522	-16%
Burglary	2,164	8%
Vehicle offences	1,064	-9%
Criminal damage and arson offences	5,713	2%
Drugs offences	922	-8%
Public order offences	4,227	28%
Miscellaneous Crimes Against Society	690	-8%
Possession of weapons offences	276	-1%

At its last inspection in 2018/19 Her Majesty’s Inspector of Constabulary Fire and Rescue Services (HMICFRS) 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 behaviour.
- Crime investigation and reducing re-offending.
- Protecting vulnerable people.
- Tackling serious and organised crime.
- Armed Policing
- Meeting current demand and Use of resources.
- Planning future demand.
- Treating people it serves fairly.
- Ethical behaviour of the workforce
- Treating the workforce with fairness and respect.

The Constabulary was also 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 2019/20, the Constabulary built on its People Strategy which was last updated in 2018/19, 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

There is a particular focus on wellbeing with work undertaken in 2019/20 seeking to promote and embed

- 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.

At the 31st March 2020 the Constabulary employed:

- 1,213 Police Officers
- 70 PCSOs
- 619 Police staff (all expressed in full time equivalents)

As part of the Commissioner's council tax pledge in 2019/20, a strategic decision was taken to increase the police officer establishment by 20fte, from 1,145 FTE to 1,165, which were largely in place by the start of the year. During 2019/20, as a result of the first phase of the Government's national Operation Uplift plan Cumbria were allocated a further 51 officers to be recruited by the end of the 2020/21 financial year. This was made a high priority for the Constabulary, with the result that the majority 48 of the 51 officers were recruited by the end of 2019/20; a year ahead of schedule. Over 2019/20 the numbers of police staff and PCSOs operated slightly below establishment, partly because of the need to train additional officers.

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

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Actual Employees as at 31 March 2020	CC		Total FTE
	Male FTE	Female FTE	
Directors/Chief Officers	7.5	2.0	9.5
Senior Managers	10.0	5.0	15.0
All Other Employees	982.7	899.2	1,881.9
Total CC Employees	1,000.2	906.2	1,906.4

The 2019/20 average percentage of working time lost due to sickness increased slightly for both officers and staff compared with the previous year. The police officer rate increased from 3.51% to 4.33% (approx. 9 working days), whilst police staff increased from 2.73% to 4% (9 working days). An attendance action plan is in place with a wide range of actions to pro-actively manage sickness.

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 in 2019/20 had 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 2019/20, particular training resource was directed to:

- Police Educational and Qualification Framework for new officers (developing apprenticeship and degree entry training programmes in conjunction with the University of Central Lancashire)
- Leadership and skills courses for sergeants, with a new program for inspectors being developed.
- Crime training and Continuing Professional Development for new and existing detectives.
- Operation Uplift – increased recruitment and training as part of national increases in police recruitment.

The training plan was, in part, delivered through a strategic training collaboration with Lancashire Police, which has now concluded following a strategic review, due to a changing national picture around training.

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. Previous projects have set specific BREEAM energy efficiency targets of a minimum of very good.

Procurement of sustainable goods and services is encouraged with targets set for local labour and supply of materials. Larger specifications of work include a percentage of 'green' and where possible recycled products. 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.
- Monitoring faults for timely repair.

Both new and refurbishment work include specific specifications for low energy technology. A move to LED lighting installations and low emission air conditioning across the estate is the standard.

In early 2020 a working group began to the use of agile working. In addition, there is widespread partnership working and use of shared premises. This reduce travel between sites, improve space efficiency, reduces estate footprint and drives down the energy and environmental footprint at a number of sites.

For many years the Constabulary has operated a recycling policy.

In line with the national fleet strategy, the Constabulary still operates a mostly diesel fleet, with the strategy being continually reviewed as technology advances. Here are now a number of petrol vehicles in the fleet, reflecting the technological improvements in these engines. In addition there is now a small electric fleet, a mix of both unmarked and marked operational vehicles.

In 2019 a web of electric chargers was fitted throughout the estate to provide infrastructure support to these and future electric vehicles.

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

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transportation. Parts are bought locally and make use of the wider local supply chain where possible.

In 2019 work was undertaken on a review of hire car procedures with an emphasis being placed on improved utilisation of hire cars.

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 26 of the full statement of accounts.

The table below sets out a summary CIES statement.

Summary CI&ES	Gross Expenditure 2019/20 £000s	Gross Income 2019/20 £000s	Net Expenditure 2019/20 £000s
Cost of Police Services	115,973	(418)	115,555
Funding Provided by PCC to CC	0	(117,564)	(117,564)
Cost of Services	115,973	(117,982)	(2,009)
Financing Costs and Investment Income	36,618	(3,561)	33,057
(Surplus)/Deficit on the Provision of Services	152,591	(121,543)	31,048
Other Comprehensive Income and Expenditure			(114,242)
Total Comprehensive Income and Expenditure			(83,194)

The statement shows that the gross cost of providing policing services amounted to £126.865m in 2019/20. This figure included the costs of neighbourhood policing, incident response, crime investigation, roads policing, communication with the public, criminal justice arrangements and a range of support services.

In addition, the CIES also records a number of technical adjustments including 'financing costs & investment income' £33.097m and 'other comprehensive income & expenditure' net income of £115.223m. These adjustments principally relate to changes to future pensions obligations over the year based on proper accounting practices. The overall effect of the cost of providing services and the pensions adjustment is to produce an accounting surplus of £72.825m 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 underspend of £0.196m.

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 35.

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 27 in the full statement of accounts.

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

Summary Movement in Reserves	Balance 31/03/2019 £000s	Movements 2018/19 £000s	Balance 31/03/2020 £000s
Police Pensions Reserve	(1,296,300)	93,130	(1,203,170)
LGPS Pensions Reserve	(52,654)	(9,376)	(62,030)
Accumulated Absences Reserve	(3,056)	(560)	(3,616)
Total Reserves	(1,352,010)	83,194	(1,268,816)

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 2019/20, the overall negative balance on the police pension scheme has reduced and the balance on the local government pension scheme has 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 £18.6 for specific revenue and capital purposes. During 2019/20, a total of £0.3m has been contributed to 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 2020) of the Chief Constable's assets and liabilities.

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

Joint Chief Finance Officer Narrative Report

Summary Balance Sheet	Balance	Balance
	31/03/2019	31/03/2020
	£000s	
	re-stated	£000s
Current Assets	12,112	12,086
Current Liabilities	(13,835)	(14,685)
Long Term Liabilities	(1,350,287)	(1,266,217)
Net Liabilities	(1,352,010)	(1,268,816)
Unusable Reserves	(1,352,010)	(1,268,816)
Total Reserves	(1,352,010)	(1,268,816)

The Chief Constable's current assets (£12.1m) 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 (£14.7m) 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 (£1,277m) 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 28 in the full statement of accounts.

The Chief Constable's 2019/20 balance sheet shows a combined pensions deficit of £1,276m (£1,349m in 2018/19) 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 29 of the full statement of accounts.

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

Summary Cash Flow Statement	Cash flows 2018/19 £000s	Cash flows 2019/20 £000s
Cash & Cash Equivalents 1 April	0	0
Net (Surplus)/Deficit on the provision of services	81,437	31,048
Adjustments for Non-cash Movements	(81,437)	(31,048)
Net Cash Flows from Operating Activities	0	0
Cash & Cash Equivalents 31 March	0	0

Police Officer Pension Fund Account

This statement sets out the transactions on the Police Officer pension fund account for the year. The statement records all of the contributions that have been made to the pension fund during the year. These are primarily contributions from employees and the Constabulary as employer. Contribution rates are set nationally by the Home Office. There are also small amounts of other contributions, either from officers joining the scheme in the year and transferring in

Joint Chief Finance Officer Narrative Report

existing pensions benefits or additional contributions from the employer to cover the cost of ill-health retirements.

The fund also records the benefits paid out of the fund to its members. Any difference between the contributions received into the fund and amount paid out is met by government grant, paid through the Commissioner. This means that the police pension fund always balances to nil.

A summary of the pension fund is shown below.

Summary Police Pension Fund	Pension Fund A/C 2018/19 £000s	Pension Fund A/C 2019/20 £000s
Contributions - Employer	(8,506)	(12,793)
Contributions - Officers	(5,372)	(5,529)
Contributions - Other	(578)	(846)
Benefits Payable	35,878	39,083
Other Payments	79	27
Net Amount Payable	21,501	19,942
Contribution from Home Office	(20,343)	(19,942)
Additional Funding Payable by the Constabulary (2.9%)	(1,158)	0
Net Amount Payable	0	0

The statement identifies contributions made in 2019/20 totaling £19.17m. The pension benefits that are payable from the fund, together with other payments amounted to £39.11m. There is a significant increase in contributions for 2019/20 as the Home Office has increased the employer pension contribution rate from 24.2% to 31%. The balance between contributions and pensions' benefits paid of £19.94m has been funded by the Home Office via the Police and Crime Commissioner. The full pensions fund

accounts and note can be found on pages 51-52 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 Annual Governance Statement of the Chief Constable can be found in (Annex D) of this Statement of Accounts on pages AGS 1- 23 or on the Constabulary website at: www.cumbria.police.uk.

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner and Chief Constable as at 31 March 2020. This has primarily arisen as a result of positive action on behalf of the Constabulary to manage 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 Government was true to its word in the 2020/21 grant settlement and has provided an additional £5.6m in grant funding for the additional officers recruited through Operation Uplift. Commissioners were also given continued flexibility to levy above inflation increases in council tax, enabling the budget for 2020/21 to be balanced.

However, the financial impact of the current Covid-19 pandemic on the national Government finances is likely to be serious, with the deepest recession on record being widely forecast. This has the potential to compound existing financial risks regarding the sustainability of a funding model which relies on local taxpayers to meet increases in the cost of providing services, the funding of pensions, costs of national policing initiatives such as the Emergency Services Network, the impact of Brexit and the potential redistribution of policing resources in any review of the Police Funding Formula. Consequently, the future financial outlook for the Constabulary is particularly uncertain.

The Constabulary's budget is set in the context of a four year medium term financial forecast (MTFF) to 2023/24, which is based on prudent assumptions and continued funding restraint. Based on the MTFF, which was prepared in February prior to the pandemic, savings of the order of £3m will be required to balance the budget from 2021/22 onwards.

The cost of dealing with the initial response to Covid-19 in 2020/21 is being carefully monitored with additional expenditure on personal, protective equipment and ICT to facilitate home working being incurred and a loss in income from reduced enforcement activity anticipated. However, this is considered to be manageable. The longer term budget and MTFF will now be subject to continual review and refinement over the coming months as information on the financial effect of Covid-19 becomes clearer to assess the impact on future funding.

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. The judicious use of reserves will also be considered as a means of balancing the budget. Against this background the level of required savings highlighted in the MTFF are considered 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 joint 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. The other highest scoring risk recognises the potential difficulties of providing a normal policing service if there are high levels of abstractions due to the Covid-19 pandemic.

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 continued challenge of answering 999 and non-emergency calls within a reasonable time period, threats from acts of terrorism and digital crime, compliance with General Data Protection Regulations, concerns over the lack of professional procurement capability within the organisation and the capacity of the organisation to deliver the level of change in Vision 2025.

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.

Current 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 29 June 2020. Following completion of the audit, they were re-authorised by me on 19 November 2020 and were formally approved by the Chief Constable on the same day.

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 tight deadlines and in challenging working circumstances due to the pandemic.

Roger Marshall

Joint Chief Finance Officer

The accounts present a true and fair view of the position of the Chief Constable of Cumbria Constabulary as at 31 March 2020 and its income and expenditure for the year there ended.

Signatures removed for publication on website

Signatures removed for publication on website

Roger Marshall CPFA

Michelle Skeer QPM

Joint Chief Finance Officer

The Chief Constable of Cumbria Constabulary

Date: 19 November 2020

Date: 19 November 2020

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 2020.

Independent Auditor's Report



Independent auditor's report to the Chief Constable for Cumbria Constabulary

Report on the Audit of the Financial Statements

Leave 4 pages for audit opinion

Independent Auditor's Report

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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
		2018/19	2018/19	2018/19	2019/20	2019/20	2019/20
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	161,498	(378)	161,120	115,973	(418)	115,555
Funding Provided by PCC to CC		0	(110,897)	(110,897)	0	(117,564)	(117,564)
Cost of Policing and Crime Services		161,498	(111,275)	50,223	115,973	(117,982)	(2,009)
Financing and Investment Income and Expenditure							
Net Interest on the net defined benefit liability (asset)	Annex C	34,805	(3,591)	31,214	36,618	(3,561)	33,057
		34,805	(3,591)	31,214	36,618	(3,561)	33,057
(Surplus) or Deficit on Provision of Services		196,303	(114,866)	81,437	152,591	(121,543)	31,048
Remeasurement of the net defined pension benefit liability/asset	Annex C			40,038			(114,242)
Other Comprehensive Income and Expenditure				40,038			(114,242)
Total Comprehensive Income and Expenditure				121,475			(83,194)

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 2019/20 are provided in the table below:

Movement in Reserves Statement (CC) Figures for 2019/20									
	Note	Balance at 1 April 2019	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 2019/20	Balance at 31 March 2020
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves									
Chief Constable's Constabulary Fund	-	0	(31,048)	0	(31,048)	31,048	0	0	0
Total Usable Reserves		0	(31,048)	0	(31,048)	31,048	0	0	0
Unusable Reserves									
Chief Constable's Police Pension Reserve	14a	(1,296,300)	0	118,150	118,150	(25,020)	93,130	93,130	(1,203,170)
Chief Constable's LGPS Pension Reserve	14a	(52,654)	0	(3,908)	(3,908)	(5,468)	(9,376)	(9,376)	(62,030)
Chief Constable's Accumulated Absences Account	14b	(3,056)	0	0	0	(560)	(560)	(560)	(3,616)
Total Unusable Reserves		(1,352,010)	0	114,242	114,242	(31,048)	83,194	83,194	(1,268,816)
Total Reserves		(1,352,010)	(31,048)	114,242	83,194	0	83,194	83,194	(1,268,816)

The comparative figures for 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	£000s
Usable Reserves										
Chief Constable's Constabulary Fund	-	0	0	(81,437)	0	(81,437)	81,437	0	0	0
Total Usable Reserves		0	0	(81,437)	0	(81,437)	81,437	0	0	0
Unusable Reserves										
Chief Constable's Police Pension Reserve	14a	(1,187,670)	0	0	(33,050)	(33,050)	(75,580)	(108,630)	(108,630)	(1,296,300)
Chief Constable's LGPS Pension Reserve	14a	(40,009)	(106)	0	(6,988)	(6,988)	(5,551)	(12,539)	(12,539)	(52,654)
Chief Constable's Accumulated Absences Account	14b	(2,750)	0	0	0	0	(306)	(306)	(306)	(3,056)
Total Unusable Reserves		(1,230,429)	(106)	0	(40,038)	(40,038)	(81,437)	(121,475)	(121,475)	(1,352,010)
Total Reserves		(1,230,429)	(106)	(81,437)	(40,038)	(121,475)	0	(121,475)	(121,475)	(1,352,010)

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 2019	31 March 2020
		£000s	£000s
		re-stated	
Inventories		273	378
Short Term Debtors (amounts owed to CC by PCC re CC share of external Debtors)	10	4,077	4,777
Short Term Debtors (amounts owed to CC by employees re accumulated absences)	10	158	150
Short Term Debtors (funding balance owed to CC by PCC)	10	7,604	6,781
Current Assets		12,112	12,086
Short Term Creditors (amounts owed by CC to PCC re share of external creditors)	11	(6,271)	(5,764)
Short Term Creditors (amounts owed by CC to employees re accumulated absences)	11	(3,214)	(3,766)
Short Term Creditors (funding balance due from CC to PCC)	11	(4,350)	(5,155)
Current Liabilities		(13,835)	(14,685)
Provisions	12	(1,333)	(1,017)
Other Long Term Liabilities			
Pensions liability - Police	Annex C	(1,296,300)	(1,203,170)
Pensions liability - LGPS	Annex C	(52,654)	(62,030)
Long Term Liabilities		(1,350,287)	(1,266,217)
Net Liabilities		(1,352,010)	(1,268,816)
Unusable Reserves			
Pensions Reserve - Police	14a	(1,296,300)	(1,203,170)
Pensions Reserve - LGPS	14a	(52,654)	(62,030)
Accumulated Absences Account	14b	(3,056)	(3,616)
		(1,352,010)	(1,268,816)
Total Reserves		(1,352,010)	(1,268,816)

The unaudited accounts were issued on 29 June 2020 and the audited accounts were authorised for issue on 19 November 2020.

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Signed: _____

Roger Marshall, Joint Chief Finance Officer.

The comparative balance sheet for 2018/19 is shown as being "re-stated". In 2019/20 a new method of apportioning the share of debtors and creditors between the single entity statements of the PCC and Chief Constable was developed, in order to be consistent between the years the 2018/19 comparatives have been re-stated. The figures highlighted in purple in the above table are the amended figures. The Debtors (note 10) and Creditors (note 11) have also been re-stated.

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 2018/19 £000s re-stated	CC 2019/20 £000s
	Net (Surplus) or Deficit on the provision of services	81,437	31,048
	Adjustment to net surplus or deficit on the provision of services for non-cash movements	(81,437)	(31,048)
	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)	(81,131)	(30,488)
	Debtors - Adjustment re CC Share of Debtors	(151)	692
	Debtors - Adjustment re Balance of Funding due from PCC to CC	(2,468)	(823)
	Creditors - Adjustment re CC Share of Creditors	2,058	(45)
	Creditors - Adjustment re Balance of Funding due from CC to PCC	150	(805)
	Stock - Change in Balance Sheet	40	105
	Provisions - Change in Balance Sheet	65	316
	Adjustment to net surplus or deficit on the provision of services for non-cash movements	(81,437)	(31,048)

The comparative cash flow statement note (CF1) for 2018/19 is shown as being “re-stated”. In 2019/20 a new method of apportioning the share of debtors and creditors between the single entity statements of the PCC and Chief Constable was developed, in order to be consistent between the years the 2018/19 comparatives have been re-stated. The figures highlighted in purple in the above table are the amended figures. The Debtors (note 10) and Creditors (note 11) have also been re-stated.

Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. As a general rule, the column showing the figures for 2019/20 will be highlighted, whilst the comparatives for 2018/19 (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 53-55. 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 56-59).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 56 to 59), 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 **19 November 2020**. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a “global pandemic” on 11th March 2020, has impacted global financial markets. Market activity is being impacted in many sectors, including property. In response to this, the LGPS pension funds property valuer (CBRE Ltd) has been directed by the Royal Institute of Chartered Surveyors (the RICS) to include a “Material Uncertainty” clause in all property valuation reports. This is the approach that is being directed nationally by the professional body responsible for promoting and enforcing the standards for property valuations for 2019/20, and this material uncertainty clause is applicable to the LGPS funds direct and indirect property holdings. The Statement of Accounts was adjusted to reflect the fall in asset values as estimated at 31 March 2020.

In July 2020 HM Treasury published their proposed arrangements for remedy in respect of the McCloud/Sergeant Judgement. The Statement of Accounts has been updated to reflect a change in assumptions by the scheme actuary in relation to the arrangements for remedy. The initial figures provided assumed that all members in service at 1 April 2015 would be eligible for remedy. At the point of producing the information for the initial accounting disclosures, details of the case and the potential form of the eventual remedy were still unclear, and it was necessary to make assumptions for many of the details. Therefore, when compared to the eligibility set out in HMT’s consultation document, the actuarial approach initially overstated the potential McCloud/Sergeant liability.

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 2020 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 £362k 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 £36k to the provision needed.
	The Chief Constable has made a provision of £655k 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 £65k 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> <p>In relation to the Local Government Pension Scheme there is a material estimation uncertainty around the value of property assets held in the pension scheme as a result of the global Covid-19 pandemic.</p> <p>In relation to the Police Pension Schemes there is estimation uncertainty with regards to the proposed remedy in relation to the McCloud Sergeant Judgement.</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 62-71.

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 2019/20 and comparatives for 2018/19 are provided in the table below:

Expenditure and Funding Analysis (CC)	CC 2018/19			CC 2019/20		
	Net Expenditure Chargeable to the Police Fund balance and as reported for resource management £000s	Adjustments between Funding and Accounting Basis (Note 5 & 7) £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s	Net Expenditure Chargeable to the Police Fund balance and as reported for resource management £000s	Adjustments between Funding and Accounting Basis (Note 5 & 7) £000s	Net Expenditure in the Comprehensive Income and Expenditure Statement £000s
Cost of Policing & Crime Services						
Police Officer Pay & Allowances	61,129	(9,220)	51,909	66,259	(3,500)	62,759
PCSO Pay & Allowances	2,852	(341)	2,511	2,560	(367)	2,193
Police Staff Pay & Allowances	21,417	3,229	24,646	22,080	3,900	25,980
Other Employee Budgets	3,340	0	3,340	3,004	0	3,004
Premises Related Expenditure	5,332	0	5,332	5,428	0	5,428
Transport Related Expenditure	3,249	0	3,249	3,239	0	3,239
Supplies & Services Expenditure	12,457	0	12,457	13,358	0	13,358
Third Party Related Expenditure	1,310	0	1,310	1,496	0	1,496
Technical Accounting Adjustments	(306)	306	0	(560)	560	0
Non distributed costs	55	56,249	56,304	658	(2,602)	(1,944)
Termination Payments	62	0	62	42	0	42
Funding Provided by PCC to CC	(110,897)	0	(110,897)	(117,564)	0	(117,564)
Net Cost of Services	0	50,223	50,223	0	(2,009)	(2,009)
Other Income and Expenditure	0	31,214	31,214	0	33,057	33,057
(Surplus)/Deficit on the Provision of Services	0	81,437	81,437	0	31,048	31,048

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 26). The relevant transfers between reserves are explained in the Movement in Reserves Statement (page 27).

The figures for 2019/20 and comparatives for 2018/19 are shown in the table below:

Note to the Expenditure and Funding Analysis (CC)	Net change for the Pensions Adjustment (See below)	CC 2018/19 Other Differences (See below)	Total Adjustment Between funding and accounting basis	Net change for the Pensions Adjustment (See below)	CC 2019/20 Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services						
Police Officer Pay & Allowances	(9,220)	0	(9,220)	(3,500)	0	(3,500)
PCSO Pay & Allowances	(341)	0	(341)	(367)	0	(367)
Police Staff Pay & Allowances	3,229	0	3,229	3,900	0	3,900
Technical Accounting Adjustments	0	306	306	0	560	560
Non distributed costs	56,249	0	56,249	(2,602)	0	(2,602)
Net Cost of Services	49,917	306	50,223	(2,569)	560	(2,009)
Other Income and Expenditure	31,214	0	31,214	33,057	0	33,057
(Surplus)/Deficit on the Provision of Services	81,131	306	81,437	30,488	560	31,048
Further Analysis of Adjustments						
Police - Interest on Liabilities	30,170	0	30,170	31,780	0	31,780
Police - Reverse Employer Contributions	(31,410)	0	(31,410)	(34,130)	0	(34,130)
Police - Current Service Cost	22,190	0	22,190	30,630	0	30,630
Police - Non Distributed Costs	54,630	0	54,630	(3,260)		(3,260)
LGPS - Interest on Liabilities	4,635	0	4,635	4,838	0	4,838
LGPS - Return on Plan Assets	(3,591)	0	(3,591)	(3,561)	0	(3,561)
LGPS - Curtailment/Settlement	55	0	55	0	0	0
LGPS - Reverse Employer Contributions	(2,993)	0	(2,993)	(3,060)	0	(3,060)
LGPS - Current Service Cost	5,826	0	5,826	6,593	0	6,593
LGPS - Non Distributed Costs	1,619	0	1,619	658	0	658
Accumulated Absences Account Adj	0	306	306	0	560	560
Total Adjustments	81,131	306	81,437	30,488	560	31,048

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.

Expenditure and Income	CC	CC
	2018/19 £000s	2019/20 £000s
Expenditure		
Police Pay & Allowances	61,129	66,259
PCSO Pay & Allowances	2,852	2,560
Police Staff Pay & Allowances	21,417	22,080
Other Employee Costs	3,340	3,004
Premises Related Costs	5,332	5,428
Transport Related Costs	3,249	3,239
Supplies & Services	12,457	13,358
Third Party Payments	1,310	1,496
Technical Accounting Adjustments	(306)	(560)
Pension Adjustment	(56,249)	3,260
Non Distributed Costs	56,304	(2,602)
Termination Payments	62	42
Funding Between PCC & CC	(110,897)	(117,564)
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 2019/20 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	30,488	(25,020)	(5,468)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	14b	560	0	0	(560)
Total Adjustments		31,048	(25,020)	(5,468)	(560)

The comparative 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	81,131	(75,580)	(5,551)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	14b	306	0	0	(306)
Total Adjustments		81,437	(75,580)	(5,551)	(306)

Notes to the Accounts

8 Audit Fees

In 2019/20 the [Chief Constable](#) incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	CC 2018/19 £000s	CC 2019/20 £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.	12	17
Other Services		
Fees payable in respect of <i>other services</i> provided by Grant Thornton during	0	0
Total External Audit Fees for Year	12	17

The above table shows the gross fees payable to the external auditor during the year. In 2019/20 a rebate of audit fees of £4k 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 60 to 61.

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 2020 with comparative information for the previous year is set out in the table below:

Short-term Debtors	CC	
	As at 31 March	
	2019	2020
	£000s	£000s
	re-stated	
Balance Owed from PCC re CC Share of External Debtors		
- Trade Receivables	99	95
- Police pensions prepayment	2,474	2,606
- Prepayments/Payments in Advance	1,504	2,076
	4,077	4,777
Balance Owed from Employees (re accumulated Absences)	158	150
Balance Owed from PCC re Balance of Funding	7,604	6,781
Total Debtors	11,839	11,708

11 Short-term Creditors

An analysis of the amounts owed by the [Chief Constable](#) as at 31 March 2020 with comparative information for the previous year is set out in the table below:

Short-term Creditors	CC	
	As at 31 March	
	2019	2020
	£000s	£000s
	re-stated	
Balance Owed to PCC re CC Share of External Creditors		
- Trade Payables	(4,051)	(3,412)
- HMRC PAYE Amounts Due	(2,220)	(2,352)
	(6,271)	(5,764)
Balance owed to Employees (re accumulated absences)	(3,214)	(3,766)
Balance owed to PCC re balance of Funding	(4,350)	(5,155)
Total Creditors	(13,835)	(14,685)

Please note: The comparator figures for 2018/19 in the above tables for creditors and debtors are shown as “re-stated”, which means that the figures are not the same as those that were presented in the 2018/19 statement of accounts. The figures highlighted in purple in the above tables are those which have changed and the changes have arisen as a result of a new method of apportioning the share of debtors and creditors between the single entity statements of the PCC and Chief Constable.

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 2020 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 was established in 2018/19 to cover the potential costs in relation to the capital ill health charge in respect of three cases where the Constabulary was required to retire a police officer on ill health grounds. Whilst the initial decision was made in March 2019, a potential to appeal the decision meant that the ultimate cost would fall in to 2019/20. The provision has been utilised during 2019/20 and is now shown as having a nil balance.

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 2020.

Provisions	Balance as at 01/04/19	Additional Provisions Made 2019/20	Amounts Used in 2019/20	Unused Amounts Reversed in 2019/20	Balance as at 31/03/20
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(279)	(210)	127	0	(362)
Legal Claims	(819)	(25)	145	44	(655)
Employee Related	(235)	0	234	1	0
Total Provisions	(1,333)	(235)	506	45	(1,017)

The comparative information for year ended 31 March 2019 is as follows:

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)

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 62 to 71.

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	
	2018/19	2019/20	2018/19	2019/20
	£000s	£000s	£000s	£000s
Balance at Start of Year	(40,009)	(52,654)	(1,187,670)	(1,296,300)
Adjustment to Opening Balance #	(106)	0	0	0
Adjusted Balance at Start of Year	(40,115)	(52,654)	(1,187,670)	(1,296,300)
Remeasurement of the net defined pension benefit liability/asset	(6,988)	(3,908)	(33,050)	118,150
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	(8,544)	(8,528)	(106,990)	(59,150)
Employer's pension contributions and direct payments to pensioners payable in the year.	2,993	3,060	31,410	34,130
Balance at End of Year	(52,654)	(62,030)	(1,296,300)	(1,203,170)

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 was required to ensure that the opening and closing balances for 2018/19 agree to the relevant 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 2018/19 £000s	CC 2019/20 £000s
Balance at Start of Year	(2,750)	(3,056)
Settlement or cancellation of accrual made at the end of the preceding year	2,750	3,056
Amounts accrued at the end of the current year	(3,056)	(3,616)
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	(306)	(560)
Balance at End of Year	(3,056)	(3,616)

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
	2018/19	2019/20
	£000s	£000s
Basic Allowance	19	22
Travel and Subsistence	7	7
	26	29

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 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 2019/20 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 - Michelle Skeer		157	7	0	3	167	48	215
Deputy Chief Constable		119	7	0	0	126	37	163
Assistant Chief Constable	1	110	8	0	3	121	34	155
Joint Chief Finance Officer		81	0	0	0	81	12	93
Director of Corporate Support		86	0	0	0	86	13	99
Director of Corporate Improvement		86	0	0	0	86	13	99
Chief Superintendent - Territorial Policing		87	0	0	2	89	27	116
Temporary Chief Superintendent - Crime Command		35	1	1	0	37	11	48
Superintendent - Head of People (a)	2	87	3	0	3	93	27	120
Superintendent - Head of People (b)	3	80	1	0	0	81	25	106
Director of Legal Services		86	1	1	0	88	13	101
Total Chief Constable		1,014	28	2	11	1,055	260	1,315

Notes:

- 1 The Assistant Chief Constable was promoted to ACC from Temporary ACC on 29/04/19.
- 2 Superintendent/Head of People (a) commenced employment with the Constabulary on 25/09/19.
- 3 Superintendent/Head of People (b) moved to be Superintendent TPA South on 08/10/19.

Notes to the Accounts

The table below gives the comparative 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 - Michelle Skeer		153	7	0	3	163	33	196
Deputy Chief Constable	1	117	7	0	0	124	24	148
Temporary Assistant Chief Constable (A)	2	100	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	19	111
Superintendent - Head of People		79	2	1	0	82	17	99
Temporary Chief Superintendent - Crime Command	4	83	5	0	3	91	17	108
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		1,114	39	5	16	1,174	215	1,389

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

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	2018/19			2019/20		
	CC Police Staff	CC Snr Police Officers	CC Total	CC Police Staff	CC Snr Police Officers	CC Total
£50,000 to £54,999	5	0	5	6	0	6
£55,000 to £59,999	2	0	2	1	0	1
£60,000 to £64,999	6	0	6	4	0	4
£65,000 to £69,999	0	0	0	3	0	3
£70,000 to £74,999	0	0	0	0	0	0
£75,000 to £79,999	1	0	1	0	0	0
£80,000 to £84,999	3	1	4	1	0	1
£85,000 to £89,999	0	1	1	3	1	4
£90,000 to £94,999	1	1	2	0	2	2
£95,000 to £99,999	0	0	0	1	0	1
£100,000 to £104,999	0	1	1	0	0	0
£105,000 to £109,999	0	0	0	0	0	0
£110,000 to £114,999	0	0	0	0	1	1
£115,000 to £119,999	0	1	1	0	1	1
£120,000 to £124,999	0	0	0	0	0	0
£125,000 to £129,999	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0
£140,000 to £144,999	0	0	0	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	1	1	0	1	1
Total	18	6	24	19	6	25

In 2019/20 the remuneration for 108 Police Officers (94 in 2018/19) 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	Headcount	Headcount	Headcount	Headcount	Headcount	Headcount	£000's	£000's
£0-£20,000	1	1	1	3	2	4	21	42
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	1	0	0	0	1	0	41	0
£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	0	0	0	0	0	0
Total	2	1	1	3	3	4	62	42

During 2019/20 the contracts of a small number of employees were terminated incurring termination payments amounting to £42k (£62k in 2018/19). This amount is made up of exit packages paid in 2019/20.

The exit packages paid in 2019/20 amount to £42k (£62k in 2018/19). The exit packages can be further split into compensation for loss of employment £42k (£24k in 2018/19) and enhanced pension benefits £0k (£38k in 2018/19). The redundancies are as a result of the Constabulary's change programme. The Exit Packages table above provides details of the number and total cost of exit packages per band and include those exit packages paid in 2019/20.

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 accounts. The figure shown on the face of the Expenditure and Funding Analysis (pages 33-34) for 2018/19 comparators 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.

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 2019/20 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 62-71.

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 Armed Policing Collaboration, Northwest Strategic Automatic Number Plate Recognition (ANPR), and the Regional Emergency Services Network (ESN).
- 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, this collaboration came to an end on 30 September 2019.
- Cumbria County Council – Shared Internal Audit Service.
- Durham Constabulary – ICT Collaboration in relation to development of systems.

20 Pension Challenge

The Chief Constable of Cumbria, along with other Chief Constables and the Home Office, currently has 150 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. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March. The Police Minister has indicated that remedy period will not end before 2022. It is anticipated the Treasury will consult on proposals to implement remedy in the coming months to be followed by primary legislation and scheme regulation.

Impact on pension liability

Allowing for all members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries estimated the potential increase in scheme liabilities for Cumbria to be approximately 4.4% or £54.63m of pensions scheme liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. In 2019/20, scheme actuaries have also reflected the fact that Members who will be eligible for remedy are currently accruing benefits in the 2015 Scheme but may be eligible to receive benefits from their previous scheme (1987 or 2006) for this time period. The 2019/20 current service cost therefore reflects the cost of accrual in the “better of” a members two schemes (£9.5m). The actuaries have highlighted that these estimates are based on the potential remedy, the potential impact of any difference in the profile of the force’s membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

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 be reported in 2023/24, although this timetable is subject to change. 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 and Crime Commissioner 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 sufficient 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 Commissioner in the form of a central Government top-up grant.

Compensation Claims

The employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants is due in April 2020 and the identity and banding of claims proposed by claimants is due in June for non-pecuniary claims and September for pecuniary claims. As at 31st March 2020, it is not possible to estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

Local Government Pension Scheme (LGPS)

With regard to the LGPS a similar adjustment to past service costs of £1.652m for the group (£0.033m PCC, £1.619 CC) within the IAS19 Disclosure was made for the McCloud judgment in the 2018/19 accounts. 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.

Notes to the Accounts

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

For 2019/20 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015 – 2017 cycle.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Implementation of IFRS 16 Leases. The aim of the standard is to provide increased visibility of lease commitments and to ensure more consistent financial reporting of leased assets. The current distinction between assets held under finance leases which go on the balance sheet and assets held under operating leases which are expensed in the CIES will largely be removed with most leases now being classified as finance leases and put on the balance sheet. The standard was originally due to be implemented on 1 April 2020 i.e. for the 2020/21 Accounts but this has now been postponed for 1 year so will come into effect for the 2021/22 Accounts. Under the new standard a right-of-use asset and lease liability will be recognised on the balance sheet. The depreciation of leased assets and interest on lease liabilities will go through the CIES. The process of collating information on leased assets is well underway but the resulting change in the balance sheet and CIES values is not yet known, however there should be a net nil impact on the Commissioners accounts as rental costs will be replaced with depreciation, MRP and interest charges at similar costs.

In the Financial Statements for 2020/21, the effect of the changes will be assessed and where necessary, the comparative figures restated.

Police Officer Pension Fund Account

Police Officer Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2019/20 financial year together with comparative information for 2018/19.

Police Officer Pension Fund Account	CC 2018/19 £000s	CC 2019/20 £000s
Contributions Receivable		
Employer		
- Contributions (31.0% of Pensionable Pay in 2019/20 , 21.3% in 2018/19)	(8,506)	(12,793)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(1,572)	(1,259)
- 2006 Scheme Member Contributions (see narrative for rates)	(76)	(54)
- 2015 Scheme Member Contributions (see narrative for rates)	(3,724)	(4,216)
	(13,878)	(18,322)
Transferees in from Other Schemes	(178)	(281)
Capital Equivalent charge for ill-health schemes	(400)	(565)
	(578)	(846)
Benefits Payable		
Recurrent Pensions	28,529	29,764
Commutations and Lump Sums	7,190	9,245
Other (Scheme Pays)	159	74
	35,878	39,083
Payments to and on Account of Leavers		
Refund of Contributions	21	27
Transfer out to other schemes	58	0
	79	27
Net Amount Payable for the Year	21,501	19,942
Additional Contribution from the Police & Crime Commissioner	(20,343)	(19,942)
Additional Funding Payable by the Constabulary (2.9%)	(1,158)	0
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 2020.

Pension Fund Net Assets & liabilities	CC 2018/19 £000s	CC 2019/20 £000s
Current Assets		
Pensions Benefits paid in advance	2,401	2,606
Current Liabilities		
Amount due to the Police & Crime Commissioner	(2,401)	(2,606)
	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 2019/20 and 2018/19 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 2019/20 and 2018/19.

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 28). 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 62-71).

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 31% of pensionable pay (21.3% for 2018/19), which, along with the employee contributions and any transfer values, is paid into the pensions account. In addition for 2018/19, the Constabulary was required to make an additional contribution to the police pension fund account which equated 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.

MHCLG

The Ministry of Housing, Communities and Local Government (formerly DCLG).

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.

Glossary of Terms

Pension – current service costs

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

Pension – defined benefit scheme

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

Pension assets – expected rate of return

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

Pension – interest costs

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

Pension - past service costs

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

Police Objective Analysis (POA)

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

Precept

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

Private Equity Funds

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

Provision

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revaluation Reserve

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

SERCOP

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

The Commissioner

The Police and Crime Commissioner for Cumbria.

TPA

Territorial Policing Area.

Annex A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2019/20 financial year and the financial position at the 31 March 2020. 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 2019/20](#) (the Code) and the Service Reporting Code of Practice 2019/20 (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 50). 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 fulfilment 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 5 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. Accounting policy removed as non-material per GT discussion~~

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.

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 2019	31 March 2020
	£000s re-stated	£000s
Financial Assets		
Debtors		
Debtors held at Amortised Cost	81	78
Items not classified as Financial Instruments	11,758	11,630
Total Financial Assets	11,839	11,708
Financial Liabilities		
Creditors		
Creditors held at Amortised Cost	(4,051)	(3,412)
Items not classified as Financial Instruments	(9,784)	(11,273)
Total Financial Liabilities	(13,835)	(14,685)

*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 **debtors** and **financial liabilities** such as **creditors and borrowings.***

The figures in the table above are reported as being re-stated, this is as a result in the change in the apportionment method adopted for the split of debtors and creditors between the single entity statements of the Chief Constable and PCC.

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 financial asset** (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.

Annex B – Technical Annex – Financial Instrument Disclosures

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 2019), 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 2020 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 2019/20 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 2019 with a revised rate for employers contributions of 18.4% being applicable from April 2020.

- **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 the payments made during the year under the scheme are funded by a combination of employee contributions and employer contributions charged to the Comprehensive Income and Expenditure Statement with the remaining deficit funded by a specific Home Office grant. The employer's contribution rate was 21.3% for 2018/19 but was increased to 31% from 1st April 2019.

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 51-52). 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 CIES	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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	5,826	6,593	0	0	8,320	6,970	330	250	13,540	23,410	28,016	37,223
• Past service costs	1,619	658	0	0	48,670	5,000	5,960	(8,260)	0	0	56,249	(2,602)
• (Gain)/loss from settlements/curtailments	55	0	0	0	0	0	0	0	0	0	55	0
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	1,016	1,251	28	26	27,720	28,530	1,210	1,380	1,240	1,870	31,214	33,057
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	8,516	8,502	28	26	84,710	40,500	7,500	(6,630)	14,780	25,280	115,534	67,678
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)	(5,105)	4,069	0	0	0	0	0	0	0	0	(5,105)	4,069
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(8,277)	0	(30)	0	(34,640)	0	(1,740)	0	(2,880)	0	(47,567)
• Actuarial (gains) and losses arising on changes in financial assumptions	11,944	4,285	36	12	30,330	(44,100)	2,460	(4,480)	3,200	(3,830)	47,970	(48,113)
• Experience (gains) and losses on liabilities	0	3,702	0	(9)	(3,060)	(23,720)	(1,030)	400	1,150	(3,160)	(2,940)	(22,787)
• Administration expenses	113	156	0	0	0	0	0	0	0	0	113	156
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	6,952	3,935	36	(27)	27,270	(102,460)	1,430	(5,820)	4,350	(9,870)	40,038	(114,242)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	15,468	12,437	64	(1)	111,980	(61,960)	8,930	(12,450)	19,130	15,410	155,572	(46,564)
<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.	(8,516)	(8,502)	(28)	(26)	(84,710)	(40,500)	(7,500)	6,630	(14,780)	(25,280)	(115,534)	(67,678)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	2,931	2,997	62	63	0	0	0	0	0	0	2,993	3,060
• Retirements benefits payable to pensioners	0	0	0	0	35,260	37,790	(40)	60	(3,810)	(3,720)	31,410	34,130
Total amount charged against the Police Fund Balance for pensions in the year	2,931	2,997	62	63	35,260	37,790	(40)	60	(3,810)	(3,720)	34,403	37,190

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 2020 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(193,726)	(203,076)	(1,080)	(1,016)	(1,177,300)	(1,077,550)	(56,070)	(43,560)	(62,930)	(82,060)
Fair value of plan assets	142,152	142,062	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(51,574)	(61,014)	(1,080)	(1,016)	(1,177,300)	(1,077,550)	(56,070)	(43,560)	(62,930)	(82,060)

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 **£1.265b** (£1.349b in 2018/19) 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 **£1.269b** (£1.352b in 2018/19). The reduction in overall liability has arisen as a result in a change in actuarial assumptions.

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(171,407)	(193,726)	(1,078)	(1,080)	(1,100,580)	(1,177,300)	(47,100)	(56,070)	(39,990)	(62,930)
Adjustment to Opening Balance #	(39)	0	0	0	0	0	0	0	0	0
Adjusted Balance at Start of Year	(171,446)	(193,726)	(1,078)	(1,080)	(1,100,580)	(1,177,300)	(47,100)	(56,070)	(39,990)	(62,930)
Current service cost	(5,826)	(6,593)	0	0	(8,320)	(6,970)	(330)	(250)	(13,540)	(23,410)
Interest cost	(4,607)	(4,812)	(28)	(26)	(27,720)	(28,530)	(1,210)	(1,380)	(1,240)	(1,870)
Contributions by Scheme Participants	(1,210)	(1,263)	0	0	(1,570)	(1,260)	(80)	(50)	(3,720)	(4,210)
Remeasurement gains and (losses):										
- Arising from changes in demographic	0	8,277	0	30	0	34,640	0	1,740	0	2,880
- Arising from changes in financial assumptions	(11,944)	(4,285)	(36)	(12)	(30,330)	44,100	(2,460)	4,480	(3,200)	3,830
- Experience gains/(losses)	0	(3,702)	0	9	3,060	23,720	1,030	(400)	(1,150)	3,160
Past service cost	(1,619)	(658)	0	0	(48,670)	(5,000)	(5,960)	8,260	0	0
Gains/(losses) on curtailment	(55)	0	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	2,981	3,686	62	63	36,830	39,050	40	110	(90)	490
Balance at End of Year	(193,726)	(203,076)	(1,080)	(1,016)	(1,177,300)	(1,077,550)	(56,070)	(43,560)	(62,930)	(82,060)

The liabilities under the LGPS have increased during 2019/20. The liabilities under Police Pension Schemes have reduced during 2019/20. The principal reason for these changes is in relation to changes in financial and demographic assumptions by the scheme actuaries.

The above table includes an adjustment to the opening balance for the comparator year (2018/19), 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 was made in the 2018/19 statement of accounts to ensure that the opening and closing balances for 2018/19 agreed 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 70).

[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	
	2018/19	2019/20	2018/19	2019/20
	£000s	£000s	£000s	£000s
Balance at Start of Year	132,476	142,152	0	0
Adjustment to Opening Balance #	(67)	0	0	0
Adjusted Balance at Start of Year	132,409	142,152	0	0
Interest Income	3,591	3,561	0	0
Remeasurements - Gains and (Losses)	5,105	(4,069)	0	0
Administration Expenses	(113)	(156)	0	0
Employer Contributions	2,931	2,997	62	63
Contributions by Scheme Participants	1,210	1,263	0	0
Benefits Paid	(2,981)	(3,686)	(62)	(63)
Balance at End of Year	142,152	142,062	0	0

The above table includes an adjustment to the opening balance for the comparator year (2018/19), 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 was made in the 2018/19 statement of accounts to ensure that the opening and closing balances for 2018/19 agreed 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 2018/19		CC 2019/20	
		£000s	%	£000s	%
Equities					
UK Quoted	Y	13,362	9.40%	14,208	10.00%
Global Quoted	Y	30,705	21.60%	28,412	20.00%
UK Equity Pooled	Y	1,422	1.00%	0	0.00%
Overseas Equity Pooled	N	20,043	14.10%	9,944	7.00%
Equity Protection	N	1,848	1.30%	0	0.00%
Bonds					
UK Corporate Bonds	Y	8,671	6.10%	0	0.00%
Overseas Corporate Bonds	Y	284	0.20%	0	0.00%
UK Government Indexed Pooled	N	25,445	17.90%	32,674	23.00%
Property					
UK	N	8,956	6.30%	8,382	5.90%
Property Funds	N	4,265	3.00%	3,978	2.80%
Alternatives					
Private Equity Funds	N	4,122	2.90%	5,256	3.70%
Infrastructure Funds	N	11,088	7.80%	10,513	7.40%
Real Estate Debt Funds	N	711	0.50%	568	0.40%
Private Debt Funds	N	3,412	2.40%	4,546	3.20%
Healthcare Royalties	N	853	0.60%	994	0.70%
Multi Asset Credit	N	0	0.00%	17,047	12.00%
Cash					
Cash Accounts	Y	6,823	4.80%	5,398	3.80%
Net Current Assets	N	142	0.10%	142	0.10%
		142,152	100.00%	142,062	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 2020. 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 2019/20 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 2.25% for Police and 2.30% for LGPS are appropriate.

Annex C – Technical Annex – Pension Disclosures

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2018/19	2019/20	2018/19	2019/20
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.3	22.6	22.7	21.9
- Women	25.9	25.2	24.3	23.6
Longevity at 65 for future pensioners:				
- Men	25.6	24.2	24.6	23.6
- Women	28.6	27.1	26.2	25.2
Rate of Inflation (CPI)	2.20%	2.10%	2.35%	2.00%
Rate of increase in salaries	3.70%	3.60%	4.35%	4.00%
Rate of increase in pensions	2.30%	2.20%	2.35%	2.00%
Rate of Revaluation for CARE Pensions	-	-	3.60%	3.25%
Rate for discounting scheme liabilities	2.50%	2.30%	2.45%	2.25%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis 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)	5,319	189	123
Rate of Inflation (increase by 0.1%)	4,487	189	103
Rate of Increase in Salaries (increase by 0.1%)	646	0	15
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(4,390)	(181)	(46)
Change in 2019/20 Investment Returns (increase by 1%)	0	0	(33)
Change in 2019/20 Investment Returns (reduce by 1%)	0	0	32

Annex C – Technical Annex – Pension Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police	CC	Police
	Pensions	Pensions	Pensions
	1987	2006	2015
	Scheme	Scheme	Scheme
	£000s	£000s	£000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	32,000	1,000	2,000
Rate of Increase in Pensions (increase by 0.5%)	73,000	4,000	15,000
Rate of Increase in Salaries (increase by 0.5%)	8,000	3,000	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(92,000)	(7,000)	(14,000)

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 13 years. Funding levels are monitored on an annual basis. The latest triennial valuation took place during 2019/20 based on the position at 31 March 2019. The revaluation resulted in an increase in contribution rates from 15.4% to 18.4% which takes effect 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 2021 are £3.804m. Expected contributions for the Police Pension Scheme in the year to 31 March 2021 are £13.666m.

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	2018/19	2019/20
	Years	Years
Pensions Scheme		
Local Government Pension Scheme - CC	22	22
Police Pension -1987 Scheme	21	19
Police Pension -2006 Scheme	38	37
Police Pension -2015 Scheme	40	37



The Chief Constable of Cumbria Constabulary
Annual Governance Statement 2019/20



The Chief Constable of Cumbria Constabulary

Annual Governance Statement 2019/20

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Chief Constable of 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.

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 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 2020

Roger Marshall

Joint Chief Finance Officer

Signatures have been removed for the purposes of publication on the website

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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 2019/20 the Constabulary continued to take a proactive 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 Strategic Assessment of threats and risks which reflects the Regional Strategic Threat Assessment.

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 – employee vulnerability (associations, financial matters, wellbeing), 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.

In order to deliver these priorities, The People Department holds a Monthly Meeting where the following themes are discussed:-

Pursue

- Intelligence development relating to officers and staff behaviour towards vulnerable members of the community.

- Creation of operational packages for adoption by ACU operations concentrating efforts towards the four priority areas.
- Implementation of with-cause drug testing of officers in response to intelligence

- Meetings held with Business Improvement Unit to seek improvement in terms of officers use of Pocket Note Books
- Proposed digital development officer to ensure auditability
- Engaging with partners regarding Abuse of Position for a Sexual Purpose/Sexual Harassment and highlighting the reporting mechanisms relating to employee behaviour should they have concerns

The number of intelligence reports into the anticorruption unit has increased slightly, however these have been in relation to areas that are aligned to issues subject to focus and attention via media and training. The referrals cover a wide range of issues including self-referrals, data protection and associations.

Prevent

- Integrity interviews with officers or staff where concerns are raised relating to behaviour that does not meet the threshold for misconduct.
- Force Reputational Panels in response to developed intelligence identifying vulnerable associations.
- Review and collation of force policy linked to corruption

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 2019/20 have included advice on:-

In relation to complaints, the Constabulary remains committed to delivering effective customer service. Following introduction of the new regulations in relation to complaints, Police (Complaints and Misconduct) Regulation 2020), which came into force on 01/02/20, the process for handling complaints has been revised. All complaints are now logged and handled by a member of Professional Standards who attempts Service Recovery. If this is not possible the complaint is formally recorded for either Reasonable and Proportionate Enquiries, or Investigation. Only the most serious complaints are investigated. Complaints can also be dealt with “There and Then” by Area but are still logged to ensure compliance with reporting requirements

Prepare

- Training, advice, engagement and guidance provided to HQ and Area based courses on priorities linked to standards of professional behaviour.
- Attendance and input at Digital Policing Board to futureproof new ICT systems and force software systems.

- Learning from an incident involving the transportation of a Mental Health Patient
- A reminder about the mandatory activation of BWV
- Interactions with Members of the Public
- A reminder regarding correct storage, return and disposal of property

Following introduction of the new regulations the Constabulary has adopted Reflective Practice Review Process (RPRP) which is progressed via the Strength Based Conversation (SBC) process utilising Practice Requires Improvement (PRI)

Protect

- Meetings held with BIU to seek improvement in terms of officers use and deployment of Body Worn Video (BWV)

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 lesson, examples of what are:-

- Mistakes/sub-optimal conduct – Practice Requires Improvement (PRI), via RPRP
- Systemic breakdown – change in policy/ reminder to all staff via a PASS newsletter.
- Serious Misconduct (defined as misconduct that would justify a Written Warning or above) - Official misconduct proceedings.

In the interests of openness and transparency, police gross misconduct hearings are held in public. Four public misconduct hearings took place in 2019/20; as a result of which two officers were dismissed without notice, one would have been dismissed if he had not resigned prior to the Hearing and one received a final written warning. 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. 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. The Constabulary has implemented Yammer, which is an internal social media platform increasing the potential and effectiveness of internal engagement. The platform enables interactions across the whole organisation - such as Ask the Force, staff notice board- as well as specialist interest groups, which cover a wide range of areas. Examples include:- support, information and feedback on specific projects, such as roll-out of Smartphones; a mechanism to provide feedback to senior management; promote workforce wellbeing , giving advice and support; and a specific research hub that offers best practice advice, learning and development complimented by Stream – a video aid that supports teaching.

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 Durham Constabulary (ICT and Information Management)

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 with 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 which establishes 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 was expanded to include local newsletters, covering crime and antisocial behaviour issues relevant to communities, provide information and advice, a local messaging service and also detailed statistics for the parish councils. These are digital

newsletters to which any member of the public can subscribe and they are currently being rolled out across the county. The current number of subscribers for the nine areas already published is 10,405 subscribers, with areas in South to be completed later in 2020. These compliment the North, South and West Territorial Policing newsletters to which 15,064 people subscribe and these now also included additional information on Covid 19, with direct messages from the Chief Constable.

The Constabulary's e-community has grown and is now at more than 253,000 followers an increase of 40,000 compared to last year. Part of the new approach includes Facebook Groups, which are being used to engage by providing a forum for local people to have a two-way communication with their officers about issues in their locality.

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 our key principles of consultation and engagement, which are:

- Officers, staff and volunteers being responsible for and having a targeted, visible presence in neighbourhoods.
- A clearly defined and transparent purpose for engagement activities.
- Regular formal and informal contact with communities.
- Working with partners, such as sharing opportunities for engagement.
- Making information available about local crime and policing issues to communities.
- Engagement that recognises and is tailored to the needs and challenges of different communities.
- Using engagement to identify local priorities and inform problem solving.
- Officers, staff and volunteers providing feedback and being accountable to communities.
- Officers, staff and volunteers supporting communities, where appropriate to be more active in the policing of their local areas.
- Local focus teams will use social media to engage with on-line communities.
- Officers, staff and volunteers working closely with the Constabulary's Marketing and Communications department to engage with members of the media to highlight work conducted to tackle local issues.

- Specific types of engagement are set out in our minimum standards of engagement.
- Senior leaders will ensure support for officers in attendance at suitable training or CPD activities.

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 Diversity, Equality and Inclusion Strategy was approved at the end of 2019 and includes improvements to community engagement – these actions will be implemented throughout 2020.

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 impact of Covid 19 has required significantly enhanced marketing and communications services, internally and externally. For the public, this involved providing information and explanation about the changes in legislation and how the police deal with it, management of questions and feedback from the public relating to

policing the county, as well as regular direct messages from the Chief Constable to the public.

Internally, frequent bulletins from the Chief Constable and the Deputy Chief Constable have communicated some important messages to the workforce. This includes key information on the new legislation and our approach to policing it, practical advice and guidance on changes to working practices in the criminal justice system and other agencies, use of PPE, and advice and guidance on keeping safe.

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, along with recommendations from HMICFRS.

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), and 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 2019/20, work continued to deliver 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. Progress against the programme is reported bi-monthly to Chief Officer Group. Business planning and governance has been re-organised, each of which is headed by a senior business lead where delivery and performance is monitored.

During 2019/20 the Commissioner incorporated the Constabulary's budget proposals into his 2020/21 budget in the context of a medium term financial forecast (MTFF) covering four years to 2023/24.

The policing grant settlement, received in January 2020 provided £5.9m in additional grant funding for 2020/21,

principally to support the first phase of Operation Uplift; the Government's plan to recruit 20,000 new officers by 2023. The settlement also provided Commissioners with a degree of flexibility to levy above inflation council tax increases. Following a public consultation exercise, the Commissioner approved the 2020/21 budget in February 2020 based on a council tax increase of 3.47%. Against a background of rising costs, the £132m provided to the Constabulary has allowed an increase of 51 officers in line with its target through Operation Uplift and for other services to be maintained. In consultation with the Commissioner, the additional officers will be deployed by the Chief Constable to areas, which will support the Police and Crime Plan's principal objective of keeping Cumbria safe.

The future financial outlook remains uncertain. Existing financial risks regarding the sustainability of the Government's funding model, the cost of implementing the Emergency Services Network, pensions, the outcome of the next Comprehensive Spending Review, Brexit and a potential review of the Police Funding Formula have now been exacerbated by the financial implications of the Covid-19 pandemic. It is probable that funding will be constrained for the foreseeable future and additional expenditure will be incurred in dealing with the crisis. Against this background, the normal modelling of a range

of financial scenarios through the Medium Term Financial Planning process, undertaken jointly by the OPCC and Constabulary, will be enhanced in 2020/21 to better understand financial and service implications in the context of the pandemic.

Given the financial uncertainties a continuing 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 over the medium term.

During 2019/20 the Constabulary has continued to develop its business planning aligned to the MTFP. 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 additional modules in the crime system, delivery of new Smartphones, laptops and other technology to enable organisational distancing and working from home during the Coronavirus pandemic and, improvements in the use

of existing tools within the MS suite of products to facilitate different ways of working.

Work began on refinement of the benefits management and delivery model, linking in with revised governance structures to ensure that productivity gains and financial benefits result from the investment in all the programmes of work in Vision 25. There has been a deferment of this work due to Covid 19, but it will be completed during 2020.

In relation to Estates, a new Learning and Development centre (which also includes hostel accommodation) has been completed on the headquarters site and will provide the right facilities to enable effective delivery of more officers through Operation Uplift (the increase in police officers funded by the Government).

During 2018/19 the fleet replacement programme has been further reviewed to meet emerging operational needs, whilst ensuring that efficiencies are realised. Environmental considerations are also becoming increasingly prominent and the Constabulary has purchased its first electric vehicles utilising the charging points at HQ.

A People Strategy, covering a two year period was developed in 2018/19. During 2019/20 work has continued on the main themes of the strategy including:

- 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 six months 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 2019/20 included domestic abuse, child sexual exploitation, sexual offences, visible effective policing 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 incidents. 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 (PRSRA) and the Policing Protocol Order 2011 (PPO) The Chief Constable's statutory responsibilities for maintaining the Queen's Peace are set out in various Police Acts. 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 2019/20 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, in part, through a training collaboration with Lancashire Police. Following a comprehensive strategic review, this collaboration has

now concluded although the two Constabularies will continue to work closely together.

Leadership continues to be a key priority for the Constabulary's People Department and with aspiring Sgts and Inspectors now attending a bespoke training programs prior to starting their new role. Elements of these courses are also open to police staff supervisors. It is important that this focus on development does not stop for experienced leaders and the Constabulary has delivered a series of development workshops for substantive Sergeants and Inspectors featuring a variety of specialist inputs ranging from vulnerability to hostage negotiation.

The force has successfully 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. The application of this strategy is monitored through a dedicated governance process.

The Constabulary had made significant strides in designing, developing and delivering a Police Constable Degree

Apprenticeship (PCDA) and a Degree Holder Entry Programme (DHEP) in conjunction with the University of Central Lancashire. These programs sit under the Police Education & Qualifications Framework which details the qualification requirements for all new officers. The Constabulary's first PCDA cohort started in February 2020. A DHEP cohort is planned to commence in February 2020. This means that all new officers will receive a mixture of delivery covering law, practical and academic skills in preparation for their new careers.

The Constabulary continues to utilise the strengths-based conversations approach to Performance Development Review (PDR). 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). This initiative has now received national recognition winning two prizes at the 2019 Training Journal awards in London. A number of development sessions have been delivered for new supervisors to ensure that they are fully skilled to deliver the Strength Based approach to performance reviews.

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.

The Risk management policy was reviewed and updated during 2019/20 as required by our policy management arrangements. The update reflected revised corporate objectives, core policing deliverables, Vision 25 and revised corporate governance structure. It also included:

- a diagram showing risk management mechanisms across the organisation

- a schematic showing the assurance landscape for policing
- updated risk management definitions and recommendations from good practice identified through research
- the annual requirement for audit to review risk management arrangements.
- addition of statement enabling potential adoption of open risk appetite for specific pieces of work/projects
- addition of Information Risk Appetite Statement for completeness.

During 2019/20 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 continue to be the main strategic risks. A Covid 19 risk and its potential to impact on policing services has also been added to the risk register.

Managing performance

The Constabulary's performance strategy was refreshed during 2019/20 to align with the revised governance structure better. The strategy entitled – *'Performance Management in Cumbria Constabulary 2020'* *Managing our resources to improve outcomes for the people of Cumbria'* 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 Board.
- Performance Development Conferences, based on thematic, every other month as part of Management Board, where all functions are held accountable for performance. This also now includes time for feedback to provide reassurance to chief officers that improvements are being made.
- Reviewing delivery of specific work streams at Strategy Days.
- Metrics have been developed to support Operation Uplift, the Constabulary's response to Covid 19 and a range of dashboards developed as part of the Business Intelligence Programme of work
- A performance report for Vision 25 work programme is provided to Chief Officer Group regularly.

- Accessible daily performance figures are available to anyone in the Constabulary. .
- A formal process for all officers and staff based on strengths based conversations, to identify areas for development.

The Constabulary has a 'Delivering Excellence' Strategy, which aims to embed continuous improvement across the Constabulary and has four 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

During 2019/20, the Cumbria Constabulary Improvement Plan has been reviewed and refined to improve its effectiveness in ensuring that priorities and recommendations from inspection bodies are being progressed through reality checking.

Key work undertaken in 2019/20 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.

Other significant pieces of work undertaken by the unit in 2019/20 in support of the Constabulary's objectives include:

- 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, undertaking improvement measures 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.

- Audits of compliance with the Victims Code of Practice, and for the operation of the released under investigation processes.
- An audit and inspection of Released under Investigation volume, process and quality of investigation to inform an improvement plan and support outcomes work
- Ongoing Domestic Abuse quality of service audits, 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.
- A mental health demand snapshot to support operational policing
- Ongoing daily National Crime Recording Standards audits of high risk crimes (sexual offence, violence, domestic incidents). This is real time audit allowing us to rectify issues under the recovery process.
- Review of fast track crime allocation – October 2019
- Audit of charges, summons, cautions, formal warnings for possession of cannabis/khat, penalty notice for disorder – December 2019
- Audit of Community Resolutions – Spring 2020
- Managing the staff suggestion scheme.
- A review of ‘information governance’ was undertaken to ensure that relevant areas are adequately

resourced, taking into account level of risk acceptable to Chief Officers. The outcomes of this work will be implemented during 2020/21

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 2019/20, including all those relating to finance, were graded as providing either substantial or reasonable assurance. One audit in relation to the TRIM received only partial assurance. A robust management action plan has been put in place to improve governance in this area.
- Although the internal audit plan was truncated slightly as a result of the Covid-19 pandemic, however, the Head of Internal Audit has concluded that there was sufficient coverage to issue an audit opinion for 2019/20. The Head of Internal Audit’s overall opinion was that there is a reasonable level of assurance in relation to the Chief Constable’s frameworks for governance, risk and internal control.
- Action plans to respond to recommendations, the implementation of which are monitored by the Joint Audit Committee.

- A Joint Audit Committee, which is self-assessed against CIPFA guidance, and is judged as being highly effective in its role.

Managing Data

During 2019/20, as a result of staffing issues, delays were experienced in responding to Freedom of Information requests. In response, an action plan was agreed by the Chief Officer Group and we self referred to the Office of the Information Commissioner (OIC). The backlog of requests has now been resolved and the OIC has indicated that they are satisfied that the issue has been dealt with.

We have strengthened our Information Governance arrangements over the past 12 months including but not limited to the appointment of a Chief Information Officer which is a shared resource with Durham Constabulary. This is in addition to a Chief Superintendent who is dedicated to the command (shared with Durham).

Further steps to strengthen the governance has included the movement of the Senior Leadership team for Information Management being integrated with ICT and Business Improvement SLT. This has resulted in the ability to govern the holistic lifecycle of data from its collection through to weeding. This is not a ‘technology only’

function but also enhances the behaviour, skills and culture within the organisation with a goal to make us a data driven organisation. This is accompanied by a data quality improvement plan that was launched in the past few months.

A review of the structures and roles underneath the Senior Leadership Team has taken place and will now move towards implementation.

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 2018/19 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.

During 2018/19 the finance team have actively participated in the Achieving Financial Excellence in Policing programme promoted by the Chartered Institute of Public Finance and Accountancy. The central element of the initiative has been completion of a self-assessment of all aspects of financial management in the force involving consultation with a comprehensive range of stakeholders. This work will be concluded in early 2020/21 and an action plan developed to address any weaknesses identified.

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.

The external auditor's opinion for the 2018/19 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 2019/20 the Constabulary has been inspected by HMICFRS in relation to national thematic inspections on counter terrorism and integrated offender management.

The improvements identified from these inspections for Cumbria are logged on the HMICFRS portal to monitor progress in addressing them, and form part of the regular discussions and insight visits undertaken by HMICFRS personnel to provide assurance of service.

At the previous inspections, the Constabulary was 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 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 CFOs 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

[Response to the Coronavirus Pandemic](#)

On the 5 March 2020, the Constabulary held its first Gold meeting as the start of its response to the Coronavirus pandemic and agreed its objectives. The response is named Operation Lectern and utilises the emergency services' Gold Silver and Bronze command approach to dealing with the critical incident. By 9 March, the Constabulary had undertaken a force wide business continuity impact assessment. Functions and roles within the Constabulary were prioritised based on the critical

activity performed and were graded and colour coded as follows:

Green – Not critical activity which could be stopped but with some manageable impact.

Amber – 'Desirable' critical activity, which could be stopped with significant impact.

Red – 'Essential' critical activity, which must not stop.

This was then used to create and implement the Constabulary's Coronavirus Business Continuity Plan.

As a consequence of the implementation of the plan, and other work commissioned and generated by Op Lectern's Gold, Silver, and Bronze meetings, all of the following has been put in place:

- Twice weekly Op Lectern Gold meetings - 05/03.
- Daily Op Lectern Silver meetings – 09/03, reducing to three times a week once effective management arrangements were established and the impact of the Coronavirus on resources was understood and controlled.
- Daily Departmental Op Lectern Bronze meetings – 10/03.
- Cumbria Constabulary Coronavirus Business Continuity Plan was approved by Gold on 11 March 2020 and circulated to all senior management. The plan identifies the tipping

points that move the organisation from green (business as usual) to black (critical impact).

- Cumbria Constabulary Guidance to all Officers Staff and Volunteers on the Constabulary approach to COVID-19 was approved at the same meeting and was circulated to everyone in the Constabulary.
- The following infrastructure was created to support Gold, Silver and the wider Constabulary response:
 - Op Lectern Business Continuity Resourcing Cell, whose role is to coordinate all of the operational and business actions required to deliver the Gold objectives, support Silver manage action ,
 - Op Lectern Data Cell, whose role is to provide daily accurate data on the impact of the coronavirus on the workforce available and police demand, and to respond to the numerous external requests for information.
 - Op Lectern Information Cell, whose role is to ensure that the Constabulary is operating with the latest guidance. This is achieved by gathering in all information from a wide range of sources, recording it and allocating

to a professional lead for review and progression as appropriate.

- All Op Lectern actions are managed from one plan using Teams Planner to ensure robust accountability and effective risk management.
- A COVID-19 Wellbeing group was established.
- A number of functions moved to a 7 day week working; HR, Resource Co-ordination (duties), ICT, Marketing and Communications, Op Lectern Resourcing Cell, Information Cell and Data Cell.
- Organisational distancing is a key feature of the Constabulary's response to protect the workforce and to ensure continued delivery of policing services. This has resulted in many people working from home, supported by enhanced ICT and the relocation of key functions across the estate.
- The Command and Control Room has moved from one room at HQ to working over three rooms in two HQ sites and one Durrhill site. Training courses have been delivered for the reserve workforce required in the room to provide business continuity.
- New incident categories were created to identify C19 Risk (a risk of COVID-19 being present), C19

Related (incident caused by circumstance for example disagreement in a supermarket) C19 Reported (contact from the public relating to be breach of legislation).

- Training courses have been created and delivered for police staff reserve Detention Officers to provide resilience should the need arise.
- Patrol Officers relocated from six to ten main deployment bases together with a number of smaller sites. This was supported by an accelerated implementation of handheld mobile devices, and latterly the implementation of Dex ICT systems. All NPT staff moved onto the VSA shift pattern (other than those in Essential Critical Activity – Red – roles) to provide resilience.
- Detectives have adopted a duty rota scheme enabling the balance between home working and servicing the demand from newly recorded crimes. This was supported by the introduction of a new Crime Allocation Procedure, moving from eight to three categories.
- A vulnerability assessment of the workforce has been undertaken, and mitigation put in place round each of those officers and staff who have been identified as being vulnerable, following a rating of high to low risk.

- Around 100 laptop computers have been recalled and reallocated to vulnerable staff in the essential and desirable critical roles.
- On the 23 March, a meeting was undertaken to assess how a MoRiLE scoring of crimes undertaken by intelligence could be utilised to identify and remove demand from CMR and Patrol. On the 27 March, work was started to create an Investigative Support Group, which went live on the 08/04 and consists of 16 officers in 'shielding' utilising the Dex ICT system to work remotely to remove demand from CMR and Patrol. This builds on the THRIVESE assessment and General Infection Risk Assessment questions which CMR use.
- A countywide patrol plan has been put in place, with all spare capacity focused on supporting this approach. Daily reporting is being provided to the operational management meetings held across the county which informs this patrol plan.
- On the 30 March a resource co-ordination meeting was held and agreement was reached about how resources would be reallocated around the Constabulary to enable the delivery of Essential Critical Patrol Activity consistently across the force.
- A comprehensive wellbeing site has been established, and there are services available to undertake the testing of officers and staff or a family member to facilitate early return to work for those not suffering from Covid 19
- The Constabulary developed its approach to recovery, which was approved on 17 March. The first draft of the Recovery Plan is being consulted on. This will support future change and maximise opportunities and new ways of working that have been developed during this incident. In addition, we are engaging with:
 - managers to make sure that we capture all ideas and changes.
 - A gap analyses of other forces' recovery plans and the national template has been undertaken to support our approach and actions.
 - the workforce to find out what has worked or not worked for them and,

Appendix A – Annual Governance Statement Development and Improvement Plan 2019/20 Update

Ref	B/fwd from 2018/19 (ref)	Action	Lead Officer	Action Update as at 30th June 2020	Implementation by	Revised Implementation Date	Status
Core Principle A: Focusing on behaving with integrity, demonstrating strong							
CPA/1	N/A	Undertake review of the PSD function.	Head of People	The department was reviewed in 2019 and COG approved the temporary growth of 1 DS & 1 DC in order to facilitate the increase demand from off duty conduct and the transfer of Police staff investigations. This will be removed in 2020.	31st March 2020		Completed
CPA/2	N/A	Undertake a campaign in relation to professional relationships within the workforce aligned to an initiative by the national code of ethics board.	Head of People	Completed, the sexual harassment in the work place campaign which has now been recognised in the regional and national ACAG as best practise.	31st March 2020		Completed
CPA/3	N/A	Undertake a refresher media campaign in relation to the code of ethics.	Head of People	This is a rolling programme with specific inputs on PC/Sgt/Inspector days. There is regular reminders on the intranet and PASS newsletter.	31st March 2020		Completed
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder							
CPB/1	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	No further progress on this to date as still waiting for confirmation from national project	TBA		Not Yet Due
CPB/2	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	The policy management framework has been reviewed and recommendations have been made. The new framework is being trialled by HR before the framework is finalised.	31st March 2020	30th September 2020	Ongoing (original timescale extended)
CPB/3	N/A	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	Completed.	31st March 2020		Completed
CPB/4	N/A	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	Completed. New strategy devised and implemented	30th September 2019		Completed
Core Principle C: Focusing on defining outcomes in terms of sustainable economic,							
CPC/1	N/A	Develop a Strategy for the affordable storage of Digital Data	Chief Superintendent Crime Command	Work has commenced to develop in conjunction with Durham a digital strategy. This will include consideration of a range of options including both on premise and cloud based storage together with processes to managed and reduce data through housekeeping. A joint event has taken place in conjunction with external consultants and needs have been documented. Further work has been delayed by Covid-19.	31st March 2020	31st March 2021	Ongoing (original timescale extended)
CPC/2	N/A	Conduct an options evaluation for future Estates provision in West Cumbria	Head of Estates and Fleet	Initial meetings took place in January to begin discussions around determining the future operating model for West Cumbria. These will inform the business case for the West Cumbria estate. In addition the Head of Estates and Fleet is reviewing the PFI contract to gain a full understanding of the options that exist around the current building as we move closer to the PFI contract end date. However, the Covid-19 pandemic has delayed further progress. This work will now take place during 2020/21.	30th June 2020	31st March 2021	Ongoing (original timescale extended)

Appendix A – Annual Governance Statement Development and Improvement Plan 2019/20 Update

Ref	B/fwd from 2018/19 (ref)	Action	Lead Officer	Action Update as at 30th June 2020	Implementation by	Revised Implementation Date	Status
Core Principle D: Focusing on determining the interventions necessary to optimise							
CPD/1	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	The core system went live in June 2019 with limited additional functionality. Op Lectern has assisted in driving business change and facilitated new ways of working such as using videoconferencing with members of the public. Software releases over coming months will add additional features to support such as Callback to prevent queuing and email/webchat direct integration. There is also an organisational intent to build on this change and add more as further systems are aligned and integrated with the Command and Control system e.g. Red Sigma, New Duties and Personnel system, Digital Public Contact and ESN.	31st March 2020	31st March 2021	Ongoing (original timescale extended)
CPD/2	N/A	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	This has been delayed by the Coronavirus pandemic as resources have been required to support the Constabulary as it operates under business continuity arrangements. HMICFRS have supported all forces by removing the timescales for completion of the FMS, which drives this activity.	31st March 2020	30th September 2020	Ongoing (original timescale extended)
CPD/3	N/A	Evaluate the Local Focus Hubs and their effectiveness in reducing demand and dealing with vulnerability issues in the local area	Director of Corporate Improvement	This has been completed as part of work undertaken by Superintendent Sarah Jackson. A revised child centred approach has been developed and is being piloted in South TPA.	31st March 2020		Completed
CPD/4	CPD/4	Plan and implement actions to demonstrate increased visibility to communities.	Deputy Chief Constable / Director of Corporate Improvement	An outline visibility strategy has been developed. Further work is now required due to Operation Uplift	30th September 2020		Ongoing (within original timescale)
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and individuals within it.							
CPE/1	N/A	Develop and deliver the strategy to improve digital capability in the organisation and, deliver improvements to productivity	Director Corporate Improvement Ch Supt. J Blackwell	Significant progress has been made in this area. Ch. Supt. Jonny Blackwell is leading a programme of work to with the objective of maximising benefits from use of technology. Work aimed at changing behaviour, skills and culture has commenced and a Digital Week held in qtr 4 encompassing various events focused on raising the profile and making better use of digital capability.	31st March 2020	31st March 2021	Ongoing (original timescale extended)
CPE/2	CPE/4	Develop an action plan arising from the Well-Being survey.	Head of People	The action plan for well-being is held on the OK website, we're held to account nationally via the well being lead CC Rhodes this includes actions from the well being survey. The DCC is chair of the strategic well being board. The 2019 National Wellbeing survey which was conducted, Cumbria were rated at 2nd for their returns, we are currently 69% fully developed against the OK action plan, we were also awarded the Bronze award for Better health at work.	31st July 2019		Completed
CPE/3	CPE/5	Develop a vision for the delivery of Procurement within the Constabulary and OPCC to meet organisational needs.	Director of Corporate Support	Procurement Strategy 2019-2022 approved by COG and PCC early 2019. Phase 1 (mandatory steps) delivered resulting in an improved audit report. Now focusing on Opportunity phase where business partners will specialise in specific areas of Commercial activity. Future updates covered in Annual Commercial Report.	30th September 2019		Completed
CPE/4	N/A	In conjunction with Higher Education partners, implement the new PEQF arrangements for new officer recruits.	Head of Learning & Development	Established governance process and work streams in place. UCLAN teaching staff now recruited and working with Police Trainers to develop detailed course content. Program has now been validated and the first PCDA cohort started in February 2020. A DHEP intake is scheduled to commence in May 2020.	30th September 2020		Completed

Appendix A – Annual Governance Statement Development and Improvement Plan 2019/20 Update

Ref	B/fwd from 2018/19 (ref)	Action	Lead Officer	Action Update as at 30th June 2020	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	N/A	Review the current risk management arrangements to ensure relevance and effectiveness	Director Corporate Improvement	Completed	30th September 2019		Completed
CPF/2	CPF/1	Develop the balanced scorecard approach to performance management and embed this within the Vision 2025 governance arrangements.	Director of Corporate Improvement	Completed	31st March 2020		Completed
CPF/3	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	Completed with the data available. The benefits realisation plans were being consulted on and reviewed currently being reviewed, but this work has temporarily been deferred to deal with the Coronavirus pandemic.	31st March 2020	30th September 2020	Ongoing (original timescale extended)
CPF/4	CPF/4	Implement an action plan to ensure that the OPCC complies with new General Data Protection Regulations	Head of People	A review has been undertaken. Phase 1 of the work including leadership of the function and aligning technology and information management under a single function has been completed. A pilot is being run to determine the effectiveness of this approach, alongside some tactical changes after which time final recommendations will be proposed based on an holistic approach centred on the information lifecycle.	31st March 2020	31st March 2021	Ongoing (original timescale extended)
CPF/5	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	Completed. Further investment in this area has been approved during this financial year (includes additional technical resource and shifting of personnel within the Constabulary to ensure that the project can deliver a suite of products.)	31st March 2020		Completed
CPF/6	N/A	Undertake a review of Data Management arrangements and resourcing covering information security, GDPR and MOPI	Director of Corporate Improvement	A review has been undertaken. Phase 1 of the work including leadership of the function and aligning technology and information management under a single function has been completed. A pilot is being run to determine the effectiveness of this approach, alongside some tactical changes after which time final recommendations will be proposed based on an holistic approach centred on the information lifecycle.	30th September 2019	31st March 2021	Ongoing (original timescale extended)

Appendix B - Annual Governance Statement Development and Improvement Plan 2020/21

Ref	B/fwd from 2019/20 (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	N/A	Implementation of New Police Conduct Regulations	Head of People	31st July 2020
CPA/2	N/A	Implementation of electronic Business Interest registration process	Head of People	31st July 2020
CPA/3	N/A	Consider the development of a Digital Ethics Panel	Head of ICT & Information Management	31st March 2021
		Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.		
CPB/1	CPB/1	Review and recommend the approach required to update and improve the Constabulary's website.	Director of Corporate Improvement	30 December 2020
CPB/2	CPB/2	Understand the lessons learned from the pilot of the new policy management arrangements, make adjustments as required. Implement a prioritised plan for all Constabulary policies.	Director of Corporate Improvement	31st March 2021
CPB/3	N/A	Undertake a review of ForceNet (the Constabulary's intranet) to improve productivity and accessibility of the information the workforce needs to deliver policing services	Director of Corporate Improvement	31st March 2021
		Core Principle C: Focusing on defining outcomes in terms of sustainable economic, social and environmental benefits		
CPC/1	CPC/1	Develop a Strategy for the affordable storage of Digital Data	Head of ICT & Information Management	31st March 2021
CPC/2	CPC/2	Conduct an options evaluation for future Estates provision in West Cumbria	Head of Estates and Fleet	31st March 2021
		Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.		
CPD/1	CPD/1	Continue 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 2021

Appendix B - Annual Governance Statement Development and Improvement Plan 2020/21

Ref	B/fwd from 2019/20 (ref)	Action	Lead Officer	Implementation by
CPD/2	CPD2 +	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 and 2021/22.	Director of Corporate Improvement	31st October 2020 then 31 March 2021
CPD/3	CPD/4	Plan and implement actions to demonstrate increased visibility to communities. The original work will be extended to incorporate the deployment of additional officers recruited through Operation Uplift	Deputy Chief Constable / Director of Corporate Improvement	30th September 2020
CPD/4	N/A	Develop a Covid-19 Recovery Plan to exploit any opportunities arising from changes to working practices during the Covid-19 Pandemic.	Deputy Chief Constable	30th September 2020
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and individuals within it.				
CPE/1	CPE/1	Develop and deliver the strategy to improve digital capability in the organisation and, deliver improvements to productivity	Head of ICT & Information Management	31st March 2021
CPE/2	N/A	In conjunction with Higher Education partners, implement the new PEQF arrangements for new officer recruits.	Head of Learning & Development	30th September 2020
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.				
CPF/1	N/A	Review the current risk management arrangements to ensure relevance and effectiveness	Director Corporate Improvement	31st December 2020
CPF/2	N/A	Develop the Constabulary's performance dashboard to reflect the National Outcomes Dashboard which is required to support Operation Uplift	Director of Corporate Improvement	31st October 2020
CPF/3	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	CPF/4 & CPF/6	Further develop an information management strategy incorporating GDPR, MOPI and RRD.	Head of ICT & Information Management	31st March 2021
CPF/4	N/A	Undertake an audit of No Further Action crime outcomes, which will inform improvement work on both the appropriate use of outcomes and improvement in the quality of investigation for victims.	Director of Corporate Improvement	30th September 2020

Appendix B - Annual Governance Statement Development and Improvement Plan 2020/21

Ref	B/fwd from 2019/20 (ref)	Action	Lead Officer	Implementation by
CPF/5	N/A	Continue to develop and implement the Recovery and Renewal Plan which has resulted from the police response to the Coronavirus pandemic	DCC	31st March 2021
CPF/6	N/A	Arising from the 'Achieving Financial Excellence in Policing' self assessment and linked to the Business Transformation Programme develop an action plan to improve financial management and accountability within the Constabulary.	Joint Chief Finance Officer	31st March 2021
CPF/7	N/A	Enhance the Medium Term Financial scenario modelling in light of the potential financial impact of the Covid-19 Pandemic.	Joint Chief Finance Officer	31st March 2021



The Police and Crime Commissioner for Cumbria

Treasury Management Activities 2020/21 as at 30 September 2020 (Quarter 2)

Public Accountability Conference 04 November 2020 and Joint Audit Committee 19 November 2020



Cash flow Balances

Quarterly average daily balance - £25.659m

Investment balance @ 31/09/20 £20.237m

(up from £4.314m at 30/06/20).



Investment Interest Forecast

Base Budget - £96,491

Revised Budget - £96,491

Current Estimate - £26,000



Borrowing Strategy

No borrowing was undertaken during the quarter ended 30 September 2020 and none is expected during 2020/21 other than to manage short term liquidity.

Investment Strategy

Category	Category Limit (£m)	Investments at 30 September (£m)	Compliance with Limit
1 - Banks Unsecured	20	0.555	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	9.000	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	10.682	Yes
Total		20.237	

There have been one breach in approved limits to report during the quarter.

See page 2 for more information.

Performance Indicators

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	3,075	41,627
Days Overdrawn	1	(7,199)	(7,199)

Average interest rate earned 0.07%

Average bank base rate quarter 2 0.10%

(Current bank base rate 0.10%)

Treasury and Prudential Indicators

During the quarter ended 30 September 2020, the treasury function has operated within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.

Compliance with the prudential and treasury indicators are shown on page 3.

Economic Outlook and Treasury position for the quarter ended 30 September 2020

Economic outlook and Interest Rate Forecasts

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen.

However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary.

Strategy Limits

The money market fund with Aberdeen Standard has a limit of £4m in the 2020-21 investment strategy. The PCC has two accounts and so the limit is split arbitrarily into £3.5m general investments and £0.5m seized Cash.

On the 07 the August 2020 (HO Grant day) the investments with Aberdeen were £2.7m general investments and £200k seized cash.

Unfortunately, the investing officer on that day mistook the opening balance with Aberdeen as just the seized cash balance and assumed there was plenty of head room to invest some of the grant. This took the total amount invested with Aberdeen to £4.7m – £0.7m over the total limit.

As soon as this was spotted £1.8m was withdrawn from Aberdeen to bring the balance back down below the limit. Corrections were made at the month end to correctly assign the interest earned.

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 Acc)	AA	Various	On Demand	N/A	0.30%	499,414	499,414
NatWest (Liquidity Select Acc)	A+	30/09/2020	01/10/2020	O/N	1.00%	56,000	56,000
						555,414	555,414
Category 2 - Banks Secured (Includes Banks & Building Societies)							
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Debt Mgmt Office	Gov	03/07/2020	30/10/2020	30	0.01%	4,000,000	4,000,000
Debt Mgmt Office	Gov	07/09/2020	30/11/2020	61	0.01%	3,000,000	3,000,000
Thurrock Council	LA	03/08/2020	03/11/2020	34	0.15%	2,000,000	2,000,000
						9,000,000	9,000,000
Category 4 -Registered Providers (Includes Providers of Social Housing)							
None						0	0
Category 5 -Pooled Funds (Includes AAA rated Money Market Funds)							
Invesco		Various	On demand	O/N		3,000,000	3,000,000
Fidelity		Various	On demand	O/N		2,981,641	2,981,641
BlackRock		Various	On demand	O/N		0	0
Goldman Sachs	AAA	Various	On demand	O/N		2,000,000	2,000,000
Aberdeen Standard	AAA	Various	On demand	O/N		2,700,000	2,700,000
						10,681,641	10,681,641
Total						20,237,055	20,237,055

In July 2020 the police pension grant was received from the Home Office. Along with the July grant payment the investments reached their highest balance of £30.677m. A large proportion of the pension grant was invested with the Debt Management Office of HM Treasury to be returned at regular intervals as cashflow forecasts require.

Treasury and Prudential Indicators 2020/21 at 30 September 2020

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
The Authorised Limit <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	YES		Ratio of Financing Costs to Net Revenue Stream <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	YES	
The Operational Boundary <i>The operational boundary represents and 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	YES		Net Borrowing and the Capital Financing Requirement <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	YES	
Actual External Debt <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	YES		Capital Expenditure and Capital financing <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2020/21</i>	TEST - Is the current capital outturn within planned limits	YES	
Gross and Net Debt <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	NO		Capital Financing Requirement <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	YES	
Maturity Structure of Borrowing <i>The indicator is designed to exercise 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	NO					
Upper Limit for total principal sums invested for over 365 Days <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	YES					

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that regular reports are presented with regards to treasury management activities. This quarterly report ensures the Police and Crime Commissioner is implementing best practice in accordance with the Code.

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