

The Police and Crime Commissioner
for Cumbria

STATEMENT OF ACCOUNTS

2020/21



Peter McCall

www.cumbria-pcc.gov.uk



The draft Statement of Accounts was approved by the Joint Chief Finance Officer on 30 June 2021. At this point the Grant Thornton LLP 'appointed auditor' has not yet completed his annual audit and as such has not given an opinion on the accounts. The accounts are therefore watermarked 'subject to audit'. Once the audit has been completed, which is expected to be in September 2021, the Police and Crime Commissioner will be asked to approve the Statements and the audit opinion provided will be inserted at pages 23-26 and the watermarking removed. Pages 20, 33 and Page AGS17 of these accounts include signatures which have been removed for the purposes of publication on the website.



Peter McCall

Police and Crime Commissioner
for Cumbria

Statement of Accounts 2020/21

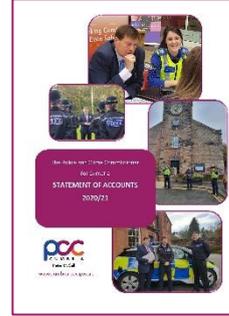
About this Publication

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



The Statement of Accounts for 2020/21 is available on the Commissioner's website at www.cumbria-pcc.gov.uk.

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



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

Alternative Formats



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

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2020/21

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The Joint CFO Narrative Report. 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 36 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 2020/21 financial year. This financial statement sets out both the single entity statements of the Police and Crime Commissioner for Cumbria and the consolidated group position, incorporating the statements of the Chief Constable for Cumbria Constabulary. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

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

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

Statutory Framework

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

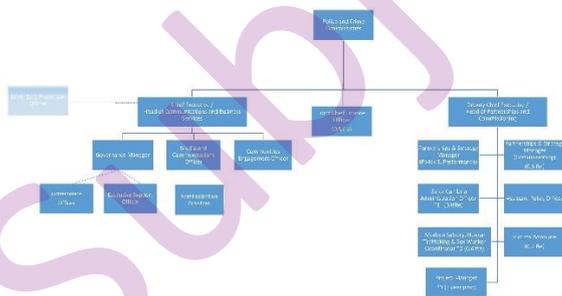
The PRSRA 2011 also established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner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

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

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

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

Our Organisation



The Police and Crime Commissioner is supported by an office of 12.3fte staff, this includes two statutory officers.

The Chief Constable is accountable to the Commissioner and has responsibilities to support the

Commissioner in the delivery of the strategy and objectives set out in the Police and Crime Plan. Both entities have appointed a Joint Audit Committee and a Joint Ethics and Integrity Panel. The Committee and Panel comprise independent members to oversee arrangements for governance, including financial reporting and the arrangements for integrity and ethical behaviour. Four Custody Visiting Panels fulfil the statutory requirement for independent review of custody. Membership of the panels at the end of 2020/21 were: Barrow 8, Kendal 10, North Cumbria 10 and West Cumbria 8.

Our Goals

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

We work to achieve this by holding the Chief Constable to account for the delivery of effective policing and by commissioning a range of activity and interventions with the Constabulary and our wider partners. The Police and Crime Commissioner launched his Police and Crime Plan 'Making Cumbria Even Safer' in November 2016 setting out our future strategy and goals.

Our People

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

Actual Employees as at 31 March 2021	PCC		Total FTE
	Male FTE	Female FTE	
PCC Single Entity			
Chief Officers	0.5	1.0	1.5
Senior Management	0.0	1.0	1.0
All Other Employees	0.0	9.8	9.8
Total PCC Employees	0.5	11.8	12.3
Group			
Chief Officers	7.0	2.0	9.0
Senior Management	11.0	5.0	16.0
All Other Employees	995.9	912.6	1,908.5
Total Group Employees	1,013.9	919.6	1,933.5

Chief Executive Report

The Commissioner has nearly finished his fifth year in Office. The Police and Crime Commissioner elections were due to be held in May 2020, however, as a result of the Covid-19 pandemic they were postponed until May 2021.

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

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

The Commissioner has continued to provide a range of services for victims and specific services for victims of sexual violence, domestic violence and perpetrator programmes. During the Covid-19 pandemic, the Commissioner also secured additional funding to help local charities supporting victims of domestic abuse and sexual violence develop and adapt the delivery of their services during the outbreak to ensure victims continued to receive the support they need.

The Commissioner has well established financial and governance frameworks necessary to fulfil statutory, regulatory and best practice requirements, supported by the relevant professional bodies for local government and policing. This benefits from continuous development to ensure the office continues to meet the highest standards. When Covid-19 was announced as a threat to public health in the

UK, the Commissioner developed an emergency plan, detailing the measures and arrangements he and his office, put in place to ensure they continued to fulfil these statutory responsibilities.

Public consultation and engagement are paramount to the Commissioner as he is the 'voice' for the people of Cumbria for policing. A wide range of diverse opportunities are available for the public to speak directly to the Commissioner, when the Commissioner is out in the community or by speaking to groups directly. This is further supported by the public contacting the Commissioner by email and letter, with more than 586 people contacting the Commissioner in this way during 2020/21. The main themes raised in this year were in relation to the overall Transport Issues (anti-social driving), quality of policing service, crime and Covid-19.

The Commissioner undertook a successful public consultation for the increase in the council tax precept for 2021/22, with 642 respondents and 69% supporting the proposal. As a result of the public consultation, the views of the Chief Constable and the unanimous support of the Police and Crime Panel, the Commissioner took the decision to increase council tax precept by £6.57 for a Band D property.

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

This is further supported by the independent inspectorate; Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS),

external and internal auditors to assist in his scrutiny of governance, finance, risks and internal control. In conjunction with the Constabulary the Commissioner also operates a Joint Audit Committee and an Ethics and Integrity Panel.

The Commissioner's staff embrace the fast-moving pace of the Office and this is evident from the work that is on-going with the Commissioner launching several key strategic campaigns in support of the Police and Crime Plan and commissioning developments. The Office is well placed to deal with the new challenges for 2021/22, in particular dealing with the on-going Covid-19 pandemic.

Finance Review

2020/21 Grant Settlement and Budget

The Commissioner set a combined net revenue budget of £110.199m for 2020/21 on 19 February 2020. Funding of this amount came from the Police Grant settlement (£64.429m). and income from Council Tax (£45.770m). Government grant income increased by 7.5% from 2019/20 as a result of funding to recruit an additional 51 officers as the first phase of the Government's Uplift Programme to recruit 20,000 additional officers nationally by 2022/23. The budget represented an increase of the Council Tax precept by 3.47%, taking the Commissioner's proportion of the band D equivalent tax to £265.59 per annum. The effect of the increase is to support the medium term financial forecast and maintaining existing policing services as the grant settlement made no provision for the inflation. The budget provided funding for the Chief Constable of £132.330m comprising a £137.677m expenditure budget to support policing and an income

Joint Chief Finance Officer Narrative Report

budget of £5.347m. The Commissioner's budget provided £2.250m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider community safety, crime reduction and victim support responsibilities and £0.823m for the Office of the Police and Crime Commissioner.

The capital budget was set at £7.552m. Capital expenditure is made up broadly of expenditure on assets that have a useful life of beyond one year. Approximately 57% of the programme related to investment in ICT, with the remainder being made up estates improvements, the cyclical replacement of fleet vehicles and operational equipment. The budget was funded from a combination of capital grants (£4.0m) and direct contributions from revenue (£3.5m). The capital budget was subsequently revised upwards to £7.7m reflecting the effect of the 2019/20 capital outturn position and other changes to the planned profile of capital spend.

The table below shows the summary revenue budget for 2020/21 as set on 19 February 2020, the revised budget (taking into account budget changes made during the year) and the outturn position. The presentation below is as the figures are reported throughout the year in the management accounts. At the year-end a number of technical accounting adjustments (required by proper accounting practice) are made. For this reason, the outturn in the table below will not reconcile directly to the Summary Comprehensive Income and Expenditure statement on page 9. References to the PCC relate to the Police and Crime Commissioner.

Summary Budget and Outturn

Summary Budget & Outturn	Base	Revised		(Under)/
	Budget	Budget	Outturn	Overspend
	2020/21	2020/21	2020/21	2020/21
	£000s	£000s	£000s	£000s
Constabulary Budget	132,435	129,348	128,732	(616)
Office of the PCC	823	812	822	10
Other PCC Budgets	11,932	13,940	14,078	138
Grants/Contributions	(34,068)	(33,271)	(33,352)	(81)
To/(From) Reserves	(923)	(630)	(81)	549
Net Expenditure	110,199	110,199	110,199	0
Government Grants	(64,429)	(64,429)	(64,429)	0
Council Tax	(45,770)	(45,770)	(45,770)	0
Total External Funding	(110,199)	(110,199)	(110,199)	0

The Constabulary gross expenditure budget is made up of funding for employee costs (£121.9m; of which Police Officers comprise £93.68m), transport costs of £2.45m and supplies/other costs of £13.38m. The Commissioner's budgets comprise the costs of running his office (£0.823m) and the net position on a range of other costs. These include estates costs (£4.45m for premises used by the Constabulary and Commissioner), Commissioned Services (£2.25m to deliver the Police and Crime Plan) and budgets to finance capital expenditure and the costs of technical accounting adjustments. PCC other budgets also include the costs of insurance and past pension costs.

In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2020/21 is an underspend of £0.503m. The overall underspend is made up of an overspend of £0.113m on the budgets managed by the Commissioner and underspend of £0.616m on those held by the Constabulary. The core underspend equates to 0.5% of

the revised net budget of £110.199m, which is comfortably within the target for the revenue expenditure to be within 1% of the budget at out-turn.

In overall terms budgets managed by Commissioner's were £67k over budget. This was attributable to a combination of a slight increase in costs of the Office of the Police and Crime Commissioner (£10k), additional premises costs (£26k) principally as a result of the enhanced cleaning regime required during the pandemic, increased insurance premiums (£52k) and reduced investment income (£81k). These were offset to some degree by increased grants, reduced support for capital and pensions contributions totalling £102k.

In 2020/21 the Constabulary was £616k under-budget. The Covid-19 pandemic has had a significant impact on the Constabulary's budget. Additional expenditure totalling £1.055m was incurred in relation to PPE, technology to facilitate home working, enforcement activities whilst income generation was also down by a further £413k. However, this was offset by a combination of Government support and savings which resulted indirectly from the pandemic, such as reduced travel and training, totalling £1.767m.

In relation to core activities, additional expenditure of £540k resulted from a decision to recruit additional officers funded by the Government through Operation Uplift at the earliest opportunity. However, this was offset by net savings on supplies and services and third party payments budgets of £800k, particularly ICT.

Of the total group underspend of £503k, £53k has been reserved to undertake committed work, which was

unable to be completed in 2020/21 due to the pandemic, with the remaining balance of £450k allocated to a Covid-19 recovery reserve. Detailed outturn reports which explain the full range of variances can be found on the budget and finance section of the Commissioner's website.

The Commissioner maintains the Police Property Act Fund. The fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of the Criminal Courts Act 1973. Community groups and individuals can submit applications for funding on a quarterly basis. During 2020/21 awards totaling £12k were made. As at 31 March 2020 the Police Property Act fund balance stood at £64k.

The 2020/21 Capital Expenditure Outturn amounted to £2.8m against a revised budget of £7.7m. Whilst the variance of 65% against planned expenditure was significantly above the target of 8%, there were extenuating circumstances in 2020/21, with the pandemic impacting significantly on the ability to deliver projects internally and disrupting global supply chains. Expenditure on ICT projects was deferred pending an internal assessment of the future ICT infrastructure, in the context of advances in cloud services. Expenditure on fleet replacement has been negatively impacted by manufacturer delays in delivering vehicles. Despite, the challenges of operating in a pandemic, substantial progress has been made in the last year including replacement of business systems for finance and procurement, HR and Duties, procurement of patrol vehicles, roll out of replacement Airwave radios and replacement of Tasers.

The Financial Statements

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

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

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of policing and other services provided in the year and the income from government grants and council tax that fund those services. The CIES is shown on page 29 of the full statement of accounts. An expenditure and income analysis that sets out what those costs are (e.g.

staffing, transport etc.) is provided in note 6 on page 48.

The table below sets out a summary CIES statement.

Summary CI&ES	Gross Expenditure 2020/21 £000s	Gross Income 2020/21 £000s	Net Expenditure 2020/21 £000s
Cost of Police Services	131,327	(14,853)	116,474
Cost of Services	131,327	(14,853)	116,474
Other Operating Expenditure	19,190	(19,365)	(175)
Financing Costs and Investment Income	32,344	(3,379)	28,965
Council Tax and Grant Income	0	(115,292)	(115,292)
(Surplus)/Deficit on the Provision of Services	182,861	(152,889)	29,972
Other Comprehensive Income and Expenditure			228,882
Total Comprehensive Income and Expenditure			258,854

The statement shows that the net cost of providing services in the year amounted to £116.474m, which is predominantly the costs of policing.

In addition to showing the cost of services, the CIES also sets out net financing costs of £28.965m. The most significant element of financing costs comprise pension charges (£28.418m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2020/21 financial year. Financing costs also include the costs of borrowing (capital financing). These costs are extremely low other than those that fund the Workington PFI building. This is because the capital programme is funded internally using cash reserves to reduce investment risk and reflect the relatively low interest rates available on investing such balances. At the end of the financial year £21.602m (inclusive of PFI contract) of the capital programme is funded by the use of cash backed internal reserves rather than borrowing from the open market. At some point in the future, due to a planned reduction in

reserves, the Commissioner will need to consider external borrowing.

Showing expenditure and income within this statement in accordance with generally accepted accounting practices results in expenditure exceeding income (a deficit on the provision of services) by £29.972m. A further accounting adjustment of £228.882m expenditure through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a deficit of £258.854m. This is an accounting surplus that is taken to Unusable Reserves. Page 7 of this summary sets out the out-turn position based on the management accounts and excluding the technical accounting entries required for the CI&ES. The management accounts show an underspend of £0.503m against the 2020/21 budget.

Movement in Reserves Statement

This statement shows the different reserves held by the Commissioner. These are analysed into 'Usable Reserves' and 'Unusable Reserves'. Usable reserves can be used to fund expenditure. They may help to pay for future costs or reduce the amount we need to raise in council tax to meet our expenses. Unusable Reserves are principally technical accounting adjustments. The Movement in Reserves Statement shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The Movement in Reserves statement is shown on pages 31-32 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

Summary Movement in Reserves	Balance 31/03/2020 £000s	Movements 2020/21 £000s	Balance 31/03/2021 £000s
Police Fund	3,000	600	3,600
Earmarked Revenue Reserves	14,332	(673)	13,659
Earmarked Capital Reserves	4,294	0	4,294
Capital Receipts	2,096	85	2,181
Capital Grants Unapplied	5,695	97	5,792
Total Usable Reserves	29,417	109	29,526
Unusable Reserves	(1,223,945)	(258,963)	(1,482,908)
Total Reserves	(1,194,528)	(258,854)	(1,453,382)

Movements in usable reserves for 2020/21 show a net balance of £0.109m. This is the cumulative position recording the amounts we have drawn down from and contribute to specific (earmarked) reserves to help fund expenditure during the year. There are separate accounts to record our receipt and use of income from the sale of property and government grants for capital expenditure. A capital receipt of £85k arose in the year as a result of the sale of surplus radio equipment.

At the end of the year, the Police Fund at 31 March 2021 stands at £3.6m and provides for unplanned financial risks. Earmarked revenue reserves are £13.659m. These reserves provide for a number of specific operational contingencies, one off budget/project costs and funding to meet future liabilities in respect of insurances and the PFI contract. The balance of capital reserves as at 31 March 2021 was £4.294m, capital reserves are those set aside to fund the capital programme, the majority of which is planned to be fully applied by 2022/23. Further detail on earmarked reserves is provided within note 8 to the statement of accounts on pages 53-54.

At the 31st March 2021 we have negative unusable reserves of £1,484m. Unusable reserves provide a mechanism through which transactions are entered into the accounts in accordance with accounting standards. They also provide the means to manage differences in the timing and calculation of those transactions and the actual expenditure or income we need to charge to our accounts. For example, our properties are regularly re-valued. When this happens any increase in their value is shown in a revaluation reserve. The reserve 'records' the additional income we may receive when the property is sold, but it is 'unusable' until we decide to dispose of the property and achieve a sale. When we sell, the revaluation reserve will be reduced by any increase in value that was recorded before sale. The actual income we receive will be shown in our usable capital receipts reserve, where it can be used to fund new capital expenditure. The balance on our unusable reserves reflects the position following the required accounting transactions. The cumulative position for unusable reserves includes reserves of:

- £45.322m in respect of the revaluation reserve and capital adjustment account, recording accounting transactions for our capital assets.
- -£1,522m in respect of negative pensions reserves. The pensions reserves record accounting transactions for the Police and Local Government Pension Schemes. The change in the balance on these reserves in 2020/21 is negative and is as a result of changes in actuarial assumptions that have increased scheme liabilities.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2021) of the Commissioner's assets and liabilities. The balance sheet is shown on page 33 in the full statement of accounts. The table below sets out a summary balance sheet.

Summary Balance Sheet	Balance	Balance
	31/03/2020	31/03/2021
	£000s	£000s
Property, Plant & Equipment	65,025	64,359
Long Term Assets	3,328	2,307
Current Assets	20,920	25,639
Current Liabilities	(12,004)	(18,130)
Long Term Liabilities	(1,271,797)	(1,527,557)
Net Liabilities	(1,194,528)	(1,453,382)
Usable Reserves	29,417	29,526
Unusable Reserves	(1,223,945)	(1,482,908)
Total Reserves	(1,194,528)	(1,453,382)

The balance sheet shows property, plant and equipment assets, which include the Commissioner's estate, fleet of vehicles and ICT/communications equipment, with a value of £64.359m. Of this, land and buildings comprise £57.057m. Long terms assets are comprised of intangible assets (predominantly computer software) £2.307m. Current assets are principally made up of investments (£4.300m), debtors (£15.230m) and cash (£5.482m) and have a total value of £25.639m. Investments are made in accordance with the Commissioner's treasury management strategy and support the management of reserves and cash flows. Debtors' balances are primarily made up of institutional debtors, for example central government, and prepayments. This means that the risk of not receiving the debt remains low. The Commissioner has a good collection record in respect of debtor invoices raised for services provided. During 2020/21 two debtor invoices with a combined total of

£2,235 were authorised to be written off as not collectable. The provision for impaired or doubtful debts stands at £14,149 against the future risk that not all outstanding invoices will prove to be 100% collectable, this figure is reduced from previous years. The Commissioner's debtors include a share of the debtors recorded by the 6 Cumbrian District Council's in respect of council tax. This debt amounts to £3.472m and is reduced by the Commissioner's share of their respective bad debt provisions of £1.567m. See note 14 to the statement of accounts (Page 68).

Balance sheet liabilities are amounts owed by the Commissioner. They include creditors, PFI debt, pensions and finance lease liabilities. They are split between short term (current) and long term liabilities, the current liabilities being those amounts due to be paid within 1 year. The most significant element of current liabilities are short term creditors which total £17.894m. The combined short and long term liability on the PFI scheme amount to £4.403m at 31st March 2021. Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,528m (£1,272m in 2019/20). The main element of this amount is a pension's deficit of £1,522m (£1,266m in 2019/20) for the Local Government Pension Scheme (LGPS) and the Police Pension Scheme. However, this deficit will be funded over a number of years, with financial support from Central Government, meaning that the financial position of the Commissioner remains healthy.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash held in bank accounts and changes in Money Market

funds. Money Market funds are an alternative way of depositing cash to earn interest. The cash can be withdrawn from the fund without having to give notice and they are therefore referred to as cash equivalents.

The statement shows how the Commissioner generates and uses cash and cash equivalents. Cash flows are classified within the cash flow statement as arising from operating activity, investing activity and financing activity. The statement is shown on pages 34-35 of the full statement of accounts. The table below sets out a summary cash flow statement.

Summary Cash Flow Statement	Cash flows 2019/20 £000s	Cash flows 2020/21 £000s
Cash & Cash Equivalents 1 April	(5,065)	(1,271)
Net Cash Flow from:		
Operating Activity	(183)	(5,159)
Investing Activity	3,817	766
Financing Activity	160	182
Cash & Cash Equivalents 31 March, made up of:	(1,271)	(5,482)
Bank Accounts	(469)	(684)
Money Market Funds	(802)	(4,798)

The table shows a cash inflow of £5.159m from operating activity. This is the net of our cash income including government grants, council tax and charges for services, less how much cash has been paid out, for example for salaries and goods that have been purchased. Cash flows from investing activity show an outflow of £0.766m and primarily represents the net balance of investment deposits less the amount of cash received when the investment comes to the end of its term. Investment activity provides a way to manage resources that will be used to fund future expenditure, earning interest on any balances. Investment activity also includes cash flows from the purchase and sale of

capital assets (e.g. property). Cash flows arising from financing activities show a net cash outflow of £0.182m, this being amount of cash used in relation to financing and borrowing. The Commissioner has no borrowing other than that which relates to finance leases and the PFI agreement. An amount of £182k was paid to reduce those debts during the year.

The Commissioner's cash flow statement shows an overall balance of £5.482m, compared to £1.271m in 2019/20, reflecting an increase in cash and cash equivalents of £4.211m over the year. At the end of the year £4.798m of the Commissioner's cash deposits was held in money market funds and £0.684m in banks.

Police Officer Pension Fund Account

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

government grant. This means the police pension fund always balances to nil.

Summary Police Pension Fund	Pension Fund A/C 2019/20 £000s	Pension Fund A/C 2020/21 £000s
Contributions - Employer	(12,793)	(13,519)
Contributions - Officers	(5,529)	(5,842)
Contributions - Other	(846)	(331)
Benefits Payable	39,083	38,862
Other Payments	27	20
Net Amount Payable	19,942	19,190
Contribution from Home Office	(19,942)	(19,190)
Additional Funding Payable by the Police and Crime Commissioner (2.9%)	0	0
Net Amount Payable	0	0

The statement identifies contributions into the fund of £13.519m from the Constabulary (employer) and £5.842m from police officers. Employer contribution rates in 2020/21 were at 31%. In total £38.862m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £19.190m has been funded by Home Office. The full police officer pension fund account is shown on pages 93 to 94 of the financial statements accompanied with a page of explanatory notes.

Supporting Information to the Financial Statements

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

Business Review

During 2020/2021, the Commissioner has continued a number of programmes and initiatives working with the Constabulary and wider partners to deliver the key priorities within the Police & Crime Plan as well as responding to the Covid-19 pandemic.

A key focus for the Commissioner was to ensure ongoing funding continued to flow to the services he commissioned so that victims received the vital support they needed during the Covid-19 pandemic. The impact of this outbreak has been profound, with a significant loss of life and a catastrophic effect on the economy, across the globe. It has affected every person in some way, changing how we all live, work and socialise. The Commissioner pledged to explore every opportunity to bring additional funding into the county to help organisations respond to the pandemic and continue with their offer of support to victims, securing £846,378. On top of this, the Commissioner

provided £189,105 from his own budget to help third sector organisations who were struggling to retain their support services to victims. 43 organisations received immediate short-term financial assistance (up to £5,000) to support a wide range of activity - youth outreach work, drug and alcohol recovery, counselling for young homeless people and much more.

In 2020/21, significant work has been undertaken with NHS England and three North East Police & Crime Commissioners to develop a specification for the delivery and commissioning of Sexual Assault Referral Centres (SARCs) on a regional footprint. This collaboration will provide sustainability, ensuring the current high quality of service continues to be provided to victims of sexual violence and rape in the future.

The Commissioner has continued to fund Remedi to deliver restorative justice services across Cumbria for victims of crime and provide a programme of meditation for victims of antisocial behaviour. Restorative justice gives victims the chance to explain the impact of the offence, upon them and others close to them, and ask the offender direct questions. It holds offenders to account for what they have done and helps them to take responsibility and make amends for their behaviour.

During 2020/21, the Commissioner and the Constabulary have worked collaboratively to develop a Cumbria Adult Out of Court Disposal Framework known as 'The Pathways Programme'. The programme will assess the criminogenic needs of low-level offenders and support them through a needs-led intervention to prevent reoffending. In addition, it will

signpost offenders to specialist support service to supplement and sustain the work completed from the intervention.

In July 2020, the Commissioner secured £436,99 from the Home Office Safer Streets Fund to help reduce the number of burglary offences in the Salthouse Road area of Barrow. With the funding, the Commissioner and Barrow Borough Council have supplied thousands of pounds worth of crime prevention measures and home security equipment, free of charge, to any home within the area. The equipment ranges from door chains, locks, window and letter box security, security lights for back yards and garage security, all installed by skilled local tradespeople. The funding has also provided 200 home security packs, delivered to local residents by community volunteers. Cumbria County Council has used the funding to install new street lighting in unlit back alleys and provide an upgrade of existing lighting in the front streets across the whole area.

The Commissioner has entered into a co-commissioning agreement with National Probation Service to support the pilot of a Women's Outreach Service to enable women in rurally isolated communities to access support services. This will build upon the vital support currently available through the three Women Centres based in Barrow, Carlisle and Whitehaven. The outreach pilot will provide a holistic support service for women offenders, and those at risk of offending or re-offending, victims of domestic abuse and sexual violence, and those presenting with multiple complex needs.

The Commissioner continues to lead on the implementation of the Quality Assessment Framework, to review how criminal justice agencies comply with the national Victims' Code of Practice and to drive improvements in specific areas through this process. A fourth audit has recently been carried out and the findings will be reported to the Safer Cumbria Partnership. Criminal justice partners have agreed to take forward the recommendations in the report.

Turning the Spotlight, a bespoke early intervention domestic abuse programme for perpetrators and families, continues to go from strength to strength and has now achieved full Respect Accreditation, a nationally recognised quality assurance scheme for organisations working with perpetrators of domestic abuse and violence in the UK. The Commissioner also continued to fund the Step-Up Remote programme, a child on parent/guardian violence programme, which supports adolescent perpetrators and their families to build and nurture positive relationships and change negative attitudes and behaviours to help repair the harm caused.

The Commissioner's Victims' Advocate continues to champion the cause for victims, and importantly, help drive up standards. The Victims' Advocate provides additional assurance in relation to the quality of service victims receive. This has resulted in quality work being recognised, specific actions for improvement being picked up in an action plan and contract management processes for each commissioned service being focused on pertinent issues.

The Commissioner, working with partners, delivered a safer driving Campaign, in response to what residents said is one of their main local concerns. The campaign focuses on raising awareness of the Fatal Four (no seatbelts; speeding; distracted driving and drug/drink driving). The Commissioner has delivered a rural crime campaign, which has been influenced by current issues raised by the Constabulary and National Farmers Union (NFU), with all partners working together to promote rural safety and prevent rural crime. Working with Get Safe Online, the Commissioner has continued to raise public knowledge of how to protect themselves against fraud and other crimes committed via the internet.

Performance

The Commissioner has an open and transparent Accountability Framework to assess how well the objectives in the Police & Crime Plan are being achieved. During 2019/20, Internal Audit carried out a review of these arrangements for monitoring the delivery of the Police & Crime Plan and awarded 'Substantial Assurance'.

During 2020/21, the Police and Crime Panel has continued to facilitate effective scrutiny of delivery of the Police & Crime Plan objectives through quarterly online meetings. Thematic reports are presented to the Panel and follow terms of reference agreed in advance with the Panel Chair. The reports have been well received and provided assurance on the Commissioner's, and his office, response to Covid-19.

Within the Office of the Police & Crime Commissioner (OPCC) Strength Based Conversation Performance Reviews continue to be carried out with all staff.

During 2020/21, a review of this process was undertaken to ensure it remains appropriate and flexible. To support this, the OPCC Training Plan sets out the overall training plan for the office and cascades into individual responsibilities. In 2020/2021, specific training has been provided for staff in the areas of Code of Ethics, risk management, governance, equality, contract management, youth engagement and the budget. Individual staff have attended conferences, workshops and specific training events to help them develop within their roles.

Performance Report

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

Effective Policing

- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Police Effectiveness Efficiency and Legitimacy (PEEL) Inspections: The PEEL Inspections judge the efficiency, effectiveness and legitimacy of the Constabulary in keeping people safe and reducing crime. During 2020/21 HMICFRS suspended much of its inspection regime due to the Covid-19 pandemic. In the latest HMICFRS inspection which took place in 2018/19 Cumbria Constabulary was graded as 'good' in all aspects of effectiveness, efficiency and legitimacy. The Chief Constable reports to the Police and Crime Commissioner on how the Constabulary will tackle any areas

requiring improvement and her response to HMICFRS recommendations.

- For 2020/21 overall crime decreased by 19%, which equates to a decrease of 7,259 crimes over the 12 month period to 31st March 2021. The decrease is largely attributable to the pandemic lockdown.
- The crime type which experienced the greatest reduction was overall 'Violence against the person' which fell by 2,489 crimes, an indication of the impact of closing pubs and nightclubs. Within this broad category certain crime types such as homicides and death and serious injury as a result of unlawful driving rose, but are generally based on low numbers.
- In percentage terms, acquisitive crimes such as burglary (-34%), theft (-33%) and vehicle offences (-34%) all fell sharply.
- Whilst the reporting of rape and sexual offences is encouraged, reports fell by 15% in 2020/21 from 1,452 to 1,239.
- The only other crime type to experience an increase was drug offences, which rose by 23.9% from 922 to 1,142. This is an indication of more pro-active policing in this area.

Community Safety

- Antisocial behaviour (ASB) increased during 2020/21 as a result of Covid breaches being reported to the police and recorded as ASB. There were 11,251 ASB incidents in 2020/21, up 53% from 2019/20. If ASB incidents, which were classed as Covid related are excluded, ASB incidents declined by 6% from 7,286 to 6,861.

- Hate crimes and incidents continue to be closely monitored. During 2019/20, the number of crimes with a hate marker increased from 677 to 681, which equates to a rise of 0.6%. The Constabulary and partners continue to work to encourage reporting of hate crime. Based on the latest data, Cumbria has one of the lowest rates of hate crime in the north west region and nationally.
- Work has also targeted increased reporting for domestic violence. During 2020/21 Domestic Abuse Safeguarding Referrals increased by 4% from 7,554 to 7,860.

Criminal Justice

- All recorded offences are assigned an outcome based on a national framework for crime. Crime outcomes are classed as positive where the offender is either charged or summonsed, receives an out of court disposal or where the Crown Prosecution Service (CPS) or police determine it is not in the public interest to prosecute. In all cases the crime outcome represents positive police activity in detecting the crime. Positive crime outcome performance for 2020/21 was 20%.

Customer and Victim Satisfaction

- Performance in customer and victim satisfaction is measured through regular independent surveys following police contact. This is supplemented by the process for police complaints that includes independent sampling of complaint files and scrutiny of local to national comparatives against complaints upheld.
- The latest figures for public confidence in the local police service was 78.5%.

- When allegations are made against the police, those resolved locally perform well against national comparative timescales.

Finance & Value for Money

- We measure our performance against targets for achieving financial outturn within a percentage of the net budget. For 2020/21 this was set at 1% for the revenue budget and 8% for the capital budget.
- Actual performance for revenue was 0.5%, achieving well within the target.
- The capital outturn was 65% below budget, falling well outside the target. Whilst this was a disappointing result, the slippage was largely attributable to a combination of taking additional time to ensure that investment in fast moving digital technologies is spent wisely and will provide long term benefits and delays in vehicle deliveries, which were beyond our control. Stretch targets will continue to be set for capital expenditure going forward as a recognised area for performance improvement.
- Historically the budget for the Commissioner and Office of the Police and Crime Commissioner was benchmarked against HMIC Value for Money profiles. Following the inclusion of fire and rescue services under the remit of HMIC, costs for police and crime commissioners are no longer included in the VFM comparators. It has therefore not been possible to undertake a Value for Money analysis for the Office of the Police and Crime Commissioner for 2020/21.
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) last PEEL inspection in 2018/19 assessed the Constabulary as good in respect of efficiency.

- Outcomes against wider performance measures that indicate the effectiveness of activity and interventions are strong against the priority areas of keeping crime at low levels, reducing anti-social behaviour, bringing criminals to justice and increasing reporting of hate crime and domestic and sexual abuse.
- Collectively, these indicators provide assurance of Value for Money in respect of the 2020/21 financial year.

The Future Outlook

Following his election in 2016, Peter McCall the Police and Crime Commissioner for Cumbria launched his Police and Crime Plan covering the period to 2021. The Plan's key theme is 'Making Cumbria Even Safer' and sets the strategic direction for policing and wider aims for enhancing community safety, criminal justice and supporting victims.

The overall financial position remains strong, which is reflected in the Medium Term Financial Forecast, which sets out the revenue budget position until 2024/25 and a capital programme, which is fully funded over the same period and will support delivery of the Police and Crime Plan. The current financial position has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of reductions in government funding since 2010 this has enabled reserves to be maintained at a level that balances financial resilience and supports continued investment.

The Medium Term Financial Strategy and 2021/22 budget was approved in the context of the

Government providing additional funding for Operation Uplift, continued grant funding for increased police pension contributions and affording Commissioners' flexibility to raise council tax above inflation. However, this is accompanied by increasing cost pressures including new training requirements and ICT initiatives.

Against this background the 2021/22 budget provides £137m funding for the Chief Constable to deliver policing for Cumbria. Resources include an establishment of 1,263 Police Officers; an increase of 47 and maintenance of the establishments for Police Community Support Officers and Police Staff. The longer term 10 year capital programme envisages a total investment of £60m principally across the estate, fleet and ICT.

Whilst the position is financially resilient in the short term, there are uncertainties which have the potential to impact negatively on the budget in the medium term. Based on the MTFF assumptions, savings will need to be delivered from 2023/24 to balance the budget. The budget gap by 2024/25 is forecast as £5.1m. There are a number of continuing financial risks in relation to the adequacy and sustainability of funding beyond Operation Uplift, the cost of national policing programmes, pensions issues and the potential review of the police funding formula. These are further compounded by the long term macro-economic uncertainty arising from the Covid-19 pandemic.

To a large degree both the PCC and Constabulary have adapted to working under the restrictions imposed by

in light of Covid-19. However, it is likely that the Constabulary will continue to incur additional costs during 2021/22 as result of Covid-19, but with a guarantee of some central Government support, the impact is considered to be manageable in the context of overall resources. Over the medium term there is also uncertainty with regard to future funding assumptions from both grants and council tax in the context of the negative impact of the pandemic on both Government and household budgets. Scenario modelling as to the impact on the financial position continues to take place on an on-going basis, together with development of a savings and efficiency plan involving both the OPCC and Constabulary.

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

Financial Management Code

The Financial Management Code developed by the Chartered Institute of Public Finance and Accountancy came into effect from the 1st April 2020, with the aim of supporting good practice in financial management in local authorities including the policing sector. However, there is a recognition that due to the global pandemic, it may be difficult for authorities to demonstrate full-compliance during 2020/21. A self assessment has been undertaken, which shows that the Police and Crime Commissioner largely meets the requirements of the code, however there are some

areas where further work is required to ensure full compliance, most notably in relation to

- Demonstrating Value for Money.
- Balance sheet monitoring.
- Scheme of delegation and financial training
- Developing a financial resilience index.
- Application of formal options appraisal techniques.

A copy of the self-assessment is included as an appendix to the Annual Governance Statement (Appendix C).

In closing, it is appropriate to acknowledge the dedication and professionalism of Michelle Bellis the Deputy Chief Finance Officer, Lorraine Holme and the wider finance team in again achieving the closure of accounts and the publication of these Statements against tight deadlines and complex financial reporting standards, in particular recognising the practical working challenges presented by the pandemic.

Roger Marshall

Joint Chief Finance Officer

Acknowledgements

The financial statements were originally authorised for issue by me as Joint Chief Finance Officer on 30 June 2021.

The accounts present a true and fair view of the position of the Police and Crime Commissioner for Cumbria Single Entity and Group Accounts as at 31 March 2021 and its income and expenditure for the year there ended.

Signatures removed for the purposes of publishing on the website

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 30 June 2021

1 The Commissioner's Responsibilities

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

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

2 The Chief Constable's Responsibilities

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

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

3 The Joint Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the CFO has:

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

Responsibilities for the Statement of Accounts

The CFO has also:

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

The CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2021.

Subject to Audit

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Subject to Audit

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

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

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

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

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

Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables, the figures for 2020/21 and the comparators for 2019/20 are also shown in separate tables.

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

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

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

The balance sheet for the Group and PCC are shown side by side and include both 2020/21 figures and 2019/20 comparators.

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

The cash flow statement for the Group and PCC are shown side by side and include both 2020/21 figures and 2019/20 comparators.

Comprehensive Income and Expenditure Statement – Group

Comprehensive Income and Expenditure Statement (Group)	Notes	Group	Group	Group	Group	Group	Group
		2019/20	2019/20	2019/20	2020/21	2020/21	2020/21
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	120,859	(10,035)	110,824	131,327	(14,853)	116,474
Cost of Policing and Crime Services		120,859	(10,035)	110,824	131,327	(14,853)	116,474
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	9e	0	(57)	(57)	0	(175)	(175)
Transfer to Pension Fund/Pension Top Up Grant		19,942	(19,942)	0	19,190	(19,190)	0
		19,942	(19,999)	(57)	19,190	(19,365)	(175)
Financing and Investment Income and Expenditure							
Interest payable on PFI unitary payments		584	0	584	562	0	562
Net Interest on the net defined benefit liability (asset)	Annex C (Pg 110)	36,753	(3,664)	33,089	31,782	(3,364)	28,418
Investment interest income		0	(143)	(143)	0	(15)	(15)
		37,337	(3,807)	33,530	32,344	(3,379)	28,965
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27	0	(372)	(372)	0	(163)	(163)
Income from Council Tax	28	0	(43,799)	(43,799)	0	(45,162)	(45,162)
Council Tax Grant (Freeze & Support)	27	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	27	0	(31,007)	(31,007)	0	(33,222)	(33,222)
Home Office Police Grant	27	0	(28,935)	(28,935)	0	(31,207)	(31,207)
PFI Grant	27	0	(687)	(687)	0	(688)	(688)
		0	(109,650)	(109,650)	0	(115,292)	(115,292)
(Surplus) or Deficit on Provision of Services		178,138	(143,491)	34,647	182,861	(152,889)	29,972
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation losses (chargeable to revaluation reserve)	9			(342)			(3,002)
Impairment losses (chargeable to revaluation reserve)	9			225			1,449
Surplus or deficit on revaluation of available for sale financial assets				0			0
Actuarial (gains) / losses on pension assets / liabilities							
- Matching the entry to the pensions reserve	Annex C (Pg 110)			(114,580)			230,435
Other Comprehensive Income and Expenditure				(114,697)			228,882
Total Comprehensive Income and Expenditure				(80,050)			258,854

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).

Comprehensive Income and Expenditure Statement – PCC

Comprehensive Income and Expenditure Statement (PCC)	Notes	PCC	PCC	PCC	PCC	PCC	PCC
		2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	14,008	(18,739)	(4,731)	16,723	(23,911)	(7,188)
Funding Provided by PCC to CC		117,564	0	117,564	125,085	0	125,085
Cost of Policing and Crime Services		131,572	(18,739)	112,833	141,808	(23,911)	117,897
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	9e	0	(57)	(57)	0	(175)	(175)
Transfer to Pension Fund/Pension Top Up Grant		19,942	(19,942)	0	19,190	(19,190)	0
		19,942	(19,999)	(57)	19,190	(19,365)	(175)
Financing and Investment Income and Expenditure							
Interest payable on PFI unitary payments		584	0	584	562	0	562
Net Interest on the net defined benefit liability (asset)	Annex C (Pg 111)	135	(103)	32	102	(76)	26
Investment interest income		0	(143)	(143)	0	(15)	(15)
		719	(246)	473	664	(91)	573
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27	0	(372)	(372)	0	(163)	(163)
Income from Council Tax	28	0	(43,799)	(43,799)	0	(45,162)	(45,162)
Council Tax Grant (Freeze & Support)	27	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	27	0	(31,007)	(31,007)	0	(33,222)	(33,222)
Home Office Police Grant	27	0	(28,935)	(28,935)	0	(31,207)	(31,207)
PFI Grant	27	0	(687)	(687)	0	(688)	(688)
		0	(109,650)	(109,650)	0	(115,292)	(115,292)
(Surplus) or Deficit on Provision of Services		152,233	(148,634)	3,599	161,662	(158,659)	3,003
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation losses (chargeable to revaluation reserve)	9			(342)			(3,002)
Impairment losses (chargeable to revaluation reserve)	9			225			1,449
Surplus or deficit on revaluation of available for sale financial assets				0			0
Actuarial (gains) / losses on pension assets / liabilities							
- Matching the entry to the pensions reserve	Annex C (Pg 111)			(338)			102
Other Comprehensive Income and Expenditure				(455)			(1,451)
Total Comprehensive Income and Expenditure				3,144			1,552

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

Movement in Reserves Statement - Group

The figures for the group in 2020/21 are provided in the table below:

Movement in Reserves Statement (Group) Figures for 2020/21										
	Note	Balance at 1 April 2020	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2020/21	Balance at 31 March 2021
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	-	3,000	(29,972)	0	(29,972)	29,899	(73)	673	600	3,600
Earmarked Revenue Reserves	8	14,332	0	0	0	0	0	(673)	(673)	13,659
Earmarked Capital Reserves	8	4,294	0	0	0	0	0	0	0	4,294
Capital Receipts Reserve	19	2,096	0	0	0	85	85	0	85	2,181
Capital Grants Unapplied	19	5,695	0	0	0	97	97	0	97	5,792
Total Usable Reserves		29,417	(29,972)	0	(29,972)	30,081	109	0	109	29,526
Unusable Reserves										
Revaluation Reserve	20a	13,318	0	1,553	1,553	0	1,553	0	1,553	14,871
Capital Adjustment Account	20b	32,824	0	0	0	(2,373)	(2,373)	0	(2,373)	30,451
Police Pensions Reserve	20e	(1,203,170)	0	(222,690)	(222,690)	(21,300)	(243,990)	0	(243,990)	(1,447,160)
LGPS Pensions Reserve	20e	(63,207)	0	(7,745)	(7,745)	(3,853)	(11,598)	0	(11,598)	(74,805)
Collection Fund Adjustment Account	20c	(50)	0	0	0	(608)	(608)	0	(608)	(658)
Accumulated Absences Account	20d	(3,660)	0	0	0	(1,947)	(1,947)	0	(1,947)	(5,607)
Total Unusable Reserves		(1,223,945)	0	(228,882)	(228,882)	(30,081)	(258,963)	0	(258,963)	(1,482,908)
Total Reserves		(1,194,528)	(29,972)	(228,882)	(258,854)	0	(258,854)	0	(258,854)	(1,453,382)

The comparative figures for the group in 2019/20 are provided in the table below:

Movement in Reserves Statement (Group) 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	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2019/20	Balance at 31 March 2020
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	-	3,000	(34,647)	0	(34,647)	34,363	(284)	284	0	3,000
Earmarked Revenue Reserves	8	8,276	0	0	0	0	0	6,056	6,056	14,332
Earmarked Capital Reserves	8	10,634	0	0	0	0	0	(6,340)	(6,340)	4,294
Capital Receipts Reserve	19	2,096	0	0	0	0	0	0	0	2,096
Capital Grants Unapplied	19	6,144	0	0	0	(449)	(449)	0	(449)	5,695
Total Usable Reserves		30,150	(34,647)	0	(34,647)	33,914	(733)	0	(733)	29,417
Unusable Reserves										
Revaluation Reserve	20a	13,201	0	117	117	0	117	0	117	13,318
Capital Adjustment Account	20b	35,523	0	0	0	(2,699)	(2,699)	0	(2,699)	32,824
Police Pensions Reserve	20e	(1,296,300)	0	118,150	118,150	(25,020)	93,130	0	93,130	(1,203,170)
LGPS Pensions Reserve	20e	(54,038)	0	(3,570)	(3,570)	(5,599)	(9,169)	0	(9,169)	(63,207)
Collection Fund Adjustment Account	20c	(50)	0	0	0	0	0	0	0	(50)
Accumulated Absences Account	20d	(3,064)	0	0	0	(596)	(596)	0	(596)	(3,660)
Total Unusable Reserves		(1,304,728)	0	114,697	114,697	(33,914)	80,783	0	80,783	(1,223,945)
Total Reserves		(1,274,578)	(34,647)	114,697	80,050	0	80,050	0	80,050	(1,194,528)

Movement in Reserves Statement – PCC

The figures for the PCC Single Entity in 2020/21 are provided in the table below:

Movement in reserves Statement (PCC) Figures for 2020/21										
	Note	Balance at 1 April 2020	Surplus/(deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2020/21	Balance at 31 March 2021
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	-	3,000	(3,003)	0	(3,003)	2,930	(73)	673	600	3,600
Earmarked Revenue Reserves	8	14,332	0	0	0	0	0	(673)	(673)	13,659
Earmarked Capital Reserves	8	4,294	0	0	0	0	0	0	0	4,294
Capital Receipts Reserve	19	2,096	0	0	0	85	85	0	85	2,181
Capital Grants Unapplied	19	5,695	0	0	0	97	97	0	97	5,792
Total Usable Reserves		29,417	(3,003)	0	(3,003)	3,112	109	0	109	29,526
Unusable Reserves										
Revaluation Reserve	20a	13,318	0	1,553	1,553	0	1,553	0	1,553	14,871
Capital Adjustment Account	20b	32,824	0	0	0	(2,373)	(2,373)	0	(2,373)	30,451
LGPS Pensions Reserve	20e	(1,177)	0	(102)	(102)	(106)	(208)	0	(208)	(1,385)
Collection Fund Adjustment Account	20c	(50)	0	0	0	(608)	(608)	0	(608)	(658)
Accumulated Absences Account	20d	(44)	0	0	0	(25)	(25)	0	(25)	(69)
Total Unusable Reserves		44,871	0	1,451	1,451	(3,112)	(1,661)	0	(1,661)	43,210
Total Reserves		74,288	(3,003)	1,451	(1,552)	0	(1,552)	0	(1,552)	72,736

The comparative figures for 2019/20 are provided in the table below:

Movement in Reserves Statement (PCC) 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	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2019/20	Balance at 31 March 2020
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	-	3,000	(3,599)	0	(3,599)	3,315	(284)	284	0	3,000
Earmarked Revenue Reserves	8	8,276	0	0	0	0	0	6,056	6,056	14,332
Earmarked Capital Reserves	8	10,634	0	0	0	0	0	(6,340)	(6,340)	4,294
Capital Receipts Reserve	19	2,096	0	0	0	0	0	0	0	2,096
Capital Grants Unapplied	19	6,144	0	0	0	(449)	(449)	0	(449)	5,695
Total Usable Reserves		30,150	(3,599)	0	(3,599)	2,866	(733)	0	(733)	29,417
Unusable Reserves										
Revaluation Reserve	20a	13,201	0	117	117	0	117	0	117	13,318
Capital Adjustment Account	20b	35,523	0	0	0	(2,699)	(2,699)	0	(2,699)	32,824
LGPS Pensions Reserve	20e	(1,384)	0	338	338	(131)	207	0	207	(1,177)
Collection Fund Adjustment Account	20c	(50)	0	0	0	0	0	0	0	(50)
Accumulated Absences Account	20d	(8)	0	0	0	(36)	(36)	0	(36)	(44)
Available for Sale Financial Instruments Reserve		0	0	0	0	0	0	0	0	0
Total Unusable Reserves		47,282	0	455	455	(2,866)	(2,411)	0	(2,411)	44,871
Total Reserves		77,432	(3,599)	455	(3,144)	0	(3,144)	0	(3,144)	74,288

Balance Sheet – PCC & Group

Balance Sheet	Notes	PCC	PCC	Group	Group
		31 March 2020	31 March 2021	31 March 2020	31 March 2021
		£000s	£000s	£000s	£000s
Property, Plant & Equipment					
Land and Buildings	9	57,543	57,057	57,543	57,057
Vehicles	9	2,945	3,247	2,945	3,247
Information Technology Equipment	9	3,936	3,536	3,936	3,536
Furniture, Equipment & Plant	9	591	509	591	509
Assets Under Construction (Land & Buildings)	9	0	0	0	0
Investment Properties		10	10	10	10
		65,025	64,359	65,025	64,359
Intangible Assets - Software	11	3,328	2,307	3,328	2,307
Long Term Assets		68,353	66,666	68,353	66,666
Short Term Investments	17	6,010	4,300	6,010	4,300
Assets held for sale (within 1yr)	10	0	259	0	259
Inventories		0	0	378	368
Short Term Debtors (external)	14	13,261	15,230	13,261	15,230
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	14	9,530	13,493	0	0
Short Term Debtors (funding balance owed to PCC by CC)	14	5,155	5,605	0	0
Cash and Cash Equivalents	CF6	1,271	5,482	1,271	5,482
Current Assets		35,227	44,369	20,920	25,639
Short Term Creditors (external)	15	(11,822)	(17,894)	(11,822)	(17,894)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	15	(4,927)	(5,317)	0	0
Short Term Creditors (funding balance due from PCC to CC)	15	(6,781)	(9,270)	0	0
PFI Finance Lease Liability Due within 1 Year	12	(182)	(206)	(182)	(206)
Donated Inventories Account		0	(30)	0	(30)
Current Liabilities		(23,712)	(32,717)	(12,004)	(18,130)
Provisions	16	0	0	(1,017)	(1,395)
Other Long Term Liabilities					
Pensions liability - Police	18	0	0	(1,203,170)	(1,447,160)
Pensions liability - LGPS	18	(1,177)	(1,385)	(63,207)	(74,805)
PFI Finance Lease Liability	12	(4,403)	(4,197)	(4,403)	(4,197)
Long Term Liabilities		(5,580)	(5,582)	(1,271,797)	(1,527,557)
Net Assets / Net (Liabilities)		74,288	72,736	(1,194,528)	(1,453,382)
Usable reserves	19				
Police Fund		3,000	3,600	3,000	3,600
Earmarked reserves (revenue)	8	14,332	13,659	14,332	13,659
Earmarked reserves (capital)	8	4,294	4,294	4,294	4,294
Capital Receipts Reserve	7	2,096	2,181	2,096	2,181
Capital Grants Unapplied	7	5,695	5,792	5,695	5,792
		29,417	29,526	29,417	29,526
Unusable Reserves	20				
Revaluation Reserve	20a	13,318	14,871	13,318	14,871
Capital Adjustment Account	20b	32,824	30,451	32,824	30,451
Pensions Reserve - Police	20e	0	0	(1,203,170)	(1,447,160)
Pensions Reserve - LGPS	20e	(1,177)	(1,385)	(63,207)	(74,805)
Collection Fund Adjustment Account	20c	(50)	(658)	(50)	(658)
Accumulated Absences Account	20d	(44)	(69)	(3,660)	(5,607)
		44,871	43,210	(1,223,945)	(1,482,908)
Total Reserves		74,288	72,736	(1,194,528)	(1,453,382)

The unaudited accounts were issued on 30 June 2021.

Signature removed for the purposes of publishing on website

Signed:

Roger Marshall, Joint Chief Finance Officer.

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)	See Note Below	PCC 2019/20 £000s	PCC 2020/21 £000s	Group 2019/20 £000s	Group 2020/21 £000s
Net (Surplus) or Deficit on the provision of services		3,599	3,003	34,647	29,972
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(3,782)	(8,247)	(34,830)	(35,216)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	CF2	0	85	0	85
Net cash (inflow)/ outflow from Operating Activities	CF3	(183)	(5,159)	(183)	(5,159)
Investing Activities	CF4	3,817	766	3,817	766
Financing Activities	CF5	160	182	160	182
Net (increase) or decrease in cash and cash equivalents		3,794	(4,211)	3,794	(4,211)
Cash and cash equivalents at the beginning of the reporting period		(5,065)	(1,271)	(5,065)	(1,271)
Cash and cash equivalents at the end of the reporting period	CF6	(1,271)	(5,482)	(1,271)	(5,482)
Notes to the Cash Flow Statement					
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:					
Depreciation & Amortisation		(5,017)	(5,185)	(5,017)	(5,185)
Impairment & Downward Valuations		(1,151)	(610)	(1,151)	(610)
Carrying amount of non current assets - sold		0	0	0	0
Grants applied to the financing of capital expenditure		372	163	372	163
Pension Liability (Contributions to/from Pensions Reserve)		(131)	(106)	(30,619)	(25,153)
Creditors - Change in Balance Sheet		(221)	(6,072)	(221)	(6,072)
Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		(861)	100	(861)	100
Creditors - Adjustment re CC Share of Debtors		(692)	(390)	0	0
Creditors - Adjustment re Balance of Funding due from PCC to CC		823	(2,489)	0	0
Debtors - Change in Balance Sheet		2,266	1,969	2,266	1,969
Debtors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		4	0	4	0
Debtors - Change in Balance Sheet (Adjustment for Investment Interest)		(24)	(10)	(24)	(10)
Debtors - Adjustment re CC Share of Creditors		45	3,963	0	0
Debtors - Adjustment re Balance of Funding due from CC to PCC		805	450	0	0
Stock - Change in Balance Sheet		0	0	105	(10)
Donated Inventory - Change in Balance Sheet		0	(30)	0	(30)
Provisions - Change in Balance Sheet		0	0	316	(378)
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(3,782)	(8,247)	(34,830)	(35,216)

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)	PCC 2019/20 £000s	PCC 2020/21 £000s	Group 2019/20 £000s	Group 2020/21 £000s
CF2 - The Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities are made up as follows:				
Proceeds from the Sale of Property, Plant & Equipment and Intangibles	0	85	0	85
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	85	0	85
CF3 - The cash flows from <i>Operating Activities</i> include the following items:				
Interest received	(167)	(25)	(167)	(25)
Interest Paid	566	571	566	571
CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:				
Purchase of property, plant and equipment and intangible assets	7,189	2,714	7,189	2,714
Purchase of short-term and long-term investments	30,374	43,600	30,374	43,600
Proceeds from the sale of property, plant and equipment and intangible assets	0	(85)	0	(85)
Proceeds from short-term and long-term investments	(33,374)	(45,300)	(33,374)	(45,300)
Other receipts from investing activities	(372)	(163)	(372)	(163)
Net cash flows from investing activities	3,817	766	3,817	766
CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:				
Other receipts from financing activities	0	0	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	160	182	160	182
Net cash flows from financing activities	160	182	160	182
CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:				
Bank current accounts	(25)	(21)	(25)	(21)
Short-term deposit with bank (overnight)	(444)	(663)	(444)	(663)
Investments in Money Market Funds (available on demand)	(802)	(4,798)	(802)	(4,798)
Total Cash and Cash Equivalents	(1,271)	(5,482)	(1,271)	(5,482)

Accounting Policy - Cash and Cash Equivalents

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

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

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

Index of Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. Where the figures provided are different for the Group and PCC Single Entity either separate notes will be provided or a single note will show the respective figures in different columns, these will be headed Group or PCC. Where the figures are the same for the group and single entity a single note is provided, this is headed up PCC/Group. As a general rule, the column showing the figures for 2020/21 will be highlighted, whilst the comparatives for 2019/20 (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 95-97. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

1 Accounting Policies

There are a number of accounting policies that determine how items within the accounts are treated. Where these accounting policies relate to a particular note to the accounts, the accounting policy will now be shown alongside that note in a grey text box. Where an accounting policy is more generic and applicable across the statement accounts it will continue to be shown in a separate technical annex, **Annex A** (see pages 98-100).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 98 to 100), the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Commissioner is deemed to control the services provided under the PFI agreement in relation to the West Cumbria TPA HQ at Workington. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement. The Commissioner has a number of options regarding ownership of the PFI building beyond the initial 25 year contract period including the right to purchase the asset for half of its market value at that time. In December 2015, the PFI building at Hall Brow Workington experienced flooding for the second time in six years. The impact of the flooding on the building highlighted resilience issues for the longer term in respect of both custody and deployment. As a result, options for the future provision of the police estate in West Cumbria are under review and the capital programme for 2021/22 and beyond includes an indicative scheme which seeks to address those resilience issues and provide a longer term solution to the PFI arrangement. In accounting for the PFI contract it is assumed that there is reasonable certainty that the Commissioner will exercise the right to purchase the building. Accordingly the PFI land and building are recognised as property, plant and equipment in the Commissioner's balance sheet at full value of £7.3m. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its market value at the end of the PFI period are also shown on the balance sheet. As the PFI contract approaches its end it may be necessary to reflect an additional liability to recognise that the market value of the asset may exceed the construction cost.

3 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Joint Chief Finance Officer on 30 June 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting Policy - Events after the Balance Sheet Date

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

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

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

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

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

The items in the Commissioner's group balance sheet as at 31 March 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Land and buildings assets are revalued on a two year rolling basis. Therefore the value of the assets that have not been subject to valuation in the financial year may not reflect the true value of that asset.</p> <p>Each year the valuer conducts an impairment review, whilst the valuer has concluded that there are no impairments of land and building valuations as at 31/03/21, he has noted that "as a result of the covid-19 pandemic there is 'material valuation uncertainty' which means that there is less certainty and more caution needed with regards to the valuations". The valuer has advised the need to keep valuations under regular review.</p> <p>At the balance sheet date 31 March 2021 the value of property, plant and equipment was £64m.</p>	<p>Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an annual impairment review, and biennial revaluations, the impact of this is thought to be immaterial. The ongoing impact of the covid-19 pandemic on property values is being monitored.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).</p> <p>At the balance sheet date, the liability in respect of the LGPS pension scheme was £75m and for the police pension scheme was £1,447m.</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>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts (Annex C) Pension Disclosures (pages 107-118).</p>

5 Expenditure and Funding Analysis

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

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

The figures for the group in 2020/21 are provided in the table below:

Expenditure and Funding Analysis (Group)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	Group 2020/21 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	89,877	0	89,877	(5,710)	84,167
PCSO Pay & Allowances	2,533	0	2,533	204	2,737
Police Staff Pay & Allowances	26,121	0	26,121	2,187	28,308
Other Employee Budgets	3,119	0	3,119	0	3,119
Premises Related Expenditure	4,640	0	4,640	0	4,640
Transport Related Expenditure	2,114	0	2,114	0	2,114
Supplies & Services Expenditure	12,665	0	12,665	0	12,665
Third Party Related Expenditure	6,779	0	6,779	0	6,779
Technical Accounting Adjustments	6,234	(5,185)	1,049	4,747	5,796
Income from Fees & Charges	(5,227)	0	(5,227)	0	(5,227)
Grants & Contributions	(28,816)	0	(28,816)	0	(28,816)
Non distributed costs	0	0	0	53	53
Termination Payments	139	0	139	0	139
Net Cost of Services	120,178	(5,185)	114,993	1,481	116,474
Other Income and Expenditure	(114,920)	0	(114,920)	28,418	(86,502)
(Surplus)/Deficit on the Provision of Services	5,258	(5,185)	73	29,899	29,972
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2020	(3,000)	(14,332)	(4,294)	(21,626)	
Less Deficit on Police Fund Balance in Year	(600)	673	0	73	
Closing Police Fund Balance at 31 March 2021	(3,600)	(13,659)	(4,294)	(21,553)	

Notes to the Accounts

The comparative figures for the group in 2019/20 are provided in the table below:

Expenditure and Funding Analysis (Group)	Group 2019/20				
	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	86,201	0	86,201	(3,500)	82,701
PCSO Pay & Allowances	2,560	0	2,560	(367)	2,193
Police Staff Pay & Allowances	23,705	0	23,705	3,983	27,688
Other Employee Budgets	3,053	0	3,053	0	3,053
Premises Related Expenditure	4,246	0	4,246	0	4,246
Transport Related Expenditure	2,295	0	2,295	0	2,295
Supplies & Services Expenditure	11,216	0	11,216	0	11,216
Third Party Related Expenditure	3,785	0	3,785	0	3,785
Technical Accounting Adjustments	7,441	(5,017)	2,424	3,744	6,168
Income from Fees & Charges	(6,351)	0	(6,351)	0	(6,351)
Grants & Contributions	(23,626)	0	(23,626)	0	(23,626)
Non distributed costs	0	0	0	(2,586)	(2,586)
Termination Payments	42	0	42	0	42
Net Cost of Services	114,567	(5,017)	109,550	1,274	110,824
Other Income and Expenditure	(109,266)	0	(109,266)	33,089	(76,177)
(Surplus)/Deficit on the Provision of Services	5,301	(5,017)	284	34,363	34,647
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2019	(3,000)	(8,276)	(10,634)	(21,910)	
Less Deficit on Police Fund Balance in Year	0	(6,056)	6,340	284	
Closing Police Fund Balance at 31 March 2020	(3,000)	(14,332)	(4,294)	(21,626)	

Notes to the Accounts

The figures for the PCC in 2020/21 are provided in the table below:

Expenditure and Funding Analysis (PCC)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	PCC 2020/21 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	19,190	0	19,190	0	19,190
Police Staff Pay & Allowances	1,086	0	1,086	79	1,165
Other Employee Budgets	73	0	73	0	73
Premises Related Expenditure	(1,204)	0	(1,204)	0	(1,204)
Transport Related Expenditure	(869)	0	(869)	0	(869)
Supplies & Services Expenditure	(2,287)	0	(2,287)	0	(2,287)
Third Party Related Expenditure	5,071	0	5,071	0	5,071
Technical Accounting Adjustments	8,156	(5,185)	2,971	2,825	5,796
Income from Fees & Charges	(5,227)	0	(5,227)	0	(5,227)
Grants & Contributions	(28,816)	0	(28,816)	0	(28,816)
Non distributed costs	(80)	0	(80)	0	(80)
Funding Provided by PCC to CC	125,085	0	125,085	0	125,085
Net Cost of Services	120,178	(5,185)	114,993	2,904	117,897
Other Income and Expenditure	(114,920)	0	(114,920)	26	(114,894)
(Surplus)/Deficit on the Provision of Services	5,258	(5,185)	73	2,930	3,003
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2019	(3,000)	(14,332)	(4,294)	(21,626)	
Less Deficit on Police Fund Balance in Year	(600)	673	0	73	
Closing Police Fund Balance at 31 March 2020	(3,600)	(13,659)	(4,294)	(21,553)	

Notes to the Accounts

The comparative figures for the PCC in 2019/20 are provided in the table below:

Expenditure and Funding Analysis (PCC)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	PCC 2019/20 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	19,942	0	19,942	0	19,942
Police Staff Pay & Allowances	1,625	0	1,625	83	1,708
Other Employee Budgets	49	0	49	0	49
Premises Related Expenditure	(1,182)	0	(1,182)	0	(1,182)
Transport Related Expenditure	(944)	0	(944)	0	(944)
Supplies & Services Expenditure	(2,142)	0	(2,142)	0	(2,142)
Third Party Related Expenditure	2,289	0	2,289	0	2,289
Technical Accounting Adjustments	8,001	(5,017)	2,984	3,184	6,168
Income from Fees & Charges	(6,351)	0	(6,351)	0	(6,351)
Grants & Contributions	(23,626)	0	(23,626)	0	(23,626)
Non distributed costs	(658)	0	(658)	16	(642)
Funding Provided by PCC to CC	117,564	0	117,564	0	117,564
Net Cost of Services	114,567	(5,017)	109,550	3,283	112,833
Other Income and Expenditure	(109,266)	0	(109,266)	32	(109,234)
(Surplus)/Deficit on the Provision of Services	5,301	(5,017)	284	3,315	3,599
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2019	(3,000)	(8,276)	(10,634)	(21,910)	
Less Deficit on Police Fund Balance in Year	0	(6,056)	6,340	284	
Closing Police Fund Balance at 31 March 2020	(3,000)	(14,332)	(4,294)	(21,626)	

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 to arrive at the amounts in the Comprehensive Income and Expenditure Statement (pages 29-30). The relevant transfers between reserves are explained in the Movement in Reserves Statement (pages 31-32).

The figures for the Group for 2020/21 are set out in the table below:

Note to the Expenditure and Funding Analysis (Group)	Depreciation	Rental Income	Total to arrive at amount charged to the Police Fund	Group 2020/21 Adjustment for capital purposes (See below)	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services							
Police Officer Pay & Allowances	0	0	0	0	(5,710)	0	(5,710)
PCSO Pay & Allowances	0	0	0	0	204	0	204
Police Staff Pay & Allowances	0	0	0	0	2,187	0	2,187
Technical Accounting Adjustments	(5,185)	0	(5,185)	2,191	0	2,556	4,747
Non distributed costs	0	0	0	0	53	0	53
Net Cost of Services	(5,185)	0	(5,185)	2,191	(3,266)	2,556	1,481
Other Income and Expenditure	0	0	0	0	28,418	0	28,418
(Surplus)/Deficit on the Provision of Services	(5,185)	0	(5,185)	2,191	25,152	2,556	29,899
Further Analysis of Adjustments							
Depreciation/Amortisation				5,185	0	0	5,185
Minimum Revenue Provision (MRP)				(608)	0	0	(608)
Revaluations				610	0	0	610
Direct Revenue Contribution				(2,748)	0	0	(2,748)
Capital Grant Reversal				(163)	0	0	(163)
Pofit & Loss on Sale of FA				(85)	0	0	(85)
Police Pensions - Interest on Liabilities				0	27,010	0	27,010
Police Pensions - Reverse Employer Contributions				0	(34,370)	0	(34,370)
Police Pensions - Current Service Cost				0	28,660	0	28,660
LGPS - Interest on Liabilities				0	4,772	0	4,772
LGPS - Return on Plan Assets				0	(3,364)	0	(3,364)
LGPS - Reverse Employer Contributions				0	(3,983)	0	(3,983)
LGPS - Current Service Cost				0	6,375	0	6,375
LGPS - Non Distributed Costs				0	53	0	53
Collection Fund Adjustment				0	0	608	608
Accumulated Absences Account Adj				0	0	1,947	1,947
Total Adjustments				2,191	25,153	2,555	29,899

The comparative figures for the Group for 2019/20 are set out in the table below:

Note to the Expenditure and Funding Analysis (Group)	Group 2019/20						
	Depreciation	Rental Income	Total to arrive at amount charged to the Police Fund	Adjustment for capital purposes (See below)	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services							
Police Officer Pay & Allowances	0	0	0	0	(3,500)	0	(3,500)
PCSO Pay & Allowances	0	0	0	0	(367)	0	(367)
Police Staff Pay & Allowances	0	0	0	0	3,983	0	3,983
Technical Accounting Adjustments	(5,017)	0	(5,017)	3,148	0	596	3,744
Non distributed costs	0	0	0	0	(2,586)	0	(2,586)
Net Cost of Services	(5,017)	0	(5,017)	3,148	(2,470)	596	1,274
Other Income and Expenditure	0	0	0	0	33,089	0	33,089
(Surplus)/Deficit on the Provision of Services	(5,017)	0	(5,017)	3,148	30,619	596	34,363
Further Analysis of Adjustments							
Depreciation/Amortisation				5,017	0	0	5,017
Minimum Revenue Provision (MRP)				(486)	0	0	(486)
Revaluations				1,151	0	0	1,151
Direct Revenue Contribution				(2,162)	0	0	(2,162)
Capital Grant Reversal				(372)	0	0	(372)
Police Pensions - Interest on Liabilities				0	31,780	0	31,780
Police Pensions - Reverse Employer Contributions				0	(34,130)	0	(34,130)
Police Pensions - Current Service Cost				0	30,630	0	30,630
Police Pensions - Non Distributed Costs				0	(3,260)	0	(3,260)
LGPS - Interest on Liabilities				0	4,973	0	4,973
LGPS - Return on Plan Assets				0	(3,664)	0	(3,664)
LGPS - Reverse Employer Contributions				0	(3,135)	0	(3,135)
LGPS - Current Service Cost				0	6,751	0	6,751
LGPS - Non Distributed Costs				0	674	0	674
Accumulated Absences Account Adj				0	0	596	596
Total Adjustments				3,148	30,619	596	34,363

Notes to the Accounts

The figures for the PCC for 2020/21 are set out in the table below:

Note to the Expenditure and Funding Analysis (PCC)	Depreciation	Rental Income	Total to arrive at amount charged to the Police Fund	PCC 2020/21 Adjustment for capital purposes (See below)	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services							
Police Staff Pay & Allowances	0	0	0	0	79	0	79
Technical Accounting Adjustments	(5,185)	0	(5,185)	2,191	0	634	2,825
Net Cost of Services	(5,185)	0	(5,185)	2,191	79	634	2,904
Other Income and Expenditure	0	0	0	0	26	0	26
(Surplus)/Deficit on the Provision of Services	(5,185)	0	(5,185)	2,191	105	634	2,930
Further Analysis of Adjustments							
Depreciation/Amortisation				5,185	0	0	5,185
Minimum Revenue Provision (MRP)				(608)	0	0	(608)
Revaluations				610	0	0	610
Direct Revenue Contribution				(2,748)	0	0	(2,748)
Capital Grant Reversal				(163)	0	0	(163)
Profit & Loss on Sale of FA				(85)	0	0	(85)
LGPS - Interest on Liabilities				0	102	0	102
LGPS - Return on Plan Assets				0	(76)	0	(76)
LGPS - Reverse Employer Contributions				0	(89)	0	(89)
LGPS - Current Service Cost				0	169	0	169
Collection Fund Adjustment				0	0	608	608
Accumulated Absences Account Adj				0	0	25	25
Total Adjustments				2,191	106	633	2,930

Notes to the Accounts

The comparative figures for the PCC for 2019/20 are set out in the table below:

Note to the Expenditure and Funding Analysis (PCC)	PCC 2019/20						
	Depreciation £000s	Rental Income £000s	Total to arrive at amount charged to the Police Fund £000s	Adjustment for capital purposes (See below) £000s	Net change for the Pensions Adjustment (See below) £000s	Other Differences (See below) £000s	Total Adjustment Between funding and accounting basis £000s
Cost of Policing & Crime Services							
Police Staff Pay & Allowances	0	0	0	0	83	0	83
Technical Accounting Adjustments	(5,017)	0	(5,017)	3,148	0	36	3,184
Non distributed costs	0	0	0	0	16	0	16
Net Cost of Services	(5,017)	0	(5,017)	3,148	99	36	3,283
Other Income and Expenditure	0	0	0	0	32	0	32
(Surplus)/Deficit on the Provision of Services	(5,017)	0	(5,017)	3,148	131	36	3,315
Further Analysis of Adjustments							
Depreciation/Amortisation				5,017	0	0	5,017
Minimum Revenue Provision (MRP)				(486)	0	0	(486)
Revaluations				1,151	0	0	1,151
Direct Revenue Contribution				(2,162)	0	0	(2,162)
Capital Grant Reversal				(372)	0	0	(372)
LGPS - Interest on Liabilities				0	135	0	135
LGPS - Return on Plan Assets				0	(103)	0	(103)
LGPS - Reverse Employer Contributions				0	(75)	0	(75)
LGPS - Current Service Cost				0	158	0	158
LGPS - Non Distributed Costs				0	16	0	16
Accumulated Absences Account Adj				0	0	36	36
Total Adjustments				3,148	131	36	3,315

6 Expenditure and Income Analysed by Nature

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

Expenditure and Income	PCC	PCC	Group	Group
	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s
Expenditure				
Police Pay & Allowances	19,942	19,190	86,201	89,877
PCSO Pay & Allowances	0	0	2,560	2,533
Police Staff Pay & Allowances	966	1,086	23,046	26,121
Other Employee Costs	50	73	3,054	3,119
Premises Related Costs	(1,182)	(1,204)	4,246	4,640
Transport Related Costs	(944)	(869)	2,295	2,114
Supplies & Services	(2,142)	(2,287)	11,216	12,665
Third Party Payments	2,289	5,071	3,785	6,779
External Interest	584	562	584	562
Loss on the Disposal of Assets	(57)	(175)	(57)	(175)
Technical Accounting Adjustments	2,984	3,578	2,424	1,656
Pension Adjustments	(16)	(80)	3,244	(53)
Non Distributed Costs	16	0	(2,586)	53
Termination Payments	0	0	42	139
Funding Between PCC & CC	117,564	125,085	0	0
Total Expenditure	140,054	150,030	140,054	150,030
Income				
Income from Fees & Charges	(6,351)	(5,227)	(6,351)	(5,227)
Investment Property Rental Income	0	0	0	0
Income from Grant & Contributions	(3,684)	(9,626)	(3,684)	(9,626)
Interest & Investment Income	(143)	(15)	(143)	(15)
PFI Grant	(687)	(687)	(687)	(687)
Pensions Top Up grant (Home Office)	(19,942)	(19,190)	(19,942)	(19,190)
Total Income	(30,807)	(34,745)	(30,807)	(34,745)
Use of Reserves				
Transfer to Earmarked Reserves (Revenue)	6,056	(673)	6,056	(673)
Transfer from Earmarked Reserves (Capital)	(6,340)	0	(6,340)	0
Transfer to General Reserves	0	600	0	600
	(284)	(73)	(284)	(73)
External Financing				
Income from Council Tax	(43,799)	(45,162)	(43,799)	(45,162)
Collection Fund Adjustment	0	(608)	0	(608)
General Government Grants				
- Home Office Police Grant	(28,935)	(31,207)	(28,935)	(31,207)
- Home Office Capital Grant & Other Capital Grants	(372)	(163)	(372)	(163)
- Council Tax Grants (Freeze & Support)	(4,850)	(4,850)	(4,850)	(4,850)
Formula Funding	(31,007)	(33,222)	(31,007)	(33,222)
Total	(108,963)	(115,212)	(108,963)	(115,212)
Deficit on the Provision of Services	0	0	0	0

7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

The figures for the Group for 2020/21 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance £000s	Group Capital Receipts Reserve £000s	Group Capital Grants Unapplied £000s	Group Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	25,153	0	0	25,153
- Council tax (transfers to or from Collection Fund)	20c/28	608	0	0	608
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	1,947	0	0	1,947
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	5,632	0	163	5,795
Total Adjustments to the Revenue Resources		33,340	0	163	33,503
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(85)	85	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	0	0	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	31	(608)	0	0	(608)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	29a	(2,748)	0	0	(2,748)
Total Adjustments between Revenue and Capital Resources		(3,441)	85	0	(3,356)
Adjustments to Capital Resources					
- Application of capital grants to finance capital expenditure	20b	0	0	(66)	(66)
Total Adjustments to Capital Resources		0	0	(66)	(66)
Total Adjustments		29,899	85	97	30,081

Notes to the Accounts

The comparative figures for the Group for 2019/20 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance £000s	Group Capital Receipts Reserve £000s	Group Capital Grants Unapplied £000s	Group Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	30,619	0	0	30,619
- Council tax (transfers to or from Collection Fund)	20c/29	0	0	0	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	596	0	0	596
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	5,796	0	372	6,168
Total Adjustments to the Revenue Resources		37,011	0	372	37,383
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	0	0	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	31	(486)	0	0	(486)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	29a	(2,162)	0	0	(2,162)
Total Adjustments between Revenue and Capital Resources		(2,648)	0	0	(2,648)
Adjustments to Capital Resources					
- Application of capital grants to finance capital expenditure	20b	0	0	(821)	(821)
Total Adjustments to Capital Resources		0	0	(821)	(821)
Total Adjustments		34,363	0	(449)	33,914

Notes to the Accounts

The figures for the PCC for 2020/21 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	PCC Police Fund Balance £000s	PCC Capital Receipts Reserve £000s	PCC Capital Grants Unapplied £000s	PCC Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	106	0	0	106
- Council tax (transfers to or from Collection Fund)	20c/29	608	0	0	608
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	25	0	0	25
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	5,632	0	163	5,795
Total Adjustments to the Revenue Resources		6,371	0	163	6,534
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(85)	85	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	0	0	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	31	(608)	0	0	(608)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	29a	(2,748)	0	0	(2,748)
Total Adjustments between Revenue and Capital Resources		(3,441)	85	0	(3,356)
Adjustments to Capital Resources					
- Application of capital grants to finance capital expenditure	20b	0	0	(66)	(66)
Total Adjustments to Capital Resources		0	0	(66)	(66)
Total Adjustments		2,930	85	97	3,112

The comparative figures for the PCC for 2019/20 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	PCC Police Fund Balance £000s	PCC Capital Receipts Reserve £000s	PCC Capital Grants Unapplied £000s	PCC Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	131	0	0	131
- Council tax (transfers to or from Collection Fund)	20c/29	0	0	0	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	36	0	0	36
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	5,796	0	372	6,168
Total Adjustments to the Revenue Resources		5,963	0	372	6,335
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	0	0	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	31	(486)	0	0	(486)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	29a	(2,162)	0	0	(2,162)
Total Adjustments between Revenue and Capital Resources		(2,648)	0	0	(2,648)
Adjustments to Capital Resources					
- Application of capital grants to finance capital expenditure	20b	0	0	(821)	(821)
Total Adjustments to Capital Resources		0	0	(821)	(821)
Total Adjustments		3,315	0	(449)	2,866

8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund balances in earmarked reserves to provide financing for future expenditure plans and the movement on earmarked reserves during 2020/21 (and comparatives for 2019/20).

Earmarked Reserves	Note	PCC/Group	PCC/Group	PCC/Group	PCC/Group	PCC/Group
		Balance	Movement	Balance	Movement	Balance
		01 April	in 2019/20	31 March	in 2020/21	31 March
		2019		2020		2021
		£000s	£000s	£000s	£000s	£000s
Revenue Reserves						
Future Liability Reserves						
Insurance Reserve	1	1,223	(37)	1,186	92	1,278
PFI - Lifecycle Replacements	2	274	(18)	256	9	265
Commissioned Services Reserve	3	981	108	1,089	619	1,708
Motor Claim	4	0	0	0	0	0
		2,478	53	2,531	720	3,251
Budget Stabilisation Reserves						
Chief Constable's Contingency	5	500	0	500	0	500
Chief Constable's Operational Reserve	6	250	0	250	0	250
PCC Operational Reserve	7	250	0	250	0	250
Budget Support Reserve	8	2,840	4,834	7,674	(1,314)	6,360
Body Armour (Future Roll Out)	9	191	46	237	50	287
75% Tax Income Guarantee Scheme		0	0	0	383	383
		4,031	4,880	8,911	(881)	8,030
Short Term Project Reserves	10					
Cumbria Road Safety Initiatives		269	(244)	25	0	25
Injury Pensions/ESA		0	0	0	0	0
The Bridgeway (SASS)		750	(1)	749	4	753
Safer Cumbria Delivery Board		84	(39)	45	(23)	22
HQ Security		80	50	130	50	180
Anti-Corruption Consultancy		0	0	0	0	0
Workforce 2025		0	0	0	0	0
Red Sigma (Durham Collaboration)		407	(155)	252	(144)	108
Business Intelligence		143	(85)	58	(30)	28
Business Transformation		34	1,141	1,175	(656)	519
Cohort Software		0	25	25	(25)	0
Learning and Development		0	195	195	(195)	0
Covid 19 Recovery		0	236	236	457	693
CO - Demand Risk Resourcing		0	0	0	50	50
		1,767	1,123	2,890	(512)	2,378
Total Earmarked Revenue Reserves		8,276	6,056	14,332	(673)	13,659
Capital Reserves	11					
General Capital Reserve		3,215	(3,215)	0	0	0
Estates North Flood Management		3,628	(3,628)	0	0	0
Estates West Flood Management		3,497	503	4,000	0	4,000
Workington Land Purchase		0		0	0	0
HQ adaptations		294	0	294	0	294
						0
Total Earmarked Capital Reserves		10,634	(6,340)	4,294	0	4,294

The purpose of the groups or individual reserves are as follows:

1. Insurance Reserve – to offset any insurance claims not specifically detailed in the insurance provision.
2. PFI Lifecycle Replacements – to equalise the impact on the comprehensive income and expenditure statement of changing levels of grant income and charges over the period of the PFI contract.
3. Commissioned Services Reserve – to provide resources for future expenditure on existing commitments under PCC commissioned services.
4. Chief Constables Contingency – reserve held to meet an increase in budget pressure arising in year as a result of budgeting risks taken during the budget process. The establishment of this reserve supported a reduction in the ongoing revenue budget requirement.
5. Chief Constables Operational Reserve – to provide resources to assist in funding unexpected major events, if necessary. The Home Office Financial Management Code recommends that there should be an operational contingency.
6. PCC Operational Reserve – to provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected expenditure/budget pressures in line with the Commissioner's responsibilities. The Home Office Financial Management Code recommends that there should be an operational contingency.
7. Budget Support Reserve – to meet the medium term risks associated with balancing the budget in the context of current funding uncertainties and Covid-19.
8. Body Armour Future Roll Out – to equalise the impact on the comprehensive income and expenditure statement of changing levels of expenditure due to the cyclical nature of body armour replacement.
9. 75% Council Tax Income Guarantee Scheme – as part of the Spending Review the Government confirmed that it would compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21. This grant was recognised in 2020/21 and has been transferred to reserve to be drawn down over the next 3 years to smooth the effects of the increase in council tax deficit which is being recovered from precepting bodies by district councils over a 3 year period.
10. Short Term Project Reserves – To support a variety of locally managed initiatives granted under the scheme of devolved resource management. These are primarily multi-year technology based projects or resources to provide funding for unbudgeted revenue costs within the 2020/21 or 2021/22 financial year.
11. Capital Reserves – the capital reserve holds direct contributions from the revenue budget to fund capital schemes within the capital programme.

9 Property, Plant and Equipment

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

Property, Plant and Equipment	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2020	58,466	8,746	17,284	4,074	0	88,570	7,698
Additions	0	1,206	1,262	169	0	2,637	0
Enhancements	126	0	0	0	0	126	2
Revaluation increases/(decreases) recognised in the Revaluation Reserve	377	0	0	0	0	377	120
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(687)	0	0	0	0	(687)	0
Derecognition - Disposals	0	(970)	(1,567)	0	0	(2,537)	0
Assets reclassified (to)/from Held for Sale	(259)	0	0	0	0	(259)	0
At 31 March 2021	58,023	8,982	16,979	4,243	0	88,227	7,820
Accumulated Depreciation & Impairment							
At 1 April 2020	(923)	(5,801)	(13,348)	(3,483)	0	(23,555)	(490)
Depreciation Charge	(1,297)	(904)	(1,662)	(251)	0	(4,114)	(162)
Derecognition - Disposals	0	970	1,567	0	0	2,537	0
Depreciation written out to the Revaluation Reserve	1,177	0	0	0	0	1,177	307
Depreciation written out to the Surplus/Deficit on the Provision of Services	272	0	0	0	0	272	0
Impairment written out to the Surplus/Deficit on the Provision of Services	(195)	0	0	0	0	(195)	(195)
Depreciation as at 31 March 2021	(966)	(5,735)	(13,443)	(3,734)	0	(23,878)	(540)
Net Book Value							
At 31 March 2021	57,057	3,247	3,536	509	0	64,349	7,280
At 31 March 2020	57,543	2,945	3,936	591	0	65,015	7,208



The Constabulary now has 7 electric vehicles on the fleet. Five of which are liveried and 2 are currently used as unmarked pool vehicles. These vehicles are supported by a network of 14 electric vehicle charging points at HQ and the main deployment centres.

The comparative figures for 2019/20 are set out in the table below:

Property, Plant and Equipment	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2019	54,764	8,952	18,985	3,965	2,080	88,746	7,698
Additions	0	733	1,037	109	3,349	5,228	0
Additions from Assets under construction	5,429	0	0	0	(5,429)	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(193)	0	0	0	0	(193)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,534)	0	0	0	0	(1,534)	0
Derecognition - Disposals	0	(939)	(2,738)	0	0	(3,677)	0
At 31 March 2020	58,466	8,746	17,284	4,074	0	88,570	7,698
Accumulated Depreciation & Impairment							
At 1 April 2019	(362)	(5,767)	(14,209)	(3,089)	0	(23,427)	(328)
Depreciation Charge	(1,254)	(973)	(1,877)	(394)	0	(4,498)	(162)
Derecognition - Disposals	0	939	2,738	0	0	3,677	0
Depreciation written out to the Revaluation Reserve	310	0	0	0	0	310	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	383	0	0	0	0	383	0
Depreciation as at 31 March 2020	(923)	(5,801)	(13,348)	(3,483)	0	(23,555)	(490)
Net Book Value							
At 31 March 2020	57,543	2,945	3,936	591	0	65,015	7,208
At 31 March 2019	54,402	3,185	4,776	876	2,080	65,319	7,370



Construction on the Eden Deployment was completed in January 2020 (design image)

Accounting Policy - Property, Plant and Equipment

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

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

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

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

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Measurement (continued)

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

Component Accounting

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

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

9.a Valuations Rolling Programme

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

Valuations Rolling Programme	Land and Buildings	Vehicles	PCC/Group IT and Technology	Furniture Equipment & Plant	Assets Under Construction	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s
Carried at Historical Cost	260	8,982	16,979	3,838	0	30,059
Valued at Current Value as at:						
- 31 March 2021	30,754	0	0	0	0	30,754
- 31 March 2020	27,009	0	0	405	0	27,414
Total Cost or Valuation	58,023	8,982	16,979	4,243	0	88,227

Accounting Policy - Valuations

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

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

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

Accounting Policy – Valuations Material Estimation Techniques

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

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

9.b Impairment Review

The Commissioner's professional valuer, Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT, has made an assessment of the possible effects of material [impairment](#) to land and buildings during the financial year. His assessment was based on a number of specific criteria, which, in his opinion, could affect the valuation of assets. The outcome of the assessment process is the valuer has concluded that there are no impairments. The valuer has concluded that as a result of the ongoing covid-19 pandemic there remains 'material valuation uncertainty' which means that there is less certainty and more caution needed with regards to the valuations. The valuer advises that the property valuations are kept under frequent review.

Accounting Policy - Impairment

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

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

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

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

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

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

A brief analysis of the Commissioner's principal assets as at 31 March 2021 is set out below:

PCC	PCC/Group As at 31 March	
	2020 Number	2021 Number
HQ, TPA HQ & Larger Police Stations	9	9
Other Police Stations	9	9
Police Houses and other Properties	1	1
Surplus Properties/ Held for Sale/ Investment Properties	1	1
Vehicles	313	309

9.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2020/21 accounts.

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

The table below analyses the (gain)/loss on sale of property, plant and equipment for the year ended 31 March 2021.

Gain/Loss on Sale of Property, Plant and Equipment	Net Book Value £000s	PCC/Group		(Gain) / Loss 2020/21 £000s
		Costs of Sale £000s	Proceeds of Sale £000s	
Land and Buildings	0	0	0	0
Vehicles	0	2	(92)	(90)
ICT Equipment	0	0	(85)	(85)
Total	0	2	(177)	(175)

The comparative figures for 2019/20 are set out in the table below:

Gain/Loss on Sale of Property, Plant and Equipment	Net Book Value £000s	PCC/Group		(Gain) / Loss 2019/20 £000s
		Costs of Sale £000s	Proceeds of Sale £000s	
Land and Buildings	0	0	0	0
Vehicles	0	3	(60)	(57)
Total	0	3	(60)	(57)

Note in 2020/21 £92k (£60k in 2019/20) of receipts from proceeds of sale included in the above table were individually below the £10k threshold for recognition as [capital receipts](#) and have therefore been treated as revenue income. This explains why the capital receipts recorded in note 7 show £85k (£0k in 2019/20) rather than £177k (£60k in 2019/20) as above.

Accounting Policy - Capital Receipts

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

10 Assets Held for Sale

Assets held for sale relate to land and buildings assets that are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets. The assets are being actively marketed for a sale at a price that is reasonable in relation to its current [fair value](#). The sale is expected to qualify for recognition as a completed sale within one year from the date of classification. The table below shows the movement on Assets Held for Sale in 2020/21 with comparative information for 2019/20.

Assets Held for Sale	PCC/Group As at 31 March	
	2020 £000s	2021 £000s
Balance outstanding at start of year	0	0
Newly classified as held for sale	0	259
Balance outstanding at end of year	0	259

*At 31 March 2021 there was one asset classified as **held for sale**: a former police house in Kendal.*

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

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

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

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

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

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

11 Intangible Assets

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

A summary of the movements in intangible assets during the year and the position as at 31 March 2021 (with comparatives for 2019/20) is set out in the table below:

Intangible Assets	PCC/Group	
	2019/20 £000s	2020/21 £000s
Balance at start of year		
- Gross carrying amount	5,836	4,835
- Accumulated amortisation	(3,093)	(1,507)
Net carrying amount at start of year	2,743	3,328
Additions	1,104	50
Disposals	(2,105)	(534)
Amortisations for the period	(519)	(830)
Adjustment to Opening Balance	0	(241)
Amortisation adjustment re disposals	2,105	534
Net carrying amount at end of year	3,328	2,307
Comprising		
- Gross carrying amount	4,835	4,351
- Accumulated amortisation	(1,507)	(2,044)
	3,328	2,307

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

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

Accounting Policy - Intangible Assets

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

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

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

12 Private Finance Initiative (PFI)

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

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

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

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

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

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

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

12.a Movement on Fixed Assets

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

12.b PFI Finance Lease Liability

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

PFI Lease Liability	PCC/Group As at 31 March	
	2020 £000s	2021 £000s
Balance at the start of the year	(4,745)	(4,585)
Repayments made during year	160	182
Balance at the end of the year	(4,585)	(4,403)
Split of liability		
Current Liability	(182)	(206)
Long Term Liability	(4,403)	(4,197)
	(4,585)	(4,403)

12.c Payments Due to be made under PFI Contract

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

Payments Due under PFI Contract	PCC/Group			
	Repayment of Liability £000s	Interest Payments £000s	Service Costs £000s	Total £000s
Repayable within one year	206	538	573	1,317
Between two and five years	1,133	1,843	2,408	5,384
Between six and ten years	3,064	156	274	3,494
	4,403	2,537	3,255	10,195

The repayment of liability figures include a sum of £2,910k between 6 and 10 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 2 (page 37) for further explanation.

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

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

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

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

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

13 Leases

13.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

13.b Operating leases

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

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

Future Minimum Lease Payments	PCC/Group	
	As at 31 March	
	2020 £000s	2021 £000s
Not later than one year	215	196
Later than one year and not later than five years	124	124
Later than five years.	3,309	2,813
	3,648	3,133

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

Lease Expenditure Charged to Net Cost of Police Services	PCC/Group	PCC/Group
	2019/20 £000s	2020/21 £000s
Minimum Lease Payments		
- Land and Buildings	111	110
- Equipment	103	113
	214	223



North Cumbria Territorial Policing Area HQ – Carlisle

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

Accounting Policy - Leases

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

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

Finance leases (as Lessee)

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

Lease payments are apportioned between:

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

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

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

Operating Leases (as Lessee)

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

Finance Leases (as Lessor)

- There are currently no finance leases as a lessor.

Operating Leases (as Lessor)

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

14 Short-term Debtors

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

A breakdown of the amounts owing to the Commissioner as at 31 March 2021 is set out in the table below:

Short-term Debtors	PCC		Group	
	As at 31 March 2020 £000s	2021 £000s	As at 31 March 2020 £000s	2021 £000s
Trade Receivables	5,890	7,502	5,890	7,502
Prepayments/Payments in Advance	2,181	2,555	2,181	2,555
Other Receivable Amounts				
- Police Pensioners Prepayment	2,606	2,687	2,606	2,687
- Employees (accumulated compensating absences)	150	80	150	80
- Council Tax - Local Taxpayers (#)	2,764	3,472	2,764	3,472
- VAT Reimbursement	927	515	927	515
Less Impairment Allowance for Doubtful Debts:				
- Trade Receivables	(18)	(14)	(18)	(14)
- Local Taxpayers (#)	(1,239)	(1,567)	(1,239)	(1,567)
	13,261	15,230	13,261	15,230
Balances Owed From Chief Constable:				
- Re CC Share of External Creditors	9,530	13,493	0	0
- Re balance of Funding	5,155	5,605	0	0
Total Debtors	27,946	34,328	13,261	15,230

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

Debtors for Local Taxation

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

Council Tax Debtors	PCC/Group	
	31 March 2020 £000s	31 March 2021 £000s
Less than Three Months	57	65
Three to Six Months	27	31
Six Months to One Year	377	551
less than One year	646	805
More than One Year	1,657	2,020
	2,764	3,472

Please note, in the above table some district councils have provided the split of debtors over the wider categories of: less than 3 months, 3 to 6 months, 6 to 12 months and over 1 year whilst others have simply provided figures for under and over 1 year.

15 Short-term Creditors

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

An analysis of the amounts owed by the Commissioner as at 31 March 2021 is set out in the table below:

Short-term Creditors	PCC		Group	
	As at 31 March		As at 31 March	
	2020 £000s	2021 £000s	2020 £000s	2021 £000s
Trade Payables	(3,916)	(6,234)	(3,916)	(6,234)
Receipts in Advance	(155)	(961)	(155)	(961)
Employees (accumulated compensating absences)	(3,809)	(5,687)	(3,809)	(5,687)
Council Tax - Local Taxpayers	(831)	(1,037)	(831)	(1,037)
Council Tax - District Councils	(744)	(1,526)	(744)	(1,526)
HMRC PAYE Amounts Due	(2,367)	(2,449)	(2,367)	(2,449)
	(11,822)	(17,894)	(11,822)	(17,894)
Balances Owed to Chief Constable:				
- Re CC Share of External & Employee Debtors	(4,927)	(5,317)	0	0
- Re balance of Funding	(6,781)	(9,270)	0	0
Total Creditors	(23,530)	(32,481)	(11,822)	(17,894)

16 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 2021 is provided below:

- Insurance liabilities – this provision has been established to meet a number of eventualities from ongoing claims which are not covered by external insurers. In particular, liability risks up to £100k per event (this figure was £25k until 1 November 2014 when the policy excess was increased from £25k to £100k) are retained by the Commissioner and met internally. The provision for insurance liabilities is subject to an actuarial review on a bi-ennial basis to determine the most appropriate level for the provision based on the circumstances at the time of the review.
- Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.
- Employee Related – This provision 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.

The table below shows the movements during the year on each of the group provisions and the position as at 31 March 2021.

Provisions	Balance as at 01/04/20	Additional Provisions Made 2020/21	Amounts Used in 2020/21	Unused Amounts Reversed in 2020/21	Balance as at 31/03/21
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(362)	(95)	95	0	(362)
Legal Claims	(655)	(480)	102	0	(1,033)
Total Provisions	(1,017)	(575)	197	0	(1,395)

The comparative information for year ended 31 March 2020 is as follows:

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)

Accounting Policy – Provisions

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

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

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

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

17 Financial Instruments

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

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the PCC/Group are included in Section A of a separate technical appendix at Annex B on pages 101 to 106.

The disclosures include:

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

18 Pensions

The PCC/Group participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the PCC/Group are included in a separate technical appendix at Annex C on pages 107 to 118.

The disclosures include:

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

19 Usable Reserves

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

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

- **Capital Receipts Reserve** – this reserve is used to hold capital receipts until they are utilised to finance capital expenditure or reduce borrowing.
- **Capital Grants Unapplied Account** – this reserve is used to hold capital grants until they are utilised to finance capital expenditure.
- **Capital Reserve** – this reserve is a revenue backed earmarked reserve that has been set aside to fund capital expenditure.
- **Earmarked Reserves** - The Commissioner has a number of earmarked reserves that exist both to provide a **contingency** to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Commissioner's earmarked reserves have been formulated in conjunction with the **CIPFA** guidance on Reserves and **Provisions**. Details of the earmarked reserves in existence and a brief description as to their purpose is included in note 8 to the accounts (see pages 53-54).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 31 to 32), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 7) and Transfer to/from Earmarked reserves (Note 8).

Accounting Policy - Reserves

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

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

20 Unusable Reserves

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

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

20.a Revaluation Reserve

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

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

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

The movements on the reserve during 2020/21 and the previous year are set out in the table below:

Revaluation Reserve	PCC/Group 2019/20 £000s	PCC/Group 2020/21 £000s
Balance at Start of Year	13,201	13,318
Upward revaluation of assets	342	3,002
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(225)	(1,449)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	117	1,553
Balance at End of Year	13,318	14,871

20.b Capital Adjustment Account

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

The movements on the account during 2020/21 and the previous year are set out in the table below:

Capital Adjustment Account	PCC/Group 2019/20 £000s	PCC/Group 2020/21 £000s
Balance at Start of Year	35,523	32,824
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(4,498)	(4,114)
Revaluation gains/(losses) on Property, Plant and Equipment	(1,151)	(610)
Amortisation of Intangible assets	(519)	(1,071)
	(6,168)	(5,795)
Net written out amount of the cost of non-current assets consumed in the year	(6,168)	(5,795)
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	821	66
Statutory provision for the financing of capital investment charged against the General Fund	486	608
Capital expenditure charged against the Police Fund	2,162	2,748
	3,469	3,422
Balance at End of Year	32,824	30,451

20.c Collection Fund Adjustment Account

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

The end of year balance on the account reflects the Commissioner's aggregate share of the Surplus/(Deficit) on the Collection fund operated by each of the 6 district councils (or billing authorities) that has yet to be distributed. The movements on the account during 2020/21 and the previous year are set out in the table below:

Collection Fund Adjustment Account	PCC/Group 2019/20 £000s	PCC/Group 2020/21 £000s
Balance at Start of Year	(50)	(50)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0	(608)
Balance at End of Year	(50)	(658)

A further breakdown of the movement in year by district council, is provided in note 28 on page 88.

Accounting Policy – Collection Fund

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

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

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

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

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

20.d Accumulated Absences Account

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

Accumulated Absences Account	PCC 2019/20 £000s	PCC 2020/21 £000s	Group 2019/20 £000s	Group 2020/21 £000s
Balance at Start of Year	(8)	(44)	(3,064)	(3,660)
Settlement or cancellation of accrual made at the end of the preceding year	8	44	3,064	3,660
Amounts accrued at the end of the current year	(44)	(69)	(3,660)	(5,607)
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	(36)	(25)	(596)	(1,947)
Balance at End of Year	(44)	(69)	(3,660)	(5,607)

Accounting Policy - Employee Benefits payable during Employment

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

20.e Pensions Reserve

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

Pensions Reserve	PCC		Group		Group	
	LGPS Pensions		LGPS Pensions		Police Pensions	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(1,384)	(1,177)	(54,038)	(63,207)	(1,296,300)	(1,203,170)
Remeasurement of the net defined pension benefit liability/asset	338	(102)	(3,570)	(7,745)	118,150	(222,690)
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	(206)	(195)	(8,734)	(7,836)	(59,150)	(55,670)
Employer's pension contributions and direct payments to pensioners payable in the year.	75	89	3,135	3,983	34,130	34,370
Balance at End of Year	(1,177)	(1,385)	(63,207)	(74,805)	(1,203,170)	(1,447,160)

21 Related Party Transactions

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

21.a Chief Constable for Cumbria Constabulary

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

21.b Central Government

Central government has effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework within which the Commissioner operates and provides the majority of its funding in the form of grants. Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement (page 29). Government Grants included within the Net Cost of Services are detailed in note 27 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 14.

21.c Members

The Commissioner has eight appointed Members, four who serve on the Joint Audit Committee and four who serve on the Ethics and Integrity Panel. These members are required to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2020/21 financial year. The total members allowances paid in 2020/21 are shown in note 22.

21.d Officers and Employees

Employees of the Commissioner and senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2020/21 financial year.

21.e Other Public Bodies

The Commissioner's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex C) pages 107-118.

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

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

- The PCC for Cheshire – North West Underwater Search Unit, Northwest Armed Policing Collaboration, Northwest Strategic Automatic Number Plate Recognition (ANPR) and 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, Regional Insourced Forensic Science Services.

- The PCC for Lancashire – Regional Insourced Forensic Science Services and Learning & Development Collaboration which 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.

22 Members Allowances and Expenses

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

Members Allowances		PCC/Group 2019/20 £000s	PCC/Group 2020/21 £000s
Basic Allowance		22	47
Travel and Subsistence		7	2
		29	49
Analysis by Type:			
Joint Audit Committee		9	8
Ethics and Integrity Panel		7	7
Independent Custody Visitors		4	1
Misconduct Panel		9	33
		29	49

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

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

23 Disclosure of Remuneration for Senior Employees

The following tables set out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is more than £50,000 per year. The first table provides the information for 2020/21 and the second provides comparatives for 2019/20.

The table below gives the PCC and Group information for 2020/21 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Police & Crime Commissioner									
Police & Crime Commissioner		66	0	0	0	0	66	12	78
PCC Chief Executive (a)	4	83	0	0	0	0	83	15	98
PCC Chief Executive (b)	4	83	0	0	0	0	83	15	98
Total PCC		232	0	0	0	0	232	42	274
Shown in Single Entity Statements of Chief Constable									
Chief Constable - Michelle Skeer		160	7	0	0	3	170	2	172
Deputy Chief Constable (a)		122	7	0	0	0	129	38	167
Deputy Chief Constable (b)	1	126	0	0	0	3	129	0	129
Assistant Chief Constable		119	7	0	0	2	128	37	165
Joint Chief Finance Officer		87	0	0	0	0	87	16	103
Director of Corporate Support		88	0	0	0	0	88	16	104
Director of Corporate Improvement	2	80	0	97	0	0	177	47	224
Chief Superintendent - Territorial Policing		92	1	0	1	3	97	28	125
Temporary Chief Superintendent - Crime Command		92	2	0	1	3	98	28	126
Superintendent - Head of People (a)		73	1	0	1	0	75	22	97
Superintendent - Head of People (b) (Temp ACC)	3	89	2	0	0	0	91	25	116
Director of Legal Services		88	1	0	1	0	90	16	106
Total CC		1,216	28	97	4	14	1,359	275	1,634
Total Group		1,448	28	97	4	14	1,591	317	1,908

Notes:

- Deputy Chief Constable (b) is seconded to the Police Officer Uplift Programme and associated costs are reimbursed by other forces.
- The Director of Corporate Improvement was made voluntarily redundant on 28/02/21.
- Superintendent Head of People (b) was temporarily promoted to the rank of ACC for the period 11/01/21 to 31/03/21.
- The role of Chief Executive to the Commissioner is shared between two individuals each taking responsibility for six months of the year. For the other six month period each will act as Deputy Chief Executive.

The comparative PCC and Group figures for 2019/20 in £000s, are set out in the table below:

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Police & Crime Commissioner								
Police & Crime Commissioner		66	1	0	0	67	10	77
PCC Chief Executive (a)	4	77	0	0	0	77	11	88
PCC Chief Executive (b)	4	77	1	0	0	78	11	89
Total PCC		220	2	0	0	222	32	254
Shown in Single Entity Statements of Chief Constable								
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		87	3	0	3	93	27	120
Superintendent - Head of People (a)	2	35	1	1	0	37	11	48
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 CC		1,014	28	2	11	1,055	260	1,315
Total Group		1,234	30	2	11	1,277	292	1,569

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.
- 4 The role of Chief Executive to the Commissioner is shared between two individuals each taking responsibility for six months of the year. For the other six month period each will act as Deputy Chief Executive.

24 Employee Remuneration

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

Remuneration Band	2019/20				2020/21			
	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total
£50,000 to £54,999	0	6	0	6	0	7	0	7
£55,000 to £59,999	0	1	0	1	0	1	0	1
£60,000 to £64,999	0	4	0	4	0	3	0	3
£65,000 to £69,999	1	3	0	4	1	5	0	6
£70,000 to £74,999	0	0	0	0	0	0	1	1
£75,000 to £79,999	2	0	0	2	0	1	0	1
£80,000 to £84,999	0	1	0	1	2	0	0	2
£85,000 to £89,999	0	3	1	4	0	3	1	4
£90,000 to £94,999	0	0	2	2	0	0	0	0
£95,000 to £99,999	0	1	0	1	0	1	2	3
£100,000 to £104,999	0	0	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	0	0	0	0
£110,000 to £114,999	0	0	1	1	0	0	0	0
£115,000 to £119,999	0	0	1	1	0	0	0	0
£120,000 to £124,999	0	0	0	0	0	0	2	2
£125,000 to £129,999	0	0	0	0	0	0	1	1
£130,000 to £134,999	0	0	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0	0	0
£140,000 to £144,999	0	0	0	0	0	0	0	0
£145,000 to £149,999	0	0	0	0	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0	0	0
£155,000 to £159,999	0	0	1	1	0	0	0	0
£160,000 to £164,999	0	0	0	0	0	0	1	1
£165,000 to £169,999	0	0	0	0	0	0	0	0
£170,000 to £174,999	0	0	0	0	0	0	0	0
£175,000 to £179,999	0	0	0	0	0	1	0	1
Total	3	19	6	28	3	22	8	33

In 2020/21 the remuneration for 171 Police Officers (108 in 2019/20) superintendent rank and below (who are not required to be disclosed in the above note under regulations) exceeded £50,000.

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

25 Exit Packages/Termination Payments

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

Exit package cost band (including special payments)	PCC/Group		PCC/Group		PCC/Group		PCC/Group	
	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	2019/20 Headcount	2020/21 Headcount	2019/20 Headcount	2020/21 Headcount	2019/20 Headcount	2020/21 Headcount	2019/20 £000's	2020/21 £000's
£0-£20,000	1	3	3	0	4	3	42	10
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	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	1	0	1	0	129
Total	1	3	3	1	4	4	42	139

During 2019/20 the contracts of a small number of employees were terminated incurring termination payments amounting to £139k (£42k in 2019/20). This amount is made up of exit packages paid in 2020/21.

The exit packages paid in 2020/21 amount to £139k (£42k in 2019/20). The exit packages can be further split into compensation for loss of employment £106k (£42k in 2019/20) and enhanced pension benefits £33k (£0k in 2019/20). The redundancies are as a result of the OPCC and Constabulary's change programme.

Accounting Policy - Termination Benefits

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

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

26 Audit Fees

In 2020/21 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	Group 2019/20 £000s	Group 2020/21 £000s
Amounts Relating to The Police and Crime Commissioner		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	29	33
	29	33
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.	17	17
	17	17
Other Services		
Fees payable in respect of <i>other services</i> provided by Grant Thornton during	0	0
Rebate from Public Sector Audit Appointments in year.	(4)	0
Total External Audit Fees for Year	42	50

The above table shows the gross fees payable to the external auditor during the year. In 2019/20 rebates of audit fees of £3k for the PCC and £1k for the Chief Constable were received from Public Sector Audit Appointments.

27 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21.

Grant Income	PCC/Group	
	2019/20 £000s	2020/21 £000s
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions - General	372	163
Formula Funding (Home Office)	31,007	33,222
Council Tax Freeze & Local Council Tax Support Support (Home Office)	4,850	4,850
Home Office Police Grant	28,935	31,207
PFI Grant (Home Office)	687	687
Police Pension Grant (Home Office)	19,942	19,190
TOTAL	85,793	89,319
Credited to Services		
<i>Grants and Contributions - Central Government</i>		
Apprenticeship Levy (Home Office)	103	346
Criminal Records Bureau (Home Office)	352	364
Police Pension Contribution (Home Office)	1,184	1,174
Operation Uplift (Home Office)	243	1,417
COVID-19 Surge Funding & Loss of Income (Home Office)	0	777
ATOM Programme (Home Office)	0	2,663
Safer Streets Fund (Home Office)	0	425
Police STAR Board Grant (Home Office)	0	20
Victims Services (Ministry of Justice)	576	893
Local Tax Income Guarantee Compensation (MHCLG)	0	383
Collaborations (Various)	269	286
	2,727	8,748
<i>Grants and Contributions - Other</i>		
NHS Funding (SASS)	343	315
Local Partnership	352	355
Youth Offending Team (Cumbria CC)	99	108
Safer Cumbria Delivery Board (PCC for Cumbria)	163	100
	957	878
TOTAL	3,684	9,626

Accounting Policy - Government Grants and Contributions

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

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

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

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

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

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

28 Income from Council Tax

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

The income from Council Tax for 2020/21 is received as precept from the six district councils as set out below:

Council Tax Income	Precept Paid 2020/21 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	8,230	(54)	8,176
Barrow Borough Council	5,282	(143)	5,139
Carlisle City Council	9,187	(169)	9,018
Copeland Borough Council	5,568	(49)	5,519
Eden District Council	5,456	10	5,466
South Lakeland District Council	12,047	(203)	11,844
	45,770	(608)	45,162

The comparative information for 2019/20 is as follows:

Council Tax Income	Precept Paid 2019/20 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	7,907	48	7,955
Barrow Borough Council	4,973	0	4,973
Carlisle City Council	8,753	(70)	8,683
Copeland Borough Council	5,334	13	5,347
Eden District Council	5,193	66	5,259
South Lakeland District Council	11,639	(57)	11,582
	43,799	0	43,799

29 Capital Expenditure and Capital Financing

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

The commissioner approves on an annual basis a capital programme for the Constabulary. The capital programme is fully funded for a four year period to tie in with the medium term financial forecast. The capital programme covers the routine cyclical replacement of ICT equipment and vehicles and also includes specific one off projects. Due to the cyclical nature of the majority of the capital programme, the programme is also modelled at a high level over a 10 year longer term horizon. The capital programme for 2019/20 was approved by the Commissioner at his Public Accountability Conference on 20 February 2020, papers for which can be found on the Commissioner's website.

The capital outturn report for 2020/21 was approved by the Commissioner on 2 June 2021 and can also be found on the Commissioner's website.

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

Capital Expenditure	PCC/Group	
	2019/20 £000s	2020/21 £000s
Technology Schemes		
Computer Hardware & Infrastructure	799	430
Mobility & Digitisation	25	24
Wide Area Network (WAN)	37	0
Control Room Futures	47	9
Emergency Services Network (ESN)	129	760
Other Technology Schemes	0	39
	1,037	1,262
Vehicles Replacement Scheme	733	1,206
Building Schemes		
Whitehaven Roof	0	26
Durrannahill UPS	0	57
Heating, Ventilation & Colling Plant @ Durrannahill	0	26
Eden Deployment Centre	3,348	0
Other Building Schemes	0	17
	3,348	126
Equipment Schemes		
County Wide CCTV System	97	0
Automatic Number Plate Recognition (ANPR)	0	48
CCTV and Cell Call (Durrannahill)	12	0
Accident Investigation Scanning Equipment	0	53
Taser Expansion	0	68
	109	169
Intangible Assets	1,104	50
Total Capital Expenditure	6,331	2,813

29.a Capital Financing

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

Capital Financing Requirement	PCC/Group	
	2019/20 £000s	2020/21 £000s
Opening Capital Financing Requirement	19,348	22,210
<i>Capital investment</i>		
Property, Plant and Equipment	5,227	2,763
Intangible Assets	1,104	50
<i>Sources of Finance</i>		
Government grants and other contributions	(821)	(65)
Sums set aside from revenue:		
- Direct revenue contributions	(2,162)	(2,748)
- Minimum revenue provision	(486)	(608)
Closing Capital Financing Requirement	22,210	21,602
<i>Explanation of Movements in Year</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(486)	(608)
Notional/Internal Borrowing	3,348	0
Increase/(decrease) in Capital Financing Requirement	2,862	(608)

30 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £1,076k in respect of a number of schemes from the 2020/21 capital programme (£1,076k in 2019/20).

Outstanding Capital Commitments	PCC/Group As at 31 March	
	2020 £000s	2021 £000s
Control Room Futures	318	175
Digital Policing	0	0
E Business	79	0
Vehicle Replacement	128	1,526
Case and Custody	0	38
CCTV and Cell Call (Durrhill)	26	0
Heating and ventilation plant	0	0
ICT Core Hardware	236	114
Eden Deployment Centre/Carpark	238	86
Other Capital Commitments	51	0
Total	1,076	1,939

31 Minimum Revenue Provision

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

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

The Minimum Revenue Provision charged for the year 2020/21 (and comparatives for 2019/20) is made up as follows:

Minimum Revenue Provision	PCC/Group 2019/20 £000s	PCC/Group 2020/21 £000s
Minimum Revenue Provisions (MRP)		
Core MRP	326	426
PFI MRP	160	182
Total MRP for Year	486	608

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

For 2020/21 the following accounting policy changes that need to be reported relate to:

- Definition of a Business: Amendments to IFRS3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS7.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- 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 2022/23, the effect of the changes will be assessed and where necessary, the comparative figures restated.

33 Pension Challenge

Legal Cases

The Chief Constable of Cumbria along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in October 2019, with the resulting Order including 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. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy.

On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries originally estimated the increase in scheme liabilities for the Chief Constable for Cumbria to be £54.63m. This was recognised in the 2018/19 accounts and covered benefits accrued to 31 March 2019. This past service cost was adjusted in 2019/20 to reflect the eligibility criteria for members set out in HM Treasury's consultation, this was recognised as a past service gain of £8.26m. Additionally in 2019/20, the estimated increase was a further £6.54m reflecting an additional years benefits from the remedy. In 2020/21, the estimated increase is a further £7.65m reflecting an additional years benefits from the remedy. Therefore the total disclosed cost of McCloud remedy, covering benefits accrued from 1 April 2015 to 31 March 2021 was £157.17m.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement 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 authority to maintain a 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 police authority in the form of a central government top-up grant.

Compensation Claims

Claimants have lodged claims for compensation. Test cases for these claims are due to be heard by the Employment Tribunal in December 2021. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2021, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

Police Officer Pension Fund Account

Police Officer Pension Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2020/21 financial year together with comparative information for 2019/20.

Police Officer Pension Fund Account	Group 2019/20 £000s	Group 2020/21 £000s
Contributions Receivable		
Employer		
- Contributions (31.0% of Pensionable Pay)	(12,793)	(13,519)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(1,259)	(843)
- 2006 Scheme Member Contributions (see narrative for rates)	(54)	(37)
- 2015 Scheme Member Contributions (see narrative for rates)	(4,216)	(4,962)
	(18,322)	(19,361)
Transferees in from Other Schemes	(281)	(168)
Capital Equivalent charge for ill-health schemes	(565)	(163)
	(846)	(331)
Benefits Payable		
Recurrent Pensions	29,764	31,129
Commutations and Lump Sums	9,245	7,295
Other (Scheme Pays)	74	438
	39,083	38,862
Payments to and on Account of Leavers		
Refund of Contributions	27	20
Transfer out to other schemes	0	0
	27	20
Net Amount Payable for the Year	19,942	19,190
Additional Contribution from the Police & Crime Commissioner	(19,942)	(19,190)
Additional Funding Payable by the Police and Crime Commissioner (2.9%)	0	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 2021.

Pension Fund Net Assets & liabilities	Group 2019/20 £000s	Group 2020/21 £000s
Current Assets		
Pensions Benefits paid in advance	2,606	2,619
Current Liabilities		
Amount due to the Police & Crime Commissioner	(2,606)	(2,619)
	0	0

Accounting Policies

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

Operation of Police Pensions Schemes

Since 1 April 2015 the Chief Constable has operated three Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The original Police Officer Pension scheme is known as the 1987 scheme. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the 2006 scheme and the previous 1987 scheme was closed to new members. Officers who were members of the 1987 scheme were allowed by regulation to become members of the 2006 scheme if they wished. Members' contribution rates for 2020/21 and 2019/20 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 2020/21 and 2019/20.

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 33). 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 107-118).

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, which, along with the employee contributions and any transfer values, is paid into the pensions account. The employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to periodic revaluation by the Government Actuary's Department. Pensions are then paid from this account. The pensions account is balanced to nil annually, with any shortfall met by a top up from the Commissioner, or vice versa. However, the Home Office indemnify the Commissioner against any financial liability arising from a deficit on the Pension Account by providing a grant to the Commissioner equal to the Commissioner's top up. Similarly, any surplus on the Pension Account is ultimately repayable to the Home Office.

Glossary of Terms

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not 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 2020/21 financial year and the financial position at the 31 March 2021. 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 2020/21](#) (the Code) and the Service Reporting Code of Practice 2020/21 [SERCOP](#)), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The [Commissioner](#) is responsible for combining the single entity statements to form a set of consolidated group accounts.

Where accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a [grey text box](#), in the notes to the accounts section (see pages 36 to 92). Where an accounting policy is more generic and applicable across the statement accounts it is shown in this **Annex A**.

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

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

2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories (stock) on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of [debtors](#) is written down and a charge made to revenue for the income that might not be collected.
- An [accrual](#) is made in respect of employee benefits payable during employment.

Accrual Example 1

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

Accrual Example 2

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

Annex A - Statement of Accounting Policies

3 Exceptional Items

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

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

4 Inventories

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

5 Treatment of Overheads

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

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

6 Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Police Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Police Fund balance. The gains and losses are

Annex A - Statement of Accounting Policies

therefore reversed out of the police fund balance in the Movement in Reserves Statement and posted to the [Capital Adjustment Account](#) and (for any sale proceeds greater than £10,000) the [Capital Receipts](#) Reserve.

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

7 **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.

8 **Value Added Tax (VAT)**

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

Subject to Audit

Annex B – Technical Annex – Financial Instrument Disclosures

*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 cash & equivalents, investments and debtors and **financial liabilities** such as creditors and borrowings.*

Accounting Policy - Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Commissioner holds financial assets measured at amortised costs (investments, cash and cash equivalent and debtors).

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

Where assets are identified as [impaired](#) because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. An example of such a charge would be the adjustment made to the [debtors](#) balance as an impairment allowance for doubtful debts (see note 14, page 68).

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

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

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

B1 Categories of Financial Instrument

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

Categories of Financial Instruments	PCC Long Term		PCC Current		Group Long Term		Group Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financial Assets								
Investments								
Investments held at Amortised Cost	0	0	6,010	4,300	0	0	6,010	4,300
Total investments	0	0	6,010	4,300	0	0	6,010	4,300
Cash and Cash Equivalents								
Imprest and cash	0	0	1,271	5,482	0	0	1,271	5,482
Total cash and cash equivalents	0	0	1,271	5,482	0	0	1,271	5,482
Debtors								
Debtors held at Amortised Cost	0	0	5,795	7,391	0	0	5,873	7,482
Items not classified as Financial Instruments	0	0	22,152	26,938	0	0	7,388	7,749
Total Debtors	0	0	27,947	34,329	0	0	13,261	15,231
Total Financial Assets	0	0	35,228	44,111	0	0	20,542	25,013
Financial Liabilities								
Creditors								
Creditors held at Amortised Cost	0	0	(504)	(791)	0	0	(3,915)	(6,234)
Items not classified as Financial Instruments	0	0	(23,026)	(31,690)	0	0	(7,906)	(11,660)
Total Creditors	0	0	(23,530)	(32,481)	0	0	(11,821)	(17,894)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(4,403)	(4,197)	(182)	(206)	(4,403)	(4,197)	(182)	(206)
Total other long term liabilities	(4,403)	(4,197)	(182)	(206)	(4,403)	(4,197)	(182)	(206)
Total Financial Liabilities	(4,403)	(4,197)	(23,712)	(32,687)	(4,403)	(4,197)	(12,003)	(18,100)

B2 Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2020/21 relating to financial instruments are made up as follows:

Gains and Losses on Financial Instruments	PCC/Group 2019/20				PCC/Group 2020/21			
	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest Expense	0	584	0	584	0	562	0	562
Impairment Losses (Impairment Allowance for Doubtful Debts Increase)	(16)	0	0	(16)	0	0	0	0
Total Expenses in (Surplus) or Deficit on the Provision of Services	(16)	584	0	568	0	562	0	562
Interest Income	0	0	(143)	(143)	0	0	(15)	(15)
Impairment Gain (Impairment Allowance for Doubtful Debts Reduction)	0	0	0	0	4	0	0	4
Total Income in (Surplus) or Deficit on the Provision of Services	0	0	(143)	(143)	4	0	(15)	(11)
Net (Gain)/Loss for the Year	(16)	584	(143)	425	4	562	(15)	551

Annex B – Technical Annex – Financial Instrument Disclosures

B3 Fair value of Assets and Liabilities Carried at Amortised Cost

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

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

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

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

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

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

The fair values calculated are as follows:

Fair Values of Assets and Liabilities	PCC		PCC		Group		Group	
	31 March 2020		31 March 2021		31 March 2020		31 March 2021	
	Carrying Amount £000s	Fair Value £000s						
Financial Liabilities								
Creditors	(23,530)	(23,530)	(32,481)	(32,481)	(11,821)	(11,821)	(17,894)	(17,894)
Other Long-term Liabilities (PFI/Finance Lease)	(4,585)	(7,631)	(4,403)	(7,567)	(4,585)	(7,631)	(4,403)	(7,567)
	(28,115)	(31,161)	(36,884)	(40,048)	(16,406)	(19,452)	(22,297)	(25,461)
Financial Assets								
Investments	6,010	6,010	4,300	4,300	6,010	6,010	4,300	4,300
Cash and Cash Equivalents	1,271	1,271	5,482	5,482	1,271	1,271	5,482	5,482
Debtors	27,947	27,947	34,329	34,329	13,261	13,261	15,231	15,231
	35,228	35,228	44,111	44,111	20,542	20,542	25,013	25,013

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

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

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

B4 (i) Credit Risk

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

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

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody’s ratings services. The annual TMSS (approved by the Commissioner in February 2020), also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria as set out in the 2020/21 TMSS in respect of financial assets held by the Commissioner are detailed below:

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

Annex B – Technical Annex – Financial Instrument Disclosures

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £4m at the balance sheet date cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31 March 2021 that this was likely to happen.

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

Potential Maximum Exposure to Credit Risk	Amount at 31/03/21 £000s	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/21	Estimated maximum exposure to default and uncollectability £000s	Comparative Estimated maximum exposure at 31/03/20 £000s
Customers - Operational Debtors	9,487	0.03%	0.15%	14	18

The Commissioner does not generally allow credit for customers. At the 31 March 2021, £249k (3%) of the £9,487k balance of operational debt was past the due date for payment. This sum has increased from the balance at 31 March 2020 (£131k (2%) out of £7,565k overdue). The Commissioner has however reduced the bad debt provision as at 31 March 2021 to £14k following a detailed analysis of amounts outstanding to reflect the degree of uncertainty around a number of the longer standing debts. The past due amount can be analysed by age as follows:

Aged Debt Past Due Date	PCC/Group As at 31 March	
	2020 £000s	2021 £000s
Total Operational Debtors	7,565	9,487
Aged Debt past its due date by:		
1-30 Days	64	66
31-60 Days	19	25
61-90 Days	1	7
91-120 Days	0	31
91-180 Days	2	0
121-150 Days	0	42
181-360 Days	31	0
150+ Days	0	78
361+ Days	14	0
	131	249

During 2020/21 there has been a change in finance system and the new system categorises debt in different age groups which is why the figures above are not directly comparable.

B4 (ii) Liquidity Risk

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

As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 2021 no actual external debt having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A more pertinent risk is that the Commissioner will be required to replenish a significant proportion of its internal borrowings at a time of unfavourable interest rates. At the balance sheet date the Commissioner is confident that it has adequate working capital principally as a result of its [reserves](#) to mitigate this risk. Nevertheless, prevailing money market rates are regularly monitored with a view to ensuring that long term debt financing decisions are made at the optimum time.

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

B4 (iii) Market Risk

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

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

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

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

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

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

The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year. No new external borrowing was undertaken in 2020/21.

C1 Pension Schemes

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

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

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

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

The LGPS for Police Staff employees, is administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded defined benefit scheme, meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2020/21 the Commissioner made a contribution of 18.4% of pensionable pay. The past service contribution made in 2016/17 of £1,478k (£47k for the PCC Single Entity Statements) represented a three year contribution (covering 2017/18, 2018/19 and 2019/20) which was made with the aim of reducing future contributions after the next actuarial review. For 2020/21 the past service contribution was £13k (made up of ££22k for the Chief Constable less a repayment for the PCC of £10k). The contribution rate will next be reviewed in March 2022 with a revised rate for employers contributions being applicable from April 2023.

- **The Police Pension Scheme**

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

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

The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards 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 increased to 31% from 1st April 2019 and has remained at this level for 2020/21.

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

Annex C – Technical Annex – Pensions Disclosures

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 93-94). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the Police Fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension Transactions in MiRS and Ci&ES	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme		Group Total Pension Schemes	
	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s
Comprehensive Income and Expenditure Statement												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	6,751	6,375	0	0	6,970	4,550	250	160	23,410	23,950	37,381	35,035
• Past service costs	674	0	0	0	5,000	0	(8,260)	0	0	0	(2,586)	0
• (Gain)/loss from settlements/curtailments	0	53	0	0	0	0	0	0	0	0	0	53
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	1,283	1,386	26	22	28,530	23,860	1,380	980	1,870	2,170	33,089	28,418
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	8,708	7,814	26	22	40,500	28,410	(6,630)	1,140	25,280	26,120	67,884	63,506
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)	5,011	(24,119)	0	0	0	0	0	0	0	0	5,011	(24,119)
• Actuarial (gains) and losses arising on changes in demographic assumptions	(8,493)	0	(31)	0	(34,640)	0	(1,740)	0	(2,880)	0	(47,784)	0
• Actuarial (gains) and losses arising on changes in financial assumptions	4,403	35,666	12	83	(44,100)	123,190	(4,480)	9,720	(3,830)	23,900	(47,995)	192,559
• Experience (gains) and losses on liabilities	2,531	(4,015)	(23)	(24)	(23,720)	62,570	400	12,380	(3,160)	(9,070)	(23,972)	61,841
• Administration expenses	160	154	0	0	0	0	0	0	0	0	160	154
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	3,612	7,686	(42)	59	(102,460)	185,760	(5,820)	22,100	(9,870)	14,830	(114,580)	230,435
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure	12,320	15,500	(16)	81	(61,960)	214,170	(12,450)	23,240	15,410	40,950	(46,696)	293,941
<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	(8,708)	(7,814)	(26)	(22)	(40,500)	(28,410)	6,630	(1,140)	(25,280)	(26,120)	(67,884)	(63,506)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	3,071	3,919	64	64	0	0	0	0	0	0	3,135	3,983
• Retirement benefits payable to pensioners	0	0	0	0	37,790	39,040	60	90	(3,720)	(4,760)	34,130	34,370
Total amount charged against the Police Fund Balance for pensions in the year	3,071	3,919	64	64	37,790	39,040	60	90	(3,720)	(4,760)	37,265	38,353

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

Pension Transactions in MiRS and CI&ES	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits		PCC Total LGPS Pension Scheme	
	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s	2019/20 £000s	2020/21 £000s
Comprehensive Income and Expenditure Statement						
<i>Cost of Services</i>						
<i>Service cost comprising:</i>						
• Current service cost	158	169	0	0	158	169
• Past service costs	16	0	0	0	16	0
• (Gain)/loss from settlements/curtailments	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>						
• Net interest expense	32	26	0	0	32	26
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	206	195	0	0	206	195
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)	942	(547)	0	0	942	(547)
• Actuarial (gains) and losses arising on changes in demographic assumptions	(216)	0	(1)	0	(217)	0
• Actuarial (gains) and losses arising on changes in financial assumptions	118	749	0	2	118	751
• Experience (gains) and losses on liabilities	(1,171)	(106)	(14)	0	(1,185)	(106)
• Administration expenses	4	4	0	0	4	4
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(323)	100	(15)	2	(338)	102
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(117)	295	(15)	2	(132)	297
<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.	(206)	(195)	0	0	(206)	(195)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>						
• Employers' contributions payable to the scheme	74	88	1	1	75	89
• Retirements benefits payable to pensioners	0	0	0	0	0	0
Total amount charged against the Police Fund Balance for pensions in the year	74	88	1	1	75	89

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C2 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March 2021 are as follows:

Pension Scheme Assets & Liabilities	Group LGPS		Group LGPS		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme			
	Funded Benefits		Unfunded Benefits		2019/20		2020/21		2019/20		2020/21	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(207,517)	(248,269)	(1,036)	(1,053)	(1,077,550)	(1,252,680)	(43,560)	(66,710)	(82,060)	(127,770)		
Fair value of plan assets	145,346	174,517	0	0	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(62,171)	(73,752)	(1,036)	(1,053)	(1,077,550)	(1,252,680)	(43,560)	(66,710)	(82,060)	(127,770)		

The liabilities in the above table show the underlying commitments that the Commissioner has, in the long run, to pay retirement benefits. The total group liability of £1.522b (£1.266b at 31 March 2020) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £1.453b (£1.195b at 31 March 2020). The increase 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 group remains healthy, since:

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

The underlying assets and liabilities for retirement benefits attributable to the PCC Single Entity at 31 March 2021 are as follows:

Pension Scheme Assets & Liabilities	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(4,441)	(5,330)	(20)	(21)
Fair value of plan assets	3,284	3,966	0	0
Net liability arising from defined benefit obligation	(1,157)	(1,364)	(20)	(21)

Annex C – Technical Annex – Pensions Disclosures

Reconciliation of present value of scheme liabilities for the group:

Reconciliation of Scheme Liabilities	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(199,157)	(207,517)	(1,116)	(1,036)	(1,177,300)	(1,077,550)	(56,070)	(43,560)	(62,930)	(82,060)
Current service cost	(6,751)	(6,375)	0	0	(6,970)	(4,550)	(250)	(160)	(23,410)	(23,950)
Interest cost	(4,947)	(4,750)	(26)	(22)	(28,530)	(23,860)	(1,380)	(980)	(1,870)	(2,170)
Contributions by Scheme Participants	(1,301)	(1,378)	0	0	(1,260)	(840)	(50)	(40)	(4,210)	(4,970)
Remeasurement gains and (losses):										
- Arising from changes in demographic	8,493	0	31	0	34,640	0	1,740	0	2,880	0
- Arising from changes in financial assumptions	(4,403)	(35,666)	(12)	(83)	44,100	(123,190)	4,480	(9,720)	3,830	(23,900)
- Experience gains/(losses)	(2,531)	4,015	23	24	23,720	(62,570)	(400)	(12,380)	3,160	9,070
Past service cost	(674)	0	0	0	(5,000)	0	8,260	0	0	0
Gains/(losses) on curtailment	0	(53)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	3,754	3,455	64	64	39,050	39,880	110	130	490	210
Balance at End of Year	(207,517)	(248,269)	(1,036)	(1,053)	(1,077,550)	(1,252,680)	(43,560)	(66,710)	(82,060)	(127,770)

The liabilities under the LGPS and Police Pension Schemes have increased during 2020/21. The principal reason for these changes is in relation to changes in financial assumptions and experience gains and losses by the scheme actuaries.

Accounting Policy – Post-Employment Benefits – Measurement of Liabilities

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in C3 on page 117).

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

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Liabilities	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s
Balance at Start of Year	(5,431)	(4,441)	(36)	(20)
Current service cost	(158)	(169)	0	0
Interest cost	(135)	(102)	0	0
Contributions by Scheme Participants	(38)	(41)	0	0
Remeasurement gains and (losses):				
- Arising from changes in demographic	216	0	1	0
- Arising from changes in financial assumptions	(118)	(749)	0	(2)
- Experience gains/(losses)	1,171	106	14	0
Past service cost	(16)	0	0	0
Benefits Paid/Transfers	68	66	1	1
Balance at End of Year	(4,441)	(5,330)	(20)	(21)

The PCC single entity liabilities under the LGPS have increased during 2020/21. The principal reason for the increase is in relation to changes in financial assumptions by the scheme actuaries.

Subject to

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Assets	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s
Balance at Start of Year	146,235	145,346	0	0
Interest Income	3,664	3,364	0	0
Remeasurements - Gains and (Losses)	(5,011)	24,119	0	0
Administration Expenses	(160)	(154)	0	0
Employer Contributions	3,071	3,919	64	64
Contributions by Scheme Participants	1,301	1,378	0	0
Benefits Paid	(3,754)	(3,455)	(64)	(64)
Balance at End of Year	145,346	174,517	0	0

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

Reconciliation of Scheme Assets	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000s	£000s	£000s	£000s
Balance at Start of Year	4,083	3,284	0	0
Interest Income	103	76	0	0
Remeasurements - Gains and (Losses)	(942)	547	0	0
Administration Expenses	(4)	(4)	0	0
Employer Contributions	74	88	1	1
Contributions by Scheme Participants	38	41	0	0
Benefits Paid	(68)	(66)	(1)	(1)
Balance at End of Year	3,284	3,966	0	0

Accounting Policy – Post-Employment Benefits – Measurement of Assets

The assets of the LGPS pension fund are included in the Balance Sheet at their [fair value](#):

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

Annex C – Technical Annex – Pensions Disclosures

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

LGPS Asset Breakdown	Quoted Y/N	PCC 2019/20		PCC 2020/21		Group 2019/20		Group 2020/21	
		£000s	%	£000s	%	£000s	%	£000s	%
Equities									
UK Quoted	Y	328	9.99%	363	9.15%	14,536	10.00%	15,990	9.16%
Global Quoted	Y	657	20.01%	1,157	29.17%	29,069	20.00%	50,924	29.18%
UK Equity Pooled	Y	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Overseas Equity Pooled	N	230	7.00%	0	0.00%	10,174	7.00%	0	0.00%
Equity Protection	N	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Bonds									
UK Corporate Bonds	Y	0	0.00%	1	0.03%	0	0.00%	26	0.01%
Overseas Corporate Bonds	Y	0	0.00%	0	0.00%	0	0.00%	0	0.00%
UK Government Indexed Pooled	N	755	22.99%	699	17.62%	33,429	23.00%	30,753	17.62%
Property									
UK	N	194	5.91%	213	5.37%	8,576	5.90%	9,372	5.37%
Property Funds	N	92	2.80%	106	2.67%	4,070	2.80%	4,655	2.67%
Alternatives									
Private Equity Funds	N	122	3.71%	0	0.00%	5,378	3.70%	0	0.00%
Infrastructure Funds	N	243	7.40%	476	12.00%	10,756	7.40%	20,950	12.00%
Real Estate Debt Funds	N	13	0.40%	162	4.08%	581	0.40%	7,138	4.09%
Private Debt Funds	N	105	3.20%	0	0.00%	4,651	3.20%	0	0.00%
Healthcare Royalties	N	23	0.70%	0	0.00%	1,017	0.70%	0	0.00%
Multi Asset Credit	N	394	12.00%	625	15.76%	17,441	12.00%	27,506	15.76%
Cash									
Cash Accounts	Y	125	3.81%	164	4.14%	5,523	3.80%	7,206	4.13%
Net Current Assets	N	3	0.09%	0	0.00%	145	0.10%	(3)	0.00%
		3,284	100.00%	3,966	100.00%	145,346	100.00%	174,517	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 2021. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Accounting Policy – Pensions Material Estimation Techniques

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

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

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

For 2020/21 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 2.00% for Police and 2.20% for LGPS are appropriate.

Annex C – Technical Annex – Pensions Disclosures

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2019/20	2020/21	2019/20	2020/21
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.6	22.7	21.9	22.0
- Women	25.2	25.3	23.6	23.7
Longevity at 65 for future pensioners:				
- Men	24.2	24.3	23.6	23.7
- Women	27.1	27.2	25.2	25.3
Rate of Inflation (CPI)	2.10%	2.70%	2.00%	2.40%
Rate of increase in salaries	3.60%	4.20%	4.00%	4.15%
Rate of increase in pensions	2.20%	2.80%	2.00%	2.40%
Rate of Revaluation for CARE Pensions	-	-	3.25%	3.65%
Rate for discounting scheme liabilities	2.30%	2.20%	2.25%	2.00%

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. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	PCC			Group		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme						
Longevity (1 Year increase in life expectancy)	161	7	4	7,301	251	162
Rate of Inflation (increase by 0.1%)	114	5	3	5,478	221	122
Rate of Increase in Salaries (increase by 0.1%)	7	0	1	720	0	18
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(112)	(5)	(1)	(5,360)	(212)	(50)
Change in 2020/21 investment Returns (increase by 1%)	0	0	0	0	0	(37)
Change in 2020/21 investment Returns (reduce by 1%)	0	0	1	0	0	39

Annex C – Technical Annex – Pensions Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police Pensions 1987 Scheme	Group Police Pensions 2006 Scheme	Police Pensions 2015 Scheme
	£000s	£000s	£000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	43,000	2,000	4,000
Rate of Increase in Pensions (increase by 0.5%)	100,000	7,000	24,000
Rate of Increase in Salaries (increase by 0.5%)	9,000	4,000	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(106,000)	(10,000)	(21,000)

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

C4 Impact on the Commissioner's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The Commissioner has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 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 took 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 pension scheme from 31 March 2014 and the Police Pension Scheme ceased to be a final salary pension scheme from 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total group contributions expected to be made to the Local Government Pension Scheme by the Commissioner in the year to 31 March 2022 are £4,210k (PCC single entity £105k). Expected contributions for the Police Pension Scheme in the year to 31 March 2022 are £14,064k.

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	2019/20 Years	2020/21 Years
Pensions Scheme		
Local Government Pension Scheme - PCC	21	21
Local Government Pension Scheme - CC	22	22
Police Pension -1987 Scheme	19	18
Police Pension -2006 Scheme	37	33
Police Pension -2015 Scheme	37	36



Peter McCall

Police and Crime Commissioner for Cumbria

Annual Governance Statement 2020/21

Subject to Audit



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2020/21

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

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

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

This Annual Governance Statement (AGS) describes how the Commissioner has followed The Code. It also meets the requirements of regulation 6(1) and 10(1) of the Accounts and Audit Regulations 2015. The regulations say that we must prepare and publish an Annual Governance Statement (AGS) to accompany the Commissioner's statement of accounts.

REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements for 2020/21 have been guided by the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework applicable to the 2020/21 financial year. This is the standard against which all local government bodies, including police, should assess themselves.

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

responsibility for the development and maintenance of the governance environment. The review process comprises:

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

The following Annual Governance Statement demonstrates how the Commissioner has complied with the governance framework set out within the Code, to

meet of each of the seven governance principles. The Annual Governance Statement is published alongside the Statement of Accounts and also incorporates an action plan of planned future improvements for governance arrangements.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Ethics and Integrity

The Commissioner has in place arrangements for antifraud and corruption, which are reviewed on a 3-year cyclical basis, the last time being 2019/20 by the Governance Manager. The conclusions of this review were reported to the Joint Audit Committee in November 2019. The review concluded that arrangements are effective. Whilst fraud risk remains low within the OPCC

office, matters of integrity are re-enforced including enhanced arrangements in respect of recording gifts and hospitality and/or supplier contact. The anti-fraud and corruption arrangements also highlight mechanisms for confidential reporting and whistleblowing.

The process of commissioning services and awarding of grants present a potentially high risk with regards to integrity. Grant Regulations are in place to ensure that grant awards are made in a fair, transparent and consistent manner and that appropriate conditions are attached to safeguard public money. The grant regulations were reviewed in 2020 and the conclusions were reported to the Joint Audit Committee in November 2020.

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

In respect of the arrangements for standards, ethics and integrity, one complaint has been received against the Commissioner with none against members of his office in relation to matters of integrity.

Despite the lockdown and tier restrictions of the COVID-19 pandemic, during 2020/21 the Ethics and Integrity Panel have carried out dip sample processes and thematic inspections for a number of different areas of business including, adherence with the Code of Ethics and Code of Conduct, public complaints, police misconduct and staff misconduct cases, all of which were found to support high standards of ethics and integrity. This enabled the Police and Crime Commissioner to fulfil his statutory duty to have oversight of the Constabulary's complaints and misconduct processes.

The scope of the Panel's work has developed during 2020/21 through the completion of six thematic inspections, in relation to Mental Health Detention, the use of Spit Guards, the use of TASER, the use of Stop and Stop/Search, the use of Body Worn Video, the Constabulary's Communications Centre and the issuing of Fixed Penalty Notices during the COVID-19 pandemic and lockdown or tier restrictions. The findings of the Panel's work, including recommendations, have been reported to the Commissioner's Public Accountability Conference to improve transparency and support public scrutiny and published on the OPCC's website.

The Joint Audit Committee received the 2020 annual report of the Ethics & Integrity Panel at their meeting on 23 June 2021 to support assurances in respect of arrangements for standards and ethical governance.

From 1 February 2020 the OPCC has been responsible for reviews of public complaints. It appointed an independent reviewing officer to carry out the reviews assessing the complaint handling and whether the outcome provided was reasonable and proportionate. During 2020 the OPCC received 32 requests for a review and by using an independent person provides openness and transparency to the process.

Respecting the rule of law

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

During the year formal reviews have been undertaken of the role of the Commissioner's Chief Finance Officer and the Head of Internal Audit (HIA) and the Joint Audit

Committee against the respective CIPFA statements, which concluded there was full compliance.

Principle B: Ensuring openness and Comprehensive stakeholder engagement

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

Openness is a key element of the role of the Commissioner and is not just about publishing information but listening and influencing as well. The Commissioner operates in accordance with the Elected Local Policing Bodies (Specified Information) Orders of 2011, 2012, 2013 and the guidance provided by the Information Commissioner. This is demonstrated, documented, and communicated through an information publication scheme that ensures the openness of all key information to the public. Examples of information that is published includes agendas and reports of public

meetings, guidance on the Commissioner's funds, freedom of information requests, financial information, and details of key decisions. The OPCC this year was awarded a transparency award from Policing Insight because of the website meeting their transparency criteria.

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

Despite Covid-19, a range of engagement opportunities have continued to be made available to the public. Examples include online focus groups with community groups, charities, and partners, online public surgeries and Facebook live, covering general and themed issues.

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

In general terms, the engagement over the last five years has been comprehensive and had been flexible to develop to meet the changing needs of how people like to communicate and especially the impact of social media. Work has started on the new three-year communication and engagement strategy and this will be finalised following the PCC elections.

Engaging Comprehensively with Institutional Stakeholders

The Commissioner is actively engaged with a wide range of bodies to encourage a multi-agency approach to matters within his remit. For example, he chairs the Safer Cumbria Partnership Delivery Board, which is both the county-wide Community Safety Partnership and Criminal Justice Board for Cumbria, and the Blue Light Executive Board. In response to Covid-19, the Commissioner has also been a member of the county's Senior Outbreak Management Board and Cumbria Leaders Board, as well as maintained regular briefing and co-ordination meetings with County Members of Parliament (MPs) on the Covid response. The Commissioner continues to work with the Cumbria District Leaders to co-ordinate and manage Covid related matters.

During 2020/21 the Commissioner has continued to lead a range of partnership working initiatives to deliver his Commissioning Strategy and ensure arrangements are in place for victims support services. When Covid-19 was announced as a threat to public health in the UK, the Commissioner developed an emergency plan, detailing the measures and arrangements he and his office, put in place to support the Constabulary, partner agencies and local communities during the pandemic. The Commissioner was committed to ensuring that funding continued to flow to the services he commissions and pledged to explore every opportunity to secure additional funding to support organisations and victims during this difficult time. The Commissioner successfully secured over £1 million.

Engaging Stakeholders Effectively including Citizens and Service Users

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

effectively uses the view of the people of Cumbria to influence decisions.

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

During 2020/21, COVID-19 safe engagement included:

- Public surgeries online for members of the public to submit questions or speak to the PCC.
- Numerous focus groups from a diverse range of community groups.
- Media engagements set up over the phone, Microsoft Teams, Zoom or in person following COVID-19 regulations.
- Public consultation on setting the council tax precept and joint annual survey with the Constabulary on policing response to COVID-19.
- The Commissioner's website.
- Social media: Twitter, Facebook and Youtube.

- Video Blogs.
- Campaigns focussing on anti-social driving, rural crime, cyber-crime, and victims.

In February 2021, the PCC launched a Hate Crime survey to find out more about hate crime in Cumbria and identify gaps in victims' services for those affected.

The Commissioner, via online tools, met with various projects that had been supported by the Community COVID-19 Recovery Fund and Property Fund in supporting local community groups and often diversion activities for young people.

The Commissioner's calendar of events was due to reduce in March 2020 because of the pending PCC Elections. As a result of the COVID-19 pandemic, the PCC Elections were postponed until May 2021. However, due to the Government restrictions the Commissioner has not been undertaking face-to-face public engagement events but has undertaken a greater social media presence including Microsoft Teams meetings.

The Commissioner launched public consultation on the proposal to increase the policing part of the council tax precept for 2020/21. 69% of the respondents (642) agreed with raising council tax, which for a Band D property would represent an increase of 55p per month.

The OPCC logs all quality of service issues that are raised with the Commissioner, which are tracked and escalated with the Chief Constable where appropriate. This feedback is also used by the Constabulary to assess what lessons can be learned from examples of poor or unsatisfactory service, to make improvements. In summary, the engagement with all stakeholders allows the Commissioner to develop a vision for policing services, which in turn influences decisions and is incorporated within the Police and Crime Plan.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

The Police Reform and Social Responsibility Act (PR&SRA) requires the Commissioner to produce a Police and Crime Plan setting the vision and strategic direction for policing, crime reduction and community safety. A Police and Crime Plan was launched in November 2016, following the appointment of a new Police and Crime Commissioner for Cumbria. The Police and Crime Plan contains the police and crime objectives which all contribute toward achieving the Commissioner's overall aim 'to make

Cumbria an even safer place'. The priorities within the plan are:

- 1 Your Priorities For Cumbria
- 2 A Visible and Effective Police Presence
- 3 Tackle Crime and Anti-Social Behaviour
- 4 Ensure Offenders Face A Consequence For Their Crime
- 5 Always Put Victims First
- 6 Focus our Police on Online and Sexual Crime
- 7 Spend your Money Wisely
- 8 Supporting Young People

Following the outbreak of the Covid-19 pandemic and the subsequent postponement of the 2020 Police & Crime Commissioner (PCC) elections, the Commissioner determined that his priorities set out in the Police & Crime Plan would remain the same for 2020/21. To underpin this, the Commissioner developed an Action Plan, detailing the key work streams to be delivered during this period, as well as support the Constabulary and local communities across Cumbria during the Covid-19 emergency. Delivery of this Action Plan has continued to be in partnership with the statutory and third sector

partners, with the fundamental principle of 'We, Not They'. A comprehensive Accountability Framework is in place to assess how well the priorities are being achieved. In addition, where grants have been awarded by the Commissioner, the awards are made against agreed timescales and milestones for delivery and include success criteria or performance measures. In 2019/20, Internal Audit provided substantial assurance against the OPCC governance arrangements for monitoring the delivery of the Police & Crime Plan.

During 2020/21, the Police and Crime Panel has continued to facilitate effective scrutiny of delivery of the plan's objectives through quarterly online meetings. Thematic reports are presented to the Panel and follow terms of reference agreed in advance with the Panel Chair.

The Chief Constable is held to account for delivery of policing objectives through the Commissioners Public Accountability Conferences (PACs). These meetings are divided into two key areas of business: performance and finance. A reporting schedule for these meetings is agreed annually with the Constabulary and ensures the Commissioner monitors performance against a number of areas of policing identified in the Police and Crime Plan. During 2020/21 thematic reports provided assurance on

the Constabulary's response to the Covid-19 emergency, community policing, child sexual exploitation and abuse, and victims. In addition, reports were also received covering financial monitoring, crime data and ethics.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspections further support the Commissioner in holding the Chief Constable to account for performance of the force.

The Police and Crime Act 2017 conferred a duty on Commissioners to collaborate on the delivery of emergency services. In 2020/21 the Commissioner continued to chair the Blue Light Executive Board which manages shared areas of collaboration between the Police, Fire and Ambulance.

The Commissioning Strategy sets out the processes by which the Commissioner will identify and fund services to support his priorities. This was reviewed and updated in 2020/21.

Sustainable economic, social and environmental benefits

The Head of Partnerships and Commissioning ensures that the services commissioned are consistent with the PCC's

objectives as set out in the Police and Crime Plan. During 2020/21 the Commissioner has committed funding to projects and initiatives aimed at reducing offending and re-offending and supporting victims of crime. A significant proportion of that funding has been committed to supporting victims of domestic abuse and sexual violence during the pandemic.

To support procurement and commissioning activity, the OPCC & Constabulary have in place Joint Procurement Regulations and a Social Value Policy, incorporating a modern slavery statement.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning and Determining Interventions

During the course of 2020/21 the Commissioner's continued to hold the Chief Constable to account through his Public Accountability Conferences, held virtually.

Through this forum, the Commissioner received Constabulary assurance covering a range of areas of performance including Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) performance recommendations. Crime data and police performance have also been regularly monitored. The Commissioner also scrutinised the Constabulary's response to the pandemic, including policing issues raised by the Government's emergency measures such as social distancing, travel and exercise.

The Commissioner has supported the Chief Constable in helping to keep the public safe during the coronavirus outbreak. At the start of the pandemic, the Commissioner developed an emergency plan detailing his response. Principally this involved working with the Chief Constable to understand the policing, crime and victim's needs as a direct result of Covid-19 and ensuring sufficient resource in place to enable the Constabulary to deal effectively with the virus. Initially this focused on ICT to facilitate remote working and the provision of personal, protective equipment to ensure the safety of officers and staff. Alongside this, the Commissioner secured additional funding helping organisations to provide an immediate

response to the pandemic to ensure victims continued to receive the vital support they need.

The Cumbria 'Out of Court (OoCDs) Disposal Scrutiny Panel' is chaired the Head of Partnerships and Commissioning. The OoCDs allow the police to deal quickly and proportionately with low level, often first time, offending, which can be appropriately resolved without a prosecution at court. The Panel seeks to increase the public's understanding and confidence in how the Constabulary uses OoCDs. During 2020, meetings have been held virtually. The Panel has met three times and scrutinised up to 90 randomly selected and anonymised cases. Following each Panel meeting feedback is given to officers and decision makers, which highlights good practice or contributes towards training and improvements to the Constabulary's policies.

During the last year, the Commissioner has continued to build on partnership working to address priorities in the Police and Crime Plan and respond to the Covid-19 pandemic. Projects have included:

- Working with Barrow Borough Council and Cumbria County Council to deliver the Safer Streets Project in

Salthouse Road, Barrow. This project has provided thousands of pounds worth of crime prevention measures, home security equipment and street lighting across the area.

- In partnership with the Constabulary to develop and procure a Cumbria Adult Out of Court Disposal Framework, known as 'The Pathways Programme'.
- Working with Get Safe Online to raise public knowledge of how to protect themselves against fraud and other crimes committed via the internet.
- Working with the Constabulary and through Safer Cumbria, to develop a better understanding of modern slavery and human trafficking across all partner agencies in Cumbria.
- Working with partners to deliver a Safer Driving Campaign, in response to what local residents said is one of their main local concerns. The campaign focuses on raising awareness of the Fatal Four (no seatbelts; speeding; distracted driving and drug/drink driving). In addition, delivery of a rural crime campaign, which has been influenced by current issues raised by the Constabulary and

National Farmers Union (NFU), with all partners working together to promote rural safety and prevent rural crime.

- Developing a co-commissioning agreement with National Probation Service to pilot a Women's Outreach Service to enable women in rurally isolated communities to access support services.
- Continued to lead on the implementation of the Quality Assessment Framework to review and improve how criminal justice and support agencies comply with national standards for victims of crime.
- The Commissioner continues to chair the Blue Light Collaboration Executive Leaders Board, which oversees joint work-streams between the Police, Fire and Ambulance.

During the pandemic the Commissioner has continued to work with partners to adapt existing mechanisms and structures so they can provide the provision of important services. He has administered the Ministry of Justice Extraordinary Covid-19 Fund to help local charities supporting victims of domestic abuse and sexual violence develop and adapt the delivery of their services during the

pandemic to ensure victims continued to receive the support they need. In June 2020, the Commissioner also launched his own Covid-19 Community Recovery Fund to provide immediate short-term financial assistance (of up to £5,000) to local charities, community and voluntary groups who were struggling to retain their offer of vital support to victims or looking at different ways of working to continue to achieve their aims. The fund closed in September 2020, with a total of £182,105 awarded to 43 groups, supporting youth outreach work, drug and alcohol recovery, vulnerable older people isolated due to the pandemic, counselling for young homeless people and much more.

The Commissioner has held regular one-to-one meetings with the Chief Constable during the pandemic, maintaining a good oversight of how the Constabulary has continued to work in partnership, locally, regionally and nationally, to provide an efficient and effective local response to Covid-19 and support Cumbria's recovery back to normal life. The Commissioner also liaises closely with the Chief Officer Team as the Constabulary chairs the Cumbria Strategic Co-ordination Group (SCG) that brings together key agencies to lead the county response to this national emergency. This enables the Commissioner to

have oversight of the multi-agency emergency plans developed to mitigate the impact of Covid-19 and to use this information to shape his communication with the public, and engagement with partners.

The Safer Cumbria Partnership remains the primary vehicle by which community safety and criminal justice are delivered and national contingency plans are translated into local actions. The OPCC has worked with the partnership to review its key strategic priorities to ensure they reflect the main issues, risks and threats likely to impact upon crime and community safety in Cumbria from 2021 onwards, especially in response to Covid-19. The Partnership's overarching Strategy has been updated to reflect these changes.

The policing grant settlement, received in December 2020 provided £3.4m in additional grant funding for 2021/22, principally to support the second 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 2021/22 budget in February 2021 based on a council tax

increase of 2.47%. The additional funding provided to the Constabulary will allow existing services to be maintained and has facilitated planned recruitment of an additional 60 officers in 2021/22. This is slightly above its target of recruiting 47 officers in the second phase of Operation Uplift and will put the Constabulary into a good position to achieve its overall recruitment target over the three years of the Uplift programme. 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 Government grant funding provided for Operation Uplift and the increase in council tax for 2021/22, in combination with the public sector pay freeze for 2021, have eased the immediate financial pressure to deliver savings to balance the budget. Nevertheless, financial risks, specifically in relation to the Government's funding model post Operation Uplift, the cost of implementing the Emergency Services Network, pension cost pressures, any potential review of the Police Funding Formula and the negative impact of the Covid-19 pandemic on public finances mean that the Commissioner's financial prospects remain uncertain over the medium term.

Against this background, modelling of a range of financial scenarios, through the Medium Term Financial Planning process, have been undertaken jointly by the OPCC and Constabulary. This work has continued to inform wider business planning and develop savings proposals, as a means of balancing the budget over the medium term.

Optimising Achievement of Intended Outcomes

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

Following the outbreak of the Covid-19 and the subsequent postponement of the 2020 PCC elections Recommendations, the Commissioner determined that his priorities set out in the current Police & Crime Plan would remain the same for 2020/21 and developed a supporting Action Plan to provide a clear focus of activity for the PCC and partners' to keep victims safe and at the heart of the Criminal Justice system. During, the last year, the Commissioner has continued to:

- Provided restorative services, enabling victims to inform offenders of the impact a crime/antisocial behaviour incident has had on them.
- Worked with partners to develop proposals to pilot a Women's Outreach Service.
- Together with Cumbria County Council, continued to fund an Integrated Independent Domestic Abuse & Sexual Abuse Crisis Support Service.
- Provide a victim service, which integrates support for people who have experienced all types of crime working with the County Council, NHS and other local authority partners.
- Commissioned Victim Support to provide emotional, practical, advocacy and signposting services.
- Fund the Bridgeway Sexual Assault Support Services, including a therapeutic service to help people who have experienced sexual abuse and sexual assault to cope and recover.
- Fund a county-wide Domestic Abuse Perpetrator Programme "Turning the Spotlight" and "Step Up" for families experiencing child-on-parent or guardian violence.
- Provide financial support to numerous projects working with victims across Cumbria through his Property Fund and Covid-19 Community Recovery Fund.
- Support his Victims' Advocate to champion the cause for victims, and importantly, help drive up standards.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the entity's capacity

The key functions and roles of the Commissioner and the Chief Constable are set out in the Police Reform and Social Responsibility Act 2011 (PRSA). The PRSA also sets out the function and roles of statutory officers, namely the Monitoring Officer (Chief Executive) and the Chief Finance

Officer (CFO). The monitoring officer has specific legal, financial and governance duties in addition to a statutory responsibility for the lawfulness of decision making. The functions and roles set out in legislation and guidance are codified in the Commissioner's scheme of delegation.

During 2020/21 there have been no major changes to the structure of the OPCC. The OPCC is a small team and works together to address any issues arising from staff turnover.

The Chief Executive and Deputy Chief Executive rotate roles on a six monthly basis and this provides a cost effective approach as well as offering greater resilience. This arrangement continues to work well.

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

Developing the entity's leadership

The Chief Executive receives support through the Association of Police and Crime Commissioner Chief Executives (APACCE), while the Chief Finance Officer continues to receive support from the Police and Crime Commissioner's Treasurer's Society (PaCCTS) and the associated technical information service. During 2020/21 the Chief Finance Officer and wider finance team have actively participated in the 'Achieving Financial Excellence in Policing' programme developed by the Chartered Institute of Public Finance and Accountancy. Central to this programme was a self-assessment of financial management involving consultation with a wide range of stakeholders. The result of the self assessment exercise was a grading of 4 out of 5. An action plan has now been developed to address areas for improvement.

During 2020/21 development activity for members of the Joint Audit Committee was limited by the pandemic, however sessions took place remotely in relation to treasury management and the Commissioner / Constabulary's budget and medium term financial forecast. A formal review of effectiveness of the Committee against the new CIPFA guidance for Audit

Committees evidenced compliance with CIPFA guidance and elements constituting best practice. The full report of the Committee can be found on the Commissioner's website at:

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

The four Independent Custody Visiting Panels operated on a revised basis as the Commissioner continued to suspend the scheme in its current format to protect all those involved and to prevent the spread of coronavirus. The OPCC has implemented a temporary arrangement that will still enable it to maintain oversight and assurance. This initially took the format of dip sampling of custody records on a weekly basis to assess; and now involves the volunteers speaking to detainees via the telephone to check on their welfare.

Developments during the year included:

- Virtual four monthly panel meetings on social media platforms to remain connected with the volunteers.
- Recruitment campaigns to attract new candidates have been placed on hold but contact with those who

have expressed an interest in joining the scheme has taken place during 2020.

- Delivery of on-going ICVA thematic training packages for existing members. In 2020/21 the theme was Children and Young People.
- Membership of the Independent Custody Visitors Association (ICVA).
- Attendance at virtual national conferences
- The Scheme Administrator joins the Constabulary's Custody Forum meetings to advise on the scheme and keep up to day with developments in custody.
- Under the Animal Welfare Scheme, monthly visits to Cumbria Constabulary and the Civil Nuclear Constabulary have been prevented from taking place due to the pandemic.
- Work is being undertaken to have an agreement with the Dogs Trust to provide Animal Welfare Visitors from the OPCC's scheme to carry out visits for them.

Developing the capability of individuals within the entity

A comprehensive OPCC Training Plan has been developed. This sets out the overall training plan for the office and cascades into individual responsibilities.

During 2020/21 arrangements to support staff in tasking and performance have been embedded and are working well:

- Weekly tasking meetings attended by all staff.
- Monthly team meetings focused on policy and procedures.
- 12 weekly Strength Based Conversations and supporting 1-2-1s.

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

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

The Commissioner's Risk Management Strategy is reviewed on a 3-year cyclical basis and was reviewed in 2020. The conclusions of this review were reported to the Joint Audit Committee in March 2020. A high-level review is undertaken annually to ensure that the strategy reflects the current risk environment. Any changes are presented to the Joint Audit Committee. Risk has become embedded within the everyday work of the OPCC, staff continually assess risks within their roles. Both strategic and operational risks are reviewed on a quarterly basis and appropriate updates made. The Commissioner also provides scrutiny of the Constabulary's management of strategic risks.

The strategic risk register is updated on a quarterly basis and currently incorporates risks in relation to future funding, financial and operational risks relating to the implementation of the Emergency Services Network, commissioning of services with partner agencies for the Sexual Assault Referral Centre (SAR) from 2022 onwards.

The Commissioner's arrangements for Risk Management include procedures for Business Continuity, which are regularly reviewed and tested throughout the year. Throughout the COVID-19 pandemic the Business Continuity Plan has been utilised and where necessary updated to reflect the changing environment.

Managing Performance

The Public Accountability Conferences facilitate arrangements for the scrutiny of quarterly thematic reports from the Constabulary around priority areas of policing including its response to the Covid-19 pandemic. In addition, six monthly performance reports provide an understanding of the demand placed on the Constabulary, how it addresses this demand and improves outcomes for victims. The Commissioner also receives updates on how the Constabulary is supporting victims of crime and antisocial behaviour and monitors

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

All Police and Crime Panel meetings are held in public, providing an open and transparent process for scrutinising the decisions and work of the Commissioner. During 2020/21 the Panel has placed a significant focus on monitoring delivery of the Police and Crime Plan and underpinning Action Plan, receiving thematic reports against these at each meeting. The Panel has also unanimously supported the Commissioner's proposed precept for 2021/22.

Robust Internal Control

During 2020/21 a number of areas of the corporate governance framework have been subject to cyclical review and update. This process is supported by the professional advice of the Joint Audit Committee. During

2020/21 the Committee has considered and provided scrutiny of the Financial Regulations and Rules, the OPCC Grant Regulations and Procedures, the Commissioner's the Code of Corporate Governance, the Internal Audit Charter, the PCC Scheme of Delegation, the PCC's Arrangements for Anti-Fraud and Corruption activities, the Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

Internal controls have also been reviewed through the annual process of management assurances and the annual internal audit plan. As a result of the emergence of Covid-19 at the end of 2019/20, internal audit work had to be temporarily suspended, however, audits recommenced from June 2020 and, aside from one audit review, the full audit plan for 2020/21 has been delivered. This has allowed the Head of Internal audit to provide 'Reasonable Assurance' on the PCC's arrangements for risk management, governance and internal control. Overall, of the thirteen audits completed in 2020/21 covering the activities of the OPCC and Constabulary, 85% provided either substantial or reasonable assurance. Management have put in place to address all audit recommendations.

Managing Data

The OPCC operates within the parameters of legislation governing the protection of data, ensuring that all data is appropriately stored and shared where necessary. Information is provided to members of the public under the Freedom of Information Act, with requests and responses published on the Commissioner's website. The Ethics and Integrity Panel provide additional assurance in this respect. Physical data within the OPCC is held securely with appropriate office and cabinet security provided. The OPCC is reliant upon Cumbria Constabulary in relation to some business functions and regular meetings are held to monitor compliance and developments. Regular meetings are held with the Constabulary to assess the continued compliance and any affect on the OPCC.

The OPCC has a joint Data Protection Officer with Cumbria Constabulary. Any identified data breaches notified to, or within, the OPCC are highlighted to the Joint DPO to assess and advise of any course of action to be taken.

Strong Public Financial Management

At the Public Accountability Conference on the 19th February 2020, the Commissioner set the 2021/22 annual

budget and precept in the context of a medium-term financial strategy 2021-2025. In line with his duty to maintain the police force the Commissioner agreed a net revenue budget of £136.9m and a capital budget of £4.5m for the Chief Constable for the 2021/22 financial year and a funding arrangement that codifies the terms for that funding, including arrangements for financial management. The budget for 2021/22 also included £0.85m for the operation of the Office of the Police and Crime Commissioner and £2.2m funding within a commissioned services budget for victims, community safety and crime reduction.

During 2020/21 the Commissioner received regular financial reports including the revenue and capital budgets, in year monitoring of expenditure against budget and treasury management. A summary format of financial reports incorporating tables and graphs, wherever appropriate, is used to improve accessibility. Financial reports are published on the Commissioner's website.

The outcome of all audits of financial arrangements during 2020/21 was an opinion that provided either reasonable or substantial assurance.

Whilst Government grant funding provided for Operation Uplift and the increase in council tax for 2021/22, have eased the immediate financial pressures on the budget, financial sustainability over the medium term has remained on the Commissioner's strategic risk register. The potential impact of the pandemic on public finances has compounded existing uncertainties in relation to the Government's model for police funding beyond Operation Uplift, the funding of police pensions and the cost of the Emergency Services Network. A number of mitigation measures have been put in place including the detailed medium-term financial forecast, financial scenario planning, use of reserves and development of savings plans in conjunction with the Constabulary.

During 2020/21 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. The overall outcome of this work was positive, with a grading of 4 out of 5. An action plan to address areas for

improvement has been developed and will be progressed in 2021/22.

The Financial Management Code developed by the Chartered Institute of Public Finance and Accountancy came into effect from the 1st April 2020, with the aim of supporting good practice in financial management in local authorities including the policing sector. However, there is a recognition that due to the global pandemic, it may be difficult for authorities to demonstrate full-compliance during 2020/21. A self-assessment has been undertaken, which shows that the Commissioner largely meets the requirements of the code, however there are some areas where further work is required to ensure full compliance, most notably in relation to

- Demonstrating Value for Money.
- Balance sheet monitoring.
- Scheme of delegation and financial training
- Developing a financial resilience index.
- Application of formal options appraisal techniques.

A copy of the self-assessment is included as an appendix to the Annual Governance Statement (Appendix C).

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in transparency

The Commissioner is committed to good transparency. Every opportunity is taken to demonstrate the good work that the Commissioner is involved with especially around the support to third-parties and commissioned services. This is further reinforced by publishing information from across the OPCC using different formats to allow people to access information in range of forms. The Commissioner's website remains the central place for all information to be accessed.

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

and accessibility of financial information. Further to this, the statutory financial statements for 2019/20, published in June 2020, include the Chief Finance Officers' Narrative Report. The Narrative report incorporates a more accessible summary of the statements and financial and performance information, alongside a business review.

Implementing good practices in reporting

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

- Continuation of funding for many community projects and support services to tackle the key priorities in the Police and Crime Plan and maintain vital services for victims.
- Setting the policing budget for 2021/22, maintaining the additional 45 police officers secured over the Commissioner's term of office and increasing by a further 111 police officers through the first two phases of the Government's Operation Uplift

Programme to recruit an additional 20,000 officers nationally.

- Improved youth engagement through the work of the Cumbria Youth Commission, Mini Police and Cadets.
- Prioritised and supported work to address the top public concerns raised with him namely, police visibility, safer driving, cyber-crime and rural crime.

An updated Code of Corporate Governance was adopted in line with the 2016 CIPFA/Solace Good Governance Framework for Local Government.

A review of the arrangements for internal audit have confirmed that the service meets the requirements of the Public Sector Internal Audit Standards (PSIAS) during 2020/21.

The Commissioner's unaudited financial statements for 2019/20 were released in June, with the final version published in November, meeting the deadlines for financial reporting, which were less stringent than in previous year in cognisance of the difficulties presented by the Covid-19 pandemic.

Assurance and effective accountability

The external auditors gave an unqualified opinion for the Commissioner's Financial Statements for 2019/20, confirming that they provided a true and fair view of the financial position and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting. The auditors further confirmed in their Annual Audit Letter that that the Commissioner had proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

Implementation of recommendations arising from the internal audit plan, external audit reports and HMICFRS are monitored by the Joint Audit Committee.

The Ethics and Integrity Panel monitors and reports on some specific areas of activity, such as complaint handling and ethical issues. During the pandemic the Panel will provide assurance around the Constabulary's use of the emergency powers by conducting dip-samples of the Fixed Penalty Notices issued relating to Covid-19 restrictions and the Governments Guidelines.

Impact of the Coronavirus Pandemic

During 2020/21 the work of the Office of the Police and Crime Commissioner has been impacted by the Covid-19 pandemic. For the most part staff have been working remotely, but have been able to continue business as usual. Meetings and engagement activities have been moved on-line and have operated effectively.

FURTHER INFORMATION

Further information on the arrangements for Governance can be found on the Commissioner's website under the tab headed Governance and Transparency.

We welcome your views on the Commissioner's Annual Governance Statement. You can do this by using the contact information below:

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28 June 2021

*Signatures are removed for the purposes of Publication
on the website

Subject to Audit

Appendix A Update on 2020/21 Development and Improvement Plan

Ref	B/fwd from 2019/20 (ref)	Action	Lead Officer	Implementation by	Action Update 31 October 2020	Revised Implementation Date	Status
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.							
CPA/1	N/A	Embed the Complaint Regulation changes within the OPCC and develop a review oversight procedure for the Ethics and Integrity Panel.	Head of Communications and Business Services	31st December 2020	The process is now well embedded into working practices. As part of their dip sample programme the Ethics Panel are looking at the review files on a six monthly basis. The first time was on 29 October 2020		Completed
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.							
CPB/1	N/A	Establish a stronger link between individual QSPIs and work with the Constabulary to influence strategic actions with a view to improving the policing service in the county.	Head of Communications and Business Services	31st October 2020	All issues raised are fed into the local policing teams by the Staff Office to understand the issues and identify resolutions where possible. At Collaborative Board the OPCC Exec Team will raise re-occurring trends and themes to enable strategic input and oversight. Ethics Panel receive six monthly reports on complaints and QSPI's		Completed
CPB/2	CPB/2	Arising from the review of communications and engagement, develop an Engagement Strategy 2020-2024	Head of Communications and Business Services	30th June 2020	The PCC elections were postponed until May 21 as a result this action should be moved to June 2021.	30th June 2021	Ongoing (original timescale extended)
CPB/3	N/A	Develop a communications and engagement strategy for 20/21 that reflects the government COVID-19 restrictions at the time and embraces new ways of communicating. Timescale Oct 20	Head of Communications and Business Services	31st October 2020	This strategy has been completed however, it is a dynamic document due to the changes in government legislation as a result of COVID-19.		Completed
Core Principle C: Focusing on defining outcomes in terms of sustainable, economic, social and environmental benefits							
CPC/1	N/A	Produce a plan to outline what the Commissioner and the OPCC are doing to support communities and the Constabulary during the Covid-19 emergency.	Partnerships and Strategy Manager (Performance)	31st May 2020	A Plan has been developed outlining how the Commissioner and his team are supporting the countywide response to the Covid-19 pandemic. Chief Officers and the Police & Crime Panel have all been sighted on the Plan		Completed
CPC/2	N/A	Review the Commissioning Strategy and implement recommendations.	Partnerships and Strategy Manager (Performance)	30th September 2020	The Commissioning Strategy has been reviewed and approved by Executive Team (05.11.2020). No recommendations arising from this review		Completed
CPC/3	N/A	Review the Grant Regulations and implement recommendations.	Assistant Policy Officer	30th September 2020	The Grant Regulations have been reviewed and approved by Executive Team (05.11.2020). This review was informed by findings / recommendations arising from a recent internal review of our contract management arrangements conducted by the Partnerships & Commissioning Team.		Completed

Appendix A Update on 2020/21 Development and Improvement Plan

Ref	B/fwd from 2019/20 (ref)	Action	Lead Officer	Implementation by	Action Update 31 October 2020	Revised Implementation Date	Status
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended							
CPD/1	N/A	Review the Accountability Framework to ensure that the Commissioner is assured that the Constabulary is responding to the Covid-19 pandemic in a measured and consistent way.	Partnerships and Strategy Manager (Performance)	30th June 2020	Although, the Accountability Framework has been reviewed and changes have been incorporated to ensure the Commissioner is assured that the Constabulary is responding to the pandemic, this revised framework has not yet been signed off by Executive Team. The Commissioner receives weekly updates from the Chief Constable in his one to one meetings, and has received further assurance through his Public Accountability Conferences (on 20th May 2020 and 6th October 2020).	30th November 2020	Completed
CPD/2	N/A	Continue to work in collaboration with Cleveland, Northumbria and Durham OPCCs and NHS England / NHS Improvement to jointly commission an integrated Sexual Assault Referral Centre (SARC) model across these areas.	Partnerships and Strategy Manager (Commissioning)	31st January 2021	The North East collaboration with NHS England has continued to evolve despite a failed procurement for an all aged SARC in Cumbria. A second procurement is due to take place in summer 2021.		carry forward 2021-2022
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and the individuals within it.							
CPE/1	N/A	Review the impact of the Covid-19 lockdown on the OPCC and implement recommendations to help shape the future of the organisation. Identify what has worked well, what can be improved and what the organisation can stop doing.	Chief Executive	30th September 2020	At the beginning of the pandemic the OPCC invoked its Business Continuity Plan and staff worked from home. The OPCC has changed the way in which it works and is still able to fulfil all its statutory and other functions. IT connection was initially a problem, however this has now been resolved and recently laptops have been upgraded which has provided greater connectivity.		Completed
CPE/2	CPE/2	Review contract management arrangements and implement recommendations.	Partnerships and Strategy Manager (Performance)	30th November 2020	The review has been completed and recommendations implemented. Subsequently, Internal Audit have given substantial assurance		Completed

Appendix A Update on 2020/21 Development and Improvement Plan

Ref	B/fwd from 2019/20 (ref)	Action	Lead Officer	Implementation by	Action Update 31 October 2020	Revised Implementation Date	Status
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.							
CPF/1	CPF/1	Scope the approach and put in place arrangements to support the development of the Police & Crime Plan 2020/2024 following postponement of the PCC elections in May 2020 and the outbreak of coronavirus.	Partnerships and Strategy Manager (Performance)	31st March 2021	Following postponement of the Police & Crime Commissioner elections, the Commissioner has determined that his priorities set out in the current Police & Crime Plan will remain in place for the next year. To support this, an Action Plan has been developed to sit alongside the Police & Crime Plan, setting out the key pieces of work that will be delivered during this extended period of time. The Action Plan is a living document that will be updated, as required, to ensure it reflects emerging trends and issues arising both locally and nationally from the Covid-19 pandemic. It is also possible, following Police & Crime Commissioner elections in May 2021, that the lifespan of the Action Plan is extended to drive business until March 2022.		Completed
CPF/2	N/A	Develop a new Covid-19 Fund to assist voluntary and community groups to either carry on providing existing services or launch new projects to help people during the Covid-19 lockdown period or afterwards when restrictions are relaxed.	Partnerships and Strategy Manager (Performance)	30th June 2020	At the start of June 2020, the Commissioner launched the Covid-19 Community Recovery Fund to provide short-term financial assistance of up to £5,000 to local charities, community and voluntary groups to help them to continue to offer vital support to victims or to look at different ways of working to continue to achieve their aims. The fund ended on the 30th September 2020 but those in receipt on the funding have until 31st March 2021 to spend the money they received in its entirety.		Completed
CPF/3	N/A	Implement the revised Safer Cumbria governance structure and work collaboratively to deliver its overarching strategy and joint initiatives.	Partnerships and Strategy Manager (Performance)	31st July 2020	The revised Safer Cumbria governance structure commenced April 2020. The overarching strategy was presented at the Safer Cumbria Board in August 2020 and will provide strategic direction for the Partnership to 2025.		Completed

Appendix B 2021/22 Development and Improvement Plan

Ref	B/fwd from 2020/21 (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		Develop a succession plan to ensure resilience and continuity of the membership and skills of the Ethics & Integrity Panel.	Governance Manager	28 February 2022
		Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.		
CPB/1	CPB2	Develop a communications and engagement strategy for 2021-24	Communications and Engagement Officers.	30 June 2021
		Core Principle C: Focusing on defining outcomes in terms of sustainable, economic, social and environmental benefits		
CPC/1		Work with the newly elected Police & Crime Commissioner to develop a new Police & Crime Plan for 2021-2024	Partnership & Strategy Manager	31 December 2021
		Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.		
CPD/1		Develop a holistic approach for women services through the Women Centres.	Project Manager	31 March 2022
CPD/2		Working with the Constabulary to reduce reoffending through the implementation of an Out of Courts Disposal Framework through the Pathways project.	Project Manager	31 March 2022
CPD/3		Continue to deliver the Government's policy around Safer Streets	Safer Streets Co-ordinator	31 March 2022
CPD/4		Develop and commission an intervention for perpetrators of Hate Crime.	Partnership & Strategy Manager	31 October 2021
CPD/5	CPD/2	Continue to work in collaboration with Cleveland, Northumbria and Durham OPCCs and NHS England / NHS Improvement to jointly commission an integrated Sexual Assault Referral Centre (SARC) model across these areas.	Partnerships and Strategy Manager	31 December 2021

Appendix B 2021/22 Development and Improvement Plan

Ref	B/fwd from 2020/21 (ref)	Action	Lead Officer	Implementation by
		Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and the individuals within it.		
CPE/1		Internal Audit of the OPCC's Agile Working arrangements.	Governance Manager	30 September 2021
CPE/2		Implement the recommendations from the 2021 PCC review	Chief Executive	31 March 2022
		Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.		
CPF/1		Review of governance structure and processes in preparation for the outcome of PCC Reviews.	Governance Manager	31 December 2021
CPF/2		Consider the implications of local government re-organisation on the Office of the Police & Crime Commissioner and make recommendations to the Police & Crime Commissioner.	Chief Executive	31 August 2021
CPF/3		Develop partnership arrangements with the Youth Endowment Fund to ensure access to future funding streams that helps to prevent the criminalisation of children	Partnership & Strategy Manager	31 March 2021
CPF/4		Complete a self-assessment against the CIPFA Good Governance Guide for the Safer Cumbria Partnership to drive recommendations for improvement	Safer Cumbria Co-ordinator	30 November 2021

Appendix C CIPFA Financial Management Code Self-Assessment

Question	Answer	RAG	Areas for Improvement
Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?	We have clear references to achieving VFM in the annual financial strategy, the Procurement Strategy and the Force Strategic Plan	Yellow	Review documentation to make VFM more explicit
Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?	A corporate framework of management procedures and rules for securing value for money is incorporated into key joint governance documents including the Procurement and Financial Regulations. The HMICFRS VFM profiles are considered and reported to senior management. These are used as a basis for identifying areas where there is potential to make savings. The Deputy Chief Constable chairs a monthly Management Board to analyse performance and consider improvement plans. The Constabulary has an efficiency	Yellow	Develop an enhanced savings and efficiencies plan, to incorporate benefits management.
Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?	Actions are taken from the DCC Management Board. Recommendations from this board HMICFRS and audit are rigorously followed up Procurement savings are reported to Blue Light Commercial on a quarterly basis Contract management is undertaken by service stakeholders, with strategic oversight from the Procurement department Cash savings removed from the annual revenue budget are monitored for delivery. An enhanced benefits management process has been agreed and is currently being embedded.	Yellow	
Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions?	For the Constabulary, the Joint CFO is a member of the Chief Officer Group which is the main decision making body for the Constabulary and meets on a weekly basis. For the PCC, the Joint CFO is a member of the PCC Executive Team which is the main decision making body for the OPCC and meets on a weekly basis.	Green	
Does the CFO lead and champion the promotion and delivery of good financial management across the authority? Is the CFO suitably qualified and experienced?	Yes, The Joint CFO champions and leads the promotion and delivery of good financial management in the Constabulary and OPCC. Yes, the Joint CFO is a member of CIPFA and is suitable qualified, experienced and committed to Continuing Professional Development. The Joint CFO is supported by a Deputy CFO who is also a member of CIPFA and is suitable qualified, experienced and committed to Continuing Professional Development.	Green	
Is the finance team suitably resourced and fit for purpose?	The Financial Services Team are a shared support service providing the full range of financial services to the PCC and Constabulary. The team has recently been provided with growth of 1.6 FTE posts to support a hump of activity around a financial system implementation, operation uplift, increasing demands from external audit and a number of other workload pressures. Once these additional resources are recruited the team will be properly resourced in terms of capacity and capability. There is an aspiration for development and succession planning within the team. The internal and external audit opinions over many years demonstrate that the Financial Services Team is fit for purpose.	Green	
Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?	Balances such as reserves, debtors, creditors and provisions are monitored closely by Financial Services on a monthly basis. Reserves, debtors, creditors and accumulated leave balances are reported to senior management at the year end. Reserves are given particular focus in the budget setting and MTFP process. Cashflow, short and long-term borrowing, investments and the use of reserves and balances are also monitored by Financial Services and are reported to the PCC Public Accountability Conference and Joint Audit Committee in the quarterly update on treasury management activity	Yellow	A more systematic approach to balance sheet risk reporting and sensitivity analysis will be put in place.
Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance	Balances such as reserves, debtors, creditors and provisions are monitored closely by Financial Services on a monthly basis	Green	
Is the authority taking action to mitigate any risks identified?	Yes, as risks are identified action is taken e.g. regular reviews of legal claims and supplier information including credit checks is undertaken regularly.	Green	
Does the authority report unplanned use of its reserves to the leadership team in a timely manner?	Revenue and capital monitoring reports are presented to Chief Officer Group and the PCCs Executive Team on a regular basis. Formal budget monitoring reports are presented on a quarterly basis to the PCCs Public Accountability Conference and then to the public meeting of the Police and Crime Panel. Any variation to the planned use of reserves is reported, with a formal recommendation to the PCC should any significant changes to the planned use of reserves arise	Green	
Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?	This is not well developed and principally takes place at the year end and during the budget setting process.	Yellow	

Appendix C CIPFA Financial Management Code Self-Assessment

Question	Answer	RAG	Areas for Improvement
Has the authority sought to apply the principles, behaviour and actions set out in the Framework to its own governance?	Yes, as evidenced through the Annual Governance Statement		
Does the authority have in place a suitable local code of governance?	Yes, the PCC and Chief Constable each publish on an annual basis a Code of Corporate Governance. This is reviewed by the Joint Audit Committee at the start of each financial year.		
Does the authority have a robust assurance process to support its AGS?	The AGS for the Constabulary is produced by the Chief Officer Group, which comprises senior police officers and staff from the Constabulary. The AGS for the OPCC is produced by the PCC Executive Team, which comprises senior staff from the OPCC. A draft version of each AGS is presented to the Joint Audit Committee before publication alongside the annual Statement of Accounts.		
Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements?	Yes, the Joint CFO is fully aware of his responsibilities in this area.		
Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms?	Specific responsibility for the Joint CFO to secure delivery of the financial statements is included in the job description and is recognised as a key task.		
Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom?	Yes, Cumbria has a good track record of early closedown and external audit sign-off.		
Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget?	An outturn report is presented to the Chief Officer Group and the PCC Executive Team in May each year with clear explanations provided for each variation against budget.		
Is the information in these reports presented effectively?	Yes. This information is provided on the same format of the monthly/quarterly management accounts to aid consistency and understanding. A reconciliation is provided in the statutory statement of accounts to aid transparency.		
Are these reports focused on information that is of interest and relevance to the leadership team?	Yes, it provides information on the full revenue budget and highlights variances which are both one-off and those that have an ongoing financial implications.		
Does the leadership team feel that the reports support it in making strategic financial decisions?	Yes		
How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget?	The Constabulary and PCC liaise closely in agreeing the budget. The Constabulary consults comprehensively with budget holders during the budget process to assess service pressures through a 'Star Chamber' process. The PCC undertakes public consultation on his proposed council tax precept increase as and when required. Commissioning budgets are developed in close consultation with relevant delivery partners. The PCC's annual budget and precept proposals are subject to scrutiny by the independent Police and Crime Panel, on behalf of the public. Members of the Joint Audit Committee are briefed on the budget.		
How effective has this engagement been?	Internal consultation has both identified savings and areas where additional resourcing is required. In recent years the PCC has consulted the public regarding his proposed increase in council tax precept. The response has always been positive. In recent years the Police and Crime Panel has approved the PCCs proposed increase in council tax precept		
What action does the authority plan to take to improve its engagement with key	The PCC and Constabulary are continually open to exploring ways of improving the budget setting and consultation process.		
Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'?	The Constabulary and PCC include options appraisal as a standard requirement in its business case template. The exact methodology and options appraisal techniques used are not always consistent as it can be difficult to adapt these to a public sector setting where quality of service is more important than pure financial return. Benefits measurement can be subjective and have a tendency to be over optimistic.		Develop guidance for options appraisal and ensure it is applied systematically including post implementation review.
Does the authority offer guidance to officers as to when an option appraisal should be undertaken?	Staff developing business cases particularly in relation to technology are Prince 2 trained and well versed in options appraisal techniques. Finance staff provide support where required.		
Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options?	Where appropriate, qualitative and quantitative measures are included		
Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty?	Risks are considered as part of the business case preparation, particularly for significant investments.		
Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?	Yes, particularly in relation to significant investments. However, post implementation reviews are not carried out systematically.		

Appendix C CIPFA Financial Management Code Self-Assessment

Question	Answer	RAG	Areas for Improvement
Has the authority prepared a suitable capital strategy?	Yes, a Capital Strategy document is prepared which is an overarching publication covering the Treasury Management Strategy Statement (TMSS) and Capital Programme. The Capital Programme covers a longer 10 year period. The Capital Strategy, Capital Programme and TMSS are presented to the Public Accountability Conference in February each year as part of the budget setting process and are approved by the PCC. The documents are published on the PCCs website as part of the Key Financial Publications section.		
Has the authority set prudential indicators in line with the Prudential Code?	Yes, these are included in the Annual Capital Strategy and Treasury Management Strategy Statement.		
Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?	Yes, these are monitored by Financial Services staff and reported to the PCC Public Accountability Conference and Joint Audit Committee in the quarterly TM update reports.		
Is the authority aware of its statutory obligations in respect of the budget-setting process?	Yes, initial budget reports are presented to the public meeting of the Police and Crime Panel as part of the precept setting meeting in January. The formal budget reports including the Joint CFO statement on the robustness of the budget and the council tax requirement are presented to the PCC Public Accountability Conference in February each year.		
Has the authority set a balanced budget for the current year?	Yes, as endorsed by the PCC at the budget setting meeting in February.		
Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?	Yes, the Joint CFO is fully aware of the s114 requirements but Cumbria is not remotely close to needing to issue one in the near future.		
Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves?	Yes		
Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case?	Not specifically, although a separate risk assessment is produced which explains and quantifies the impact of variations to key budget assumptions		Review the S25 report to see what improvements can and should be made
Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future?	Yes, a separate Reserves Strategy is produced to accompany the annual budget report, Medium Term Financial Forecast (MTFF) and Capital Strategy. The Reserves Strategy covers planned use of reserves over a 10 year timeframe to match the Capital Strategy. This Reserves Strategy is also published on the PCCs website in the Key Financial Publications section of the website.		
Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?	Yes, the Reserves Strategy provides a forecast for the next 10 years which is fully compatible with the 4 year MTFF and longer term 10 year capital Strategy.		

Appendix C CIPFA Financial Management Code Self-Assessment

Question	Answer	RAG	Areas for Improvement
Does the leadership team espouse the Nolan principles?	Yes, the code of ethics is a key feature for all police officers and staff and is promoted during induction training and refresher courses. This is supported by the work of the Professional Standards Department who promote ethical standards through a supported learning approach. All force policies and procedures embed the key principles from the Code of Ethics		
Does the authority have in place a clear framework for governance and internal	Yes, the PCC and Chief Constable review and update their respective Codes of Corporate Governance on an annual basis.		
Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability?	Good behaviour is discussed during all staff and officer Strengths Based Conversations (SBCs) The arrangements for anti-fraud and corruption include a whistleblowing policy which is managed and reports investigated by the Professional Standards Department (PSD) The PCC and Chief Constable have a joint managed internal audit service which is currently provided by the County Council. All audit reports receive Chief Officer/Director sign off and all audit reports are reported to the Joint Audit Committee (JAC). The Head of Internal Audit provides regular updates against the audit plan to meetings of the Joint Audit Committee. All audit reports (internal and external) are published on the PCC website. Internal accountability is through individual SBCs with breaches being investigated through PSD Business interests are approved and recorded by PSD and then reviewed as part of the SBC process and at year end through the related parties evaluation exercise Both the Constabulary and OPCC have a policy on gifts and hospitality, which is managed and promoted by PSD and the OPCC.		
Does the leadership team espouse high standards of governance and internal control?	All key decisions are taken collectively by the Chief Officer Group with a full audit trail for all decisions made. All key PCC decisions of significant public interest are published on his website including full supporting documentation Codes of Corporate Governance are in place in line with CIPFA Good Governance principles. Codes of conduct & business interests are in place as part of anti-fraud and corruption arrangements. Governance documents including financial and procurement regulations are in place and are reviewed periodically.		
Does the leadership team nurture a culture of effective governance and robust internal control across the authority?	Yes, see arrangements above and regular interventions to ensure that the organisations operate effectively. This is supported by the HMICFRS assessment of Good across all areas of business and outstanding for Crime Data Recording and the Head of Internal Audit's assessment that the arrangements for risk management, governance and internal control are robust.		
Has the authority undertaken a Financial Resilience Assessment?	As part of the Achieving Financial Excellence in Policing Programme (AFEP) a template set of Financial Resilience Indicators has been developed. A piece of work is currently underway to apply these to Cumbria circumstances and develop a Financial Resilience Self Assessment that can be undertaken and reported on an annual basis.		Cumbria Financial Resilience Indicators to be agreed, calculated and reported to Chief Officers & OPCC.
Has the Assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios?	As above		
Has the authority taken appropriate action to address any risks identified as part of the assessment	As above		
Does the authority provide the leadership team with an appropriate suite of reports that allows it to identify and to correct emerging risks to its budget strategy and financial sustainability?	For the Constabulary, the Chief Officer Group is provided with a monthly monitoring report which highlights emerging risks and issues. These are acted upon as necessary. Any matters needing to be notified to the PCC are managed through the regular PCC Executive Team meetings. Formal reports are presented to the PCC on a quarterly basis at the Public Accountability Conference. The quarterly reports are also presented to the public meetings of the Police and Crime Panel. Board meetings such as Business Board, Operations Board, Digital Board and Workforce Boards receive high level financial updates at monthly meetings. The Senior Leadership Teams of relevant departments will receive and update from Financial Services Officers in relation to their own budgets on a monthly basis.		
Do the reports cover both forward and backward looking information in respect of financial and operational performance?	Yes		
Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data?	The Commercial Department are actively developing contract management across the organisation. The OPCC have a performance framework for Commissioned Services designed to ensure that contracts are delivered effectively.		Continue to develop a contract management culture led by the Commercial Department.
Are the reports provided to the leadership team in a timely manner and in a suitable format?	Yes, produced monthly/quarterly as required and are in a clear format which draws out the key messages.		
Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?	Yes		

Appendix C CIPFA Financial Management Code Self-Assessment

Question	Answer	RAG	Areas for Improvement
Does the authority have in place an effective framework of financial accountability?	Yes, through the framework of corporate governance, including the Funding Arrangement, Scheme of Delegation, Budget Protocols, Financial Regulations, Financial Rules and Joint Procurement Regulations. These documents are reviewed on a cyclical basis and are reported to the Joint Audit Committee		
Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services?	The Constabulary has an Efficiency and Productivity Strategy, which incorporates specific reviews of services, savings targets and consideration of HMICFRS VFM indicators. However, this has been relatively low profile in during Covid.		Re-invigorate the Efficiency Strategy with a systematic approach, including benefits realisation.
Does the authority's finance team have appropriate input into the development of strategic and operational plans?	For the Constabulary, the Joint Chief Finance Officer is a member of the Chief Officer Group who meet on a weekly basis and have ultimate decision making responsibility for the Constabulary. For the OPCC, the Joint Chief Finance Officer is a member of the PCC Executive Team who meet on a weekly basis and have ultimate decision making responsibility for the PCC. In addition, the Joint CFO is part of the Management Board (in relation to CC activity) and the Collaborative Board which is a joint board made up of senior members of the OPCC and Constabulary. Senior finance representatives sit on all key decision making and informative boards e.g. Workforce, Business, Operations, Digital and Programme Boards		
Do managers across the authority possess sufficient financial literacy to deliver services cost effectively and to be held accountable for doing so?	Each key stakeholder/budget holder in the organisation has a named finance contact. The Financial Services Team are well qualified and a business partnering approach is being promoted. A more systematic approach to ensuring that Budget holders have the appropriate financial management skills is being considered.		Develop the business partnering approach between finance and business areas. Implement a systematic training plan for non finance staff.
Has the authority sought an external view on its financial style, for example through a process of peer review?	Not specifically, but the Financial Services team recently undertook the CIPFA Achieving Financial Resilience Financial Management Self Assessment and as a result an action plan has been developed. The self assessment sought the views of chief officers, senior managers and external partners (JAC, internal and external audit) on a number areas of financial management. The self assessment resulted in a score of 4 out of 5 for Financial Management.		Complete the AFEP action plan.
Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities?	Yes, as set out in Scheme of Delegation, Budget protocols, Financial Regulations, Financial Rules and Joint Procurement Regulations. In relation to financial skills, budget holders are supported by named Financial Services Officers who support their particular areas of business. Training to non-financial managers is currently ad-hoc and is provided on a one to one basis by finance staff. A more formal in-house training programme is to be developed as part of the AFEP action plan.		as above
Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?	The key risks are highlighted in the annual budget and medium term financial forecast.		
Does the authority have a strategic plan and long-term financial strategy that address adequately these risks?	Yes, we have a medium term financial forecast which is produced annually, although the main focus is for a 4 year MTFE timeframe, the report includes commentary on future estimation uncertainty and considers risks to funding and budget setting. We also publish a separate longer term Capital Programme and Reserves Strategy which cover a 10 year timeframe.		The MTFE will be reviewed to ascertain whether it needs to be enhanced and extended.
Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)?	Scenario planning is used internally within Financial Services to formulate the medium term financial plan. Published budget reports include a risk assessment/sensitivity analysis which highlights the financial risk to key budget assumptions e.g. changes in future pay awards, precept levels etc.		
Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making?	Regular reports to the Chief Officer Group and PCC Executive Team during the budget preparation process highlight the various risks and possible scenarios. The key strategic issues are then reported to the PCC Public Accountability Conference at the annual budget setting meeting. All documents associated with the budget process are published on the PCC website as part of the Key Financial Publications section. During the year regular revenue and capital monitoring reports will highlight changes in significant risks and issues, and suggest appropriate action		
Does the authority have in place an agreed medium-term financial plan?	Yes, the Medium Term Financial Forecast covering the period 2021/22 to 2024/25 was published in February 2021 alongside the annual revenue budget.		
Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy?	Yes		
Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand?	Yes, the Chief Officer Group (COG) consider information on current and future demand pressures (as currently known) including the implications for new technology and equipment The Constabulary also considers relevant NPCC guidance and best practice e.g. stop & search, body worn video. Across COG, members are engaged in national forums which enables the potential financial implications of new national systems and changes to national guidelines and procedures to be identified early		
Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand?	Yes, but in an emergency service employing omnicompetent police officers changes in demand can be accommodated by deployment policies and priorities. Cost drivers and sensitivity analysis to changes in cost, income and demand are included in the MTFE.		
Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims?	Yes, there are separate asset management plans/strategies for Estates, Fleet and Digital Data and Technology. The plans are developed to coincide with the PCC term of office and an annual update is provided through the Corporate Support Strategy Update which is considered alongside the budget at the February meeting of the Public Accountability Conference. The last published individual asset management strategies cover the period 2019 to 2021. New strategies for the period 2021 to 2024 will be developed in September 2021.		



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