



Subject to



Peter McCall

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**STATEMENT
OF ACCOUNTS
2017/18**



This draft Statement of Accounts was approved by the Joint Chief Finance Officer on XX May 2018. At this point the Grant Thornton LLP 'appointed auditor' has not yet completed his annual audit and as such has not given an opinion on the accounts. The accounts are therefore watermarked 'subject to audit'. Once the audit has been completed, which is expected to be in July 2018, the Chief Constable will be asked to approve the Statements and the audit opinion provided will be inserted at pages 21-24 and the watermarking removed. Pages 19 and Page AGS 2 of these accounts include signatures which have been removed for the purposes of publication on the website.



The Chief Constable for Cumbria
Constabulary

Statement of Accounts 2017/18

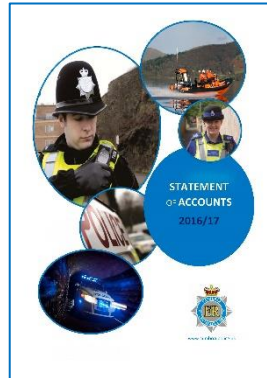
About this Publication

This publication contains the single entity financial statements for the Chief Constable for Cumbria Constabulary. All funding for the Constabulary comes from the Police and Crime Commissioner for Cumbria (the Commissioner). For an overall (group) financial position please see the Commissioner's Statement of Accounts which incorporates those of the Chief Constable.



The Statement of Accounts for 2017/18 is available on the Constabulary's website at www.cumbria.police.uk

The corresponding accounts for the Police and Crime Commissioner can be found on the Commissioner's website at: www.cumbria-pcc.gov.uk.



The Statement of Accounts is also available in printed format from the office of the Police and Crime Commissioner for a nominal fee of £10 per copy.

Alternative Formats



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

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The Chief Constable for Cumbria Constabulary

Statement of Accounts 2017/18

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The Joint CFO Introduction.

For a quick highly summarised version of this statement of accounts please read the next 17 pages. The full story starts on page 20, please read that too.

Please see page 29 for a full list of the notes to the accounts and cross references to page numbers.

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

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2017/18 financial year. This financial statement sets out the single entity statements of the Chief Constable for Cumbria Constabulary. The Police and Crime Commissioner for Cumbria (the Commissioner) has also produced group accounts, which consolidate the single entity statements of the Chief Constable and the Commissioner. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

The statement provides a breakdown of net spending during the year and shows the overall financial position of the Chief Constable as at 31 March 2018. The reporting format is specifically designed to meet the requirements of the Code of Practice on Local Authority Accounting. A series of notes are provided to assist readers in their understanding of the statement, whilst the presentational format is designed to make for easier reading by those who access the document through the Chief Constable's website: www.cumbria.police.uk. This is the third year that the statement has incorporated a narrative statement, which has replaced the Chief Finance Officer introduction. The narrative statement provides a simplified summary of the financial statements with expanded information on the objectives, activities, performance and future financial prospects of the Constabulary. This aims to give the reader greater understanding of the context in which the financial statements are set. The narrative statement is also available as a stand-alone document on the same website. The Commissioner's consolidated financial statements showing the group position can be

accessed from the Commissioner's website: <https://cumbria-pcc.gov.uk/>

Statutory Framework

The Chief Constable was established as a statutory entity under the Police Reform and Social Responsibility Act 2011 (PRSA 2011). The PRSA 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 PRSA 2011 established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner for leadership of the force, the delivery of efficient and effective policing and the management of resources and expenditure for the police force.

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

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

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

Organisational Structure

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

Operational policing is split into two commands which report to the Assistant Chief Constable. The Territorial

Policing command is responsible for neighbourhood policing, response, management of calls for service and criminal justice. Territorial policing is structured in three geographic areas, which are supported by shared specialist policing resources such as roads policing, dogs and firearms.

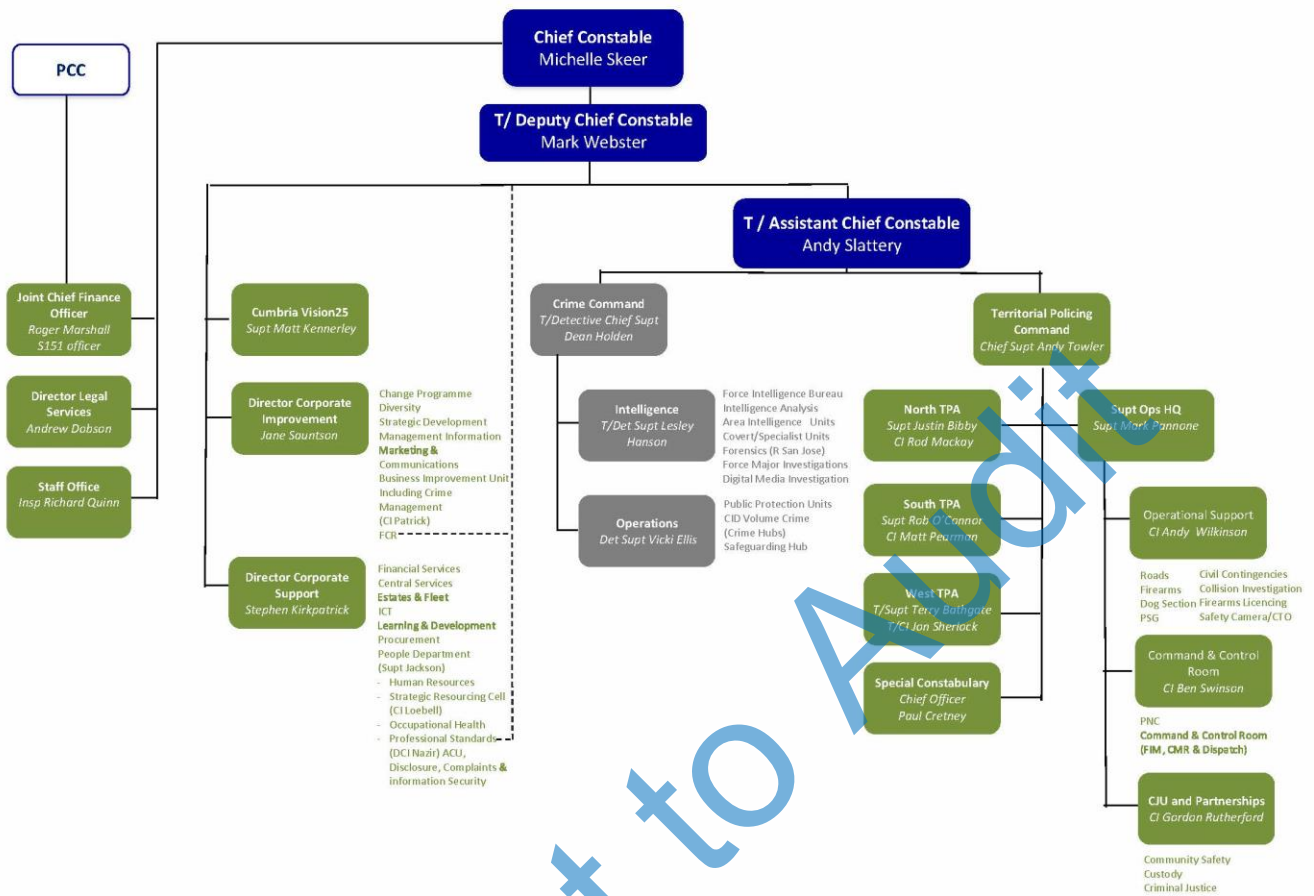
The Crime Command is responsible for investigating crime and includes specialist units for gathering intelligence, major crime investigation, countering serious and organised crime, public protection and scientific support.

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

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

Joint Chief Finance Officer Narrative Report

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



Strategic Objectives

For 2017/18, the Chief Constable determined the strategic direction for the Constabulary, which is 'Keeping Cumbria Safe'. Following consultation with a range of stakeholders, the annual review of the Constabulary's Strategic Assessment (based on operational intelligence), performance results, recommendations from independent inspections and audits and a review of the organisation's strategic risks, the Chief Constable developed the 'BIG 6' priorities for reducing 'threat, risk and harm' and tackling our communities' concerns as follows:

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

behaviour.

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

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

Chief Constable's Report

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

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

Nevertheless, there are no grounds for complacency. Over the past couple of years, there has been a noticeable shift in the profile of offences being recorded by police, with an increase in the complexity of crime, which in turn requires more resources to investigate. To ensure that we understand and can respond effectively in an ever changing world we continually review our demand.

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

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

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

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

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

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

2017/18 Grant Settlement and Budget

Under the provisions of the Police and Social Responsibility Act 2011, the Commissioner receives external funding, principally in the form of central government grants and council tax. The Commissioner is responsible for setting the budget and maintaining the force through the provision of funding to the Chief Constable. Details of the 2017/18 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

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

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

Business Activity

In addition to the day to day work of Protecting the People of Cumbria, the Constabulary, through its change programme and business strategies, has sought to identify savings and innovative ways to increase the productivity of its officers and staff. During 2017/18, the following changes have been made to enhance services:

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

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

Performance

Summary Budget and Outturn

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

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

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

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

The budget is predominantly made up of funding for employee costs, amounting in total to £102.58m, which is broken down into Police Officers £77.87m, PCSO's £3.07m, Police Staff £20.00m and other employee costs of £1.64m. The remainder of the budget relates to non-staff costs including, transport costs of £2.22m and supplies/other costs of £11.49m. Income of £4.68m, which is generated through policing activities, is also shown within the Chief Constable's budget.

In-Year Financial Performance

Revenue Expenditure: The Chief Constable's outturn position for 2017/18, compared to the revised budget is an underspend of £0.041m.

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

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

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

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

Capital Expenditure: Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £5.254m

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

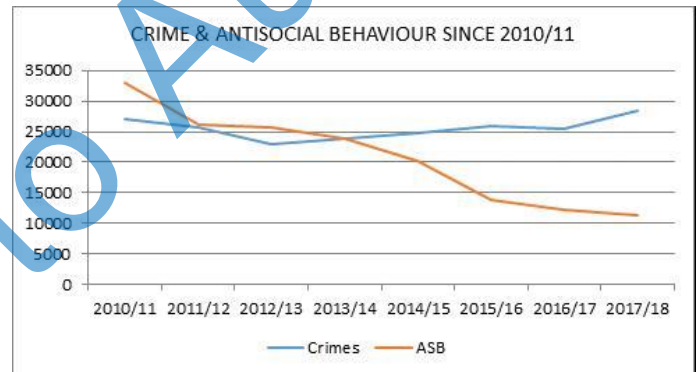
Organisational Performance

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

- Crime increased by 3,144 offences, which represented a 12.4% increase, but was largely attributable to improved crime reporting and recording.
- Violent crime has increased by 28% (2,017 offences). This mirrors the national picture where 42 out of 43 forces are reporting an increase, and again reflects improved crime recording practices. We remain lower than average for violent crime per head of population compared with a group of similar forces.
- We set out to increase reporting of rape and sex offences and this increased by 32% (326 offences). Of our rape cases 193 (45.5%) are historic of which

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

- Overall theft offences have increased by 2% (190 offences). This includes increases in theft from a person (+1 offence), shoplifting (+30 offences), burglary (+67 offences) offset by a slight reduction in motor vehicle thefts (-2 offences).
- We perform better than our Most Similar Forces Group average and have the 3rd lowest volume of crime nationally.
- We have delivered a further 8.5% reduction in Anti-Social Behaviour, which has reduced to 11,247 incidents over the year.



- Domestic abuse incidents increased by 188 or 2.7% indicating greater public confidence in reporting.
- Cumbria performed significantly better than North West region and national averages for guilty pleas at first hearing and effective trials – and we exceed the targets set for us.
- We perform well for user satisfaction with 88% of people using our services being satisfied with the overall experience.
- 83% of people in Cumbria say they have confidence in their police service, which is 4% better than the national average.

Joint Chief Finance Officer Narrative Report

The table below summarises the Constabulary's performance indicators.

	Number of Crimes 2017/18	% Change from previous year
All Crime	28,526	12%
Violence against the person	9,306	28%
Homicide	3	-25%
Violence with injury	3,959	19%
Assault - cause serious harm	119	20%
Assault with injury	3,809	18%
Other violence with Injury	31	121%
Violence without injury	5,344	36%
Assault without injury	3,644	31%
Assault without injury on a Constable	217	42%
Harassment	1,228	51%
Other violence without injury	255	37%
Rape and sexual offences	1,337	31%
Robbery	95	32%
Theft offences	9,220	2%
Burglary	2,062	3%
Vehicle offences	1,170	0%
Criminal damage and arson offences	5,140	1%
Drugs offences	852	-3%
Public order offences	1,762	21%

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

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

In addition, the Constabulary received positive feedback from HMICFRS in relation to two thematic inspections during the year in relation to child protection and modern slavery.

People

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

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

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

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

At the 31st March 2018 the Constabulary employed:

- 1106 Officers
- 97 PCSOs
- 586 Police staff

(all expressed in full time equivalents)

During 2017/18, a strategic decision was taken to maintain the officer establishment at 1,125 FTE in the context of the announcement of a delay in implementing a new police funding formula. Originally, flexibility had been built into the workforce plan in preparation for the introduction of formula changes in

Joint Chief Finance Officer Narrative Report

2018/19, which could have impacted adversely on the Constabulary's resources. Over 2017/18 the numbers of officers and PCSOs were maintained close to the establishment. Police staff vacancies were higher than anticipated, with particular difficulties in recruiting to specialist ICT roles. The budget for 2018/19 includes provision for 25 additional officers to work in local policing roles. The numbers of PCSO and police staff posts are expected to be broadly maintained during the forthcoming year.

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

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

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

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

- Provision of a psychological screening programme to identify mental health issues for staff in stressful roles at an early stage.

- Roll-out of trained well-being advocates to signpost help and support staff,
- A repeat of the staff well-being survey in conjunction with Durham University.

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

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

Whilst Cumbria generally has a low level of hate crime compared to other forces both nationally and in the north west, the latest figures for hate crime show an annual increase of 103 crimes, which represents an increase of 32.7%,. This indicates that the public have increased confidence in reporting such crimes.

The Constabulary recognises the importance of developing the skills and knowledge of its workforce. The Constabulary's has an annual training plan, which aims to ensure that officers, PCSOs and staff are equipped with the requisite skills to perform their role, including mandatory accreditation for specialist responsibilities. During 2017/18, particular training resource was directed to:

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

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

Sustainability

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

A cultural survey of all officers and staff, undertaken in partnership with academia, has identified areas that the Constabulary can focus on to build the resilience of its workforce and will be developed through the People Strategy.

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

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

Other measures to improve energy efficiency include:

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

For many years the Constabulary has operated a recycling policy.

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

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

The Financial Statements

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

The key financial statements are:

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Chief Constable prepares this statement in accordance with the expenditure analysis as prescribed by Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIES is shown on page 25 of the full statement of accounts.

Joint Chief Finance Officer Narrative Report

The table below sets out a summary CIES statement.

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

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

In addition, the CIES also records a number of technical adjustments including 'financing costs & investment income' £33.976m and 'other comprehensive income & expenditure' net income of £88.822m. These adjustments principally relate to changes to future pensions obligations over the year based on proper accounting practices. The overall effect of the cost of providing services and the pensions adjustment is to produce an accounting surplus of £61.418m for the year, which largely impacts on unusable pensions reserves. The analysis on page 8 of this summary, based on the management accounts, shows an underspend of £0.041m.

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

Movement in Reserves Statement

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

The Chief Constable's statement of movements in reserves is shown on page 26 in the full statement of accounts.

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

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

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

The Chief Constable's movements in reserves statement principally records the Chief Constable's negative reserves in relation to the Police and Local Government Pension Schemes, reflecting the requirement to record pension assets and liabilities as they are earned rather than when they become due for payment. During 2017/18, the overall negative balance on both the police

and local government pensions schemes have reduced, largely as a result of changes to actuarial assumptions.

All usable reserves are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner, who formally recognises the need to provide contingencies to meet unplanned and planned expenditure in the future. The Commissioner's usable reserves include a general reserve of £3.0m to meet unplanned risks and earmarked reserves of £19.9m for specific revenue and capital purposes. During 2017/18, a total of £1.4m has been drawn down from the Commissioner's earmarked reserves to fund revenue and planned capital expenditure in the year.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2018) of the Chief Constable's assets and liabilities.

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

Summary Balance Sheet	Balance	Balance
	31/03/2017	31/03/2018
	£000s	£000s
Current assets	11,338	14,690
Current Liabilities	(12,852)	(16,042)
Long Term Liabilities	(1,290,333)	(1,229,077)
Net Assets	(1,291,847)	(1,230,429)
Unusable Reserves	(1,291,847)	(1,230,429)
Total reserves	(1,291,847)	(1,230,429)

The Chief Constable's current assets (£14.7m) are comprised of the Chief Constable's share of short-term debtors and the balance of funding between the Commissioner and the Chief Constable. Current liabilities (£16.0m) reflect amounts owed by the Chief Constable. They include the Chief Constable's share of

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

The Chief Constable's 2017/18 balance sheet shows a combined pensions deficit of £1,228m (£1,289m in 2016/17) for the LGPS and the Police Pension Scheme to which its employees and former employees belong. However, statutory arrangements for funding the deficit, through increased contributions over a period designed to balance the pensions account and central government funding mean that the financial position of the Chief Constable remains healthy.

The Cash Flow Statement

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

Joint Chief Finance Officer Narrative Report

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

Summary Cash Flow Statement	Cash flows 2016/17 £000s	Cash flows 2017/18 £000s
Cash & Cash Equivalents 1 April	0	0
Net (Surplus)/Deficit on the provision of services	23,572	27,404
Adjustments for non-cash movements	(23,572)	(27,404)
Net cash flows from operating activities	0	0
Cash & Cash Equivalents 31 March	0	0

Police Officer Pension Fund Account

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

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

A summary of the pension fund is shown below.

Summary Police Pension Fund	Pension Fund A/C 2016/17 £000s	Pension Fund A/C 2017/18 £000s
Contributions - Employer	(8,133)	(8,194)
Contributions - Officers	(5,179)	(5,185)
Contributions - Other	(419)	(357)
Benefits Payable	32,390	35,724
Other Payments	27	32
Net Amount Payable	18,686	22,020
Contribution from Home Office	(17,590)	(20,918)
Additional Funding Payable by the Constabulary (2.9%)	(1,096)	(1,102)
Net Amount Payable	0	0

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

Supporting Information to the Financial Statements

The key financial statements are supplemented by an explanation of the accounting policies used in preparing the statements which are shown alongside the relevant note in the accounts or in Annex A where they are generic to the accounts as a whole. They also contain a comprehensive set of notes that explain in more detail a number of entries in the primary financial statements. A glossary of terms provides an

explanation of the various technical accounting terms and abbreviations. The statements are published alongside the Annual Governance Statement for the Chief Constable in accordance with the 2015 Accounts and Audit (England) Regulations.

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

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner and Chief Constable as at 31 March 2018. This has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of potential future reductions in government funding. A reserves policy has been developed, which seeks to balance pro-actively utilising reserves to support current policing services with maintaining reserves at a level that provides some financial resilience.

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

- Preserving formula grant at its 2017/18 level for both 2018/19 and 2019/20.
- Giving commissioner's the flexibility to increase council tax levels by a maximum of

£12 pa for a band D property, which will apply for 2018/19 and 2019/20.

- Delaying any changes to the Police Funding Formula to the next comprehensive spending review in 2020/21.

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

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

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

Risks

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

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

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

Other strategic risks recognise the potential impact of constant change on performance across the organisation, the continued challenge of answering 999 and non emergency calls within a reasonable time period and the increasing threats from acts of terrorism and digital crime.

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

Change Programme

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

Planned work streams to generate savings include:

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

Acknowledgements

The financial statements were originally authorised for issue by me as Joint Chief Finance Officer, on XX May 2018.

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

Roger Marshall

Joint Chief Finance Officer

The accounts present a true and fair view of the position of the Chief Constable for Cumbria Constabulary as at 31 March 2018 and its income and expenditure for the year there ended.

Roger Marshall CPFA

Joint Chief Finance Officer

Date: XX May 2018

Responsibilities for the Statement of Accounts

1 The Chief Constable's Responsibilities

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

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

2 The Joint Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the CFO has:

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

The CFO has also:

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

The CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2018.



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Subject to Audit

Independent Auditor's Report

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Subject to Audit

Independent Auditor's Report

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Subject to Audit

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Subject to Audit

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement (CC)		Notes	CC 2016/17 Gross Expenditure re-stated £000s	CC 2016/17 Gross Income re-stated £000s	CC 2016/17 Net Expenditure re-stated £000s	CC 2017/18 Gross Expenditure £000s	CC 2017/18 Gross Income £000s	CC 2017/18 Net Expenditure £000s
	Cost of Policing and Crime Services	#	92,676	(364)	92,312	99,634	(355)	99,279
	Funding Provided by PCC to CC		0	(105,327)	(105,327)	0	(105,851)	(105,851)
	Cost of Policing and Crime Services		92,676	(105,691)	(13,015)	99,634	(106,206)	(6,572)
	Financing and Investment Income and Expenditure							
	Net Interest on the net defined benefit liability (asset)	Annex C	40,430	(3,843)	36,587	37,304	(3,328)	33,976
			40,430	(3,843)	36,587	37,304	(3,328)	33,976
	(Surplus) or Deficit on Provision of Services		133,106	(109,534)	23,572	136,938	(109,534)	27,404
	Remeasurement of the net defined pension benefit liability/asset	Annex C			227,431			(88,822)
	Other Comprehensive Income and Expenditure				227,431			(88,822)
	Total Comprehensive Income and Expenditure				251,003			(61,418)

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

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Chief Constable, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure) and other 'Unusable reserves'. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Chief Constable's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

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

Movement in Reserves Statement (CC) Figures for 2017/18									
	Note	Balance at 1 April 2017	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Increase/ (decrease) in 2017/18	Balance at 31 March 2018
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves									
Chief Constable's Constabulary Fund	-	0	(27,404)	0	(27,404)	27,404	0	0	0
Total Usable Reserves		0	(27,404)	0	(27,404)	27,404	0	0	0
Unusable Reserves									
Chief Constable's Police Pension Reserve	14a	(1,243,120)	0	78,700	78,700	(23,250)	55,450	55,450	(1,187,670)
Chief Constable's LGPS Pension Reserve	14a	(45,878)	0	10,122	10,122	(4,253)	5,869	5,869	(40,009)
Chief Constable's Accumulated Absences Account	14b	(2,849)	0	0	0	99	99	99	(2,750)
Total Unusable Reserves		(1,291,847)	0	88,822	88,822	(27,404)	61,418	61,418	(1,230,429)
Total Reserves		(1,291,847)	(27,404)	88,822	61,418	0	61,418	61,418	(1,230,429)

The comparative figures for 2016/17 are provided in the table below:

Movement in Reserves Statement (CC) Figures for 2016/17									
	Note	Balance at 1 April 2016	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Net increase / (decrease) before transfers to/from earmarked reserves	Increase/ (decrease) in 2016/17	Balance at 31 March 2017
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves									
Chief Constable's Constabulary Fund	-	0	(23,572)	0	(23,572)	23,572	0	0	0
Total Usable Reserves		0	(23,572)	0	(23,572)	23,572	0	0	0
Unusable Reserves									
Chief Constable's Police Pension Reserve	14a	(1,012,460)	0	(208,210)	(208,210)	(22,450)	(230,660)	(230,660)	(1,243,120)
Chief Constable's LGPS Pension Reserve	14a	(25,536)	0	(19,221)	(19,221)	(1,121)	(20,342)	(20,342)	(45,878)
Chief Constable's Accumulated Absences Account	14b	(2,848)	0	0	0	(1)	(1)	(1)	(2,849)
Total Unusable Reserves		(1,040,844)	0	(227,431)	(227,431)	(23,572)	(251,003)	(251,003)	(1,291,847)
Total Reserves		(1,040,844)	(23,572)	(227,431)	(251,003)	0	(251,003)	(251,003)	(1,291,847)

Balance Sheet

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Chief Constable. The net assets (assets less liabilities) are matched by the reserves held by the Chief Constable.

Balance Sheet	Notes	CC	CC
		31 March 2017	31 March 2018
		£000s	£000s
Inventories		253	232
Short Term Debtors (amounts owed to CC by PCC re CC share of external Debtors)	10	4,435	4,268
Short Term Debtors (amounts owed to CC by employees re accumulated absences)	10	85	118
Short Term Debtors (funding balance owed to CC by PCC)	10	6,565	10,072
Current Assets		11,338	14,690
Short Term Creditors (amounts owed by CC to PCC re share of external creditors)	11	(5,231)	(8,674)
Short Term Creditors (amounts owed by CC to employees re accumulated absences)	11	(2,933)	(2,868)
Short Term Creditors (funding balance due from CC to PCC)	11	(4,688)	(4,500)
Current Liabilities		(12,852)	(16,042)
Provisions	12	(1,335)	(1,398)
Other Long Term Liabilities			
Pensions liability - Police	Annex C	(1,243,120)	(1,187,670)
Pensions liability - LGPS	Annex C	(45,878)	(40,009)
Long Term Liabilities		(1,290,333)	(1,229,077)
Net Assets		(1,291,847)	(1,230,429)
Unusable Reserves			
Pensions Reserve - Police	14a	(1,243,120)	(1,187,670)
Pensions Reserve - LGPS	14a	(45,878)	(40,009)
Accumulated Absences Account	14b	(2,849)	(2,750)
		(1,291,847)	(1,230,429)
Total Reserves		(1,291,847)	(1,230,429)

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. Under the funding arrangement between the Police and Crime Commissioner and the Chief Constable, the Chief Constable does not engage in investment and financing activities therefore all cash flows are classified as operating activities.

Cash Flow Statement (CC)		CC 2016/17 £000s	CC 2017/18 £000s
Net (Surplus) or Deficit on the provision of services		23,572	27,404
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(23,572)	(27,404)
Net cash (inflow)/ outflow from Operating Activities		0	0
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:			
Pension Liability (Contributions to/from Pensions Reserve)		(23,571)	(27,503)
Debtors - Adjustment re CC Share of Debtors		86	(134)
Debtors - Adjustment re Balance of Funding due from PCC to CC		352	3,507
Creditors - Adjustment re CC Share of Creditors		413	(3,378)
Creditors - Adjustment re Balance of Funding due from CC to PCC		(62)	188
Stock - Change in Balance Sheet		(15)	(21)
Provisions - Change in Balance Sheet		(775)	(63)
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(23,572)	(27,404)

Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. As a general rule, the column showing the figures for 2017/18 will be highlighted, whilst the comparatives for 2016/17 (where provided) will not.

The notes sometimes include terms that may require further explanation. Where possible, explanations are provided within the note, otherwise explanations are provided within the “glossary of terms” in pages 52-54. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

Notes to the Accounts

1 Accounting Policies

There are a number of accounting policies that determine how items within the accounts are treated. Where these accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a grey text box. Where an accounting policy is more generic and applicable across the statement accounts it will continue to be shown in a separate technical annex, **Annex A** (see pages 55-58).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 55 to 58), the [Chief Constable](#) has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Chief Constable and Commissioner have determined that this uncertainty is not yet sufficient to provide an indication that the assets of the [Commissioner](#) might be impaired as a result of a need to close facilities and reduce levels of service [provision](#).

3 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Joint Chief Finance Officer on **XX May 2018**. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting Policy - Events after the Balance Sheet Date

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

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

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

Notes to the Accounts

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

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

The items in the Chief Constable's balance sheet as at 31 March 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Chief Constable has made a provision of £279k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Chief Constable.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £28k to the provision needed.
	The Chief Constable has made a provision of £1,119k in relation to the potential cost of legal claims against the Constabulary which are currently ongoing.	An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £112k to the provision needed.
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Two firms of consulting actuaries are engaged to provide the Chief Constable with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).</p>	The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts Annex C, Pensions on pages 61-70.

Notes to the Accounts

5 Expenditure and Funding Analysis

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

The figures for the Chief Constable in 2017/18 and comparatives for 2016/17 are provided in the table below:

Expenditure and Funding Analysis (CC)	Net Expenditure Chargeable to the Police Fund balance and as reported for resource management	CC 2016/17 Adjustments between Funding and Accounting Basis (Note 5 & 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the Police Fund balance and as reported for resource management	CC 2017/18 Adjustments between Funding and Accounting Basis (Note 5 & 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services						
Police Officer Pay & Allowances	57,980	(13,260)	44,720	57,842	(9,570)	48,272
PCSO Pay & Allowances	2,674	(21)	2,653	3,011	(388)	2,623
Police Staff Pay & Allowances	19,550	265	19,815	19,409	3,485	22,894
Other Employee Budgets	3,856	0	3,856	2,875	0	2,875
Premises Related Expenditure	5,274	0	5,274	5,285	0	5,285
Transport Related Expenditure	3,166	0	3,166	2,807	0	2,807
Supplies & Services Expenditure	10,851	0	10,851	11,846	0	11,846
Third Party Related Expenditure	1,254	0	1,254	1,445	0	1,445
Technical Accounting Adjustments	(1)	1	0	99	(99)	0
Non distributed costs	417	0	417	1,018	0	1,018
Termination Payments	306	0	306	214	0	214
Funding Provided by PCC to CC	(105,327)	0	(105,327)	(105,851)	0	(105,851)
Net Cost of Services	0	(13,015)	(13,015)	0	(6,572)	(6,572)
Other Income and Expenditure	0	36,587	36,587	0	33,976	33,976
(Surplus)/Deficit on the Provision of Services	0	23,572	23,572	0	27,404	27,404

Notes to the Accounts

5.a Note to the Expenditure Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the Police Fund (as detailed in note 6) to arrive at the amounts in the Comprehensive Income and Expenditure Statement (page 25). The relevant transfers between reserves are explained in the Movement in Reserves Statement (page 26).

The figures for 2017/18 and comparatives for 2016/17 are shown in the table below:

Note to the Expenditure and Funding Analysis (CC)	CC 2016/17			CC 2017/18		
	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis	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
Cost of Policing & Crime Services						
Police Officer Pay & Allowances	(13,260)	0	(13,260)	(9,570)	0	(9,570)
PCSO Pay & Allowances	(21)	0	(21)	(388)	0	(388)
Police Staff Pay & Allowances	265	0	265	3,485	0	3,485
Technical Accounting Adjustments	0	1	1	0	(99)	(99)
Net Cost of Services	(13,016)	1	(13,015)	(6,473)	(99)	(6,572)
Other Income and Expenditure	36,587	0	36,587	33,976	0	33,976
(Surplus)/Deficit on the Provision of Services	23,571	1	23,572	27,503	(99)	27,404
Further Analysis of Adjustments						
Police - Interest on Liabilities	35,710	0	35,710	32,820	0	32,820
Police - Reverse Employer Contributions	(27,860)	0	(27,860)	(31,240)	0	(31,240)
Police - Current Service Cost	14,600	0	14,600	20,870	0	20,870
Police - Curtailment/Settlement	0	0	0	800	0	800
LGPS - Interest on Liabilities	4,720	0	4,720	4,484	0	4,484
LGPS - Return on Plan Assets	(3,843)	0	(3,843)	(3,328)	0	(3,328)
LGPS - Curtailment/Settlement	417	0	417	218	0	218
LGPS - Reverse Employer Contributions	(3,856)	0	(3,856)	(2,871)	0	(2,871)
LGPS - Current Service Cost	3,683	0	3,683	5,750	0	5,750
Accumulated Absences Account Adj	0	1	1	0	(99)	(99)
Total Adjustments	23,571	1	23,572	27,503	(99)	27,404

Notes to the Accounts

6 Expenditure and Income Analysed by Nature

This note provides an analysis of the expenditure and income by the nature of that spend/income. The analysis was a revised presentation from 2016/17 and replaces what was previously reported in the “subjective analysis” included as part of the technical annex in previous versions of the Statement of Accounts.

Expenditure and Income	CC 2016/17 £000s	CC 2017/18 £000s
Expenditure		
Police Pay & Allowances	57,980	57,842
PCSO Pay & Allowances	2,674	3,011
Police Staff Pay & Allowances	19,550	19,409
Other Employee Costs	3,856	2,875
Premises Related Costs	5,274	5,285
Transport Related Costs	3,166	2,807
Supplies & Services	10,851	11,846
Third Party Payments	1,254	1,445
Technical Accounting Adjustments	(1)	99
Non Distributed Costs	417	1,018
Termination Payments	306	214
Funding Between PCC & CC	(105,327)	(105,851)
Total Expenditure	0	0
Income		
Income from Fees & Charges	0	0
Income from Grant & Contributions	0	0
Total Income	0	0
(Surplus)/Deficit on the Provision of Services	0	0

Notes to the Accounts

7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the [Chief Constable](#) in the year in accordance with proper accounting practice to the resources that are specified by statutory [provisions](#) as being available to the Chief Constable to meet future expenditure.

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC Constabulary Fund Balance £000s	CC Police Pension Reserve £000s	CC LGPS Pension Reserve £000s	CC Accumulated Absences Account £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	Annex C	27,503	(23,250)	(4,253)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	14b	(99)	0	0	99
Total Adjustments		27,404	(23,250)	(4,253)	99

The comparative figures for 2016/17 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC Constabulary Fund Balance £000s	CC Police Pension Reserve £000s	CC LGPS Pension Reserve £000s	CC Accumulated Absences Account £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	Annex C	23,571	(22,450)	(1,121)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	14b	1	0	0	(1)
Total Adjustments		23,572	(22,450)	(1,121)	(1)

Notes to the Accounts

8 Audit Fees

In 2017/17 the [Chief Constable](#) incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	CC	CC
	2016/17 £000s	2017/18 £000s
Amounts Relating to The Chief Constable		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	15	15
Rebate from Public Sector Audit Appointments in year.	0	(2)
Other Services		
Fees payable in respect of other services provided by Grant Thornton during the year.	12	0
Total External Audit Fees for Year	27	13

The table above includes fees paid in relation to 'other services'. The fees payable in 2016/17 related to an annual contract (starting in 2014/15) for the provision of specialist VAT and Tax advice plus a one off piece of consultancy work undertaken on a VAT health check and work associated with the development of a VAT manual. There are no such 'other services' fees for 2017/18. These fees relate to both the Commissioner and the Constabulary.

9 Financial Instruments

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

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the Chief Constable are included in a separate technical appendix at Annex B on pages 59 to 60.

The disclosures include:

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

Notes to the Accounts

10 Short-term Debtors

A breakdown of the amounts owing to the [Chief Constable](#) as at 31 March 2018 with comparative information for the previous year is set out in the table below:

Short-term Debtors	CC	
	2017	2018
	£000s	£000s
Balance Owed from PCC re CC Share of External Debtors		
- Police pensions prepayment	2,243	2,353
- Prepayments/Payments in Advance	2,192	1,915
	4,435	4,268
Balance Owed from Employees (re accumulated Absences)	85	118
Balance Owed from PCC re Balance of Funding	6,565	10,072
Total Debtors	11,085	14,458

11 Short-term Creditors

An analysis of the amounts owed by the [Chief Constable](#) as at 31 March 2018 with comparative information for the previous year is set out in the table below:

Short-term Creditors	CC	
	2017	2018
	£000s	£000s
Balance Owed to PCC re CC Share of External Creditors		
- Central Government Bodies	(1,869)	(2,010)
- Other Police/Local Authorities	(208)	(1,207)
- NHS Bodies	(907)	(1,053)
Other Entities and Individuals		
- Goods & Services	(2,247)	(4,405)
	(5,231)	(8,674)
Balance owed to Employees (re accumulated absences)	(2,933)	(2,868)
Balance owed to PCC re balance of Funding	(4,688)	(4,500)
Total Creditors	(12,852)	(16,042)

12 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 2018 is provided below:

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

Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.

Accounting Policy – Provisions

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

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

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

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

Notes to the Accounts

The table below shows the movements during the year on each of the provisions and the position as at 31 March 2018.

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

The comparative information for year ended 31 March 2017 is as follows:

Provisions	Balance as at 01/04/16	Additional Provisions Made 2016/17	Amounts Used in 2016/17	Unused Amounts Reversed in 2016/17	Balance as at 31/03/17
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(484)	(44)	44	0	(484)
Legal Claims	(76)	(800)	(43)	68	(851)
Total Provisions	(560)	(844)	1	68	(1,335)

13 Pensions

The Chief Constable participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the Chief Constable are included in a separate technical appendix at Annex C on pages 61 to 70.

The disclosures include:

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

Notes to the Accounts

14 Unusable Reserves

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

Certain [reserves](#) are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the [Chief Constable](#).

Accounting Policy – Reserves

Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all usable reserves i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner. However, the Chief Constable does hold certain unusable reserves in relation to pensions and accumulated employee absences, which arise from Constabulary activities and are not covered by the funding arrangement and are shown on the Chief Constable's balance sheet.

14.a Pensions Reserve

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

Pensions Reserve	CC LGPS Pensions		CC Police Pensions	
	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s
Balance at Start of Year	(25,536)	(45,878)	(1,012,460)	(1,243,120)
Remeasurement of the net defined pension benefit liability/asset	(19,221)	10,122	(208,210)	78,700
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	(4,977)	(7,124)	(50,310)	(54,490)
Employer's pension contributions and direct payments to pensioners payable in the year.	3,856	2,871	27,860	31,240
Balance at End of Year	(45,878)	(40,009)	(1,243,120)	(1,187,670)

Notes to the Accounts

14.b Accumulated Absences Account

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

Accumulated Absences Account	CC 2016/17 £000s	CC 2017/18 £000s
Balance at Start of Year	(2,848)	(2,849)
Settlement or cancellation of accrual made at the end of the preceeding year	2,848	2,849
Amounts accrued at the end of the current year	(2,849)	(2,750)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	99
Balance at End of Year	(2,849)	(2,750)

Accounting Policy - Employee Benefits Payable during Employment

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

Notes to the Accounts

15 Members Allowances and Expenses

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

Members Allowances	CC	CC
	2016/17	2017/18
	£000s	£000s
Basic Allowance	16	15
Travel and Subsistence	7	8
	23	23

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

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

16 Disclosure of Remuneration for Senior Employees

The following table sets out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is less than £150,000 but more than £50,000 per year.

The tables include members of the Extended Chief Officer Group which is the formal decision making body for the Constabulary.



Notes to the Accounts

The table below gives the information for 2017/18 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Chief Constable (A)	1	141	7	0	0	3	151	0	151
Deputy Chief Constable (A) / Chief Constable (B)	2	118	7	0	0	3	128	25	153
Temporary Assistant Chief Constable (A)	3	50	2	6	0	2	60	11	71
Assistant Chief Constable (A) / Deputy Chief Constable (B)	4	82	5	0	27	0	114	17	131
Temporary Assistant Chief Constable (B)	5	85	3	0	1	3	92	18	110
Joint Chief Finance Officer	6	71	0	0	0	0	71	11	82
Director of Corporate Support		82	0	0	0	0	82	10	92
Director of Corporate Improvement		82	0	0	0	0	82	13	94
Chief Superintendent - Territorial Policing	7	86	2	0	1	3	92	18	110
Superintendent - Head of People		75	1	0	1	0	78	17	95
Temporary Chief Superintendent - Crime Command	8	55	2	0	1	2	61	11	72
Temporary Chief Superintendent - Territorial Policing	9	78	2	0	1	3	84	16	100
Director of Legal Services		73	1	0	1	0	76	11	87
Total Chief Constable		1,079	33	6	33	19	1,170	179	1,349

Notes:

- Chief Constable (A) retired from the Constabulary on 31/03/18.
- Deputy Chief Constable (A) became Temporary Chief Constable w.e.f. 03/03/18 and Chief Constable (B) from 01/04/18.
- Temporary Chief Constable (A) was T/ACC w.e.f. 01/01/17 to 30/06/17, reverting to Chief Superintendent on 01/07/17 until retirement on 18/10/17.
- Assistant Chief Constable (A) was appointed on 01/07/17 and was subsequently promoted to Deputy Chief Constable 03/03/18.
- Temporary Assistant Chief Constable (B) was appointed on 03/03/18, prior to this occupied the position of Chief Superintendent – Crime Command.
- The Chief Constable's Chief Finance Officer became the Joint Chief Finance Officer w.e.f. 31/05/17.
- Chief Superintendent – Territorial Policing was previously Chief Superintendent Operational Benefits Delivery until 18/06/17.
- Temporary Chief Superintendent – Crime Command was appointed on 05/06/17 and was subsequently promoted to Temporary Chief Superintendent on 03/03/18.
- Temporary Chief Superintendent – Territorial Policing was in post until 18/06/17 and then reverted to the role of Superintendent Operational Support.

Notes to the Accounts

The table below gives the comparative information for 2016/17 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Salary Sacrifice	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Chief Constable										
Chief Constable		140	7	0	0	0	3	150	0	150
Deputy Chief Constable		114	8	0	0	0	3	124	24	148
Assistant Chief Constable	1	84	0	(1)	4	0	2	90	18	107
Temporary Assistant Chief Constable	2	88	4	(1)	0	1	3	95	19	113
Chief Superintendent (A)	3	12	0	0	0	0	0	12	3	15
Chief Superintendent (B)		83	2	0	0	1	3	89	18	107
Chief Superintendent (C)	4	79	3	0	0	1	3	86	17	103
Temp. Chief Superintendent (A)	5	40	2	0	2	0	1	46	8	54
Temp. Chief Superintendent (B)	6	74	2	0	0	1	3	80	16	95
Chief Inspector PSD	7	55	1	0	0	1	1	59	12	71
Head of PSD - Superintendent	8	15	0	0	0	0	0	16	3	19
Director of Legal Services		73	1	0	0	1	0	76	9	85
Director of Corporate Support		81	0	(1)	0	0	0	81	10	91
Director of Corporate Improvement		81	1	0	0	0	0	82	10	93
CC Chief Finance Officer		67	0	0	0	0	0	67	8	76
Total CC		1,087	32	(2)	6	8	22	1,152	175	1,328

Notes:

- 10 The ACC left Cumbria Constabulary on 08/01/2017.
- 11 The Temporary ACC was appointed to the role with effect from 01/01/2017.
- 12 Chief Superintendent (A) left Cumbria Constabulary on 22/05/2016.
- 13 Chief Superintendent (C) became Crime Commander on 01/10/2016.
- 14 Temporary Chief Superintendent (A) left Cumbria Constabulary on 30/09/2016.
- 15 Temporary Chief Superintendent (B) was appointed to Temporary Chief Superintendent Territorial Policing on 01/01/2017.
- 16 Chief Inspector PSD ceased the role of Head of Professional Standards Department (PSD) on the 16/01/2017 and was replaced by Superintendent PSD.
- 17 Superintendent PSD became Head of Professional Standards Department w.e.f. 16/01/2017.

Notes to the Accounts

17 Employee Remuneration

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

Remuneration Band	2016/17			2017/18		
	CC Police Staff	CC Snr Police Officers	CC Total	CC Police Staff	CC Snr Police Officers	CC Total
£50,000 to £54,999	4	0	4	3	0	3
£55,000 to £59,999	1	0	1	2	2	4
£60,000 to £64,999	1	0	1	4	0	4
£65,000 to £69,999	3	0	3	0	0	0
£70,000 to £74,999	1	0	1	2	0	2
£75,000 to £79,999	0	1	1	0	0	0
£80,000 to £84,999	2	1	3	2	0	2
£85,000 to £89,999	0	1	1	0	2	2
£90,000 to £94,999	0	2	2	1	0	1
£95,000 to £99,999	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	1	1
£110,000 to £114,999	0	0	0	0	0	0
£115,000 to £119,999	0	1	1	0	0	0
£120,000 to £124,999	0	0	0	0	1	1
£125,000 to £129,999	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0
£140,000 to £144,999	0	1	1	0	1	1
Total	12	7	19	14	7	21

In 2017/18 the remuneration for 96 Police Officers (74 in 2016/17) superintendent rank and below (who are not required to be disclosed in the above note under regulations) exceeded £50,000.

The table above includes those employees and senior police officers that are also required to be disclosed on a more detailed individual basis. Please see note 16 for more information.

Notes to the Accounts

18 Exit Packages/Termination Payments

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

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	2016/17 Headcount	2017/18 Headcount	2016/17 Headcount	2017/18 Headcount	2016/17 Headcount	2017/18 Headcount	2016/17 £000's	2017/18 £000's
£0-£20,000	0	0	4	1	4	1	39	16
£20,001 - £40,000	0	0	0	1	0	1	0	30
£40,001 - £60,000	0	1	2	0	2	1	109	44
£60,001 - £80,000	0	0	2	0	2	0	150	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	0	1	8	3	8	4	298	219

During 2017/18 the contracts of a small number of employees were terminated incurring termination payments amounting to £214k (£306k in 2016/17). This amount is made up exit packages paid and accrued in 2017/18.

The exit packages paid in 2017/18 amount to £219k (£298k in 2016/17). The exit packages can be further split into compensation for loss of employment £131k (£144k in 2016/17) and enhanced pension benefits £88k (£154k in 2016/17). The redundancies are as a result of the Constabulary's change programme. The Exit Packages table above provides details of the number and total cost of exit packages per band and include those exit packages paid in 2017/18 and those agreed for individuals in 2017/18 but paid in 2018/19 for which an accrual was made in the 2017/18 accounts.

During 2017/18 an amount of -£5k arose as a result of a number of amounts that had been accrued in the 2016/17 accounts for which the final settlement during 2017/18 was slightly lower. These amounts are not included in the above table in 2017/18 as the exit packages for those individuals are included in the 2016/17 column. The figure shown on the face of the Expenditure and Funding Analysis (page 32) for 2017/18 is made up of the exit packages paid in the year of £219k (per the table above) minus £5k in respect of these differences in accruals.

During 2016/17 an amount of £8k arose as a result of a number of amounts that had been accrued in the 2015/16 accounts for which the final settlement during 2016/17 was slightly higher. These amounts are not included in the above table in 2016/17 as the exit packages for those individuals are included in the 2015/16 column. The figure shown on the face of the Expenditure and Funding Analysis (page 32) for 2016/17 is made up of the exit packages paid in the year of £298k (per the table above) plus £8k in respect of these differences in accruals.

Accounting Policy - Termination Benefits

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

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

19 Related Party Transactions

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

19.a Police and Crime Commissioner

The Police and Crime Commissioner has direct control over the Chief Constable's finances, providing funding for all running costs. [The Commissioner](#) is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the funding agreement set by the Commissioner, to deliver the aims and objectives set out in the Police and Crime Plan.

19.b Central Government

Central government has effective control over the general operations of the Chief Constable – it is responsible for providing the statutory framework within which the Chief Constable operates and provides the majority of its funding via [the Commissioner](#).

19.c Officers and Employees

Senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Chief Constable. No material transactions have been reported in respect of the 2017/18 financial year.

19.d Other Public Bodies

The Chief Constable's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex C) pages 61-70.

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

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

Notes to the Accounts

20 Contingent Liabilities

Pension Challenge

The Chief Constable of Cumbria, along with other Chief Constables and the Home Office, currently has 146 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the transitional provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. In the case of the Judiciary claims the claimants were successful and in the Firefighters case the respondents were successful. Both of these judgements are subject to appeal, the outcome of which may determine the outcome of the Police claims. The Tribunal has yet to set a date for a preliminary or substantive Police hearing. Legal advice suggests that there is a strong defence against the Police claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful. For these reasons, no provision has been made in the 2017/18 Accounting Statements.

Accounting Policy - Contingent Liabilities

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

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

For 2017/18 the following accounting policy changes that need to be reported relate to:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

In the Financial Statements for 2018/19, the effect of the changes will be assessed and where necessary, the comparative figures restated.

Notes to the Accounts

22 Prior Period Adjustment

There are no prior period adjustments in relation to the 2017/18 Statement of Accounts, the 2016/17 comparative figures are as reported in the 2016/17 Statement of Accounts.

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.



Police Officer Pension Fund Account

Police Officer Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2017/18 financial year together with comparative information for 2016/17.

Police Officer Pension Fund Account		CC 2016/17 £000s	CC 2017/18 £000s
Contributions Receivable			
Employer			
- Contributions (21.3% of Pensionable Pay in 2017/18 and 2016/17)		(8,133)	(8,194)
Officers' Contributions			
- 1987 Scheme Member Contributions (see narrative for rates)		(2,276)	(1,881)
- 2006 Scheme Member Contributions (see narrative for rates)		(77)	(102)
- 2015 Scheme Member Contributions (see narrative for rates)		(2,826)	(3,202)
		(13,312)	(13,379)
Transferees in from Other Schemes		(130)	(197)
Capital Equivalent charge for ill-health schemes		(289)	(160)
		(419)	(357)
Benefits Payable			
Recurrent Pensions		25,902	27,076
Commutations and Lump Sums		6,414	8,491
Other (Scheme Pays)		74	157
		32,390	35,724
Payments to and on Account of Leavers			
Refund of Contributions		27	25
Transfer out to other schemes		0	7
		27	32
Net Amount Payable for the Year		18,686	22,020
Additional Contribution from the Police & Crime Commissioner		(17,590)	(20,918)
Additional Funding Payable by the Constabulary (2.9%)		(1,096)	(1,102)
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 2018.

Pension Fund Net Assets & liabilities		CC 2016/17 £000s	CC 2017/18 £000s
Current Assets			
Pensions Benefits paid in advance		2,243	2,295
Current Liabilities			
Amount due to the Police & Crime Commissioner		(2,243)	(2,295)
		0	0

Notes to the Police Officer Pension Fund Account

Accounting Policies

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

Operation of Police Pensions Schemes

Since 1 April 2015 the Chief Constable has operated three Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The original Police Officer Pension scheme is known as the 1987 scheme. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the 2006 scheme and the previous 1987 scheme was closed to new members. Officers who were members of the 1987 scheme were allowed by regulation to become members of the 2006 scheme if they wished. Members' contribution rates for 2017/18 and 2016/17 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 2017/18 and 2016/17.

The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 27). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex C Pensions on pages 61-70).

Funding of Police Pension Schemes

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

Glossary of Terms

Accruals

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

Actuarial Valuation

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

Agency Costs

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

Amortisation/Amortised Cost

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipt

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

Cash and Cash Equivalents

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

CC or Chief Constable

The Chief Constable for Cumbria Constabulary.

CFO

The Joint Chief Finance Officer.

CIPFA

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

Commissioner

The Police and Crime Commissioner for Cumbria.

Componentisation

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

Contingency

A sum set aside to meet unforeseen expenditure.

Creditors

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

Glossary of Terms

Debtors

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

Depreciation

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

De-minimis

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

Direct Revenue Contributions (DRC)

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

Earmarked Reserves

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

Fair Value

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

Hedge Funds

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

Heritage Assets

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

HMICFRS

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

Impairment/Impaired

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

Investment Property

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

Leasing

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

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

Minimum Revenue Provision (MRP)

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

Non-current Assets

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

NPCC

The National Police Chiefs Council.

PCC

The Police and Crime Commissioner for Cumbria.

Pension actuarial gains and losses

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

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

Pension – current service costs

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

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 2017/18 financial year and the financial position at the 31 March 2018. 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 2017/18 (the Code) and the Service Reporting Code of Practice 2017/18 (SERCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The Police and Crime Commissioner is responsible for combining the single entity statements to form a set of consolidated group accounts.

Where accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a [grey text box](#), in the notes to the accounts section (see pages 30 to 49). Where an accounting policy is more generic and applicable across the statement accounts it is shown in this **Annex A**.

2 Accruals of Income and Expenditure

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories (stock) on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.
- An [accrual](#) is made in respect of employee benefits payable during employment

Accrual Example 1

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

Accrual Example 2

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

3 Cash and Cash Equivalents

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

Annex A - Statement of Accounting Policies

4 Exceptional Items

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

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

5 Charges to Revenue for Non-Current Assets

In accordance with the terms of [the Commissioner's](#) funding arrangement to the [Chief Constable](#), the Commissioner holds all [non-current assets](#). Accordingly, all [depreciation](#), revaluations and [impairments](#) are recorded in the Commissioner's single entity statement. However, the Commissioner makes a charge to the Chief Constable in the Comprehensive Income and Expenditure Statement for the use of non-current assets, which is equivalent to his share of depreciation.

6 Government Grants and Contributions

In accordance with the statutory responsibility of the [Commissioner](#) to maintain the Police Fund outlined in the Police and Social Responsibility Act 2011, all grants and contributions are attributable to the Commissioner and recorded in his accounts.

7 Intangible Assets

In accordance with the terms of the [Commissioner's](#) funding arrangement to the [Chief Constable](#) all intangible assets are held by the Commissioner.

8 Inventories

Inventories (stocks) are included in the balance sheet at historic cost. This is a departure from IAS2 which requires inventories to be valued at the lower of cost or net realisable value. However, for many stock items, particularly uniforms, net realisable value would be minimal and would not accurately reflect the value of holding these assets.

9 Leases

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

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Agreements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfillment of the arrangement is dependent on the use of specific assets.

Annex A - Statement of Accounting Policies

The [Chief Constable](#) does not hold any finance leases (either as lessee or lessor) or operating leases (as lessor or lessee).

10 Treatment of Overheads

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

Under the [Commissioner's](#) funding arrangement to the [Chief Constable](#) premises costs (except where they are directly attributable to the Chief Constable) are initially recorded in the accounts of the Commissioner and a recharge is made to the Chief Constable in the single entity comprehensive income and expenditure statements on an appropriate basis.

Under the Commissioner's funding arrangement to the Chief Constable transport, supplies and services costs and those for police staff supporting both the Commissioner and Chief Constable (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity comprehensive income and expenditure statements on an appropriate basis.

11 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Under the terms of the [Commissioner's](#) funding arrangement to the [Chief Constable](#) all property, plant and equipment is held by the Commissioner. Accordingly, all accounting entries in relation to the acquisition, enhancement, revaluation, [impairment](#), [depreciation](#) and sale of such assets are recorded in the single entity accounts of the Commissioner. As noted in policy 6 above, the Commissioner makes a charge to the Chief Constable for the use of such assets which is equivalent to the Chief Constable's share of depreciation.

12 Private Finance Initiative (PFI) and Similar Contracts

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

There is currently one PFI scheme and this relates to the West Cumbria [TPA](#) HQ at Workington. Under the terms of the [Commissioner's](#) funding arrangement to the [Chief Constable](#), the Commissioner controls all property and accordingly the PFI building is recorded on the balance sheet of the Commissioner. A charge is made by the Commissioner to the Chief Constable in the comprehensive income and expenditure statement for the Constabulary's use of the building and the services provided.

13 Heritage Assets

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

Annex A - Statement of Accounting Policies

14 Contingent Assets

A contingent asset arises where an event has taken place that gives rise to a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events which cannot wholly be controlled.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

15 Material Estimation Techniques

IAS 1 Presentation of Financial Statements requires disclosure of any estimation techniques applied, such that if a different methodology had been used a material variance in the amounts disclosed would have been arrived at. The only material estimation techniques used is in relation to pensions disclosures as set out in the technical annex, Annex B.

16 Value Added Tax (VAT)

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

Subject to Audit

Annex B – Technical Annex – Financial Instrument Disclosures

B1 Categories of Financial Instrument

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

Categories of Financial Instruments	CC Current	
	31 March 2017	31 March 2018
	£000s	£000s
Financial Assets		
Debtors		
Financial assets carried at contract amounts	4,445	7,905
Total Financial Assets	4,445	7,905
Financial Liabilities		
Creditors		
Financial liabilities carried at contract amounts	(7,293)	(10,655)
Total Financial Liabilities	(7,293)	(10,655)

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

Accounting Policy – Financial Instruments

Financial liabilities are initially measured at fair value and carried at their amortised cost. Where payable (i.e. a creditor) has a maturity of less than 12 months the fair value is taken to be the principal outstanding, or the billed / invoiced amount.

Financial assets are initially measured at fair value and carried at their amortised cost. Where a receivable (i.e. a debtor) has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed / invoiced amount.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. An example of such a charge would be an adjustment made to the debtors balance as a provision for bad debt.

B2 Fair value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and assets represented by loans and receivables and long term [debtors](#) and [creditors](#) are carried in the balance sheet at amortised cost. Their [fair value](#) can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of trade and other receivables is taken to be the invoiced amount.

As the [Chief Constable](#) only holds debtors and creditors as financial instruments, the fair value is estimated to be the same as the carrying amount as set out in the table above.

B3 Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The [Chief Constable's](#) activities expose him to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Chief Constable.
- Liquidity Risk – the possibility that the Chief Constable might not have funds available to meet its commitments to make payments.

Credit Risk

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

As the [Chief Constable](#) is funded by the [Commissioner](#), the Chief Constable's credit risk arises indirectly through the Commissioner's deposits with banks and financial institutions, as well as credit exposures to the Commissioner's customers.

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's ratings services. The annual TMSS (approved by the Commissioner in February 2017), also imposes a maximum sum to be invested with a financial institution located within each category.

Liquidity Risk

Liquidity Risk is the possibility that the Chief Constable might not have funds available to meet his commitments to make payments.

Under the terms of the funding arrangement between the Commissioner and the Chief Constable the Commissioner provides funding to the Chief Constable on a cash basis. As the Commissioner has ready access to borrowings from the Public Works Loans Board (PWLB) and had at 31 March 2018 no actual external debt, having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments to the Chief Constable within the terms of the funding arrangement.

C1 Pension Schemes

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

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

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

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

The LGPS for Police Staff employees is administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded [defined benefit scheme](#), meaning that the Chief Constable and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2017/18 the Chief Constable made a contribution of 15.4% of pensionable pay. The past service contribution made in 2016/17 of £1,431k represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2016 with a revised rate for employers contributions of 15.4% being applicable from April 2017.

- **The Police Pension Scheme**

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

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

The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards there is an employer's contribution rate set by the Home Office (21.3% of pensionable salary for 2015/16 and 2016/17 (previously 24.2%)), which is charged to the Comprehensive Income and Expenditure Statement. In addition the Constabulary is required to make an additional contribution to the Police Pension Fund Account which equates to 2.9% of pensionable pay to fund the difference between the contributions calculated with the current and previous rates. The pension contribution rates were last reviewed in March 2012.

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

Annex C – Technical Annex – Pension Disclosures

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 50-51). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the police fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office. As the Commissioner is responsible for maintaining the police fund the receipt of Home Office pension grant and corresponding contribution to the Police Pension Fund Account are shown in the accounts of the Commissioner.

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

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

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

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

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

Annex C – Technical Annex – Pension Disclosures

The cost of retirement benefits is recognised in the Cost of Services within the Comprehensive Income and Expenditure Statement when employees earn them, rather than when the benefits are eventually paid as pensions.

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

Pension Transactions in MIRS and CI&ES	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme		CC Total Pension Schemes	
	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s
Comprehensive Income and Expenditure Statement												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	3,683	5,750	0	0	8,060	8,810	220	440	6,320	11,620	18,283	26,620
• Past service costs	0	0	0	0	0	800	0	0	0	0	0	800
• (Gain)/loss from settlements/curtailments	417	218	0	0	0	0	0	0	0	0	417	218
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	839	1,127	38	29	34,090	30,610	1,170	1,330	450	880	36,587	33,976
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	4,939	7,095	38	29	42,150	40,220	1,390	1,770	6,770	12,500	55,287	61,614
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)	(14,418)	(1,645)	0	0	0	0	0	0	0	0	(14,418)	(1,645)
• Actuarial (gains) and losses arising on changes in demographic assumptions	(1,523)	0	(5)	0	(22,790)	(36,720)	0	(1,570)	0	(2,340)	(24,318)	(40,630)
• Actuarial (gains) and losses arising on changes in financial assumptions	40,068	(8,555)	171	(25)	210,780	30,570	15,620	3,580	8,410	970	275,049	26,540
• Experience (gains) and losses on liabilities	(5,060)	0	(110)	0	(3,470)	(66,350)	40	(6,710)	(380)	(130)	(8,980)	(73,190)
• Administration expenses	98	103	0	0	0	0	0	0	0	0	98	103
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	19,165	(10,097)	56	(25)	184,520	(72,500)	15,660	(4,700)	8,030	(1,500)	227,431	(88,822)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	24,104	(3,002)	94	4	226,670	(32,280)	17,050	(2,930)	14,800	11,000	282,718	(27,208)
<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.	(4,939)	(7,095)	(38)	(29)	(42,150)	(40,220)	(1,390)	(1,770)	(6,770)	(12,500)	(55,287)	(61,614)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	3,794	2,809	62	62	0	0	0	0	0	0	3,856	2,871
• Retirements benefits payable to pensioners	0	0	0	0	30,590	34,550	10	(100)	(2,740)	(3,210)	27,860	31,240
Total amount charged against the Police Fund Balance for pensions in the year	3,794	2,809	62	62	30,590	34,550	10	(100)	(2,740)	(3,210)	31,716	34,111

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

All accounting entries in relation to the Comprehensive Income and Expenditure Statement and the subsequent liability for police officers pensions are wholly recorded in the Chief Constable's accounts. For police staff all Comprehensive Income and Expenditure Statement entries and subsequent balance sheet liabilities in relation to pensions are apportioned between the Commissioner and the Chief Constable single entity statements by the scheme actuary.

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

Accounting Policy - Post-Employment Benefits - CIES Entries

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

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

Subject to Audit

Annex C – Technical Annex – Pension Disclosures

C2 Assets and Liabilities in relation to Retirement Benefits

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

The underlying assets and liabilities for retirement benefits attributable to the [Chief Constable](#) at 31 March 2018 with comparative information for the previous year are as follows:

Pension Scheme Assets & Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(171,301)	(173,229)	(1,136)	(1,078)	(1,167,410)	(1,100,580)	(49,930)	(47,100)	(25,780)	(39,990)
Fair value of plan assets	126,559	134,298	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(44,742)	(38,931)	(1,136)	(1,078)	(1,167,410)	(1,100,580)	(49,930)	(47,100)	(25,780)	(39,990)

The liabilities in the above table show the underlying commitments that the Chief Constable has, in the long run, to pay retirement benefits. The total liability of £1.228b (£1.289b in 2016/17) has a substantial impact on the net worth of the Chief Constable as recorded in the balance sheet, resulting in a negative overall balance of £1.230b (£1.292b in 2016/17).

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

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

Annex C – Technical Annex – Pension Disclosures

Reconciliation of present value of scheme liabilities:

Reconciliation of Scheme Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(130,972)	(171,301)	(1,104)	(1,136)	(971,330)	(1,167,410)	(32,890)	(49,930)	(8,240)	(25,780)
Current service cost	(3,683)	(5,750)	0	0	(8,060)	(8,810)	(220)	(440)	(6,320)	(11,620)
Interest cost	(4,682)	(4,455)	(38)	(29)	(34,090)	(30,610)	(1,170)	(1,330)	(450)	(880)
Contributions by Scheme Participants	(1,052)	(1,112)	0	0	(2,280)	(1,920)	(80)	(100)	(2,830)	(3,170)
Remeasurement gains and (losses):			0	0						
- Arising from changes in demographic assumptions	1,523	0	5	0	22,790	36,720	0	1,570	0	2,340
- Arising from changes in financial assumptions	(40,068)	8,555	(171)	25	(210,780)	(30,570)	(15,620)	(3,580)	(8,410)	(970)
- Experience gains/(losses)	5,060	0	110	0	3,470	66,350	(40)	6,710	380	130
Past service cost		0		0	0	(800)	0	0	0	0
Gains/(losses) on curtailment	(417)	(218)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	2,990	1,052	62	62	32,870	36,470	90	0	90	(40)
Balance at End of Year	(171,301)	(173,229)	(1,136)	(1,078)	(1,167,410)	(1,100,580)	(49,930)	(47,100)	(25,780)	(39,990)

The liabilities under both the LGPS and Police Pension Schemes have decreased during 2017/18. The Principal reason for this reduction is in relation to a change in financial assumptions by the scheme actuaries.

Accounting Policy - Post-Employment Benefits – Measurement of Liabilities

The liabilities of the pension fund are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in C3 on page 69).

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

Annex C – Technical Annex – Pension Disclosures

Reconciliation of [fair value](#) of the scheme assets:

Reconciliation of Scheme Assets	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s
Balance at Start of Year	106,540	126,559	0	0
Interest Income	3,843	3,328	0	0
Remeasurements - Gains and (Losses)	14,418	1,645	0	0
Administration Expenses	(98)	(103)	0	0
Employer Contributions	3,794	2,809	62	62
Contributions by Scheme Participants	1,052	1,112	0	0
Benefits Paid	(2,990)	(1,052)	(62)	(62)
Balance at End of Year	126,559	134,298	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

Subject to Audit

Annex C – Technical Annex – Pension Disclosures

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

LGPS Asset Breakdown	Quoted Y/N	CC 2016/17		CC 2017/18	
		£000s	%	£000s	%
Equities					
UK Quoted	Y	16,326	12.90%	17,055	12.70%
Global Quoted	Y	25,438	20.10%	28,740	21.40%
UK Equity Pooled	N	1,266	1.00%	1,477	1.10%
Overseas Equity Pooled	N	21,262	16.80%	19,473	14.50%
Bonds					
UK Corporate Bonds	Y	7,973	6.30%	7,924	5.90%
Overseas Corporate Bonds	Y	380	0.30%	403	0.30%
UK Government Indexed Pooled	N	24,679	19.50%	23,502	17.50%
Property					
UK	Y	8,859	7.00%	8,595	6.40%
Property Funds	N	3,923	3.10%	3,895	2.90%
Alternatives					
Private Equity Funds	N	3,164	2.50%	3,223	2.40%
Infrastructure Funds	N	7,467	5.90%	8,595	6.40%
Real Estate Debt Funds	N	1,139	0.90%	806	0.60%
Private Debt Funds	N	633	0.50%	2,955	2.20%
Healthcare Royalties	N	0	0.00%	537	0.40%
Cash					
Cash Accounts	Y	3,923	3.10%	7,118	5.30%
Net Current Assets	N	127	0.10%	0	0.00%
		126,559	100.00%	134,298	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 2018. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Accounting Policy – Pensions Material Estimation Techniques

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

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

For 2017/18 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that discount rates of 2.55% for Police and 2.70% for LGPS are appropriate.

Annex C – Technical Annex – Pension Disclosures

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2016/17	2017/18	2016/17	2017/18
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	23.1	23.2	23.2	22.6
- Women	25.7	25.8	25.2	24.2
Longevity at 65 for future pensioners:				
- Men	25.4	25.5	25.2	24.5
- Women	28.4	28.5	27.3	26.1
Rate of Inflation (CPI)	2.30%	2.10%	2.35%	2.30%
Rate of increase in salaries	3.80%	3.60%	1.00%	4.30%
Rate of increase in pensions	2.30%	2.20%	2.35%	2.30%
Rate of Revaluation for CARE Pensions	-	-	3.45%	3.60%
Rate for discounting scheme liabilities	2.60%	2.70%	2.65%	2.55%

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

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	CC		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme			
Longevity (1 Year increase in life expectancy)	3,242	111	88
Rate of Inflation (increase by 0.1%)	3,793	169	103
Rate of Increase in Salaries (increase by 0.1%)	684	0	19
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(3,713)	(162)	(66)

Annex C – Technical Annex – Pension Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police	CC	Police
	Pensions 1987 Scheme £000s	Pensions 2006 Scheme £000s	Pensions 2015 Scheme £000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	27,000	1,000	1,000
Rate of Increase in Pensions (increase by 0.5%)	81,000	4,000	8,000
Rate of Increase in Salaries (increase by 0.5%)	11,000	4,000	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(103,000)	(8,000)	(7,000)

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

C4 Impact on the Chief Constable's Cash Flows

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2019 are £2,936k. Expected contributions for the Police Pension Scheme in the year to 31 March 2019 are £9,726k.

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	2016/17 Years	2017/18 Years
Pensions Scheme		
Local Government Pension Scheme - CC	22	22
Police Pension -1987 Scheme	20	19
Police Pension -2006 Scheme	37	32
Police Pension -2015 Scheme	39	33



The Chief Constable for Cumbria Constabulary

Annual Governance Statement 2017/18

Subject to Audit



The Chief Constable for Cumbria Constabulary

Summary Annual Governance Statement 2017/18

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

The Chief Constable for Cumbria Constabulary (the Chief Constable) is responsible for ensuring business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper arrangements for the governance of affairs and facilitating the exercise of functions, which includes arrangements for the management of risk.

The key elements of the system and processes that comprise the Chief Constable's governance arrangements are detailed in this document. The elements are based on the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework, the standard against which all local government bodies, including police, should assess themselves.

The Chief Constable has approved and adopted a Code of Corporate Governance 'The Code'. The Code gives clarity to the way the Chief Constable governs and sets out the frameworks that are in place to support the overall arrangements that are in place for fulfilling the Chief Constable's functions. This statement explains how the

Chief Constable has complied with The Code. It also meets the requirements of regulation 6(1) and 10(1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement, which must accompany the Chief Constable's statement of accounts.

THE REVIEW OF EFFECTIVENESS

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

- A cyclical detailed review of the key documents within the Chief Constable's governance framework e.g. Financial Regulations.
- An overarching review of the governance arrangements in place to support each core principle within the CIPFA Solace guidance.
- A review of what has happened during the past year to evidence how the Code has been complied with, which is articulated in the Annual Governance Statement.

- A review of the effectiveness of the arrangements for internal audit against the Public Sector Internal Audit Standards and the Internal Audit Charter.
- Formal reviews of the role of the Chief Constable's Chief Finance Officer and the Head of Internal Audit (HIA) against the respective CIPFA statements, which demonstrated full compliance.
- A review of the effectiveness of the Joint Audit and Standards Committee against CIPFA guidance.

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

Michelle Skeer
Chief Constable

Roger Marshall
Joint Chief Finance Officer

XX May 2018

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

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Ethics and Integrity & Respecting the Rule of Law

During 2017/18 the Constabulary took a pro-active approach to communicating and promoting the highest standards of integrity in all elements of its business. Work has continued to embed and develop ethical behaviour based on:

- The Constabulary's Corporate Values
- The College of Policing Code of Ethics.
- Preventing the abuse of authority for sexual gain.
- The Constabulary's Anti-Fraud and Corruption Policy and Procedures.

These arrangements are supported by the Director of Legal Services, who is a qualified solicitor and acts as the Chief Constable's 'Monitoring Officer', providing advice to the Constabulary on all legal matters and is consulted on all strategic decisions to ensure that laws are not contravened.

The Constabulary's Professional Standards Department is central to the maintenance of high standards of conduct and behaviour within the organisation. The priorities of the Constabulary's Professional Standards Department are shaped by a Strategic Assessment, which seeks to predict future risks as a basis for developing a control strategy. The Strategic Assessment was refreshed in 2017 and has highlighted a number of priorities including vulnerable association, domestic / neighbourhood issues, abuse of authority for sexual gain, vetting, information security, misuse of force systems and use of social media.

The Professional Standards Department operate a preventative approach designed to ensure all officers and staff are aware of their responsibilities and potential consequences if their conduct falls below required professional standards. This includes the issue of PASS newsletters, which provide guidance on matters of integrity. Subjects covered in 2017/18 have included handling of detainees in custody, data protection, warnings regarding off duty behaviour, appropriate use of social media and the security of CS gas spray.

During 2017/18 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) conducted a Legitimacy inspection of the Constabulary as part of the force's PEEL Inspection, this covered the conduct and behaviour of the force. The report graded

Cumbria as good and made minor recommendations for improvement in relation to identifying the needs of complainants and talent management.

During 2017/18 refresher training on the Code of Ethics has been provided to managers and cascaded to all officers and staff.

The number of intelligence reports into the anti-corruption unit has remained steady, however, most of these relate to self-referrals, indicating that officers and staff are responding to prevention guidance from PSD.

In relation to complaints, during 2017/18 the number of complaint allegations and cases have significantly reduced. This can be attributed to a new 'There and Then' process, which seeks to achieve early resolution of expression of dissatisfaction. This has resulted in swift outcomes for complainants, generally accompanied with the appropriate apology for any shortcomings. Feedback from complainants has been positive, and the reduced caseloads have resulted in a better service for those complainants involved in lengthy and complex investigations. When compared to most similar forces, both the level of complaints (expressed per officer) and the percentage of those complaints upheld, remain below the national average.

In the interests of openness and transparency, police gross misconduct hearings are now held in public. Four public misconduct hearings took place in 2017/18, three officers were dismissed from the force and one was concluded as no further action. All such hearings will continue to be presided over by a legally qualified chair. The outcomes of misconduct hearings are now publicised on the Constabulary website.

The Ethics and Integrity Panel continue to provide independent oversight for the OPCC and Constabulary in relation to standards, ethics and integrity. During 2017/18 the Panel carried out three thematic inspections in relation to the Performance Discretion Framework, the use of Stop and Stop/Search, body worn cameras and special constabulary recruitment. The Panel also reviews 'Quality of Service and Policing Issues' raised by members of the public including public complaints, police misconduct and staff misconduct cases. The Panel's work is reported to the Commissioner's Public Accountability Conference on a quarterly basis. Whilst the Panel's conclusions provide assurance regarding high standards of ethics and integrity, where applicable, recommendations to enhance or improve the level of service provided by the Constabulary have been made.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

To support transparency and ensure that the Chief Constable's vision is clearly communicated, the Chief Officer Group have held strategy days for senior management and road shows across county, which were open to all officers and staff. This has been supported by a range of communications across the force through various mediums including the internal intranet site and noticeboards. As part of development of Cumbria Vision 2025, officers and staff across the organisation have been engaged via focus groups, so that their ideas and feedback can be included in the final product.

Engaging Effectively with Institutional Stakeholders

The Constabulary works closely with the Office of the Police and Crime Commissioner (OPCC) through formal mechanisms (such as Public Accountability Conferences and Collaborative Board meetings) and informally through one to one meetings with senior staff from both organisations.

The Constabulary recognises that working with partners can deliver a more effective policing service to the public and meet the aims of the Commissioner's Police and Crime Plan. Accordingly, the Constabulary actively participates in a range of partnership activities and functions in collaboration with other agencies, both at a strategic and tactical level. Examples include:

- the Local Resilience Forum (major incident planning)
- the CRASH partnership (road safety)
- the Safer Cumbria Action Board
- the Local Safeguarding Board (child protection)
- Community Safety Partnerships
- The Cumbria Alcohol Board (countering alcohol abuse)
- Combating anti-social behaviour
- County Council
- Further development of links with criminal justice and mental health agencies and other blue-light partners.
- Established Local Focus Hubs in each area, where the Constabulary works closely with a range of local agencies to prevent and solve problems at the earliest opportunity.

In accordance with the Joint Financial Regulations and Rules, arrangements are in place to ensure that for significant partnerships and joint working relationships

there is appropriate governance including, a legal power to engage, appropriate approval by the Chief Constable and Commissioner, clear objectives, documentation of financial and other resource commitments and risk assessment.

Engaging stakeholders effectively, including citizens and service users

The Constabulary has a Community Engagement and Consultation Strategy, which co-ordinates all on-going consultation activities and is refreshed on an annual basis to understand the needs of service users. During the year, the Constabulary consulted with the public to find out their priorities, how confident they felt, how they would like to be engaged and their areas of concern. These informed the development of the Constabulary's and Commissioner's plans.

The Constabulary has developed a marketing and communications strategy aimed at establishing clear channels of communication with all sections of the community, providing crime prevention and safety advice as well as information about services. Access to information has been developed to include community messaging and all social media. The Constabulary's e-community has grown and is now at more than 190,000 followers.

Engagement with the public is pivotal to the work of Neighbourhood Policing Teams (NPTs) in determining local priorities. This is achieved through Community Engagement Plans, which detail contact with all stakeholders particularly those that are hard to reach or with protected characteristics. The Community Engagement Strategy includes:

- Clear communications with schools
- Attendance at Town Council meetings
- Holding community/partnership meetings
- Police Desks
- Use of web and social media
- Specific engagement plans for the 15 geographical areas, which are available on the intranet for officers and on the website for the public.
- Publication of local crime and performance data on the Constabulary's website to aid transparency.

These arrangements are supported by a toolkit, which is available to officers.

Specific initiatives in relation to diversity and equality and hate crime provide cross cutting engagement support across all areas of activities.

The Constabulary uses Community Impact Assessments to identify issues that may affect a community's confidence in the ability of the police to respond

effectively to their needs, thereby enhancing the police response, particularly after major incidents.

The Constabulary has carried out a staff engagement exercise, working with academia to assess the well-being and culture of the force. The results have informed the development of a plan of action linked to the Well-Being Strategy.

The Constabulary has improved its internal communications strategy, adopting a tiered approach based on priorities and aligning with training and internal inspection to ensure that all officers and staff have the information they need to provide the best service for the public.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

The Chief Constable determined the strategic direction for the Constabulary, which is *'Keeping Cumbria Safe'*. Following consultation, the Chief Constable developed

the Plan on a Page. This plan outlined the Constabulary's BIG 6 priorities:

- Engaging with communities and working with partners
- Preventing crime, road casualties and antisocial behaviour
- Managing offenders
- Managing calls for service
- Protecting vulnerable people and communities
- Investigating crime, caring for victims and bringing offenders to justice

Under each of the BIG 6 priorities, there is an improvement plan, with each key function or specialism within those priorities led by a Professional Lead.

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

In addition, a Plan on a Page identifies what will be done to support officers and staff to deliver the best service possible, explains our policing style and the Chief Constable's Leadership Standards.

The Plan on a Page shows how everyone in the organisation contributes to the overall aim of *Keeping Cumbria Safe* and improves knowledge and

understanding by linking strategic objectives to operational and business daily activity on the ground and maintaining performance.

Sustainable economic, social and environmental benefits

During 2017/18 significant work has been done to develop a local policing Vision 2025. Cumbria Vision 2025 will complement the Constabulary's priorities by bringing together demand prediction and reduction, business planning and change in a single plan aligned to the national policing vision. The Vision aims to build on achievements to date and provide a roadmap to transform policing to meet the challenges of delivering an effective service for communities into the mid 2020s. Cumbria Vision 2025 has five key themes:

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

and will encapsulate overarching principles of inclusivity, collaboration and delivering efficiencies. It is intended that business planning and governance will be organised around the core themes, which will each be headed by a business lead and supported by a detailed action plan.

During 2017/18 the Commissioner incorporated the Constabulary's budget proposals into his 2018/19 budget in the context of a medium term financial forecast (MTFF) covering four years to 2021/22.

The 2018/19 grant settlement provided flat formula grant funding for 2018/19 and 2019/20 and greater flexibility to increase council tax. Following public consultation the budget was agreed including funding to:

- Recruit 25 additional officers in local policing.
- Maintain officer and PCSO numbers in other operational areas.
- Increase armed policing.
- Increase protection from cyber and digital crime.
- Improve ways to contact the police.

The proposed Home Office review of the police funding formula has been deferred until the next spending review period from 2020/21, which has afforded a greater level of short term budget certainty. Nevertheless, the current MTFF indicates that further savings of £3.7m will be required to balance the budget by 2021/22. A major theme of each of the Cumbria Vision 2025 work-streams is to develop savings options and realise business benefits, particularly in areas where investment in new technology has been made.

During 2017/18, the Business Improvement Unit undertook extensive demand analysis to inform the financial and work plans for future years and to allocate resources to the priority areas. Demand has continued to increase and become more complex.

During 2017/18 the Constabulary has continued to develop its business planning aligned to the MTFF. Refreshed strategies in relation to people, ICT, fleet, estates and procurement have been produced and agreed by the Commissioner.

Innovative development of mobile and digital technology to increase the productivity of officers, continued to be delivered during 2017/18 including the first phase of replacement of the crime intelligence system with 'Red Sigma' and improvements to mobile working in conjunction with national programmes. Procurement has been completed for body worn video, replacement of control room systems and business systems (HR & Finance), which will be progressed in 2018/19. The ICT department has also been re-structured during 2017/18 to better meet user needs.

In relation to Estates, plans have been approved for a new deployment centre for the Eden Neighbourhood Policing, which will also include hostel and conferencing facilities.

During 2017/18 the fleet replacement programme has also been reviewed with the aim of identifying efficiencies.

Following the development of the People Strategy, initiatives in 2017/18 have included:

- Provision of a psychological screening programme that enables early identification of mental ill health issues for those in stressful roles, supported by trained advocates to provide practical help.
- Signed up to a 'Better Health at Work Scheme' with health partners and trained 'Wellbeing Advocates' who's role is to signpost help and support for our staff
- Developed talent management processes to better ensure that staff are rewarded and recognised for their work.
- Encouraged greater involvement of citizens in policing through the introduction of mini-police and police cadets to engage with young people and enhanced focus on recruitment of police specials.
- Undertook a follow up well-being survey of officers and staff, in conjunction with Durham University. The results of this work will be used to inform future actions to promote the well-being of staff.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning Interventions

The Chief Officer Group is the Constabulary's strategic decision making forum. In the last 12 months key decisions have included considering and approving:

- Demand reviews
- Business strategies
- Financial updates (including the budget proposal)
- Governance documents
- Business cases in relation to operational and support functions and investment in ICT systems.

All decisions support delivery of the Chief Constable's vision. Decisions are minuted and subject to scrutiny by the Commissioner. To improve communication and transparency all COG decisions are published on the internal website, which can be viewed by all officers and staff. Members of the Chief Officer Group have also attended meetings of the Police and Crime Panel to provide context to Commissioner's precept proposal.

Determining Interventions & Optimising Outcomes

The Constabulary worked with the Office of the Police and Crime Commissioner (OPCC) to develop the performance framework. This set of measures and targets supports delivery of the Police and Crime Plan and is the mechanism used by the Commissioner to hold the Chief Constable to account. Progress against these measures has been reported to the Commissioner every quarter at the Public Accountability Conference.

Performance for all crime types, antisocial behaviour, road collisions, user satisfaction and productivity is monitored on a monthly and corrective action taken to address exceptions.

This is supported by thematic reports for specific areas of activity, which are discussed at the Commissioner's Public Accountability Conference. Reports in 2017/18 included domestic abuse, child sexual exploitation, sexual offences, anti-social behaviour and reducing reoffending.

Overall, the Constabulary performs well and user satisfaction levels are consistently high.

In the operational environment, on a monthly basis, senior police officers carry out a full assessment of operational risk, harm and threat to communities and an assessment of performance changes and their root causes. This encompasses consideration of vulnerable people, repeat offenders, vulnerable missing from home, significant domestic abuse, prison issues, organised crime groups, threats to life, crime and anti-social behaviour trends. Action has been taken and resources tasked to deal with the operational issues raised.

Every day, officers in each Territorial Policing Area hold a Daily Management Meeting, which identifies the crimes and incidents that have occurred over the previous 24 hours and any vulnerable or high profile incident. A supporting force-wide Daily Operational Review Meeting ensures that resources are directed to meet strategic priorities across the county.

As part of the Constabulary's work on managing demand, the principles of THRIVE (threat, harm, risk, investigative opportunity, vulnerability and engagement) have been introduced within the communications room when grading calls for service and, as part of the National Decision Making Model, deciding whether to deploy officers to incidents.

During 2017/18 the Constabulary has put in place systems and procedures to comply with the new requirements regarding the granting and monitoring of bail contained in the Police and Crime Act 2017.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the Entity's capacity & leadership

The key functions and roles of the Chief Constable and the Police and Crime Commissioner are set out in the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011 (PPO) The Chief Constable's statutory responsibilities for maintaining the Queen's Peace are set out in various Police Acts. Both the Chief Constable and Commissioner are statutorily required to employ a Chief Finance Officer.

Following a restructure within the OPCC, the Commissioner and Chief Constable have agreed to a shared Chief Finance Officer arrangement. A protocol and range of safeguards have been put in place to handle potential conflicts of interest arising from the joint role. A

review of the operation of the Joint Chief Finance Officer arrangement has been conducted and aligned to the CIPFA statement on the Role of the Chief Finance Officer. This exercise has shown full compliance and has not revealed any significant issues.

The Constabulary has used HMICFRS Value for Money profiles and Police Objective Analysis to inform its Change Programme and applied zero based budgeting, with robust financial challenge to budget holders, to secure maximum value from the resources available. Although there are difficulties in ensuring true comparisons, in general, the VFM work has shown the Constabulary to benchmark well, although, in some instances costs may appear to be relatively high when measured per head of population. This is principally attributable to the logistics of providing an effective policing service over such a geographically sparse county.

Developing the Capability of Individuals within the entity

The Constabulary's annual training plan was developed in early 2017/18 in conjunction with operational leadership teams in the context of best practice guidance from the National Police Chief's Council.

The training plan was delivered through a strategic training collaboration with Lancashire Police, which has delivered benefits through:

- Increased capacity to deliver training, which has been particularly beneficial to accommodate the increased level of recruitment.
- Reduced costs.
- Harmonisation of course content based on best practice across the forces.

During the year force-wide training has been delivered to all frontline officers to increase workforce skills and operational capabilities in key areas:

- Crime Recording
- Vulnerability
- File Quality and Disclosure
- Stop and Search for Sergeants

Newly appointed Sergeants have attended a development course designed specifically to equip them with the skills they need to effectively manage and develop their teams as new leaders, widening their thinking and understanding of what it means to be a leader in the organisation responsible not only for their own skills development but for that of their team. A programme for newly appointed Inspectors is in development and will be rolled out during 2018/19.

A team of ICT trainers have been appointed to co-ordinate delivery of training for the force's major IT projects, to ensure the workforce has the skills they need to use the new systems in their roles. These include:

- Body Worn Video
- Red Sigma
- Office 365

The force has been successful in becoming an Employer Provider for Apprenticeships, this enables the force to recoup some of the apprenticeship levy paid to the government by working in collaboration with the Education Skills Funding Agency (ESFA) and local education providers. An apprenticeship strategy has been agreed which sets out the constabulary's commitment to identify skills gaps and increase the capabilities both of our current and future workforce.

During 2017/18 additional resource was secured to develop the Interim Performance Development & Review (PDR) system. Throughout the forthcoming period additional work will be undertaken to roll out a strengths-based approach to PDR conversations. PDR is based on the national College of Policing model focusing on personal responsibility for development built around a central competency framework (including individual objectives). A suite of continuing professional development resources and events have been delivered,

allowing all employees to take responsibility for developing themselves in their own time and at their own pace using a variety of methods.

Core Principle F: Managing risks and performance through robust internal controls and strong public sector management.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

The Constabulary has a risk management strategy, which stresses that it is the responsibility of all officers and staff to identify and manage risk.

Risk management is a standing agenda item on all Constabulary boards, including programme and project management boards. Mitigating actions are identified and tracked to ensure that risks are minimised.

During 2017/18, specific risks associated with the potential reduction in funding as a result of future funding constraints, the introduction of the Emergency Services Network and the Constabulary's capacity to implement

change have continued to feature prominently on the Constabulary's strategic risk register. Emerging strategic risks in relation to terrorist threat, digital crime and control room response times have also been recognised.

Managing performance

A strategy entitled – '*Performance management in Cumbria Constabulary*' *Managing our resources to improve outcomes for the people of Cumbria*' outlines is embedded within the Constabulary. This is achieved mainly through the use of:

- Strategic briefings to senior management at Joint Tasking and Co-ordination Group meetings, including a high level performance matrix, detailed root cause analysis and recommended actions to take.
- Performance as a standing item on all senior management team meetings.
- Specific focus on performance in relation to protecting vulnerable people.
- Performance Development Conferences every four months, where all functions are held accountable for performance including crime, sickness and data quality
- Reviewing performance at Strategy Days.
- An information strategy and performance dashboard to support the BIG 6 priorities, showing demand, productivity and outcome data ambitions

- Accessible daily performance figures.
- An individual officer performance dashboard and performance meetings every 15 weeks.
- An interim formal performance development and review (PDR) process for all officers and staff, in accordance with College of Policing guidance. This is an annual process and determines the competence of individual officers and staff, based on the Police Professional Framework.

The Constabulary has a 'Delivering Excellence' Strategy, which aims to embed continuous improvement across the Constabulary and has three key areas of work:

- Development of Business Improvement Plans based on our priorities and all HMICFRS recommendations.
- Improving on standards and quality across policing activities known as the Quality Counts initiative.
- Harnessing ideas and suggestions for improvement

During 2017/18 the role of the Constabulary's Business Improvement Unit to provide reassurance to Chief Officers:

- that priorities and recommendations from inspection bodies are being progressed through reality checking.
 - Systems and processes are working effectively.
- has been widened to incorporate the delivery of change.

The key work undertaken in 2017/18 has been in relation to understanding demand for operational staff supported by a 'Day in the Life' study for sergeants. This has shown that crimes are both increasing in complexity and the time taken to deal with them, which is putting increased pressure on operational resources. The results of the demand review are being used pro-actively to

- Improve working practices, policies and procedures, which have created efficiencies and provided opportunities to re-distribute resources to high risk areas.
- Improve supervision through training to sergeants.

Other significant pieces of work undertaken by the unit in 2017/18 in support of the Delivering Excellence Strategy have included:

- Developed and implemented a Crime Management Action Plan, which has increased resources, strengthened internal working practices and provided training to 900 officers.
- Conducted a 'Keep Me Safe Audit' to ensure that officers are adhering to safeguarding practices, providing individual feedback where necessary.
- Monitored delivery of the business improvement plan, with 82% of actions completed.
- Implemented a stalking and harassment action plan.

- Undertaken a Joint Emergency Services Inter-operability Programme inspection.
- Undertaken mental health response reality testing, providing feedback to officers.

Robust internal control

The Constabulary maintains robust internal controls systems. Assurance with regard to internal controls is provided by:

- A risk based internal audit plan. 87% of audits in 2017/18, including all those relating to finance, were graded as providing either substantial or reasonable assurance. Two audits in relation to offender management and procurement received only partial assurance. In both areas robust management action plans have put in place to address the recommendations made.
- The Chief Internal Auditor's overall opinion that the Chief Constable's frameworks for governance, risk and internal control are reasonable and that controls are generally working effectively in practice
- Action plans to respond to recommendations, the implementation of which is monitored by the Audit and Standards Committee.
- An Audit and Standards Committee, which is self assessed against CIPFA guidance, and is judged as being highly effective in its role.

Managing Data

During 2017/18 arrangements for managing data have been strengthened as follows:

- Core information security and records management strategies have been reviewed and updated.
- Greater clarity on the identification and responsibilities of information asset owners and reporting to the force Senior Information Risk Owner has been provided (SIRO).
- Implemented the amended Government Security Classification with training provided to staff.
- Undertook a deep dive security review in conjunction with an authorised partner.
- Responded to emerging cyber threats.
- Established a unit to review retention and disposal of information in compliance with MOPI.
- Produced an action plan for compliance with forthcoming General Data Protection Legislation.

Strong public financial management

Strong financial management provides a framework for all business decision making and planning within the Constabulary. This includes the Joint Chief Finance Officer being a member of the leadership team and finance representation at all significant decision making forums. Regular financial reporting, clear budget ownership and responsibilities (as set out in the Chief Constable's

Scheme of Delegation and scheme of budget management) and consideration of the medium term financial position in all strategic decision making.

The Constabulary's unaudited financial statements for 2016/17 were released in May, with the final version published in July, thus meeting new deadlines for financial reporting ahead of schedule. The External Auditor's Audit Findings report noted the accounts were prepared to a very high standard and were supported by excellent working papers.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in Transparency & Reporting

The principal means by which the Constabulary reports to the public are through themed presentations to the Commissioner's Public Accountability Conferences, which are open to the public. Reports are also available through the Commissioner's website.

During 2017/18 work has been undertaken to improve the presentation of these reports to make them more accessible and readable for members of the public.

The external auditor's opinion for the 2016/17 financial year was that the Chief Constable's Financial Statements provided a true and fair view of the financial position and that they have been properly prepared in accordance with the Code of Practice on Local Authority Accounting. The auditors further confirmed in their Annual Audit Letter that the Chief Constable had proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources.

Assurance & Effective Accountability

During 2017/18 the Constabulary has been inspected by HMICFRS and received reports on police efficiency, effectiveness and legitimacy (known as PEEL). There are four grades that can be achieved - outstanding, good, requires improvement and inadequate.

The Constabulary has been rated as good for all aspects efficiency, effectiveness and legitimacy. Areas inspected included:

- Preventing crime & tackling ASB
- Investigation crime and reducing re-offending
- Protecting Vulnerable People

- Tackling serious and organised crime
- Understand Demand
- Use of Resources
- Planning future demand
- Treating people it serves fairly
- Work force behaves ethically
- Treats workforce fairness and respect

During 2017/18 HMICFRS also undertook two thematic inspections. With regard to a national Child Protection re-inspection, the findings were that there is a strong a strong commitment to protecting children and improving practices within the force and evidence of strong leadership and oversight by senior management. It was also recognised that since 2016 the Constabulary has reviewed its public protection structures, systems, process, and invested extra resources in child protection, which has made a significant improvement in how it recognises and responds to child sexual exploitation, and child protection investigations. In relation to the HMICFRS inspection entitled ‘Stolen freedom: the policing response to modern slavery and human trafficking’, Cumbria was identified as having a number of areas of best practice, around the way it raises awareness amongst officers, through a concerted communications and awareness campaign, which has been proactively tested through audit and assessment. The Constabulary

was also identified as an example of effective safeguarding and investigation.

During 2017/18 the Chief Constable received assurances with regard to the Constabulary’s arrangements for risk management, internal control and governance from a number of sources which included:

- The CFOs annual review of internal audit.
- The Head of Internal Audit and Commissioner’s CFO assessment of the internal audit service against Public Sector Internal Audit Standards.
- The Head of Internal Audit’s opinion on the framework of governance, risk management and internal control.
- A review of the effectiveness of the Joint Audit and Standards Committee against CIPFA guidelines.
- Monitoring of the implementation of actions in response to HMICFRS, internal and external audit recommendations through the Joint Audit and Standards Committee.
- Management assurances in respect of financial systems and processes.
- The CFO’s fraud risk assessment.

All of the sources above indicated that systems and processes are operating effectively and have raised no significant concerns.

Appendix A – Update on 2017/18 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation	Status
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.						
CPA/1	Embed the delivery plans for vetting enhancement, the abuse of authority for sexual gain and the Code of Ethics	Head of People	<p>The Constabulary has progressed significantly with the implementation of all three plans:</p> <p>VETTING UPDATE 1/5/18</p> <p>The Delivery Plan for Vetting has continued to be progressed throughout 2017/18 period. Significant reductions in outstanding vetting checks have been made, and all outstanding checks for Officers, PCSOs, Special Constables are now at zero. There are 50 staff checks outstanding. This work is anticipated to be completed in 30th September 2018.</p> <p>A review of the current position in respect of the Constabulary's level of compliance with the Vetting Code of Practice has also been undertaken and the Constabulary intend to permanently increase the vetting team establishment by 0.7FTE as a means of sustaining the existing service improvements, as well as enhancing operations in line with new regulations.</p> <p>CODE OF ETHICS & AASG update 1/5/18</p> <p>Code of Ethics training (incorporating AASG and Data protection) has been delivered all across the constabulary, along with repeated Need to Know Campaign messages. Relationships with partners have been built to assist in seeking out corruption, and further investment has been to enhance the recently built anti corruption portal, which provides greater capacity for the force to pro-actively protect its assets. Whilst significant progress has been made in this arena, this will be a continually evolving programme of works, and additional investment in the anti-corruption capability and capacity will be made over 2018/19.</p>	31st March 2018	initial action complete - enhancements in provision will be made throughout 2018/19	⚙️ Completed
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.						
CPB/1	Develop an external communications strategy for 2017/18 to support delivery of operational policing and its outcomes, including effective demand reduction activity.	Director of Corporate Improvement	This action is complete. The strategy is reviewed every month at Force Tasking and Coordination to align with local and national themes	31st March 2018		⚙️ Completed
CPB/2	Deliver the internal programme of communications to support performance, standards, integrity and operational effectiveness.	Director of Corporate Improvement	The Internal Communications programme, now re-vamped, streamlined and aligned with training, is being delivered. Changes are coordinated via FSDB	31st March 2018		⚙️ Completed
CPB/3	The Constabulary's internal website will continue to be developed in particular to improve the access and search capability which will make it easier for officers and staff to access the information they need.	Director of Corporate Improvement	The new internal website has been launched. It aims to direct officers and staff to the information they require as efficiently as possible.	31st March 2018		⚙️ Completed
CPB/4	A review of the policy management arrangements will be undertaken with a view to streamlining the process, the products and their accessibility.	Director of Corporate Improvement	A draft proposal has been prepared following significant research. This will require further consultation and approval.	31st March 2018	31st July 2018	⚙️ Ongoing (original timescale exceeded)

Appendix A – Update on 2017/18 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation Date	Status
CPB/5	As part of openness and transparency about decision making within the Constabulary, a Chief Officer Group decision log will be placed on the intranet and made available to all officers and staff. In particular, decisions about people and finance will be made available to relevant practitioners to speed up the processes required to deliver agreed actions.	Joint Chief Finance Officer	A COG decision log from January 2017 has been published. To further aid transparency of decision making it has been agreed that in most cases the associated papers will also be published and there will be greater publicity regarding the availability of the log.	30th June 2017		⚙️ Completed
CPB/6	The Constabulary will continue to develop its internet site to enhance accessibility and relevance to the public and media.	Director of Corporate Improvement	Minor changes to the website have been made during the year to include easier access to services and an improved search facility. The Chief Officer team has signalled its intention to participate in a NPCC sponsored website which can be used by all Constabularies. This provides an iterative search for the public (which will support demand management) and will be included in the action plan for 2018-19.	31st March 2018		⚙️ Completed
CPB/7	On behalf of the Commissioner, the Constabulary will undertake a survey to find out the public's key policing priorities to support the PCC's Police and Crime Plan and the Constabulary's Strategic Assessment.	Director of Corporate Improvement	The survey was completed, results analysed and presented to the Chief Officer Group and Public Accountability Conference in early December. The results will be used to inform future strategic planning.	31st October 2017	31st December 2017	⚙️ Completed
CPB/8	The Constabulary will review the Independent Advisory Group arrangements at strategic and local level with a view to strengthening their impact.	Director of Corporate Improvement	This work has been started but will continue into 2018/19.	31st March 2018	30th June 2018	⚙️ Ongoing (original timescale exceeded)
CPB/9	The Constabulary will improve the Citizens Panel to expand the number of people on and the representation of all types of communities. (The Citizens Panel is a large group of people who have volunteered to be consulted on a range of police issues.)	Director of Corporate Improvement	The Panel data has been kept up to date as required but further expansion will not now take place as responses to surveys via our website increase year on year and now make up almost 50% of the total engagement from the public. The Constabulary will continue to promote responses from underrepresented groups via the Diversity Manager and other specialist posts in the local areas. Paper surveys using the Citizens Panel will also continue for those on the Panel who have expressed that preference.	31st March 2018		⚙️ Completed

Appendix A – Update on 2017/18 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation Date	Status
Core Principle C: Focusing on defining outcomes in terms of sustainable economic, social and environmental benefits						
CPC/1	Develop a forward looking corporate plan to 2025 that encompasses all change activities across the Constabulary. This includes changes to operational working, workforce and people, collaborations, ICT, fleet and estate as well as change to deliver savings and continuous improvement activities. The plan will underpin our recruitment, succession, training and development plans and will be supported by a comprehensive communications programme.	Deputy Chief Constable	Critical to the success and ambition of the CV25 Strategy is the inclusion and engagement of staff and key stakeholders in its design. Initial consultation took place during the July PDC's. This was followed by Focus Groups, led by Supt Kennerley, involving Officers and staff throughout June, July & August, along with one-to-one meetings with senior managers and key stakeholders (some external). At the end of August CC and DCC visited all three areas to engage with Sgts/DS's and Insp/DI's, before the Strategy Day on 6th September, which included those who took part in the focus groups. A joint CC & OPCC Strategy session was held on 11th September and a final Constabulary strategy day takes place on the 23rd November for practitioners, both staff and officers, facilitated by Chief Officers. Chief Officer Roadshows were held in all areas in early October. All this activity will culminate in a final Cumbria Vision 25 overall plan, complimented with a robust delivery plan being agreed at the joint strategy day between the Constabulary and the OPCC in December as part of the budget setting process.	30th September 2017		Completed
CPC/2	Review the governance arrangements to ensure effective delivery of the 2025 plan, making recommendation for improvement where appropriate.	Deputy Chief Constable	Formal governance for CV25 will be provided through the Force Strategic Delivery Board Chaired by DCC and attended by ACC, Crime and TP Commanders, Directors, Chief Finance Officer and Superintendents, with Executive representation from the OPCC.	30th September 2017		Completed
Continue to develop the Demand Reduction Strategy including:-						
CPC/3	Continue to develop the annual process to evaluate resource allocation to ensure that resources are aligned to demand, threat, risk and harm.	Director of Corporate Improvement	Completed and utilised for 17/18 resource allocation. Further work will be done as part of Force Management Statement (FMS) preparedness. Final discussion for 2018/19 is scheduled for May 2018	31st March 2018		Completed
CPC/4	Extend the use of Vulnerable Locations Indexing approach to multi agency working across the county.	Director of Corporate Improvement	This work has now been subsumed into a wider project to implement Local Focus Hubs in each District Council Area, which will provide opportunities for collaboration with other agencies. A superintendent has been appointed to lead this work.	31st March 2018	30th September 2018	Ongoing (original timescale exceeded)
CPC/5	Develop the Blue Light collaboration by working with fire and ambulances services to trail the five tactical operational strands of work .	Superintendent North	Work is ongoing in relation to BlueLight collaboration with fire and ambulance. See specific actions CPD/3, .4, 5, 6 & 7 below.	31st March 2018	see individual timelines below.	Ongoing (original timescale exceeded)

Appendix A – Update on 2017/18 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation Date	Status
CPC/6	Continue to deliver the MACAC pilot programme to deliver improved outcomes for people with mental health problems who come into contact with the police	Superintendent Operational Support	The three key strands in the MACAS pilot programme, namely a) A 24/7 single point of access for professional to access information from specialist mental health practitioners b) The provision of respite beds at Carleton Clinic c) The 'Lighthouse' place of safety are all now in place. An evaluation will take place at end of the financial year.	31st March 2018		☀ Completed
CPC/7	The People Strategy (2017-20) and associated action plan will be delivered.	Head of People	The People Department was established in April 2017, and has been focussed on delivering in line with the strategy and action plan. Key areas under current development are Talent Management (attraction, recruitment and retention), Business Futures (incorporating resource planning, skills capture, sickness management) the launch of wellbeing advocates (governed via the Better Health at Work scheme - currently working towards the Bronze award), sign up to the MIND MH at work delivery plan, staff term and conditions & reward and recognition review, positive action to encourage underrepresented groups, development of the Constabulary PDR, grievance and performance management and the development of the Citizens in Policing programme. The People action plan has just been reviewed, all actions updated and will be migrated into the CCIP master plan. Extension required to facilitate the full implementation of the PDR, talent management programme. Performance, capability and wellbeing are monitored and discussed at weekly workforce bronze and silver meetings, which are attended by senior managers from all departments. These were introduced in April 2018 as a result of an overall change to the Constabulary's governance structure as a response to the Policing Vision and Cumbria Vision 2025. Further extension is anticipated at the point of next review in order to reflect longer term strategic workforce 2025 programme (managed through the Gold board), Business Futures implementation, and the development of PEQF / apprenticeship levy	31st March 2018	30th September 2018	☀ Ongoing (original timescale exceeded)
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.						
CPD/1	Review our performance management arrangements, making recommendations for improvement where appropriate.	Director of Corporate Improvement	Minor changes have been made in 2018/19. A performance management framework based around a balanced scorecard approach will be developed to support the Vision 2025 governance structure. This work has been delayed due to capacity in the Business Improvement Directorate.	30th September 2017	30th September 2018	☀ Ongoing (original timescale exceeded)
CPD/2	Work with the new Police and Crime Commissioner to develop performance management arrangements to hold the Chief Constable to account effectively.	Director of Corporate Improvement	Completed - Accountability Framework has been approved and is operational	30th September 2017		☀ Completed

Appendix A – Update on 2017/18 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation Date	Status
	Develop the delivery plan for the tactical operations for Blue Light Collaboration. This includes:					
CPD/3	Emergency Medical Response pilot in Walney and Wigton	Superintendent North	The terms of reference and operating framework have been agreed but implementation has been delayed following withdrawal of Fire Brigade's Union support for trials pending national pay negotiations.	30th September 2017	31st March 2019	⚙️ Ongoing (original timescale exceeded)
CPD/4	Forced Entry/Concern for safety memorandum of Understanding between fire, ambulance and police	Superintendent North	Start delayed as FBU have asked for specific police training. Training needs assessment now being completed.	30th September 2017	31st March 2019	⚙️ Ongoing (original timescale)
CPD/5	RESIP Joint Emergency Services Interoperability Programme Incident Command Vehicle - joint branding and management of vehicles that will have the capability to be forward command points in an incident.	Superintendent North	Vehicles now in operation and available for deployment throughout the county.	30th September 2017		⚙️ Completed
CPD/6	Urgent Care desk - NWAS support to Police Officers at the scene to triage any medical aspects of an incident	Superintendent North	MOU agreed, NWAS agreed to a trial with GMP only. If successful this will be rolled out to other forces.	30th September 2017	31st March 2019	⚙️ Ongoing (original timescale exceeded)
CPD/7	Tri-Service Officer pilot	Superintendent North	Legal agreement reached between Constabulary and County Council and agreement to go live expected imminently.	30th September 2017	30th June 2018	⚙️ Ongoing (original timescale exceeded)
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and individuals within it.						
CPE/1	Embed a formal performance development and review (PDR) process for all officers and staff during 2017/18, in accordance with College of Policing guidance.	Deputy Chief Constable	A formal Performance Development Review has been implemented and utilised by officers and staff during 2017/18. This is complimented by the 15 week review. An updated version of the Kalidus system that manages PDR will be introduced during 2018 which will further enhance the Constabulary's approach to performance and talent management.	31st December 2017		⚙️ Completed
CPE/2	The Constabulary will work with academia and, using good practice from other organisations, will develop an action plan based on the information from the cultural survey which will be incorporated into the Well-Being Strategy.	Director of Corporate Improvement	The survey has been completed and a report of the findings presented to COG. Staff have attended a workshop to identify best practice with other forces. Work is on-going with academia to communicate the results and develop an action plan to deal with the issues raised.	31st December 2017	31st July 2018	⚙️ Ongoing (original timescale exceeded)

Appendix A – Update on 2017/18 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation Date	Status
CPE/3	During 2017/18 the Apprenticeship Levy will be introduced across England & Wales which will result in a 0.5% levy be paid by Cumbria Constabulary into a digital Apprenticeship account. As a result of this an Apprenticeship framework is being devised which will promote the use of apprenticeships within the Constabulary including leadership, initial learning skills and technical development.	Head of Learning & Development	A new apprenticeship manager post has been recruited. An apprenticeship strategy was produced and approved by the Chief Officer Group in March. The next steps will be to develop an action plan to support training of officers, PCSOs and staff in the context of the new College of Policing PEQF requirements.	31st March 2018		Completed
CPE/4	Significant training programmes will be delivered in 2017/18 in support of the new Intelligence System Red Sigma and a focus on Vulnerability (Mental Health). In addition there is continuing focus on new entrant training for recruits.	Head of Learning & Development	Planned training programmes have been delivered including Red Sigma, Stop and search for frontline officers and supervisors, criminal justice including disclosure, Police Works and the new S28 CJA. In a change of priority crime recording was delivered rather than mental health, which will now be delivered in 2018/19.	31st March 2018		Completed
CPE/5	A formal protocol for the identification and handling of conflicts of interest in relation to the joint CFO role will be put in place.	PCC Chief Executive	Completed and discussed at JASC and Police and Crime Panel.	30th June 2017		Completed
CPE/6	A formal review of the effectiveness of the Joint CFO role will be undertaken against the CIPFA standard on the role of the CFO.	PCC Chief Executive	Completed a report has been produced for the May meeting of the Joint Audit and Standards Committee, which concludes that the arrangement is operating effectively.	31st March 2018	30th June 2018	Completed
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.						
CPF/1	Review and refresh the audit and improvement plan every quarter, reporting to Force Strategic Delivery Board on outcomes and successes from Quality Counts. This will incorporate a programme of Crime Data Integrity audits, that will be improved by extending their scope and frequency, with learning and feedback to officers and supervisors so that quality and performance can be enhanced.	Director of Corporate Improvement	Completed - this is now part of business as usual.	31st March 2018		Completed
CPF/2	Further develop the strategic resource management performance framework to drive improvements in our use of resources, and ensure that the benefits of significant investment in change and ICT are delivered.	Director of Corporate Improvement	This work has been delayed due to capacity constraints in the Business Improvement Directorate but will be delivered to support the Business Support theme within Vision 2025.	31st March 2018	31st December 2018	Ongoing (original timescale exceeded)

Appendix A – Update on 2017/18 Development and Improvement Plan

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation Date	Status
CPF/3	Further develop the Business Intelligence Strategy to inform future ICT developments, improve the information available to managers for effective decision making, to support improvements in services for the public and, develop and improve the dashboards available to officers and staff.	Director of Corporate Improvement / Director of Corporate Support	The business case has been developed and presented to COG. Further work is being undertaken to provide further assurance in relation to the vision and VFM.	31st March 2018	30th September 2018	⚙️ Ongoing (original timescale exceeded)
CPF/4	Finalise the delivery of training on the financial regulations, financial rules and procurement regulations.	Joint Chief Finance Officer	A training package has been developed and training delivered. Two small groups have yet to receive training due to diary commitments, but will be delivered at the next update of the regulations and rules in autumn 2018.	30th September 2017	31st December 2017	⚙️ Completed

Subject to Audit

Appendix B – 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Implementation by
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.			
CPA/1	Complete outstanding vetting checks to ensure compliance with new enhanced vetting requirements and ensure arrangements are sustainable.	Head of People	30th September 2018
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.			
CPB/1	Evaluate the requirements and implement the Single On-Line Home external website in conjunction with the National Police Chiefs Council to improve public contact and access to services.	Director of Corporate Improvement	30th June 2019 subject to adoption by the national project.
CPB/2	Hold engagement and consultation events within the Constabulary in relation to Vision 2025	Director of Corporate Improvement	31st March 2019
CPB/3	Complete the review of policy management arrangements and make recommendations for streamlining the process, the products and their accessibility.	Director of Corporate Improvement	31st July 2018
CPB/4	The Constabulary will review the Independent Advisory Group arrangements at strategic and local level with a view to strengthening their impact.	Director of Corporate Improvement	30th June 2018
Core Principle C: Focusing on defining outcomes in terms of sustainable economic, social and environmental benefits			
CPC/1	Develop and deliver a detailed action plan for the Vision 2025 strategy.	Deputy Chief Constable	31st March 2019
CPC/2	Embed revised meetings and governance arrangements in support of Vision 2025	Director of Corporate Improvement	30th September 2018
CPC/3	Implement Local Focus Hubs across the County including agreed objectives, governance, performance framework and developing collaboration opportunities.	Superintendent - West	30th September 2018

Appendix B – 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Implementation by
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.			
CPD/1	Embed changes to the scope of the Business Improvement Unit's role to deliver change and business benefits.	Director of Corporate Improvement	31st March 2019
CPD/2	Incorporate the production of Force Management Statements into business planning and re-align processes to drive benefits.	Director of Corporate Improvement	30th September 2018
CPD/3	Undertake further analysis of current and future demand to inform strategic business planning.	Director of Corporate Improvement	31st March 2019
CPD/4	Plan and implement actions to demonstrate increased visibility to communities.	Deputy Chief Constable / Director of Corporate Improvement	31st March 2019
CPD/5	Re-design business processes in relation to the Control Room as part of the implementation of the Safe system to deliver business benefits.	Superintendent - Organisational Business Delivery	30th September 2019
CPD/6	Roll out and provide training for Body Worn Video for Officers	Superintendent - Organisational Business Delivery	31st July 2018
CPD/7	In conjunction with the OPCC and other stakeholders, plan, evaluate and implement initiatives to improve emergency services inter-operability, including urgent care desk, tri service officers brought forward from 2017/18	Superintendent -North	31st March 2019

Appendix B – 2018/19 Development and Improvement Plan

Ref	Action	Lead Officer	Implementation by
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and individuals within it.			
CPE/1	Implement the College of Policing PDR process and provide associated training.	Head of People	31st March 2019
CPE/2	Evaluate the requirements and prepare an action plan in relation to the introduction of the College of Policing PEQF requirements.	Head of Learning and Development	31st December 2018
CPE/3	Develop and begin implementing the action plan supporting the Apprenticeship Strategy	Apprenticeship Manager	31st March 2019
CPE/4	Develop an action plan arising from the Well-Being survey.	Head of People	31st July 2018
CPE/5	Develop a vision for the delivery of Procurement within the Constabulary and OPCC to meet organisational needs.	Director of Corporate Support	30th September 2018
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.			
CPF/1	Develop the balanced scorecard approach to performance management and embed this within the Vision 2025 governance arrangements.	Director of Corporate Improvement	30th September 2019
CPF/2	Further develop the strategic resource management performance framework to drive improvements in our use of resources, and ensure that the benefits of significant investment in change and ICT are delivered.	Director of Corporate Improvement	31st March 2019
CPF/3	Work with the OPCC to develop a revised public accountability framework.	Director of Corporate Improvement	31st March 2019
CPF/4	Implement an action plan to ensure that the OPCC complies with new General Data Protection Regulations	Head of People	31st December 2018
CPF/5	Further develop the Business Intelligence Strategy to inform future ICT developments, improve the information available to managers for effective decision making, to support improvements in services for the public and, develop and improve the dashboards available to officers and staff.	Director of Corporate Improvement / Director of Corporate Support	31st March 2019



Subject to



www.cumbria.police.uk

Joint Audit & Standards Committee



Title: Effectiveness of OPCC Anti-Fraud and Corruption Activity Monitoring

Date: April 2018

Agenda Item No: 18

Originating Officer: Gill Shearer

Report of the Chief Executive

1. Introduction and Background

1.1 The Police and Crime Commissioner has a statutory responsibility to provide policing services for Cumbria. The Office of the Police and Crime Commissioner (OPCC) must ensure that effective processes and procedures are in place to deliver that service in an environment free from fraud and corruption.

1.2 To safeguard against fraud and corruption the Commissioner and OPCC staff operate in an open and transparent environment. This is achieved by a variety of methods including making decisions in public, publishing information on its website including registers of interests, decisions, declarations of gifts and hospitality and expenses.

1.3 On a cyclical basis arrangements to prevent and detect Fraud and Corruption are reviewed and approved by the Police and Crime Commissioner. These arrangements provide clear definitions of fraud, corruption, theft and irregularity within the strategy. The arrangements were reviewed and updated in March 2018 following which a copy was provided to the Joint Audit and Standards Committee. The arrangements mirror much of the Constabulary's policy, although there are differences in relation to reporting, monitoring and any disciplinary procedures.

1.4 The Anti-Fraud and Corruption Policy provides clarity over roles, responsibilities and duties of staff within the OPCC. The Deputy Monitoring Officer undertakes an annual dip sample between the gifts and hospitality registers, the contact with supplier register and decisions made by the Commissioner.

2. Effectiveness of Arrangements for Anti-Fraud and Corruption

2.1 In order to ensure that the OPCC's arrangements for Anti-Fraud and Corruption are effective a number of areas of business are monitored to ensure compliance and identify any fraudulent or corrupt practices.

2.2 During 2017-18 and in compliance with arrangements covering gifts and hospitality the Governance Manager has issued a notice on a monthly basis to all OPCC staff formally requesting the documentation of any gifts and hospitality offered during the previous month. Staff identified what the gift or hospitality was; who it was offered to and whether it was accepted or declined. They have made notification of 24 offers of hospitality were made, all of which were accepted. These related predominantly to light refreshments such as tea and coffee when attending meetings with external organisations, with one being a tin of sweets sent as a thank you. Upon completion the registers are published on the OPCC website at the beginning of the following month. The Governance Manager has not identified any areas of concern or irregularities.

2.3 The Commissioner also identifies any gifts or hospitality which has been offered and again indicates whether this is accepted or declined. During 2017-18 he made notification of 70 offers of hospitality, 1 offer of a gift, 16 of which were declined and the remainder accepted. These were predominantly refreshments whilst attending daytime or evening engagement events. Again upon completion the registers are published on the OPCC website at the beginning of the following month. The Chief Executive has not identified any areas of concern or irregularities.

2.3 In accordance with guidelines set by the Secretary of State the Commissioner is eligible to claim allowances and expenses whilst carrying out his role. The Commissioner on a monthly basis will complete an expenses form which includes a declaration stating that the expenses have been necessarily incurred. They are then approved or declined by the Chief Executive. In line with the Elected Local Policing Bodies (Specified Information) Order 2011 authorised expenses are published on the OPCC website. During 2017-16 the Commissioner made 12 expense claims in which no incorrectly claimed expenses were identified by the Chief Executive. A further level of assurance is provided by the fact that claims are processed and paid by the Constabulary's Central Services Department who re-check the claims against the Home Office criteria before making payment.

2.4 OPCC members of staff, independent custody visitors, members of the Joint Audit and Standards Committee and members of the Ethics and Integrity Panel are eligible to claim expenses in line with approved policies and procedures. Each individual must sign a declaration stating that the expenses claimed were necessarily incurred during the course of their agreed duties. All claimed expenses are checked for accuracy and signed off by the Chief Executive or the Governance Manager whichever is the appropriate authority to approve the expense claim. Throughout 2017-16 no irregularities or fraudulent claims were made by any of those mentioned above.

2.5 On the 18 April 2017 the Commissioner submitted a signed declaration of interest setting out any business and personal interests for which the Office should be aware in the context of the integrity of decision making. This form was published on the Commissioners website on 18 April 2017 to ensure public transparency of declarations. During 2017-18 the commissioner made 30 decisions, of which the decision forms recorded that there were no personal and prejudicial interests. The Governance Manager has undertaken a review during the year of each decision form against the published declaration of interests and has confirmed that no conflicts of interests have been identified regarding any decisions the Commissioner has made during 2017-18.

2.6 During 2017-18 and in compliance with the arrangements governing supplier contacts, the Governance Manager has issued a notice on a monthly basis to all OPCC staff formally requesting the documentation of any supplier contacts that have taken place in the previous month. Staff have made notification of 44 supplier contacts during the year through this process. These notifications form a supplier contact register that has been reviewed by the Governance Manager to provide assurance during procurement processes that there are no conflicts of interest at contract award. The Governance Manager has confirmed that during 2017-18 no issues or areas of concern have been identified in relation to this area of work.

2.7 On behalf of the Commissioner the Ethics and Integrity Panel at their quarterly meetings review the Constabulary's performance in relation to Anti-Corruption. Reports provide information on the number, categories of reported incidents, officer and staff suspensions, ongoing cases and investigations which are being dealt with by the Constabulary. This enables the Panel to identify emerging trends or patterns which the Panel can then ensure that preventative measures are put into effect. The Panel report their findings to the Commissioner at his Public Accountability Conference meetings. During 2017-18 the Panel considered four reports covering this area of business from which no issues or areas of concern have been identified by the Panel and raised with the Commissioner.

2.8 On an annual basis the Constabulary undertakes a number of financial tasks for the OPCC including under Section 6 of the Audit Commission Act 1998 to provide relevant data for the National Fraud Initiative. The initiative uses advanced data matching techniques to tackle a broad range of fraud risks faced by the public sector. The Constabulary participates, on the OPCC's behalf within the Audit Commission National Fraud Initiative having completed fraud risk assessments for the financial year. No incidents of fraud were identified to the Joint Chief Finance Officer during the 2016-17 and 2017-18 processes.

2.9 To encourage reporting by OPCC staff of anything they are concerned about posters have been reissued throughout the offices providing up to date contact numbers if they feel apprehensive about reporting an issue to their line manager. The OPCC have not been advised of any issues being raised with external organisations.

3. Internal Audit

3.1 As part of the annual audit programme Internal Audit carry out reviews of a number of areas of business within the OPCC and Cumbria Constabulary. Each review evaluates any exposures to risks relating to the organisations governance, operation and information systems. Audit reviews undertaken during 2017-18 did not identify any risks to the OPCC in relation to fraud or corruption.

4. Conclusions

4.1 From the monitoring which has taken place during 2017-18 by the Office of the Police and Crime Commissioner, no instances of fraud or irregularity have been identified or reported. No allegations have been made against any member of staff or the Police and Crime Commissioner. When taking this into consideration assurance can be gained that the policy, systems and processes in place are working effectively.

5. Recommendations

Members of the Joint Audit and Standards Committee are asked to consider this report and:

- (i) determine whether they are satisfied with the effectiveness of the OPCC's monitoring of Anti-Fraud and Corruption Activity.
- (ii) determine whether they wish to make any recommendations to the Commissioner with regard to future developments or improvements in those arrangements

Gill Shearer
Chief Executive

Legal Implications: the OPCC has a statutory obligation with regard to preventing and dealing with fraud and corruption as outlined within the report.

Financial Implications: If the OPCC does not actively manage any potential or actual fraud and corruption then there is the potential for the organisation to suffer financially, therefore having an impact upon its ability to provide policing services in Cumbria.

Risk Management Implications: there is a potential for the organisation to suffer not only financially, but with regard to its reputation leading to a loss of public confidence. The OPCC could be open to legal challenge if it does not actively identify and manage fraud and corruption.

Human Rights Implications: None Identified

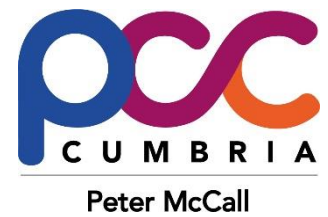
Race Equality / Diversity Implications: None Identified

Contact points for additional information

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Joint Audit & Standards Committee

Title: Ethics and Integrity Annual Report

Date: March 2018

Agenda Item No: 19

Originating Officer: Joanne Head

CC:

Executive Summary:

The Police and Crime Commissioner and the Chief Constable of Cumbria Constabulary have a joint Ethics and Integrity Panel to promote and influence high standards of professional ethics within both organisations and provides strategic advice, challenge and support in relation to such issues.

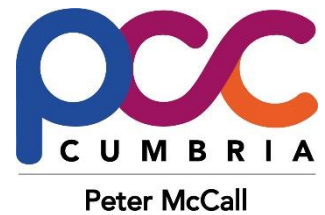
Recommendation:

That, the committee notes the work carried out by the Ethics and Integrity Panel during 2017 and the beginning of 2018.

1. Issues for Consideration

- 1.1 At the Joint Audit & Standards Committee meeting in December 2017 the members asked if they could be updated on work to be carried out by the Panel in relation to the Constabulary's Communication Centre.
- 1.2 As part of the Ethics and Integrity panel's annual work programme they have two thematic sessions scheduled. The topics for these are agreed when the work programme is finalised and if necessary amended to include areas of work, which are cause for concern.
- 1.3 One of these sessions in 2016 related to the Communication Centre's use of the Professional Development Framework. Following this work the Panel agreed to revisit this area of business to gain assurance on how the framework had been embedded into the Comms Centre and that it was being used appropriately.
- 1.4 At section six of the Panel's Annual Report, which is prepared for the Commissioner at the end of each year, is a section relating to the Thematic Sessions. Contained within this section is a summary of the Panel's findings in relation to the Professional Development Framework.

Ethics and Integrity Panel



Title: Annual Report

Date:

Agenda Item No: xx

Originating Officer: Chair of the Ethics & Integrity Panel

CC:

1. Introduction & Background

- 1.1 The purpose of the Ethics and Integrity Panel is to promote and influence high standards of professional ethics in all aspects of policing and to challenge; encourage and support the Commissioner and the Chief Constable in their work in monitoring and dealing with issues of ethics and integrity in their organizations. The Panel's role is to identify issues and monitor change where required. The Panel has no decision making powers, although it is able to make recommendations to the Commissioner and the Chief Constable. It considers questions of ethics and integrity within both organisations and provides strategic advice, challenge and support in relation to such issues.
- 1.2 This report provides an overview of the work that the panel has carried out during 2017.
- 1.3 The Panel meets on a quarterly basis in private but its agenda and reports are published on the Commissioner's website following each meeting, with only sensitive or confidential information being excluded. Reports are provided by the Panel to the Commissioner's public meeting to provide information about the Constabulary's performance in areas that relate to ethics and integrity. The purpose of this is to promote public confidence.
- 1.4 An annual work programme is agreed to enable it to fulfil its terms of reference and scrutiny role. The programme fixes the tasks to be undertaken by the Panel at each of its scheduled meetings and has been set to ensure whenever possible that meetings are balanced in terms of the volume of work. The work of the Panel has continued to develop during 2017 and the 2018 work programme revised to reflect such changes. Again there are to be two thematic sessions held during the year. A copy of the Panel's current work programme can be found at [Appendix 1](#).
- 1.5 Membership of the Panel currently stands as:
 - Ms Lesley Horton
 - Mr Alan Rankin
 - Mr Michael Duff
 - Mr Alex Rocke

2. Public Complaints and Quality of Service

- 2.1 During 2017 the Panel noted that the standard of the Constabulary's public complaint files had been maintained throughout the year following previous recommendations made by the Panel. The Panel continued to review complaint files on a six monthly basis to ensure that standards were retained.
- 2.2 Over the reporting period the Panel reviewed 33 complaint files. At each dip sample any recommendations or comments are collated within an action sheet, some of which include:
- More extensive use of Body Worn Video by officers would be able to support or negate complaints made by members of the public. The Panel proposed that an example of good practice be circulated within the Constabulary bulletins.

The action plans are monitored by the Panel at their next dip sample session to ensure that these are completed and where appropriate implemented in a timely manner.

- 2.3 The Panel has also been asked by the Police and Crime Commissioner to look at a number of specific complaint files following communication to him from members of the public. The Panel undertook reviews and concluded that on each occasion the complaint had been dealt with fairly, proportionately and in line with statutory guidance.
- 2.4 At their quarterly meetings the Panel receive performance data from the Constabulary on the number of complaints they have received and how these have been subsequently managed, including whether this was in line with required timescales.
- 2.5 A new 'There and Then' system had been introduced whereby complaint calls were taken by experienced investigators, and if there were no criminal allegations being made, they would try and resolve the matter on that day where possible. This provided a quicker service for some of the more low level complaints with positive feedback being received from members of the public. The Panel had dip samples some of the initial cases and would continue to include these to ensure fairness and consistency.
- 2.5 Work undertaken by the Office of the Police & Crime Commissioner in relation to complaints and quality of service was also reviewed by the Panel. Members of the public write to the Commissioner regarding policing matters and issues. The OPCC through raising the issues with the Chief Constable's staff office facilitated individuals to receive a written response answering their questions or queries.

3. Police Officer and Police Staff Misconduct

- 3.1 As part of their work programme the Panel have reviewed police officer and police staff misconduct files prior to both their May and November 2017 meetings. The Panel have noted a continued improvement in the way the files have been dealt with and the information recorded therein.
- 3.2 During their sessions the Panel reviewed all files, providing views and recommendations for any improvement in the way information was provided or public perception of the handling of such cases. They were pleased to note that the quality of the files had improved and that following their comments a template had been created to assist managers in recording their findings and

detailing what actions have taken place or training to be completed.

- 3.3 The Panel receive on a quarterly basis information relating to police officer misconduct from the Constabulary's Anti-Fraud and Corruption Unit and information relating to police staff misconduct on a six monthly basis. This enables the Panel to monitor performance in relation to these areas of business and consider any patterns or trends.
- 3.4 Having reviewed such files, the Panel have gained assurance that the Constabulary are dealing with misconduct and complaints in a professional manner. At no time did the Panel disagree with the outcome of any of the files. Where they provided advice or recommendations, this was to improve the service provided or the process being undertaken.

4. Code of Ethics and Code of Conduct

- 4.1 As part of the Panel's role it seeks to ensure that both the Constabulary and the Police and Crime Commissioner have embedded within their organisations the **Code of Ethics** and **Code of Conduct** respectively.
- 4.2 During their various dip sample sessions the Panel saw first-hand that policies and procedures within the Constabulary had the ethos of the Code of Ethics embedded within them. When carrying out reviews of performance, the Panel were provided with evidence of the methods used by the Constabulary to promote the Codes of Ethics since its inception. These included new training sessions which all officers and staff were required to undertake, information on noticeboards, newsletters and Chief Officer road shows.
- 4.3 Similarly the Commissioner upon taking office in May 2016 swore an oath to act with integrity and signed a Code of Conduct. A Code of Ethics developed by the Association of Police and Crime Commissioners (APCC) has also been adopted by the Commissioner. It sets out how The Commissioner has agreed to abide by the seven standards of conduct recognised as the Nolan Principles. This Ethical Framework allows transparency in all areas of work of the Police and Crime Commissioner. These principles encompass the Commissioner's work locally and whilst representing Cumbria in national forums. The Panel did not identify any complaints received from either members of staff or the Commissioner during 2017.
- 4.4 The Panel have been provided with assurance whilst carrying out their role that both organisations take the ethos of the Code of Ethics and Code of Conduct extremely seriously and this has been evident in the reviews and dip samples they have undertaken in other areas of business.

5. Grievances and Civil Claims

- 5.1 On a six monthly basis the Panel have reviewed **Grievances** being processed by the Constabulary during agreed reporting periods. Although the numbers were very low, the Panel gained assurance that the Constabulary were proactively encouraging officers and staff to raise such matters. It was noted that many issues were raised and dealt with on an informal basis which those concerned felt was more beneficial.
- 5.2 The Panel were advised that the staff union, Unison, were pleased that issues were resolved at an early stage and saw this as a positive step by the Constabulary. Although this may be good for the

individuals involved the Panel felt that it did not allow the matters to be recorded and enable the organisation to learn for the future or make appropriate changes.

- 5.3 On behalf of the Police and Crime Commissioner the Panel also monitor **Civil Claims** being processed by the Constabulary's Legal Department. They received information about the types of claims being made, the stage the proceedings had reached and about the claims that had been resolved. As part of this oversight the Panel seek assurance that any trends are being identified and how the organisation learnt from particular cases disseminating information throughout the organisation to avoid future risks and claims.
- 5.4 To date the Panel have not identified any issues or concerns in either area of business. On a national and local level the Constabulary, along with other forces, are in the process of dealing with employment tribunals in relation to police pensions. Currently there were 114 claims with more being added following the Constabulary implementation the national pension regulations. The claims were being co-ordinated nationally by Hertfordshire Constabulary.

6. Thematic Inspections

- 6.1 The Panel have reviewed two areas of thematic work during 2017 and one in February 2018. The first being **Special Constabulary Recruitment** during a session in February 2017. The Panel discussed the recruitment, training and onward retention of volunteers within the Special Constabulary; including the the types of volunteers that the Constabulary wished to recruit and the reasons behind individuals wishing to join.
- 6.2 Due to the various roles that the Constabulary would like them to perform it was proposed that the Constabulary consider how they carried out their recruitment and whether it should be at times tailored to enable them to recruit volunteers with specialist or community skills. They also considered that if the Constabulary would like to have volunteers with specialist skills to assist particular departments then was it necessary for them to be enrolled within the Special Constabulary or could they be enrolled as a police volunteer. From this work the Constabulary subsequently looked at the broader scope of citizens in policing.
- 6.3 The Panel were keen to ensure that systems would be in place for ongoing support to volunteers once they were recruited; what supervision they would have, ongoing training and monitoring of their wellbeing needs. Further updates and discussions were provided to the Panel at their May meeting.
- 6.4 Prior to their May meeting the Panel undertook a dip sample of **Stop and Search** forms to ensure that the completion of the forms had been maintained. Of the 42 forms reviewed on 3 were felt to be non-compliant and 7 which required some improvement. The Panel had noted significant improvements in the completion of the forms; and although the overall number of searches was reducing the percentage of positive outcomes was increasing. Members suggested that an increase in the wearing of Body Worn Video by officers, would either support or negate any subsequent complaints following the stop and search process.
- 6.5 At their September thematic session the Panel undertook a review of **Body Worn Video (BWV)**. This had successfully been introduced for front-line officers in 2010, with 238 devices being purchased of which approximately 160 were operationally deployed.

- 6.6 The Panel sought assurance that images were being captured and stored in line with Data Protection Regulations. Statutory guidance was in place which mandated when recording was permitted and the Panel noted that Cumbria had mandated recording at incidents of Domestic Violence.
- 6.7 Members had sought clarification as to why continuous recording was not permitted and noted that there had to be a rationale for recording people proportionately, taking images indirectly of individuals not involved in the incident, and retention of the footage for a period of time also had to be taken into account. Standard Operating Procedures (SOP's) for Body Worn Video have not really changed since BWV was first introduced. A piece of work is going to be undertaken to update the SOP's, and it was agreed that the Ethics & Integrity Panel would be included in the consultation process.
- 6.8 Ethical considerations were discussed such as the impact on police and public relations; the impact on prosecutions/court hearings; impact on victims and the storage and deletion of recordings. The Panel were keen to be assured about the downloading, storage and disposal of the images recorded. Work was being carried out by the Constabulary to improve both of these facilities from current arrangements with a project team looking at a cloud based system to manage all of the requirements and be auditable. A digital evidence repository would need to be able to handle Constabulary footage as well as evidence that members of the public may also send in and may include drone footage, dash-cam footage, I-phone footage etc. Footage would be checked for potential viruses, and would also be able to shared with other agencies (e.g. CPS).
- 6.9 At their thematic session in August 2018 the Panel would be revisiting this area of business to review its progress.
- 6.10 During the February thematic session the Panel had visited the Constabulary's Communications Centre to ascertain how the **Professional Discretionary Framework** had been implemented and was being utilised by officers and staff. The members spent over an hour listening in to telephone calls received and how they were handled by officers and staff. There had been a mixture of the types of calls received but it was noted that there was a recurring theme of mental health issues and vulnerability. Officers were very good at handling them, polite and firm with the non-999 calls, identifying any vulnerability for future records.
- 6.11 17% of the calls received related to crimes, with the rest being mostly public safety issues. It has been a step-change for the Constabulary to put officers into the Comms Centre, however early identification of vulnerability had been commented upon by HMIC. The officers provided instant problem solving for the caller with 30% less deployment for front line officers; leaving them free to deal with more complex jobs.
- 6.12 The Panel had taken the opportunity to dip sample cases dealt with under the discretionary framework to ensure that the framework had been applied correctly. They identified that in one instance the framework had not been used when it could have been applied. This had been in relation to a theft from a shop in a very rural location. The benefit to the community of having an officer go and speak with the owner far outweighed that of using the framework. Generally they found that the recording of the use of the framework was detailed, appropriate, at the right level and volume.
- 6.13 Some of the matters they had reviewed related to safeguarding of vulnerable people. Utilising safeguarding resources now within the Comms Centre, enabled matters to be dealt with quickly, taking pressure off the hubs and assisting officers at ground level. DCC Skeer advised that the

Constabulary had received £3m transformation funding to enable inter-agency working. This had proved very successful in providing officers with support and advice to deal with matters. A large amount of training had been given to officers and staff on the difference elements of the mental health spectrum, which was providing a great insight to be able to deal with individuals. It was noted that during the previous year demand relating to mental health matters had increased by 177%. It was important multi-agency solutions were sought. Hubs across the county have partners co-located which look at how issues can be problem solved.

- 6.14 During their morning session and with the aid of the performance report, the Panel reiterated their assurance that the professional discretion framework was working well within the Comms Centre and was being appropriately applied.

7. Conclusion

- 7.1 The Panel continues to develop their role, expanding into other areas of business to assist not only the Constabulary but enable the Police and Crime Commissioner to have further and more detailed oversight of the work of the Constabulary.
- 7.2 Recommendations and guidance have been welcomed not only by the Constabulary but also the OPCC, resulting in a number of changes and developments to processes and procedures. The future work of the Panel will continue to be reviewed and developed to ensure that the Panel remain an independent body in their oversight of the Constabulary and OPCC.

8. Recommendations

The Commissioner is asked to:

- (i) receive and note the report on the work undertaken by the Ethics and Integrity Panel during the past year; and
- (ii) note the positive changes to processes and practices as a direct result of work and recommendations made by the Panel.

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Peter McCall

Treasury Management Activities 2017/18 Quarter 4 (January to March 2018) and Annual Report 2017/18

Public Accountability Conference 10 May 2018 and JASC Meeting 24 May 2018

Purpose of the Report

The purpose of this paper is to report on the Treasury Management Activities (TMA), which have taken place during the period January to March 2018, in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.

TMA are undertaken in accordance with the Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) approved by the Commissioner in February each year.

Recommendations

The Commissioner is asked to note the contents of this report.

JASC Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

Economic Background

The UK economy has showed signs of slowing with latest estimates of GDP growing by 1.8% in 2017 (the same level as in 2016). This was far better than the majority of forecasts following the EU referendum in June 2016. The Bank of England (BOE) Base Rate was increased from 0.25% to **0.50%** on 1 November 2017, the first rate rise in 10 years.

The treasury advisor's Arlingclose central case is for the Bank Base Interest Rate to gradually climb towards 1.25% by summer 2019 and then remain at this level for a period of time.

Consumer Price Index (CPI) inflation rose to 3.1% in November before falling back to 2.7% in February. The February inflation report indicated that the MPC were keen to return inflation to the target 2% over a more conventional 18-24 month period with 'gradual' and 'limited' policy tightening. The minutes of the March MPC meeting suggested that an increase in interest rates in May 2018 was highly likely, however

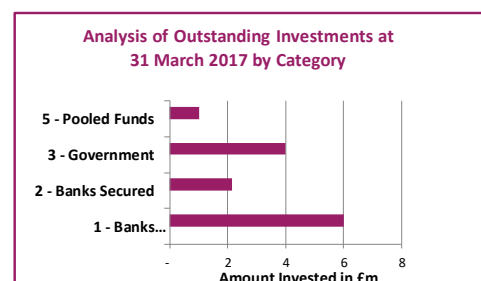
recent weakness in growth figures may delay this decision.

TM Operations and Performance Measures

The Commissioners day to day TMA are undertaken in accordance with the TMSS. The TMSS establishes an investment strategy with limits for particular categories of investment and individual counterparty limits within the categories.

Outstanding Investments: As at 31 March 2018 the total value of investments was **£15.807m** and all were within TMSS limits.

The chart below shows the outstanding investments at 31 March by category.



A full list of the investments that make up the balance of £15.807m is provided at **Appendix A**.

Investment Activity: During quarter 4 a total of 6 investments with a combined value of £12.9m were made within TM categories 1-3 (banks unsecured, banks secured and Government). In addition to these there were regular smaller investments in category 5 (money market pooled funds).

Non-specified investments: The TMSS sets a limit for investments with a duration of greater than 364 days at the time the investment is made (known as non-specified investments), this limit is £5m. At 31 March the Commissioner had two investments meeting this description with a combined total of £4.1m. Of these two, neither has an outstanding duration of over 364 days. These investments are:

- Leeds Building Society £2.1m 887 days (13/07/16 to 17/12/18)
- Lancashire County Council £2m (18/04/17 to 17/04/18)

Investment Income: The budget for investment interest receivable in 2017/18 was £75k. The actual income achieved against this target was £90k which provides an excess of £15k (20%). Previous reports forecast that investment income would be on budget. The increase against budget is largely due to the

increase in interest rates in November.

The average return on investment during quarter 4 was 0.44%. As a measure of investment performance the rate achieved on maturing investments of over 3 months in duration is compared with the average BOE base rate for the period of the investment.

The table below illustrates the rate achieved on the five maturing investments of over three months duration in quarter 4 compared with the average base rate for the duration of the investment.

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Moray Council	£2m	4.2	0.28%	0.43%
Treasury Bill	£4m	6.0	0.23%	0.35%
Treasury Bill	£2m	6.0	0.20%	0.36%
Nationwide	£2m	3.0	0.37%	0.50%
East Dunbartonshire	£2m	12.0	0.50%	0.34%

Cash Balances: The aim of the TMSS is to invest surplus funds and minimise the level of un-invested cash balances. The actual un-invested cash balances for the period January to March are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	82	2,727	33,228
Days Overdrawn	8	(935,805)	(2,098,726)

The bank account had only one larger un-invested balance during quarter 4. This was for an amount of £33k and occurred on 25 January and was in relation to a number of un-anticipated cash bankings being made by central services and area staff.

During quarter 4 there were three occasions where the bank balance was substantially overdrawn. The first instance occurred over the weekend of 16-18 February for £1.4m, this was as a result of an error by treasury staff whereby an online transaction to withdraw money market funds (MMF) was only partially completed. The second instance occurred on 28 February for £2.1m, this was as a result of an error by the broker whereby requested funds were not repaid, the broker has agreed to pay all charges in respect of this error (£86). The final instance occurred over the weekend of 16-18 March for £397k and was again as a result of an error by treasury staff where a withdrawal from MMF was not transacted. The estimated interest incurred as a result of the unauthorised overdraft usage in respect of the first and third item above is £220.

Prudential Indicators

In accordance with the Prudential Code, the TMSS includes a number of measures known as Prudential Indicators which determine if the TMSS meets the requirements of the

Prudential Code in terms of *Affordability, Sustainability and Prudence.*

An analysis of the current position with regard to those prudential indicators for the financial year 2017/18 is provided at **Appendix B.**

The analysis confirms that the Prudential Indicators set for 2017/18 are all being complied with.

Annual Report on Treasury Management Operations 2017/18

Treasury Strategy: In February 2017 the Commissioner approved the 2017/18 Treasury Management Strategy Statement (TMSS). The TMSS incorporated the investment and borrowing strategies for the 2017/18 financial year. The investment strategy approved for 2017/18 was largely the same as had been adopted for the previous year. The limits for each category of investment were based on the relative security of each class of financial institution and a percentage of the estimated balances, which would be available for investment during the year.

In relation to borrowing, the Commissioner has an underlying need to borrow funds to finance the capital programme, which is measured by the Capital Financing requirement (CFR). The CFR at the start of 2017/18 amounted to £18.40m (including £5.01m relating

to the PFI agreement for West Cumbria TPA HQ in Workington) leaving a £13.39m exposure to external borrowing at some time into the future, which is presently being covered by the use of internal funds (reserves).

During 2017/18 the Commissioner has maintained this strategy of using cash balances, arising primarily from its reserves, to meet its cash flow commitments and was not therefore compelled to borrow. Although long term borrowing rates remained relatively low during 2017/18, a conscious decision was made to defer long term financing decisions as the short term cost of carrying debt (i.e. the differential between the borrowing rate at say 3% and the rate of under 1% available when such funding was invested) would have had an adverse effect on the revenue budget for the year and the immediate outlook period.

The Commissioner, in consultation with the treasury advisors Arlingclose Ltd continues to look for the most opportune time to undertake any longer term borrowing.

Key Statistics

Principal: During 2017/18 a total of 220 investments were placed amounting to £149.32m (2016/17 242 investments amounting to £152.12m).

Of these investments, 64 were to external counterparties and as such will have attracted a £10 transfer fee per transaction. The transfer to the NatWest Liquidity Select account for overnight money is classed as an 'inter-account transfer' as the NatWest holds the Commissioner's main bank account. This type of transfer is free although we do pay a small fee to access the internet banking site.

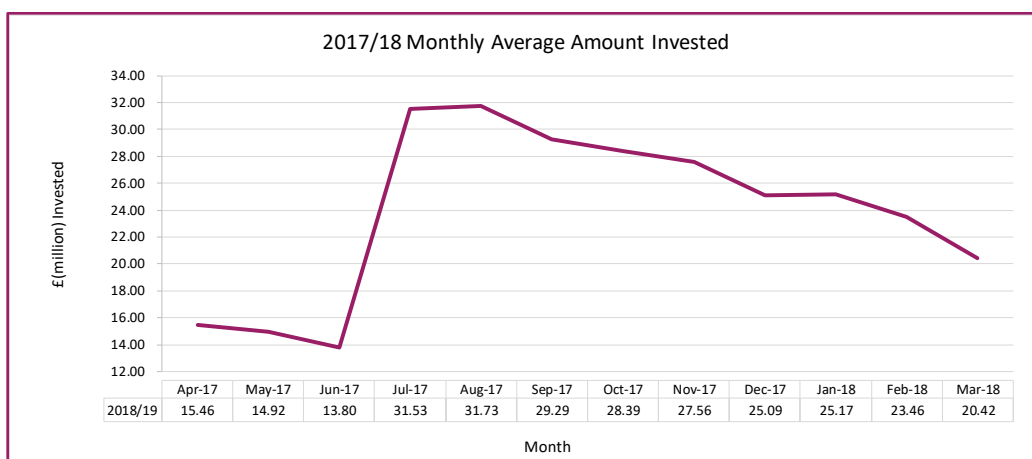
The **average** daily investment balance during 2017/18 was **£23.93m** (£22.80m in 2016/17).

The **highest** daily investment balance in 2017/18 was **£36.24m** (£33.76m in 2016/17)

The **lowest** daily investment balance in 2017/18 was **£9.68m** (£11.32m in 2016/17).

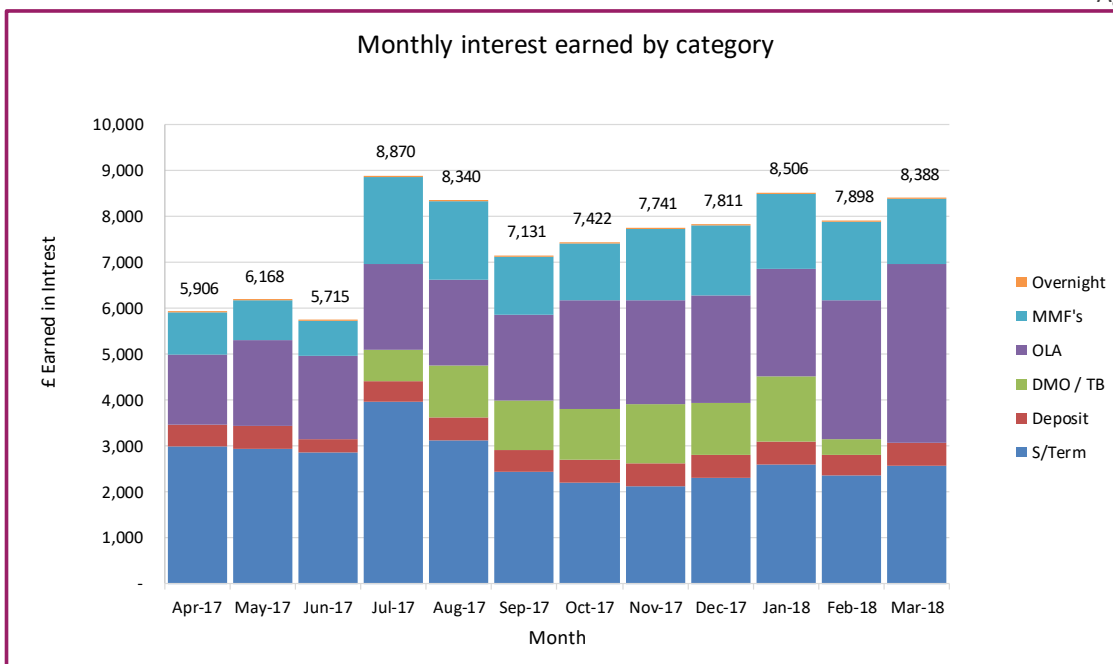
A detailed breakdown of the closing balance invested as at 31 March 2018 is provided at **Appendix A**.

The level of cash reserves available to invest has followed the same pattern as seen in previous years. Following the introduction of the Home Office Police Pensions Grant in 2007/08, there has been an annual spike in investments in July, when the majority of the grant is received, followed by a gradual decline in balances as pension payments are made throughout the remainder of the year.



This chart illustrates the monthly average amounts invested during 2017/18.

Interest: A total of £90k was earned in 2017/18 (£102k in 2016/17) from the Commissioner’s treasury management activities and can be broken down as follows:



The average return on investments for 2017/18 was 0.38% (0.45% in 2016/17) which is slightly above the average bank base rate for the year of 0.35%. The base rate was increased from 0.25% to 0.50% on 1 November 2017.

The table above shows the outturn on investment interest as £90k for 2017/18, which is £15k above a base budget of £75k. The increase compared to the budget is largely as a result of interest rates increasing part the way through the year, which was not forecast when the strategy was produced.

Treasury Operations: As discussed above the aim of the Treasury Management Strategy is to invest surplus cash and minimise the level of un-invested cash

balances, whilst limiting risks to the Commissioner’s funds. Actual un-invested balances for 2017/18 for the Commissioner’s main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	351	6,623	417,825
Days Overdrawn	14	(652,519)	(2,098,726)

The largest credit balance occurred during quarter three, the largest overdrawn balance occurred during the fourth quarter. The explanations are provided below and were provided in the relevant quarterly activity report to the Commissioner and Members.

The largest un-invested balance occurred on the 27 November

(£418k) when a capital receipt in respect of the sale of the former police station at Barrow was received without notification.

As outlined on page 2 above, the largest overdrawn balance occurred on 28 February for £2.1m, this was as a result of an error by the broker whereby requested funds were not repaid, the broker has agreed to pay all charges in respect of this error.

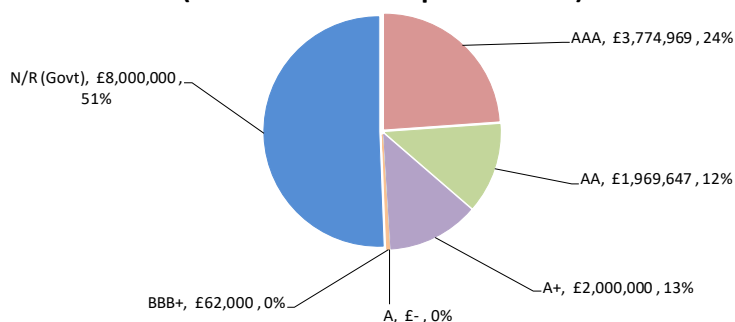
Compliance with Prudential Indicators

All treasury related Prudential Indicators for 2017/18, which were set in February 2017 as part of the annual Statement of Treasury Management Strategy, have been complied with. Further details can be found at **Appendix B**.

Appendix A Investment Balance at 31 March 2018

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Landesbank Hessen-Thuringen (Helaba)	A+	07/12/2017	31/05/2018	61	0.45%	2,000,000	2,000,000
Svenska (Deposit Account)	AA	Various	On Demand	N/A	0.30%	1,969,647	1,969,647
NatWest (Liquidity Select Account)	BBB+	31/12/2017	01/01/2018	O/N	0.05%	62,000	62,000
						4,031,647	4,031,647
Category 2 - Banks Secured (Includes Banks & Building Societies)							
Leeds Building Society (Bond)	AAA	13/07/2016	17/12/2018	261	0.68%	2,070,884	2,070,884
						2,070,884	2,070,884
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
East Dunbartonshire Council	NR	06/05/2018	06/09/2018	159	0.80%	2,000,000	2,000,000
Salford City Council	NR	05/02/2018	08/05/2018	38	0.45%	2,000,000	2,000,000
The Moray Council	NR	31/01/2018	30/04/2018	30	0.50%	2,000,000	2,000,000
Lancashire County Council	NR	18/04/2017	17/04/2018	17	0.60%	2,000,000	2,000,000
						8,000,000	8,000,000
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Fidelity	AAA	Various	On demand	O/N	0.38%	4,085	4,085
Goldman Sachs	AAA	Various	On demand	O/N	0.35%	100,000	100,000
Aberdeen Asset Management	AAA	Various	On demand	O/N	0.36%	1,600,000	1,600,000
						1,704,085	1,704,085
Total						15,806,616	15,806,616

Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 March 2018 (Minimum Criteria per TMSS A-)



Note – The credit ratings in the table & chart relate to the standing as at 31 March 2018, these ratings are constantly subject to change.

Appendix B

Prudential Indicators 2017/18

Prudential Indicator - With Targets To Review		Approved Indicators TMSS	Current Value	Within Target	
1	The Authorised Limit				
	<i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit</i>	Total Authorised Limit (£m)	24.480	4.745	✓
2	The Operational Boundary				
	<i>The operational boundary represents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	Total Operational Boundary (£m)	22.978	4.745	✓
3/4	Interest Rate Exposure				
	<i>The purpose of this indicator is to contain the Commissioners exposure to unfavourable movements in future interest rates.. This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.</i>	Net Principal sums Outstanding at Fixed Rates (£m)	24.480	4.745	✓
		Net Principal sums Outstanding at Variable Rates (£m)	1.500	0.000	✓
5	Upper Limit for total principal sums invested for over 364 Days				
	<i>The purpose of this indicator is to ensure that the commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>	Non Specified Investments with a maturity greater than 364 days (£m)	5.000	4.100	✓
Prudential Indicator - To Note					
6	Net Borrowing and the Capital Financing Requirement				
	<i>This indicator is to ensure that net borrowing will only be for capital purposes. The commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i>	Net Debt (section 12 below provides analysis) (£m)	(15)	(19.188)	
		Capital Financing Requirement as at 31 March (£m)	17.978	17.980	
Net external Borrowing (£m)		0.000	0.000		
7	Capital Expenditure and Capital financing				
	<i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2017/18</i>	Expenditure (£m)	6.521	5.254	
		Financing and Funding (£m)	0.000	0.000	
8	Ratio of Financing Costs to Net Revenue Stream				
	<i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs</i>	Financing Costs (£m)	0.348	0.333	
		Net Revenue Stream (£m)	96.178	96.178	
Ratio		0.36%	0.35%		
9	Capital Financing Requirement				
	<i>The CFR is a measure of the extent to which the commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	CFR including PFI & other long term liabilities (£m)	17.978	17.980	
		CFR excluding PFI & other long term liabilities (£m)	13.091	13.093	
10	Actual External Debt				
	<i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing</i>	External Debt including PFI & other long term liabilities (£m)	4.887	4.745	
		External Debt excluding PFI & other long term liabilities (£m)	0.000	0.000	
11	Impact of capital investment decisions on the Council Tax				
	<i>This indicates the incremental impact of the capital investment decisions funded from prudential borrowing proposed for the period 2017/18 based on a Band D property in line with the proposed council tax level.</i>	Capital Expenditure funded from revenue (£m)	1.584	2.128	
		Incremental Impact on Band D Council Tax (£)	9.485	12.745	
12	Gross and Net Debt				
	<i>The purpose of this indicator is highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	Outstanding Borrowing (at notional value) (£m)	0.000	0.000	
		Other Long Term Liabilities (PFI & Finance Lease) (£m)	4.887	4.745	
		Less Investments (£m)	20.167	23.933	
Net Debt (£m)		(15.280)	(19.188)		
13	Maturity Structure of Borrowing				
	<i>The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>	Not Applicable - currently no external debt			

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