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Date: 12th July 2018

AGENDA

TO: THE MEMBERS OF THE JOINT AUDIT AND STANDARDS COMMITTEE

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT AND STANDARDS COMMITTEE

A Meeting of the Joint Audit & Standards Committee will take place on **Thursday 19th July 2018** in **Conference Room Two**, Police Headquarters, Carleton Hall, Penrith, at **10:30am**.

Gillian Shearer
Chief Executive

Note: Members are advised that allocated car parking for the meeting is available in the Visitors' Car Park.

Please note – there will be a private members meeting with external audit from 9.30am – 10.15am

COMMITTEE MEMBERSHIP

Mrs Fiona Daley (Chair)
Mr Jack Jones
Ms Fiona Moore
Mr Malcolm Iredale

AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

3. DISCLOSURE OF PERSONAL INTERESTS

Members are invited to disclose any personal/prejudicial interest, which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual member should not participate in a discussion of the matter and must withdraw from the meeting room unless a dispensation has previously been obtained.

4. MINUTES OF MEETING AND MATTERS ARISING

To receive and approve the minutes of the committee meeting held on 24th May 2018.

5. ACTION SHEET

To receive the action sheet from previous meetings.

6. CORPORATE UPDATE

To receive a briefing on matters relevant to the remit of the Committee.
(To be presented by the Temp. Deputy Chief Constable and OPCC Chief Executive)

7. INTERNAL AUDIT – PROGRESS REPORT

To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan *(To be presented by the Audit Manager)*

8. INTERNAL AUDIT REPORT(S)

To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee. *(To be presented by the Audit Manager)*

- (i) Creditors (CC)
- (ii) Information Security (OPCC).

9. STRATEGIC RISK REGISTER

- (i) To consider the COPCC strategic risk register as part of the Risk Management Strategy.
(To be presented by the Governance & Business Services Manager)
- (ii) To consider the CC strategic risk register as part of the Risk Management Strategy.
(To be presented by the Deputy Chief Constable)

10. MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS

To receive an updated summary of actions implemented in response to audit and inspection recommendations. *(To be presented by the Joint Chief Finance Officer)*

11. AUDIT FINDINGS REPORT

To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion. *(To be presented by Grant Thornton)*

12. ASSURANCE FRAMEWORK STATEMENT OF ACCOUNTS

To receive a report from the Joint CFO in respect of the PCC's and CC's framework of assurance. *(To be presented by the Joint Chief Finance Officer)*

13. ANNUAL STATEMENT OF ACCOUNTS

To receive the audited Statement of Accounts for the Commissioner and Chief Constable and Group Accounts and consider a copy of a summarised non-statutory version of the accounts and annual governance statement.

(To be presented by the Joint Chief Finance Officer and Deputy Chief Finance Officer)

- (i) PCC for Cumbria Statement of Accounts 2017/18.
Incorporating the Summarised Statement of Accounts on pages 3-21 and the Annual Governance Statement at Annex D on pages AGS 1-17.
- (ii) CC for Cumbria Statement of Accounts 2017/18.

Incorporating the Summarised Statement of Accounts on pages 3-19 and the Annual Governance Statement at Annex D on pages AGS 1-22.

14. PCC ANNUAL REPORT

To receive a copy of the PCCs annual report. *(To be presented by the OPCC Chief Executive)*

15. JOINT AUDIT AND STANDARDS COMMITTEE - ANNUAL REPORT

To receive an annual report of the Committee. Once approved this annual report will be presented to the Police and Crime Panel by the chair of JASC. *(To be presented by the Deputy Chief Finance Officer)*

Future Meeting Dates (For Information)

12 September 2018 @ 10:30 – Conference Room 2

22 November 2018 @ 13:00 – Conference Room 2

20 March 2019 @ 10:00 – Conference Room 2

23 May 2019 @ 10:30 – Conference Room 2

24 July 2019 @ 10:30 – Conference Room 2



CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY

JOINT AUDIT & STANDARDS COMMITTEE

Minutes of a Meeting of the Joint Audit & Standards Committee held on Thursday 24th May 2018 in Conference Room 2, Police Headquarters, Carleton Hall, Penrith, at 10.30 am

PRESENT

Mrs Fiona Daley (Chair)
Mr Malcolm Iredale
Mr Jack Jones
Ms Fiona Moore

Also present:

Joint Chief Finance Officer (Roger Marshall)
Deputy Chief Finance Officer (Michelle Bellis)
Audit Manager, Cumbria Shared Internal Audit Service, Cumbria County Council (Emma Toyne)
Senior Manager, Grant Thornton (Richard McGahon)
Temporary Deputy Chief Constable (Mark Webster)
Head of Partnerships and Commissioning & Deputy Chief Executive, Office of the Police and Crime Commissioner (Vivian Stafford)
Financial Services Assistant (Dawn Cowperthwaite)
Director of Corporate Support (Stephen Kirkpatrick)

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

It was agreed that the Internal Audit report on procurement would be discussed directly after the item on Joint Procurement Regulations.

398. APOLOGIES FOR ABSENCE

Apologies for absence were received from Robin Baker (Director, Grant Thornton), Gillian Shearer (Chief Executive, Office of the Police and Crime Commissioner) and Joanne Head (Governance Manager, Office of the Police and Crime Commissioner).

399. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

There were no items of urgent business or exclusions of the press and public to be considered by the Committee.

400. DISCLOSURE OF PERSONAL INTERESTS

There were no disclosures of any personal interest relating to any item on the Agenda.

401. MINUTES OF MEETING AND MATTERS ARISING

The draft minutes of the meeting held on 21st March 2018 had been circulated with the agenda. The minutes were first reviewed for factual accuracy and approved as a true record of the meeting by the committee.

The members observed that there were 2 instances where the Temporary Deputy Chief Constable was noted as the Deputy Chief Constable and asked that these be amended, it was agreed that this would be amended immediately following the meeting.

RESOLVED, that the minutes of the meeting held on 21st March 2018 be approved, pending the above amendments.

402. ACTION SHEET

The action sheet of the meeting held on 21st March 2018 had been circulated with the agenda. The following comments were made:

The Joint Chief Finance Officer (JCFO) advised that Item 302 would be updated during the Corporate Update.

403. CORPORATE UPDATE

The Temporary Deputy Chief Constable (TDCC) began by giving an update around finance and the council tax precept. The OPCC went out to consultation with the aim of increasing council tax and this was subsequently increased by 5.42%. The aim of increasing the council tax was to be able fund 25 additional Police Officer posts, these post are now in the process of being recruited to. This has undoubtedly been a challenge but it is anticipated to be delivered by the end of July 2018. As well as the increase in Police Officers, the increase in council tax has also enabled the Constabulary to maintain PCSO numbers at 95 and to increase the armed capability across

the force.

The 101 response times have been reduced and the average call response time is now 2 ½ minutes, although there remains peak times throughout the day and year where response times are longer.

The JCFO gave a quick update on the Year End Financial position reporting that we are just about on budget for the core budget. There are four main reasons for the change in forecast from Quarter 3 to Quarter 4 reports.

- Change in the accounting treatment in relation to when expenditure is recognised in relation to the apprenticeship levi
- One or two one off (unanticipated events)
- Pro-active work done, especially around overtime to bring down overtime costs
- Police staff pay budgets have reduced significantly, ICT restructure (difficulty in recruiting to new ICT posts), longer lead times in recruiting to civilian financial investigation posts as well as underspends arising on non-staffing budgets.

A member asked for clarification on whether the 17/18 slippage would negatively effect the 2018/19 budget. The JCFO advised that this would become clearer by the July meeting as the Quarter 1 reporting would be complete.

The Chair asked if the challenges around recruiting to ICT posts has had knock on effects on business as usual. The Director of Corporate Support (DCS) advised that the majority of these posts were around supporting change programmes rather than business as usual and that everyday business had not been significantly effected.

The Deputy Chief Executive (DCE) gave an update on recent activity within the OPCC. The OPCC have recently held a joint strategy day with the Constabulary to look at the Police & Crime Plan and where they were in the delivery of the Crime Plan. It was felt that a good & productive discussion was had and that there was now a joint understanding of what still needed to be done.

Commissioning Partnerships. Twelve months ago discussions were undertaken with Cumbria County Council (CCC) in relation to the ISVA (Independent Sexual Violence Advisor) and IDVA (Independent Domestic Violence Advisor) services supported by the OPCC and partners. Discussions were undertaken to ascertain where the partners wanted the services to go and it was decided to go forward with a combined service, IDSVA (Independent Domestic and Sexual Violence Advisor) service, for which County Council would lead on the procurement for the new arrangement. It was hoped that the service would be on line for 1st April 2018 but this unfortunately wasn't possible. The OPCC and CCC have now entered into a 12 month contract with Victim Support who will run the service. Work is ongoing between partners to ensure a workable service is available from 1/5/19 for 3 years.

A member asked for confirmation that the issues discussed would be reflected in the updated

risk register. The DCE confirmed that they would. Another member asked if the OPCC were happy that we were getting what they needed out of the partnership given that CCC were taking the lead. The DCE stressed that they had been working very closely with CCC and were very much driving forward what they wanted from the service.

404. EXTERNAL AUDIT FEES

Grant Thornton's Senior Manager (SM) introduced the external audit fees and advised that the fees had been reduced for 2018/19. The Chair welcomed the reduction but asked if there was any concerns that the service level/quality might be reduced. The SM advised that there were a number of reasons for the reduction including changes/updates in ICT so that tasks may be done more efficiency.

RESOLVED, that the report be noted

405. EXTERNAL AUDIT UPDATE REPORT

The SM introduced the audit update report and gave a summary of the contents including positive comments regarding the early audit work done within the Constabulary/OPCC.

406. JOINT PROCUREMENT REGULATIONS

This paper has been deferred to the November 2018 meeting.

The Chair advised that members had received a copy of the draft procurement regulations and have fed back specific queries/comments. The DCS gave a brief summary of what work had been ongoing and advised that the regulations would be re-submitted to the committee at the November meeting. They also advised that a new Head of Procurement had been recruited but due to required notice periods would not be joining the force until September. Arrangements have been made for the new Head of Procurement to have input into the Regulations prior to this time.

The DCS advised that he, along with the temporary Head of Procurement had been looking at the use of framework agreement and reducing the thresholds for different activities within the department as well as looking externally for examples of best practice.

A member commented that the committee felt that they had only had partial assurance for two years and there was a lot of concern regarding this situation. The DCS advised that he understood that this was not acceptable and an ongoing concern but that there was now a definite plan in place.

The SM commented that there were issues with procurement within the public sector generally. The SM advised that he would be happy to contact the other forces that Grant Thornton undertake audit work for to get a feel of best practice that could be shared. Both the DCS and the TDCC welcomed this suggestion.

At this point the audit report on procurement was discussed.

The Chair asked if members felt any more confidence on procurement issues than they had prior to the meeting. There was a general feeling that the Constabulary was moving in the right direction but that there were still significant problems. The DCS advised that part of the historic issue related to the Head of Procurement (HoP) being the only procurement qualified member of staff, this tended to mean that the HoP got mired down in the actual procurement rather than leading on over-arching issues.

11.45am – The SM left the meeting at this time

407. JOINT CHIEF FINANCE OFFICER

The JCFO introduced the Joint Chief Finance report and advised that he would be happy to leave the room if members felt that it was necessary for them to discuss the report in his absence. The members confirmed that they felt no need for the JCFO to leave.

The purpose of this report was to review how things had worked over the last 12 months having a Joint CFO rather than separate PCC & CC CFO. It was felt that this had worked well and there were no issues with regards to conflicts of interest. The only small concern was during the Public Accountability Conference where the JCFO is required to sit on both sides of the discussion.

In summary the Chair thanked the JCFO for the report and highlighted that they would like to look at it again once the new CIPFA guidance around the Police specific Role of the CFO is released.

RESOLVED, that the report be noted.

408. JOINT AUDIT AND STANDARDS COMMITTEE – REVIEW OF EFFECTIVENESS

Members asked for a couple of amendments to be made to specific points within the report and the DCFO confirmed that these would be amended.

RESOLVED, that the report be noted.

409. INTERNAL AUDIT – ANNUAL REPORT

The Audit Manager presented the annual report for 2017/18 which summarised the outcomes of the work of internal audit and included the Head of Internal Audit's opinion on the effectiveness of the Police and Crime Commissioner's and Chief Constable's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards.

The key points are given below:

- The annual opinion of the Head of Internal Audit: based on work undertaken by Internal Audit during the year, the Audit Manager is able to provide Reasonable assurance over the effectiveness of the Police and Crime Commissioner and Chief Constable's arrangement for governance, risk management and internal control
- Overall 87% of audits resulted in Reasonable or Substantial assurance
- The work of Internal Audit is considered to have provided an appropriate level of coverage to provide the opinion, and there have been no threats to Internal Audit's independence in the year to which this opinion relates

A member asked whether a reference should be made to External Audit in Appendix 1 in terms of audit planning. The AM advised that they don't meet with External Audit during the planning process but that they had sight of the plans as part of the JASC committee process but agreed that an amendment would be made to report.

RESOLVED, that the report be noted.

410. EFFECTIVENESS OF INTERNAL AUDIT

The DCFO summarised the report on the effectiveness of internal audit.

RESOLVED, that the report be noted.

12.10pm – A 5 minute comfort break was taken

411. INTERNAL AUDIT REPORTS

- **Duty Management**

A member raised a concern on the timescale for management response on recommendation 3. The DCS advised that the long time frame was related to the implementation of a new duty management system. Members asked to be kept in the loop with regards to progress in this matter.

- **ICT Capacity**

The Chair commented that although the report received a high degree of reassurance they had concerns that the audit was very narrowly focused on strategic risk. The DCS advised that there was a recognition that over the years there probably had been too much focus on projects and supporting change initiatives and that probably took some resources away from business as usual. Since then there has been a drive to ensure ring-fenced resources to deal with business as usual. They also now take the stance that where something has to give, where possible, it's the project activities that will take a back seat.

- **Vulnerability/Hate Crime**

The members raised several issues with the recommendation on this audit.

- Recommendation 1 – it seems that the management response to survey victims is insufficient to measure, monitor and report against the aims
 - The TDCC advised that the surveys were only one method used to measure performance. At the Public Accountability Conference they deal much more with the actual numbers, volume and trends within hate crime. A lot of work has been done to try and drive reporting numbers up and there has been and reporting has increased by 30%.
- Recommendation 2 – does the Chief Constable know there are no other out of date documents on the website
 - The TDCC confirmed that the guidance on the website has been replaced but did not feel that it would be feasible to check each of the 3000+ documents on the website. The move to Office 365 and the upcoming changes to the website (the removal of the old site and the re-publication with a smaller number of sites and more accurate documentation, rather than the proliferation that we have now) should provide more assurance to the members.
- Recommendation 3 – the management response appears to provide a control via BIU which the auditors have said is not the correct approach
 - The TDCC agreed that the wording in the management response could be misleading and advised that what had actually been done was that the BIU had been used to conduct an in depth review of all hate crime incidents between January and March. This work has then resulted in an action plan whereby additional training has been carried out and these are the controls. There was an acceptance that this could have been articulated better in the management response.

Members confirmed that they now felt more assurance and would continue to monitor this through the audit recommendations report in future meetings

- **Procurement Follow Up**

This report was discussed after agenda item 9 to fit in with the Procurement Regulations update.

- **Cash Receipting**

A member highlighted that they were concerned with the weakness of some of the management responses within this audit as well as the general importance of cash receipting within the organisation. The DCS advised that he had spoken with the Head of Central Services (HoCS) who had provided him with more detail and confirmed that more clarity would be going into the documentation for staff and he was comfortable with what the HoCS has put in place to address the recommendations made in the audit report.

A member voiced concerns that there was talk of providing more detail when in fact some of the recommendations dealt with very basic practice and that the idea of 'enhancing' and 'detail' was inappropriate as it revolves around getting basic practices and principles right.

RESOLVED, that the reports be noted.

412. RISK MANAGEMENT MONITORING

The DCE introduced the risk management monitoring report and summarised the work done. A member noted that in item 2.7 it would be a beneficial to see a more qualitative response.

RESOLVED, that the reports be noted.

413. ANNUAL GOVERNANCE STATEMENT

The Chair asked if all of these items could be looked at together rather than as individual items, the JCFO and the DCFO agreed that this would be appropriate.

Constabulary's Annual Governance Statement – several of the items on the action plan were showing as overdue and a member asked if the timescales were reasonable or whether they should have been given longer timescales. The JCFO advised that a lot of the timescales were allocated to the Director of Corporate Improvement (DCI) who had been on long term sick during 2017/18 and this was why those items have been delayed. He also advised that he liaised with department heads to try and ensure that timescales that were set were reasonable and achievable.

The Chair asked for clarification on mentions of the retirement of the PCCCFO as to whether this was a retirement or resignation. The JCFO confirmed that he would clarify and amend this item.

RESOLVED, that the report be noted.

12.45pm – a member left the meeting at this time.

414. ANNUAL STATEMENT OF ACCOUNTS

The Chair asked if all of these items could be looked at together rather than as individual items, the JCFO and the DCFO agreed that this would be appropriate.

The JCFO advised that 2017/18 had been a light year in terms of technical changes to the accounts. The DCFO reiterated that there were very few changes from the previous accounts and that this was the third year that the Constabulary have met the earlier deadline for completion of the accounts and that this was the first year that the tighter deadline was a statutory requirement.

There were a couple of small typographical errors highlighted by the members that the DCFO advised would be amended after the meeting before the draft account were authorised for issue and published on the webiste

The members gave congratulations on the production of the accounts to tight deadlines and advised that they were very happy with the narrative report. The Chair voiced the committees gratitude and recognition of all of the hard work that has gone into the production of the accounts.

RESOLVED, that the report be reviewed.

415. ANTI-FRAUD AND CORRUPTION ACTIVITIES

The DCE introduced the report on Anti-Fraud and Corruption and asked for any questions/comments from the members. The Chair noted that in a couple of instances the date 2017/16 was used and asked if it could be updated to 2017/18.

RESOLVED, that the report be reviewed.

416. ETHICS AND INTEGRITY GOVERNANCE

The DCE introduced the report on Ethics and Integrity Governance and advised that this report had been previously discussed in March and was being brought back to the meeting as part of matters arising from previous meetings as a substitute agenda item in accordance with the annual work programme.

RESOLVED, that the report be reviewed.

417. TREASURY MANAGEMENT ACTIVITIES

The DCFO introduced the Treasury Management Activities report for quarter 4 and advised that she was happy to take questions/comments.

A member highlighted the investment balances on Page 6 and asked for clarification that the dates were correct. After checking the DCFO confirmed that they were incorrect and would be amended.

RESOLVED, that the report be reviewed.

The dates of the next meetings were confirmed as follows:

- 19 July 2018 @ 10:30 – Conference Room 2
- 12 September 2018 @ 10:30 – Conference Room 2
- 22 November 2018 @ 13:00 – Conference Room 2
- 20 March 2019 @ 10:00 – Conference Room 2
- 23 May 2019 @ 10:30 – Conference Room 2

Meeting ended at 13:00 pm.

Signed: _____ **Date:** _____

Joint Audit & Standards Committee – Action Update and Plan

Minute Item	Action to be taken	Person Responsible	Target Date	Comments	Status
DATE OF MEETING: 21st March 2018					
382	Item 5 action sheet, members to review document provided by Stephen Kirkpatrick (367/359) and to give clarification what they want included.	Members	May 2018	Member agreed to email Michelle Bellis with details of what they would like included in the development session.	Ongoing (within original timescale)
382	Item 5 Annual OPCC Report to be brought back to the July meeting for comment by the members.	Gill Shearer	July 2018	This has been added to the work programme for future years and will be included on the agenda in July 2018. Annual report will be presented to JASC at July meeting (see agenda item 14).	Ongoing (within original timescale)
384	Item 7 Annual Work Programme: Assurance Format, members requested additional training around Prudential Indicators.	Roger Marshall/ Michelle Bellis	September 2018	A development session has been added in September to include practical applications of treasury management and prudential indicators	Ongoing (within original timescale)

Joint Audit & Standards Committee – Review of Effectiveness

Improvement Action Plan 2017/18

Ref	Improvement Area	Planned Action	Action Owner	Target Date	Status
JASC1	Support and monitor the OPCC and Constabulary plans to address the increasingly stringent funding environment.	Members to apply learning from March 2018 training session and consider as appropriate the arrangements flowing from significant changes in funding levels. JASC members to consider efficiency aspects of any recommendations or reports to Committee.	JASC	March 2019	Ongoing
JASC2	Support and challenge any new governance arrangements, for example, from restructuring and capacity reviews, greater collaboration with other organisations or joint working on delivery of services.	Continue monitoring of the new Joint Chief Finance Officer arrangement and the rotating appointment of Monitoring Officer and CEO. JASC to encourage clarity in any new arrangements; appropriate documentation and; ensure governance arrangements considered as part of the risk assessment.	JASC	March 2019	Ongoing
JASC3	Exploring ways to strengthen partnership working with the Police and Crime Panel and the Ethics and Integrity Panel where appropriate.	Raise the Committee’s awareness of issues and concerns of the Police and Crime Panel to the extent that they might inform the work of the Joint Audit and Standards Committee. JASC members to attend PCP meetings by rotation. Consider impact of Ethics and Integrity Panel review of control room.	JASC	November 2019	Ongoing Dates agreed by members for PCP attendance
JASC4	Help improve the focus on outcomes so that delivery can be measured more effectively.	Consider the arrangements for monitoring delivery of the Police and Crime Plan. Review the OPCC Annual Report and consider the qualitative outcomes.	JASC	March 2018	Amber – action TBA

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT AND STANDARDS COMMITTEE

Meeting date: 19 July 2018

From: Audit Manager (Cumbria Shared Internal Audit Service)

INTERNAL AUDIT: PROGRESS REPORT TO 29TH JUNE 2018

1.0 EXECUTIVE SUMMARY

1.1 This report provides a review of the work of Internal Audit for the period to 29th June 2018.

1.2 Key points are:

- Work is progressing as planned. The audits of creditors and Information Security (OPCC) from the 2017/18 plan have been finalised.
- Four risk based audits from the 2018/19 plan have been scoped with fieldwork underway or scheduled to begin.

2.0 OVERVIEW

2.1 Internal Audit's work is designed to provide assurance to management and Joint Audit and Standards Committee members that effective systems of governance, risk management and internal control are in place in support of the delivery of the PCC and Constabulary's priorities.

2.2 The Audit Plan aims to deliver a programme of internal audit reviews designed to target the areas of highest risk as identified through the corporate risk registers together with management and internal audit view of key risk areas.

- 2.3 The Accounts and Audit Regulations March 2015 impose certain obligations on the PCC and Chief Constable, including a requirement for a review at least once in a year of the effectiveness of their systems of internal control.
- 2.4 Internal Audit must conform to the Public Sector Internal Audit Standards (PSIAS) which require the preparation by the Head of Internal Audit of an annual opinion on the overall systems of governance, risk management and control. Regular reporting to Joint Audit and Standards Committee enables emerging issues to be identified during the year.

3.0 RECOMMENDATION

- 3.1 Joint Audit and Standards Committee members are asked to note the report.

4.0 BACKGROUND

- 4.1 The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the PSIAS or guidance.
- 4.2 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.
- 4.3 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls are operating effectively.
- 4.4 The internal audit plan for 2018/19 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to both organisations. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 4.5 This report provides an update on the work of internal audit for the period to 29th June 2018. It reports progress on the delivery of the 2018/19 audit plan in the period and includes a summary of the outcomes of audit reviews completed in the period.

Status of internal audit work as at 29th June 2018

The table below shows the number of internal audit reviews completed, in progress and still to be started for the 2018/19 audit plan. Further detail on this is included at Appendix 2.

Audit plan year	Audit Status	Number of reviews
2018/19	<u>Audits completed:</u>	<u>2</u>
	Risk based audits (2017/18 WIP)	1
	Risk based audits	0
	Governance work	0
	Financial systems (2017/18 WIP)	1
	Financial systems	0
	Follow up	0
	<u>Audits in progress:</u>	<u>5</u>
	Risk based audits	4
	Financial systems	0
	Follow up (2017/18 WIP)	1
	<u>Audits to be started</u>	<u>18</u>
	Risk based audits	10
Financial systems	4	
Follow up	4	
<u>Audits in plan</u>	<u>25</u>	

Outcomes from Final Audit Reports to 29th June

4.6 Audits completed to 29th June comprise one risk based audit and one financial system audit.

4.7 The detailed outcomes from each finalised audit are shown in Appendix A.

Draft Reports Issued to 29th June

4.8 No draft reports have been issued in the period.

Emma Toyne
Audit Manager
3rd July 2018

APPENDICES

Appendix 1: Final reports issued to 29th June 2018

Appendix 2: Progress on all risk based audits from the 2018/19 plan including work in progress from the 2017/18 plan

Appendix 3: Internal audit performance measures to 29th June 2018

Contact: Emma Toyne, Audit Manager, Cumbria Shared Internal Audit Service.
emma.toyne@cumbria.gov.uk

Appendix 1 – Final reports issued to 29 June 2018

Assignments	Status	Assessment
Creditors	Report presented to Joint Audit and Standards Committee at 19 th July 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable
Information Security (OPCC)	Report presented to Joint Audit and Standards Committee at 19 th July 2018 meeting. Report included in Committee papers and available on the Commissioner's website.	Reasonable

Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
Joint	Creditors (2017/18 WIP)	Complete	Yes
OPCC	Information security (2017/18 WIP)	Complete	Not yet due – issued 22/06/18
Constabulary	Follow up – Multi-agency safeguarding hub (2017/18 WIP)	Fieldwork	N/A
Constabulary	Risk Management	Not yet started	N/A
OPCC	Risk Management	Not yet started	N/A
Constabulary	Emergency Services Mobile Communications Programme (ESMCP) and Emergency Services Network (ESN)	Not yet started	N/A
Constabulary	Governance Structure	Not yet started	N/A
Constabulary	General Data Protection Regulation (GDPR)	Not yet started	N/A
OPCC	General Data Protection Regulation (GDPR)	Not yet started	N/A
OPCC	Specified Information Order	Fieldwork	N/A
Constabulary	Digital Media Investigation Unit	Fieldwork	N/A
Constabulary	Command and Control Room and 101	Work scoped – fieldwork due to start in September 2018	N/A
Constabulary	Neighbourhood Policing Hubs	Not yet started	N/A
Constabulary	Overtime Spend	Not yet started	N/A

Appendix 2 – Progress on 2018/19 Audit Plan, including 2017/18 work in progress

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary	Workforce Planning	Work scoped – fieldwork due to start in July 2018	N/A
Constabulary	Force Tasking and Co-ordination	Not yet started	N/A
OPCC	Victims Code of Practice	Not yet started	N/A
Joint	Main Accounting System	Not yet started	N/A
Joint	Debtors	Not yet started	N/A
Joint	Payroll	Not yet started	N/A
Joint	Pensions	Not yet started	N/A
Constabulary	Follow up – Offender Management	Not yet started	N/A
Constabulary	Follow up – Criminal Justice Unit	Not yet started	N/A
Constabulary	Follow up - Stingers	Not yet started	N/A
Constabulary	Follow up – Receipt, handling and storage of drugs	Not yet started	N/A
N/A	Project support / consultancy	On-going	N/A
N/A	Attendance at Police Audit Training & Development event	Event will take place on 12 th & 13 th July 2018	N/A
N/A	Internal Audit management	On-going	N/A

Key: Complete Work in progress Not yet started

Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Completion of audit plan	% of audits completed to final report	9% 95% (annual target)	8%	Target is based on the same period last year. The plan is progressing as intended at this early stage in the year.
	Number of planned days delivered *296 in 18/19 plan (281 per shared service agreement plus 15 days due to audit deferred from 17/18 at management's request). 5 days of WIP carried forward at 17/18 year end.	19 301* (annual target)	27	Target is based on the same period last year. All audits scheduled for quarter 1 have been scoped with fieldwork underway or the commencement date agreed. Scoping meetings for work identified for quarter 2 have either taken place or are scheduled.
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise	70%	100%	

Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
	during fieldwork.			
Timeliness of final reports	% of final reports issued for Chief Officer / Director comments within five working days of management response or closeout meeting.	90%	100%	
Recommendations agreed	% of recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	100%	
Quality assurance checks completed	% of QA checks completed	100%	100%	
Customer Feedback	% of customer satisfaction surveys returned	100%	100%	Two forms returned. One relates to an audit reported in 17/18.
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	100%	Based on the two forms returned.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	76%	

Appendix 3 – Internal audit performance measures

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Cumbria Shared Internal Audit Service Internal Audit Report for Cumbria Constabulary



Audit of Main Financial Systems: Creditors

Draft Report Issued: **3rd May 2018**

Final Report Issued: **20th June 2018**

Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226261
Lead Auditor(s)	Janice Butterworth	janice.butterworth@cumbria.gov.uk	01228 226289

Audit Report Distribution

For Action:	Ann Dobinson, Head of Central Services
For Information:	Michelle Bellis, Deputy Chief Finance Officer Roger Marshall, Joint Chief Finance Officer Stephen Kirkpatrick, Director of Corporate Support
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 19 th July, will receive the report:

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), www.sjstudios.co.uk, Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker



1. Background

- 1.1. This report summarises the findings from the audit of creditors. This was a planned audit assignment which was undertaken in accordance with the 2017/18 Audit Plan.
- 1.2. The creditor payment function, including administration of corporate credit cards, is managed by the Central Services Department (CSD), and comprises a mix of electronic procurement and non-electronic procurement ordering. Changes to the procurement system to introduce 'No purchase order, no pay' are currently being considered. It is anticipated that this will reduce the instances of non-order invoices being received from suppliers which is currently around 12.5% of invoices processed.
- 1.3. There are currently 11 corporate credit card holders with a combined monthly credit limit of £61,000, with monthly spend on average around £3,000.

2. Audit Approach

2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

2.2. Audit Scope and Limitations

- 2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Head of Central Services. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
 - Corporate credit card purchases
 - Goods receipting
 - Non-purchase order invoices
 - Follow up of previous audit recommendations

2.2.2. There were no instances whereby the audit work undertaken was impaired by the availability of information.

3. Assurance Opinion

3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within creditors provide **Reasonable** assurance.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4. Summary of Recommendations, Audit Findings and Report Distribution

4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.

4.2. There is one audit recommendations arising from this audit review and this can be summarised as follows:

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. Management - achievement of the organisation's strategic objectives	-	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts	-	-	-
3. Information - reliability and integrity of financial and operational information	-	-	-
4. Security - safeguarding of assets	-	-	-

5. Value - effectiveness and efficiency of operations and programmes	-	-	-
6. Other considerations from previous audits (see section 5.1) - Implementation of previous recommendations/impact of outstanding recommendations.	-	1	-
Total Number of Recommendations	-	1	-

4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:

- Up to date Financial Regulations and Financial Rules have been produced and include details on corporate credit cards, the requirement for official orders to be raised and goods receipting.
- Corporate card procedures for the three types on credit cards: General cards, Chief Officers & Staff Officers and Business Continuity cards have been produced and were last updated in 2017. They include identification of post holders, requirements for keeping cards secure, transactional and monthly limits, acceptable expenditure types and monthly reconciliation / authorisation requirements.
- The Joint Chief Finance Officer approves new corporate credit card holders.
- Invoice on hold reports are reviewed weekly to ensure supplier payments are not unduly delayed by non-receipting.

4.4 From the areas examined and tested it has been confirmed that:

- Corporate credit card holders have signed to accept the terms and conditions of card usage;
- Monthly and transactional limits on the Corporate Credit Cards are known to all card holders;
- Monthly Corporate Credit Card transactions are supported by VAT receipts and are approved in line with written procedures;
- Segregation of duties exists between ordering, receipting and processing orders;
- Outstanding goods receipting is reviewed on a weekly basis and followed up with the relevant staff; refresher training is provided as required;
- Official orders are required to support purchases with a small number of authorised exceptions;
- Quarterly reports are produced for the Director of Corporate Support and include percentage of invoices paid to terms and percentage of unmatched invoices processed (white slip);

4.5 The previous audit raised three audit recommendations for action.

- Two recommendations have been successfully implemented (summarised at Section 4.6)
- One recommendation has not been actioned (summarised at Section 5.1)

4.6 **Recommendations fully implemented:**

- Procedure notes for the Central Services Department have been produced and are available to all staff via a shared One Note folder. Only current documents are shown and these are dated.
- All Central Services Department staff receive 15 week reviews and annual Performance Development Reviews (PDRs).

4.7 **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.7.1 High priority issues: *No high priority issues were identified.*

4.7.2 Medium priority issues:

- The process for annual review of dormant supplier accounts is not fully established.

4.7.3 Advisory issues: *No advisory issues were identified*

Comment from the Director of Corporate Support

I am pleased that this audit of Creditors functions and processes has provided Reasonable assurance and that there are no new areas for action identified. I am, however, concerned that a recommendation from the March 2016 audit, which had been successfully addressed, has now been identified once more as being an area of concern.

I am very pleased that the report identifies numerous areas of strength, particularly around the use and management of corporate credit cards and the regular administration of invoices on hold. The report also highlights strong adherence to the necessary policies and procedures in place around these important areas of business.

As already noted, I am disappointed that the agreed approach to the annual review of dormant suppliers has not been fully embedded and will ensure that the Procurement Team work with appropriate colleagues to ensure that steps are taken to review the dormant suppliers and also to put in place embedded arrangements for an annual review as detailed in the 2016 recommendations.

Despite the above concern, I remain pleased with the overall review of the Creditors functions which recognises the ongoing efforts of the numerous departments involved.

5 Matters Arising / Agreed Action Plan

5.1 Outstanding Actions from Previous Audit Review

Audit Finding

(a) **Supplier Maintenance** (Medium priority)

The previous audit undertaken in March 2016 identified that “There is a process in place to report on suppliers that haven’t been active for a period of time and consider them for deactivation within the accounts payable system. The last exercise was undertaken in December 2015 and over 600 suppliers were deactivated within the system. Management have not defined and agreed the frequency of this process or the period of inactivity consequently the process is not included in current procedures”.

Outcome from follow up:

We were informed that the first annual exercise to review and deactivate suppliers where there was no transactional activity for 15 months or more was carried out in April 2016 by the Head of Procurement. This exercise resulted in 1,000 suppliers being removed from the database. We were informed that an annual exercise was scheduled for completion in January / February 2017 and that this was undertaken by Stores staff, on behalf of Procurement. This annual exercise has not been undertaken in 2018.

The arrangements have not been defined and set out in procedures and the risks that the accounts payable system becomes unmanageable and of excessive retention of supplier data remain.

Recommendation:

Arrangements for deactivating suppliers should be defined, agreed, communicated and monitored.

● **Medium priority**

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

Definition:		
High	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	●	Some risk exposure identified from a weakness in the system of internal control
Advisory	●	Minor risk exposure / suggested improvement to enhance the system of control

Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

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Cumbria Shared Internal Audit Service Internal Audit Report for OPCC



Audit of Information Security

Draft Report Issued: **4th May 2018**

Final Report Issued: **22nd June 2018**

Audit Resources

Title	Name	Email	Telephone
Audit Manager	Emma Toyne	emma.toyne@cumbria.gov.uk	01228 226261
Lead Auditor(s)	Steven Archibald	steven.archibald@cumbria.gov.uk	01228 226290

Audit Report Distribution

For Action:	Joanne Head, Governance Manager
For Information:	Gill Shearer, Chief Executive / Head of Communications and Business Services Vivian Stafford, Deputy Chief Executive / Head of Partnerships and Commissioning
Audit Committee	The Joint Audit & Standards Committee, which is due to be held on 19 th July 2018, will receive the report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.

Cumbria Shared Internal Audit Service

Images courtesy of Carlisle City Council except: Parks (Chinese Gardens), www.sjstudios.co.uk, Monument (Market Cross), Jason Friend, The Courts (Citadel), Jonathan Becker



1. Background

- 1.1. This report summarises the findings from the audit of Information Security at the OPCC. This was a planned audit assignment which was undertaken in accordance with the 2017/18 Audit Plan.
- 1.2. Information Security is important to the organisation because it is a legal requirement to hold information in such a way so that it is protected from unauthorised access, especially personal and confidential information.
- 1.3. The OPCC has an Information Security Policy in place which is currently under review following adoption of the General Data Protection Regulation (GDPR) by the European Union (EU) in April 2016 which becomes enforceable from 25 May 2018. This regulation is intended to strengthen and unify data protection for all individuals within the EU.

2. Audit Approach

2.1. Audit Objectives and Methodology

- 2.1.1. Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

2.2. Audit Scope and Limitations

- 2.2.1 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was Gill Shearer, Head of Communications and Business Services. The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:

- **Preparations for the implementation of the General Data Protection Regulation.**

- 2.2.1. There were no instances whereby the audit work undertaken was impaired by the availability of information.

3. Assurance Opinion

- 3.1. Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Information Security provide **reasonable** assurance.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4. Summary of Recommendations, Audit Findings and Report Distribution

- 4.1. There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2. There is **1** audit recommendation arising from this audit review.

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. Management - achievement of the organisation’s strategic objectives (see section 5.1.)	-	1	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts	-	-	-
3. Information - reliability and integrity of financial and operational information	-	-	-
4. Security - safeguarding of assets	-	-	-
5. Value - effectiveness and efficiency of operations and programmes	-	-	-
Total Number of Recommendations	-	1	-

- 4.3. **Strengths:** The following areas of good practice were identified during the course of the audit:
- Adoption of an industry standard action plan template for working towards GDPR compliance.
 - Arrangements for raising awareness and understanding of GDPR requirements within the OPCC.
 - The risk of non-compliance with the GDPR has been included in both the Strategic and Operational Risk Registers.
 - Communication and liaison on GDPR requirements with internal and external sources has been explored and actioned.
 - Monitoring of GDPR action plan progress and reporting to the Executive Team is carried out on a regular basis.
 - Arrangements in place for staying abreast of GDPR legislation, guidance and best practice.
- 4.4. **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:
- 4.4.1. *High priority issues:*
- There are no high priority issues to report.
- 4.4.2. *Medium priority issues:*
- Not all actions in the GDPR Action Plan have clear target end dates and there is evidence of an action being marked as complete when it hadn't been fully addressed.
- 4.4.3. *Advisory issues:*
- There are no advisory issues to report.

Comment from the Deputy Chief Executive

I am satisfied that the actions are robust and address the issues and risks and issues identified in the report and that arrangements are in place to monitor the implementation of the actions identified.

5. Matters Arising / Agreed Action Plan

5.1. **Management** - achievement of the organisation's strategic objectives.

● **Medium priority**

Audit finding

(a) **Action Plan**

Cumbria OPCC have adopted a GDPR Action Plan template developed by Forbes Solicitors who are considered to be industry experts. The Action Plan has been amended to meet local requirements and populated with specific actions, action owners and target completion dates. The Action Plan was approved by the Executive Team on 14/03/18. The Governance Manager reports on Action Plan progress to the Executive Team on a fortnightly basis.

Timescales

Audit testing found that a number of actions included within the Action Plan do not have a target completion date. Without documented completion dates, management can not be assured that these actions will be completed by GDPR requirement timescales.

Data Cleansing

The Action Plan includes a section on Data Cleansing. One of the actions required is to ensure that all personal information relating to staff or customers is held in secure databases and not on personal drives / desktops. The latest monitoring report records this action as complete, with commentary confirming that all OPCC staff personal information is now retained within the OPCC IT folder. Access to this folder is restricted to designated staff. There is no mention of actions taken in respect of the retention of customer information. The latest Action Plan progress update does not provide assurance that planned actions in respect of customer information have been fully actioned, to meet GDPR requirements.

The current arrangements for monitoring and reporting on Action Plan progress could be strengthened further from each action having a clear target end date and arrangements in place to

Management response

Agreed management action:

- (a) Timescales for each action have now been completed.
- (b) Customer information had been cleansed at the time of the audit but not shown in the action plan. We have now updated the action plan.

ensure that actions marked as complete have been fully addressed.	
<p>Recommendation 1:</p> <p>(a) Actions within the GDPR Action Plan should have clear completion dates for monitoring and reporting purposes.</p> <p>(b) Arrangements should be in place to ensure the GDPR Action Plan is accurately completed with evidence in place to support any actions marked as complete.</p>	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"> • Failure to comply with GDPR requirements • Financial penalties • Reputational damage 	<p>Responsible manager for implementing: Governance Manager</p> <p>Date to be implemented: 05/2018</p>

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>

Grading of Audit Recommendations

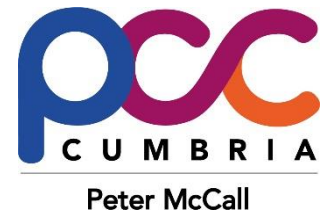
Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

Definition:		
High	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	●	Some risk exposure identified from a weakness in the system of internal control
Advisory	●	Minor risk exposure / suggested improvement to enhance the system of control

Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.

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Joint Audit & Standards Committee

Title: OPCC Risk Management Monitoring

Date: 6 July 2018

Agenda Item No: 9 (i)

Originating Officer: Joanne Head

CC:

Executive Summary:

The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. This takes place in a constantly changing and challenging environment and the OPCC must ensure that it has robust systems and processes in place to monitor and react appropriately to risk.

Recommendation:

That, the committee notes the changes regarding the OPCC's strategic risk register, the oversight undertaken of the Constabulary's risk management; and the front sheet of the OPCC's operational risk register.

1. Introduction & Background

1.1 The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. To enable it to carry out this function effectively it must monitor and react appropriately to risks. The Joint Audit and Standards Committee as part of their role, ensures that the OPCC is actively managing strategic risks and one member of the committee has been appointed as the lead member for risk.

2. Issues for Consideration

2.1 Appended to this report at [Appendix 1](#) is the OPCC's strategic risk register which has been reviewed and updated since the last meeting of the Committee. There are four identified risk which are:

- R1 - Strategic Finance
- R2 - The Emergency Services Mobile Communications Programme
- R3 - OPCC Capacity

- R4 - Information Management (GDPR compliance)

- 2.2 The scoring for R1 and R2 have remained the same as there have been no significant changes to either risk since their last reviews. R4 has reduced in its total score as the majority of actions to mitigate this risk have been completed, therefore reducing the likelihood of the risks transpiring. It is anticipated that this risk will be removed from the strategic risk register in September 2018.
- 2.3 One of the Operational Risks, Information Management, remains escalated to the Strategic Risk Register due to its total score being 9. Where any operational risk which scores 8 or above, consideration is given as to placing it upon the strategic risk register until such time as the score reduces or the risk is removed. The score remains high due to the OPCC's interdependency on Cumbria Constabulary in relation to Data Sharing Agreements and policies and procedures that the OPCC defaults to.
- 2.4 The OPCC has also reviewed its operational risk register, rationalising it to appropriately reflect the operational risks it faces. The front sheet of the operational risk register is presented to the Committee to provide assurance that other areas of risk are being considered and regularly monitored. A copy of the front sheet is attached at [Appendix 2](#). This illustrates whether the scores for the individual risks have risen, remained the same or decreased. This is to assist the Committee to understand how the risk is being managed.
- 2.5 Four risks have been removed from the operational risk register:
- a) Risk No 11 - Reputation - The legal process surrounding the tragic death of Poppi Worthington has concluded including the inquest.
 - b) Risk No 13 – Diversity – the OPCC is now a member of the county strategy and therefore fulfilling its obligation in relation to Diversity. The mitigated score was 2 meaning that it was not a significant risk and therefore a decision to remove it from the operational risk register was made.
 - c) Risk No 16 – Non-Financial Governance. The OPCC has in place policies and procedures, scrutinised by JASC and the established OPCC office is adhering to the correct governance procedures. The Annual Governance Statement and Code of Corporate Governance, Internal and External Audit and JASC all provide assurance that the risk register is a dynamic and functioning document. This risk has been included for over the last 12 months and has not changed.
 - d) Risk No 17 – Efficient & Effective Policing. The Commissioners role is to hold the Constabulary to account for the delivery of an efficient and effective police service. Assurance is received from a variety of sources including HMICFRS, particularly through the PEEL inspection, annual VfM report, internal and external auditors, performance and budget monitoring. This risk has been included for over the last 12 months and has not changed.
- 2.6 The OPCC Governance Manager met with the Constabulary's Lead for Risk Management on Wednesday 4 July 2018. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.

- 2.7 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks which may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear. Both the OPCC and Constabulary's total score in relation to Strategic Finance and ESMCP risks, had remained the same due to the reasons outlined above.
- 2.8 With regard to the OPCC risk in relation to Information Management, it was recognised that the risk of not complying with the General Data Protection Regulations, was something that affected both organisations. Work was being carried out in relation to Constabulary compliance of which the OPCC was interdependent regarding some policies, procedures and data sharing agreements. The Constabulary will report further on their strategic risk register at the meeting.
- 2.9 Included within the papers is a copy of the front sheet of the OPCC's operational risk register. A review of the operational risk register is carried out on a quarterly basis with all staff being required to review their own risks and make any necessary changes and updates. The OPCC Executive Team consider both the strategic and operational risk registers every quarter as part of their meetings.
- 2.10 As previously mentioned, any operational risk that attains a score of 8 or more, and therefore requiring a quarterly review, can if necessary be escalated onto the strategic risk register. It will then be monitored by the Executive Team until such time that the risk is negated or mitigated to such an extent that the score falls below 8.
- 2.11 It is agreed with the Joint Audit and Standards Committee that a copy of the front sheet of the operational risk register is presented to them in conjunction with the OPCC's strategic risk register. This then affords the committee with the opportunity to have an overview of all of the OPCC's risk.

3. Implications





- 3.1 Financial - the inability of the OPCC to successfully identify and manage its organisational and strategic risks could impact financially on not only the OPCC but Cumbria Constabulary and other partner organisations which are financially dependent.
- 3.2 Legal - the OPCC could face legal challenge on some areas of its business, therefore it is essential that these are identified at an early stage and effectively mitigated and managed.
- 3.3 Risk - if the OPCC does not identify and mitigate risks then it may mean that the OPCC cannot carry out its statutory function efficiently and effectively.

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OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

Risk No.	Risk Title	Total Score	Risk Owner		Any outstanding actions YES/NO	Actions to be completed	Reviews
			Risk Owner	Action Owner			
R1	Strategic Finance	12 	Chief Executive	Chief Finance Officer	No	Continued review of the MTFF as part of the budgeting process. Further development and refinement of savings options.	September 2018
R2	The Emergency Services Mobile Communications Programme (ESMCP)	9 	Chief Executive	Chief Executive	No	Continue to monitor the national position and take appropriate actions to prepare for implementation.	September 2018
R3	OPCC Capacity	4 	Chief Executive	Deputy Chief Executive/ Head of Comms and Business Services	No	Joint CFO role will be reviewed at the end of the 2017/18 financial year and reported upon to JASC. The Chief Executive arrangements will be reviewed and reported to the Police & Crime Panel in 2018.	September 2018
R4 (10)	Information Management (GDPR Compliance)	9 	Head of Comms & Business Services	Governance Manager	Yes	The OPCC is interdependent upon the Constabulary for some areas of work such as data sharing agreements and updating of shared policies. This work is to be undertaken by the Joint DPO/Team	September 2018

Scores:

8 – 16	Review within 3 months
4 - 6	Review within 6 months
3 or less	Review within 12 months

Risk No: R1	Risk Title: STRATEGIC FINANCE	The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Real term reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities.
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Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

What is the cause of the risk? (Lack offailure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score						
Reduction in real term resources within the medium term time horizon to provide sufficient funding for the Commissioner and Constabulary to deliver current levels of policing service. Current government funding protection is only provided in cash terms, requiring the Commissioner to meet inflation and other service pressures from savings. This risk is accentuated by both the relaxation of the public sector pay cap, Brexit and a potential review of the Police Funding Formula.	This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence.	4	4	16	4	3	12	Chief Executive (Reduce)	The budget and medium term financial forecast (MTFF) are reviewed and updated on a regular basis. The budget has been balanced in the short term and reserves provide additional security. Scenario planning to identify potential longer term savings and service re-engineering is on-going in both the OPCC and Constabulary. The Commissioner has joined the National Rural Crime Network to support rural policing issues. In the December 2017 grant settlement the Government announced that the review of the funding formula would be deferred to the next spending review from 2021/22. The settlement was better than anticipated, although there was no increase in grant PCC's were granted additional ability to raise income through council tax	Budget monitoring processes and internal controls are in place to manage financial commitments. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings. Recent audit review of preparedness for funding cuts provided reasonable assurance.	Continued review of the MTFF as part of the budgeting process. Further development and refinement of savings options in conjunction with the Constabulary.	Chief Finance Officer	September 2018

									which will help mitigate increased inflationary pressure. Whilst savings are still required in the medium term the risk likelihood has been reduced in light of the more favourable funding position				
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Risk No: R2	Risk Title: Emergency Services Mobile Communications Programme	The Emergency Services Network is a major national project to replace the current Airwave radio communications system across all emergency services with Mobile Phone technology. There are national and local risks in relation to uncertainty over the cost and timing of implementation of the new system. Cumbria also specific risks in relation to the coverage due to the topography of the county.
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Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
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What is the cause of the risk? (Lack offailure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions				
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Review Date
The Emergency Services Mobile Communications Programme (ESMCP) is a collaboration between the police, fire and ambulance Emergency Services (3ES) in England, Scotland and Wales to replace the existing mobile radio system known as Airwave. ESCMP will deliver the Emergency Services Network (ESN) which will provide integrated critical voice and broadband data over an enhanced 4G commercial network. This is a significant project. At the present time there are concerns around cost, coverage and timescales for delivery.	This risk may result in significant additional costs and coverage issues may impact upon the Commissioner's ability to ensure Cumbria has an efficient and effective policing service, which could lead to reputational risk.	4	3	12	3	3	9	Chief Executive (Reduce)	The Commissioner is working regionally with other North West Commissioners and nationally through the APCC to highlight concerns. The Chief Constable is a member of the national reference group and Cumbria has seconded a staff member to the regional implementation team. Appropriate staffing resources have been identified within the ICT team to deliver the project and prudent estimates of costs have been included in the capital programme and medium term financial forecast.	Work being undertaken regionally and nationally provides some assurance. The critical nature of this national project and delays in national implementation mean it will be a significant risk for a protracted time period.	Continue to monitor the national position and take appropriate actions to prepare for implementation.	Chief Executive	September 2018

Risk No: R3	Risk Title: OPCC CAPACITY	The Police and Crime Commissioner is statutorily required to have a Chief Executive and a Chief Finance Officer post (Section 151 officers). Retirement of previous officers has resulted in temporary appointments being made from within the OPCC for the Chief Executive role and the appointment of a Joint Finance Officer in conjunction with the Constabulary. As a result of these changes there is a risk that there will be a reduction in knowledge and capacity within the Office of the Police and Crime Commissioner which may impact on delivery of the Police and Crime Plan.
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Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
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What is the cause of the risk? (Lack offailure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Actions			Action Owner(s)	Review Date
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score			Assurances	Future or further actions to be taken			
Reduction of governance expertise and capacity at a senior level within the OPCC following the retirement of both of the OPCC's statutory officers on 31 August.	A governance failure in a significant area of non-financial governance leading to potential reputational damage or flawed decision making that doesn't take account of relevant information, procedures and/ or inherent risks resulting in unexpected consequences/poor decision making or judicial challenge. It could also result in risks materialising and the potential for fraud, error or irregularity.	4	3	12	2	2	4	Chief Executive (Reduce)	Both the incoming Chief Executive and Deputy Chief Executive have considerable experience in public sector bodies. Both have completed a CIPFA Certificate in Corporate Governance course in March 2018. Over the past 9 months there have been no issues regarding the shared role. The Governance Manager has many years' experience and will continue to fulfil the role of Deputy Monitoring Officer. The Joint CFO (Section 151 officer) also brings considerable governance expertise at a senior level to the OPCC team. APACCE have appointed a "buddy" to provide external support to the incoming Chief Executive. The CFO is supported by a protocol and external support in the event of a conflict of interest. There are appointed deputies for the roles of Chief Executive, Chief Finance	JASC. Internal Audit. Ethics and Integrity Panel. The Police and Crime Panel have scrutinised and approved both of the arrangements as under statute.	Joint CFO role will be reviewed at the end of the 2017/18 financial year and reported upon to JASC. The Chief Executive arrangements will be reviewed and reported to the Police & Crime Panel in September 2018.	Deputy Chief Executive/ Head of Communications and Business Services	September 2018	

									Officer and Monitoring Officer. The Executive Team have worked with all staff to identify the areas where additional capacity is required. A new staff structure came into place on 1 st July 2018				
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Risk Number: R4 (Op 10)	Risk Title: Information Management	The OPCC has a duty to process information in a fair and transparent manner in line with current legislation.
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Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
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What is the cause of the risk? (Lack offailure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions				Action Owner(s)	Review Date
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken			
The General Data Protection Regulations came into force on 25 May 2019. The OPCC has a responsibility to ensure it processes information in line with legislation.	Should the OPCC fail to comply with the new legislation or have a data breach could result in substantive financial penalties up to 2m Euros. Any significant loss of data could lead to reputational damage.	4	3	12	3	3	9	Head of Communications and Business Services	OPCC Lead officer to identify required changes and progress implementation. The OPCC has linked in with Lancashire OPCC who have commissioned the services of expert solicitors to provide advice and support. National guidance and information to be provided by APCC and APACE Joint working with the Constabulary's Data Protection Officer is ongoing. Action plan developed and implemented. Monthly progress updates to the Joint Collaborative Board on the implementation and progress against the action plan and further work to be carried out Programme of data mapping/ cleansing to remove old or unnecessary data Training programme completed by all OPCC staff Updating OPCC policies and strategies, developing new where appropriate.	Executive Team oversight, provided with regular reports Staff awareness training and mentoring. Risk session from Insurers. APACE & APCC guidance. Internal Audit review of GDPR preparations gave an assurance of reasonable	Continued joint working with Lancashire OPCC and access to specialised legal guidance The OPCC is interdependent upon the Constabulary for some areas of work such as data sharing agreements and updating of shared policies. This work is to be undertaken by the Joint DPO/Team and will be monitored within the agreed an action plan.	Governance Manager	Sept 2018	

<p>Failure to process, store or handle data correctly could lead to a data breach and information being lost or stolen.</p>	<p>This could result in sensitive information being seen by unauthorised people, resulting in financial penalties and reputational damage to the organisation.</p>	4	3	12	3	2	6	<p>Head of Communications and Business Services</p>	<p>Staff, volunteers and panel members are made aware of information security requirements at their induction. Reminders are sent out to all upon any changes or when a breach has been encountered. Each situation is assessed and any learning disseminated appropriately. Briefing by Governance Manager at team meeting following DPA/GDPR course regarding information security and data breaches.</p>	<p>Staff, volunteer and members awareness training. Reminders regarding information security</p>	<p>The OPCC is interdependent upon the Constabulary for some areas of work such as data sharing agreements and updating of shared policies. The current Constabulary data breach policy is being updated.</p>	<p>Governance Manager</p>	<p>Sept 2018</p>
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OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER



Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

8 – 16	Review within 3 months
4 - 6	Review within 6 months
3 or less	Review within 12 months

			Risk Owner		Actions		Reviews
Risk No.	Risk Title	Total Score (direction of travel)	Risk Owner	Action Owner	Any outstanding actions YES/NO	Actions and dates to be completed	Date of review
FINANCE							
01	Budget Management	9 ↔	Joint Chief Finance Officer	Deputy CFO	No	The overall PCC and Constabulary expenditure in 2017/18 came in close to budget at the year end. Budget pressures are likely to remain for the foreseeable future which will need to be carefully monitored.	September 2018
02	Investment Counterparty Risk	3 ↔	Joint Chief Finance Officer	Deputy CFO	No	None	May 2019
03	Financial Governance	2 ↔	Joint Chief Finance Officer	Deputy CFO	No	Internal Audit commencing in Nov of Code of Corporate Governance	March 2019
04	Shared Services	2 ↔	Chief Executive	Deputy Chief Executive	No	Governance agreements will be reviewed on an on-going basis.	March 2019
05	Asset Management	2 ↔	Chief Executive	Chief Finance Officer	No	None	Oct 18
06	Insurance	4 ↔	Chief Executive	Chief Finance Officer	No	None	Oct 18
PARTNERSHIPS & COMMISSIONING							
07	Performance / delivery of the police and crime plan	4 ↔	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No	Maintain current staffing levels.	September 2018
08	Partnerships & Collaboration	6 ↔	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	No	Maintain an integrated partnership working approach	September 2018
09	Commissioning of Services	6 ↔	Head of Partnerships & Commissioning	Partnerships and Strategy Manager	Yes	Increase contract management and engagement	September 2018
COMMUNICATION AND BUSINESS SERVICES							
10	Information Management (GDPR)	9	Head of Communications & Business Services	Governance Manager	Yes	Ensure OPCC is compliant with GDPR prior to 25 May 2018	September 2018
11	Reputation	4 ↔	Head of Communications & Business Services	Engagement Officer	No	Next steps dependent on outcome of inquest in Nov 2017	September 18
12	Complaints	6 ↔	Head of Communications & Business Services	Governance Manager	Yes	Guidance, training and development of systems. Delayed implementation until 1.1.19	August 2018
13	Diversity	2 ↓	Head of Communications & Business Services	Governance Manager	No	Inclusion within County Strategy	February 2019
14	Independent Custody Visiting Scheme & Animal Welfare Scheme	2 ↓	Head of Communications & Business Services	Governance Manager	No	Recruitment process completed and new ICV's in place	February 2019

CHIEF EXECUTIVE / MONITORING OFFICER

16	Non-Financial Governance	3 	Chief Executive	Head of Communications & Business Services	No		Oct 18
17	Efficient and Effective Policing	6 	Chief Executive	Chief Executive	No	Continued monitoring of the Constabulary by the PCC; use of VFM data and PEEL inspection reports from HMIC; continued independent scrutiny by the PCP and JASC.	April 18



Joint Audit and Standards Committee

TITLE OF REPORT: Constabulary Quarterly Risk Management Update

DATE OF MEETING: 19th July 2018

ORIGINATING OFFICER: Strategic Development, Corporate Improvement

PART 1 or PART 2 PAPER: PART 1 (OPEN)

Executive Summary:

The purpose of this paper is to provide the Joint Audit and Standards Committee with an update on the Constabulary's risk management arrangements, including a review of the current strategic risk register.

Corporate Improvement has carried out a quality assurance check of all the departmental and operational risk registers to ensure that risk is effectively managed across the organisation. The Strategic Risk Register was reviewed by the T/DCC on 9th July 2018 where a decision was made to:

Close:

- Risk number 11 – (with regards to performance being adversely affected due to significant levels of constant change) as the Constabulary no longer has a major change programme.

Transfer:

- Risk number 30 – (act of terrorism) to be managed by the Local Policing / Specialist Capabilities Board.

Add the following risk:

- GDPR. This will be formulated and agreed within the next few weeks.

Recommendations:

That the Audit and Standards Committee:

Note the Constabulary's current strategic risks, and that a quarterly review of all risk registers was completed in accordance with the Risk Management Policy in June 2018.

MAIN SECTION

1. Introduction and Background

1.1 Strategic Risks

Risk is the threat that an event or action will affect the Constabulary's ability to achieve its organisational aim and objectives.

Each risk is managed at the level where the control to manage the risk resides. Therefore strategic risks are managed by the Chief Officer Group, significant operational risks are managed by Crime and Territorial Policing SMT and significant strategic business risks are managed in the relevant directorate by nominated senior managers. Projects and programmes also have their own risks that are managed by the project / programme teams.

Strategic risks are those affecting the medium to long term objectives of the Constabulary and are the key, high level and most critical risks that the Constabulary faces. Best practice indicates that the number should be between 5 and 10. Currently the Constabulary has seven strategic risks (8 when GDPR is added).

The Constabulary's mission is to 'Keep Cumbria Safe'. The Constabulary's core policing objectives are:

1. Responding to the public
2. Prevention and deterrence
3. Investigation
4. Protecting vulnerable people
5. Monitoring dangerous and repeat offenders
6. Disrupting organised crime
7. Responding to major incidents

The strategic risks identified by the Constabulary are concerned with:

1. Uncertainty over cost and coverage of the Emergency Service Mobile Communications Programme.
2. The implications of longer-term reduction in budget and the level of savings required.
3. Failure to deliver Cumbria Vison 25 and its associated efficiency plan.
4. Reduced public confidence due to delays in answering non-emergency and 999 calls.
5. Failure to keep up with technological advances to fight digital crime.
6. Significant additional and unbudgeted capital and revenue expenditure may be incurred due to delays in ESMCP transition.
7. Lack of professional procurement capability.

The table on page four outlines the Constabulary's seven strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**). It also indicates which of the Constabulary's core policing objectives the risks link to.

Strategic Risk Register

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
32	Director of Corporate Support	The Constabulary may incur significant additional and unbudgeted capital and revenue expenditure caused by a delay in ESMCP transition and consequential extension of reliance on Airwave resulting in the Constabulary having to extend the life of its airwave infrastructure, and potentially having to pay for both systems for a time.	High	Very High	20	20	All	<p>The Constabulary are joining with the region to develop a cost model to capture the financial impacts of Airwave extension, and seek Home Office central support.</p> <p>A national review of the programme is currently underway and we are awaiting the results.</p>
28	Chief Financial Officer / Director of Corporate Support	As a result of the potential changes to police funding formula, and the potential removal of the public sector pay cap, there may be a detrimental and significant impact on the available budget and a requirement for substantially increased savings. This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.	Very High	Medium	20	15	All	<p>The Government announced in the grant settlement in Dec 2017 that changes to the funding formula would be deferred until the next spending review, which will apply from 2020/21. The funding formula element of the risk therefore remains, but is now in the medium term, so the risk score reduced.</p> <p>In relation to funding of pay awards, the Government has provided no additional funding, although flat cash grants in 2018/19 and 2019/20 is better than anticipated. Greater flexibility has also been afforded to PCCs to raise additional council tax in the short term. Whilst there is still likely to be an on-going need to deliver savings to balance the budget in the medium term irrespective of the ultimate outcome of the funding formula, as a result of the announcements outlined above the scale of savings has reduced. The situation continues to be closely monitored.</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
25	Director of Corporate Support	<p>Commitment to the Emergency Services Mobile Communications Programme (ESMCP) and subsequent use of the Emergency Services Network (ESN) has the potential to breach the Constabulary's risk capacity, cost and levels of service provision. This could potentially result in unacceptable levels of service provision; compromise officer safety, increasing costs and loss of reputation.</p> <p>The duration of impact is likely to exceed 2 years.</p>	High	Medium	16	12	All	<p>The Constabulary is working in partnership with other forces and emergency services to deliver ESMCP together as a region.</p> <p>It was expected that the new system would go live in late 2017 however the National Programme announced a time slippage. The programme is expected to begin transition after June 2018 meaning that Cumbria Constabulary is likely to transition in late 2018 / early 2019.</p> <p>The risk owner has transferred over to the Director of Corporate Support. Cumbria continues to be an active participant in the regional group and is leading coverage aspects on behalf of the region.</p> <p>A national review of the ESMCP programme is currently underway and we are awaiting results.</p>
31	D/Supt Crime	<p>Advances in digital crime may result in the Constabulary being unable to keep up with technological change. This could result in a loss of confidence, both internally and with the wider public.</p>	Medium	High	12	12	2,3,4,5,6	<p>Staff growth in this area has been approved, and all student officers receive cyber-crime training.</p> <p>In addition, the Constabulary has recently trained 12 new DMIS's with a view that all DMIS's will be accredited to College of Policing standards.</p>
36	Head of Procurement	<p>There is a risk that a lack of professional procurement capability compromises our ability to provide an effective and compliant procurement service, resulting in some instances of non-compliance with joint procurement regulations.</p>	Medium	Medium	9	9	All	<p>An Interim Head of Procurement has been brought in. The new Head of Procurement is due to start in September 2018.</p> <p>The recruitment of a Senior Business Partner is still ongoing.</p> <p>A workflow pipeline and efficiency plan has been developed.</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Impact	Likelihood	Initial Score	Latest Score	Link to Strategic Objectives	Summary of mitigating actions already taken
								<p>Safeguards have been implemented through the ICT procurement process.</p> <p>Joint procurement regulations will be reviewed later in the year once new head starts, however they have been reviewed in the interim.</p>
29	Chief Supt TPA	Failure to answer 999 and non-emergency calls within a reasonable time and deal with them proficiently, could result in a loss of public confidence and prevent people reporting future crime / incidents to the Constabulary.	Medium	Medium	16	9	All	<p>A new Development Plan is being written which will align with the Plan on a Page, Vision 25 and HMICFRS requirements. More staff have been taken on during which time 101 call answering times have effectively halved to 3 minutes. 999 performance has remained fairly consistent at about 90% answered within 10 seconds. These together with the quality of service provided are being continually monitored.</p> <p>The Constabulary has also launched a number of media campaigns to support this activity.</p>
2	Director of Corporate Improvement & Director of Corporate Support	The Constabulary may not have the capacity to deliver the Cumbria Vision 25 and its associated Efficiency Plans. If this risk occurs the Constabulary would have to find further savings.	High	Low	10	8	All	<p>Governance arrangements for monitoring the progress of delivery and outcomes are via regular and frequent FSDB meetings which coordinates all business change strategies. A dedicated lead has been appointed to support delivery of Cumbria Vision 2025 and a delivery plan is being developed.</p> <p>Revised governance arrangements are being developed to ensure effective prioritisation and co-ordinate delivery. High level plan and initial delivery plan completed and disseminated to all managers across the Constabulary. Governance changes now complete with supporting ICT change. Change to structure of Business Improvement Unit to allow delivery arm of BIU.</p>

Risk Tolerance Levels

Risk Score 1-4 Acceptable. No action is required but continue monitoring.	Risk Score 5-12 Tolerable risks but action is required to avoid a Red status. Investigate to verify and understand underlying causes and consider ways to mitigate or avoid within a specified time period.	Risk Score 15-25 Unacceptable. Urgent attention is required. Investigate and take steps to mitigate or avoid within a specified short term.
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1.2 Drivers for Change

Effective risk management is a key component of effective corporate governance. Managing risk will contribute towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management will help improve decision-making and drive corporate activity that represents value for money.

Effective risk management will help protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

1.3 Consultation processes conducted or which needs to be conducted

Individual risk owners have been consulted as part of the standard risk management arrangements.

1.4 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

1.5 Timescales for decision required

Not applicable to this report.

1.6 Internal or external communications required

None.

2. Financial Implications and Comments

Any financial implications are described in the relevant risks outlined within this report.

3. Legal Implications and Comments

Any legal implications are described in the relevant risks outlined within this report.

4. Risk Implications

The Constabulary's risks are described in section one of this report.

5. HR / Equality Implications and Comments

Any HR / Equality implications are described in the relevant risks outlined within this report.

6. ICT Implications and Comments

Any ICT implications are described in the relevant risks outlined within this report.

7. Procurement Implications and Comments

Any procurement implications are described in the relevant risks outlined within this report.

8. Supplementary Information

8.1 List any relevant documents and attach to report

Appendix 1	Risk Scoring Matrix
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8.2 List persons consulted during the preparation of report

- All Departmental risk owners.
- Territorial Policing and Crime Command risk owners.
- Extended Chief Officer Group.

Risk Scoring Matrix

Impact Score	Description					
		IMPACT ON SERVICE PROVISION	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
5	Very High	Unable to function, inability to fulfil obligations	Severe financial loss > £3M	Multiple fatalities	In excess of 2 years	Highly damaging, severe loss of public confidence or being declared a failing Force
4	High	Significant impact on service provision	Major financial loss £1M to £3M	Fatality	Between 1 year - 2 years	National publicity, major loss of confidence or serious IPCC complaint upheld
3	Medium	Service provision is disrupted	Significant financial loss £500k to £1M	Serious injury, RIDDOR reportable	Between six months to 1 year	Some adverse local publicity, legal implications, some loss of confidence
2	Low	Slight impact on service provision	Moderate financial loss £100k to £500k	Slight medical treatment required	2 to 6 months	Some public embarrassment, or more than 1 complaint
1	Very Low	Insignificant impact, no service disruption	Insignificant financial loss < £100k	First Aid treatment only No obvious harm/injury	Minimal - up to 2 months to recover	No interest to the press, internal only

Likelihood Score	Tolerance Levels – Likelihood Assessment	
5	Very High	A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly.
4	High	A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often.
3	Medium	A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally.
2	Low	A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25years. This means it is not expected to happen but it is possible.
1	Very Low	A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen.

		Impact	Impact	Impact	Impact	Impact
		Very Low (1)	Low (2)	Medium (3)	High(4)	Very High (5)
Likelihood	Very High (5)	5	10	15	20	25
Likelihood	High (4)	4	8	12	16	20
Likelihood	Medium (3)	3	6	9	12	15
Likelihood	Low (2)	2	4	6	8	10
Likelihood	Very Low(1)	1	2	3	4	5
		Impact	Impact	Impact	Impact	Impact

Monitoring Key Audit Recommendations

Introduction

This report is designed to monitor the implementation of recommendations and actions arising from Audit and Inspection.

It fulfills the assurance responsibilities of the Audit and Standards Committee with regards to the implementation of control recommendations and best practice arising from Audit and Inspection work.

Report Summary

Summary of Actions	PCC	CC	Joint	Total
Open actions b/fwd from last report	2	17	0	19
New actions since last report	1	10	0	11
Total actions this report	3	27	0	30
Actions completed since last report	3	17	0	20
Open actions c/fwd to next report	0	10	0	7

Summary of Total Actions by Status	PCC	CC	Joint	Total
Completed	3	17	0	20
Ongoing (within original timescale)	0	5	0	5
Ongoing (original timescale extended)	0	4	0	4
Overdue/ timescale exceeded	0	0	0	0
Not yet due	0	1	0	1
Total	0	27	0	30

Key to Grade:

Cumbria Shared Internal Audit Service

Grade/Priority	
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control.
Medium	Some risk exposure identified from a weakness in the system of internal control.
Advisory	Minor risk exposure/suggested improvement to enhance the system of control.

Members have requested that this summary of recommendations report provides an update on actions where the recommendation was graded High/Medium only. Minor Advisory recommendations are monitored by individual managers.

External Audit – Grant Thornton

Grade/Priority	
High	Significant effect on control system
Medium	Effect on control system
Low	Best practice

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Cumbria's Multi-Agency Safeguarding Hub (CC)	04/11/2016	R1 Hub resources should be fully considered in terms of the skills, qualifications and experience required to fulfil defined responsibilities, operate the Hub effectively and deliver improvements. The agreed requirements and individual partner contributions should be formally reflected in a signed funding agreement that is properly communicated, including to individual partner leadership boards.	Medium	Chair of the Programme Board DI Dan StQuintin	<p>The Programme Board, which met on 27th October, established a Task and Finish Group which met on 27th October 2016 and will ensure that the updated MOU is in place by 5th January 2017 and is agreed / endorsed by the Board.</p> <p>The MOU will capture the issue regarding multi-agency resourcing.</p> <p>February 2017 - Issues of Hub governance are dealt with by the programme board. the MOU is currently under discussion. This is not yet complete because health are a statutory partner and are currently undergoing significant restructure under the strengthening families programme of which their contribution to the hub is part.</p> <p>June 2017 - The partnership has commissioned an external review of the hub process and model which is currently under way, the company doing the review are Ad Esse and their report is expected to be available around mid-July.</p> <p>August 2017 - Ad Esse have completed their assessment and we are awaiting the full report back from them. However, they have shared list of recommendations for the safeguarding hub. These recommendations are wide ranging and have triggered significant discussion by LSCB partners. These discussions will move forwards over the next few months at various LSCB programme board meetings. Once decisions on these recommendations have been made. Decisions on resourcing can be made once the future role and structure of the hub has been agreed. A 3 month extension to the deadline has been requested.</p> <p>October 2017 - Discussions around the Ad Esse recommendations continue at a senior level within Cumbria Constabulary. The discussions continue at a senior level within the LSCB. Request a further 3 month extension to allow decisions to be made and action to be start</p> <p>February 2018 - The Hub MOU is currently being re-written by the LSCB. All partner agencies have been invited to contribute. The revised MOU is being presented at the next Hub Programme Board meeting which has yet to be arranged but will be in March or April 2018. It is anticipated that the MOU will be agreed and signed off at that meeting.</p> <p>June 2018 - There are four key pieces of work that need to be done which have been raised by police at the LSCB Hub Programme Board. They are:</p> <ol style="list-style-type: none"> 1) Setting out what the aim and purpose of the Safeguarding Hub is, 2) Creating a new MOU which sets out the purpose above and is refreshed to bring it up to date, 3) Review the LSCB thresholds document so there is clearer criteria for partners agencies to assess and grade risk more consistently, 4) Create an LSCB public task statements to meet GDPR requirements. <p>There is not much progress on these issues but police will continue to push these. There is some concern that the MOU and aim & purpose have still not been defined which is the first and main recommendation of the Ad Esse review into the Safeguarding Hub.</p>	31/01/2017	31/08/2017 31/10/2017 31/01/2018 30/04/2018 30/09/2018	Ongoing (original timescale extended)
Digital Case File Preparation (CC)	08/05/2017	R1 Arrangements to ensure the robustness of digital case files at an earlier stage should be strengthened taking into consideration the outcomes of the Strategic Development Unit's review.	High	Temp Supt CJU/Partnerships Gordon Rutherford Ben Swinson	<p>The Chief Officer commissioned review will report to COG in May 17.</p> <p>The evidence-gathering phase took place from January to March, with the team now considering data analysis and findings.</p> <p>Once recommendations as to future structure of CJU and the file checking function are considered and approved by Chief Officers, then they will be implemented before September 30th 2017.</p> <p>June 2017 - The primary causes of file quality issues was identified as a training/knowledge gap, together with a number of national developments. To address this gap, Chief Officers approved a number of measures, increased in staffing within CJ, introduced Area Compliance Teams and a CJ trainer post. The trainer has worked to deliver a comprehensive package of training for all front line officers. This training is informed by issues raised in the file quality process. A recent example, raised by CPS, relates to lack of understanding about disclosure of undermining material. The trainer has developed a package of learning material on the subject that is being rolled out now. Further to that there will be a day's file quality training given to all officers from September 2017.</p> <p>August 2017 - No change since June update apart from the review paper will be taken to COG on September 4th.</p> <p>October 2017 - Due to staffing changes within Strategic Development the CJU review has not been completed. Chief Officers extended the period for the review to be completed until December 31st 2017. A further temporary extension was also approved for the CJU and Compliance Team staffing.</p> <p>February 2018 - Chief Officers considered the paper put forward by Strategic Development and agreed to maintain the 6.5FTE within the CJU that were temporary for the next 4 years. Work was commissioned to ascertain which posts would be recruited to in order to increase capability within the CJU. This process is ongoing and will be completed by the end of September 2018.</p> <p>June 2018 - The CJU and Compliance teams are being currently reviewed to ensure that the current changes to demand are factored in. At present we are in the stages of submitting a further COG paper which will look at the number and make-up of the two units and I will be able to report back to the next JASC (September) with a more substantial update.</p>	June 2017 to 30 Sept 2017	31/12/2017 31/03/2019	Ongoing (original timescale extended)
Offender Management (CC)	04/08/2017	R4 A timescale should be set for the review and update of the Police Staff Offender Manager's job description including its approval.	Medium	Detective Inspector MOSOVQ Helen Harkins Det. Supt. PPU and Operations Vicki Ellis	<p>Job description currently being reviewed and expected to be complete by 09/2017.</p> <p>August 2017 - The job description is currently being reviewed by DS Andy Myers.</p> <p>October 2017 - The role profile has been reviewed by DS Myers, liaison with occ health and training re Personal safety training took place but the advice was to continue doing a RA on a case by case basis and no need for PST. This has gone to HR (2.11.17) to ensure no change re Hay profile (police staff) then it will require decision re designation certificate at CC level. Please extend to Jan 2018.</p> <p>February 2018 - Target date extension required, Hay panel has not yet met to consider the post.</p> <p>June 2018 - By way of further update, the new role profile has been discussed and agreed at the Hay panel. The offender managers are going to get a regrade, moving from SO2 to PO2/5. They are all on a PO2 wage already. The designation certificate has now been signed off by the Chief Constable for her decision.</p>	30/09/2017	31/01/2018 30/04/2018	Completed

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Offender Management (CC)	06/08/2017	R6 Arrangements should be in place for regularly reviewing and updating the Constabulary's responsibilities and accountabilities detailed in the MOU to ensure that they accurately reflect its current working arrangements and to fulfil its statutory requirements for sharing information.	Medium	Detective Inspector — MOSOVG Helen Harkins Det. Supt. PPU and Operations Vicki Ellis	MAPPA Coordinator to ensure that the Constabulary's responsibilities and accountabilities detailed in the MOU are reviewed as part of their core role. This will be done annually in line with the review of the MOU The Chief Superintendent PPU will obtain assurance that MOU is annual reviewed. August 2017 - The MAPPA coordinator has had a long term absence she is due back to work on 14th August, this is her priority piece of work please extend target date to end Dec 2017 October 2017 - The MOU update is ongoing, unfortunately MAPPA coordinator has gone off long term sick again so I will need to reassign this work please can you extend again to Jan 2018. February 2018 - Target date extension required. June 2018 - The draft MOU has been completed, it has been quality assured from a policing and national probation service perspective. This has been agreed in principle but requires sign off	30/06/2017	31/12/2017 31/01/2018 30/04/2018	Completed
Fleet (CC)	03/11/2017	R2 Arrangements should be in place for: • The Tranman system administrator to be notified of staff changes affecting access permissions. • Management to periodically confirm access permissions within the Tranman system.	Medium	Head of Estates & Fleet Phil Robinson	We will implement a process map to ensure that staff changes are notified to the team. February 2018 - work ongoing June 2018 - work completed and process agreed between Fleet and CSD..	31/05/2018	30/06/2018	Completed
Fleet (CC)	03/11/2017	R3 The Strategic Vehicle Group should define its expectations regarding the nature and frequency of fleet benchmarking data required to support decision making.	Medium	Head of Estates & Fleet Phil Robinson	We are currently completing the National Association of Police Fleet Managers (NAPFM) benchmarking exercise in tandem with all forces. This is being undertaken through CIPFA and the results will be shared with senior officers and the OPCC. This will be the first full benchmark exercise undertaken by NAPFM for a number of years, and the first whilst the fleet portfolio has sat within estates. We have not therefore been able to share such information. February 2018 - agenda item for consideration and discussion at the Strategic Vehicle group on 30th April 2018. Target completion May 2018. June 2018 - The benchmarking exercise was completed. Agenda item to be included for consideration and discussion at the Strategic Vehicle group in September to discuss frequency of benchmarking exercises.	01/06/2018		Completed
Finances Funding Formula (CC)	06/11/2017	R2 Arrangements should be put in place to demonstrate how the informal COG's discussions, decisions taken and actions arising are part of the governance arrangements and formal decision making process.	Medium	Joint Chief Finance Officer Roger Marshall	Over recent years the role of informal COG as a decision making body has evolved organically, principally as a result of the need for speedier decisions. The membership of both informal and extended COG are very similar. The Constabulary's governance arrangements are currently being reviewed including in its committee and decision making structures. This audit recommendation will be considered as part of the review to ensure that the decision making structure and role of Informal COG within it are clarified. An update on the new structure will be provided to future meetings of JASC. February 2018 - The implementation of the Constabulary's revised governance arrangements is scheduled for April 2018. Arrangements for the role of extended and informal COG are still under discussion. June 2018 - The new board structure is in place and operating well. All decisions and actions are logged and managed using the Microsoft team sites. COG decisions are recorded and published in the force intranet.	31/12/2017	30/04/2018	Completed
Commissioning (PCC)	15/01/2018	R1 Local procedures covering all grant funding processes should be documented, approved, maintained and informed to staff, with training being provided where required. Management should then ensure they have a mechanism in place to confirm the procedures are complied with.	Medium	Head of Partnerships and Commissioning Vivian Stafford	A process map of the general grant funding process has been documented and a checklist will be prepared for each funding stream to go alongside this. June 2018 - Mapping process has been completed for each grant detailing the responsibility of each action undertaken in the process. The Mapping process is a working document and will be reviewed, amended and updated as required. The Checklist has been incorporated in to the mapping (swim land diagram) which shows each stage of the process and the responsibility/ownership of the action.	30/09/2018		Completed
Commissioning (PCC)	15/01/2018	R2 Management should ensure that the evaluation of grant applications clearly supports the decision of whether to approve them.	Medium	Head of Partnerships and Commissioning Vivian Stafford	The evaluation process will be reviewed and amended to ensure that decisions are clearly documented. June 2018 - Developed A4 Word Document (Cover Sheet Evaluation of Application Form). This is a working document and will be reviewed during use to determine if further changes and amendments are required.	31/03/2018		Completed
Business Improvement Unit (CC)	18/01/2018	R1 The risks associated with not documenting meetings should be assessed and actions taken to mitigate those risks if they are above the Constabulary's acceptable risk tolerance level.	Medium	N/A	The Head of Business Improvement Unit has discussed this with the Deputy Chief Constable and a solution will be progressed as part of the Constabulary's current Governance Review to ensure the Constabulary can demonstrate senior management oversight through governance. June 2018 - The new board structure is now in operation and all decisions and actions are logged using the Microsoft teams site.	N/A		Completed
Use of Force (CC)	12/02/2018	R1 Management should ensure that appropriate mechanisms are in place to ensure the accuracy and completeness of the use of force data being recorded and that the reporting requirements of the groups / boards receiving the data are defined.	Medium	Ch. Supt. Territorial Policing Andy Towler	Discussions will be held with the Business Improvement Unit and arrangements to ensure the accuracy and completeness of the use of force data will be built in to the Cumbria Improvement Plan. July 2018 - New Governance process is in place and the Use of Force Board will report on a quarterly basis to the Local Policing & Specialist Capabilities Board. There is a need to identify other Groups that the Use of Force Board will report to including, Strategic IAG, the Ethics & Integrity Panel with recognition there is a Force commitment to ensure legitimacy and transparency to the public too	30/04/2018		Completed
Use of Force (CC)	12/02/2018	R2 Management should define and document the methodology for ensuring compliance with the use of force recording requirements.	Medium	Ch. Supt. Territorial Policing Andy Towler	This will be actioned through the Use of Force Board who will ensure the delivery of improvements and compliance with the ADR. July 2018 - Alternate mechanisms and processes with involvement from officer safety trainer and PSD were acknowledged as adding more value and being more beneficial to the Organisation.	30/09/2018		Ongoing (within original timescale)

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Use of Force (CC)	12/02/2018	R3 Management should have arrangements in place to ensure that the mandatory safety training for officers is taking place on a timely basis.	Medium	Director of Corporate Support Stephen Kirkpatrick	A task and finish process is now in place to look at training. The Use of Force Board will ensure the quality of the management information received and Commanders will be responsible for ensuring that Officers have attended the relevant training. June 2018 - A Gold Group structure, chaired by the Director of Corporate Support, continues to meet on a regular basis regarding the annual Personal Safety Training (PST) and Job Related Fitness Training (JRFT). The number of eligible officers that have undertaken the training within the annual refresh timescales has now increased from 700 to circa. 800 and has seen significant focus on, and progress with, ensuring that front-line officers that are more likely to utilise these skills are trained as a priority. Additional courses have been scheduled over the summer and autumn months to further increase the number of eligible officers that receive their annual PST/JRFT refresher training within the required timescales.	30/06/2018		Completed
15 Week Reviews & PDRs (CC)	13/02/2018	R1 The new PDR process and associated guidance should make clear links between strategic priorities and employee performance objectives and help employees to fully understand their individual contributions.	Medium	Head of People Supt. Sarah Jackson	The PDR and 15 week reviews are currently under review. The Constabulary's intention is to streamline both documents so that the style and formatting are identical. The question set will be altered to align to CumbriaVision2025 and the CVF, so that staff are able to identify their role in the context of the organisational goals. The People Department launched its revised strategy in April 2016 which committed to adopting a strengths based and person centred approach to the way we support our staff. There is an evidence base that demonstrates that a strength-based organisation can create employees who are emotionally engaged in their work, resulting in better productivity, employee retention, and an increased sense of well-being. The question set in the new PDR will underpin this renewed approach and support the progression of staff in to the Cumbria "Your Career, Your Future" Talent programme. June 2018 - The new PDR has now been launched in the constabulary. There are specific links to the Competency Values Framework (CVF) which links the strategic priorities and employee performance objectives. The CVF forms a basis for assessment of competency in personal qualities, classified at different levels, as per the College of Policing requirements. Our Vision 25 is to have a collaborative and supportive culture where people are emotionally engaged in their work, play to their strengths and contribute to the performance of the whole constabulary. We have listened to you and recognised that we need PDR to be more meaningful to both staff and officers. Everyone has a unique set of strengths and capabilities. Each person has the potential to Grow and Achieve as individuals and collectively as a team. We want to value people for their contributions and help them work to their full potential. To support this, we have developed an innovative and forward- looking approach, through consultation with staff, officers, the People Department and external partners. The new approach applies to all officers (up to and including the rank of Chief Superintendent), staff and Special Constables. This new approach is called the Strengths Based Conversation (SBC) and is the model for the PDR/15 week review. The "Your Career, Your Future" programme offers opportunities to develop to all police officers, special constables and staff; the gateway to the programme will be through these Strength Based Conversations. Our new approach to PDR and 15 week review is all about the conversation, the form is just a record of actions that have been agreed together as an outcome of this Strength Based Conversation, which should be purposeful, collaborative and supportive. The conversation is geared towards a whole person, strength-based approach using tried and tested coaching techniques. This approach means our workforce will have great conversations with their managers and discover what is going well already and which areas needs some focus. Through these conversations managers and their staff will work together to: <ul style="list-style-type: none"> Identify what matters most to the individual, this is probably their biggest motivator. Recognise someone's strengths and help them to build on these. Support the individual to be happy, engaged and effective at work. Discover a person's potential and their development opportunities. Collectively meet the objectives of the team and the organisation. 	30/09/2018		Completed
15 Week Reviews & PDRs (CC)	13/02/2018	R2 The project plan should be further developed to incorporate management's expectations around ongoing employee performance management and monitoring and reporting arrangements. Consideration should be given to the following:- <ul style="list-style-type: none"> Roles and responsibilities. Mechanisms for capturing and recording details of 15 Week Reviews. Frequency and nature of monitoring. Follow up action for non-compliance. Reporting requirements. 	Medium	Head of People Supt. Sarah Jackson	Continue with the project plan to deliver the renewed cloud based Kallidus system, which will facilitate enhanced management reporting. The renewed Constabulary Governance arrangements that will take effect in April 2018 will allow for PDR completion monitoring at both local (weekly) and force level (monthly), with key lead officers appointed to ensure compliance. These arrangements will ensure the Constabulary can monitor and rectify any areas of non-compliance. June 2018 - The revised PDR system has been altered so that 15 week reviews will now be located on the same Kallidus system. This will facilitate central governance of completion, which is now managed through the Silver and Gold Workforce Boards (monthly). Local completion of PDR will be monitored through the Bronze People meetings which are held weekly. Local guidance has been provided so that employees and line manager are all aware of their specific roles in the new approach. In their SBC, employees are asked to rate themselves against a score of 1-10; this is later recorded in the Kallidus system so that the constabulary can track progress. Employees record these scores in relation to their work life, home life, friends/community, their learning and their health / wellbeing. This provides a holistic approach to supporting our workforce. We will be able to centrally track those scores which will provide an overview of workforce opinion. There are a number of mandatory integrity health questions embedded into the PDR/15 week, to that we can enhance legitimacy in the workforce (the recording form links to secondary business interest, vulnerable associations, debt, finance issues etc.).	30/09/2018		Completed
15 Week Reviews & PDRs (CC)	13/02/2018	R3 Management should ensure that the new PDR process and associated guidance clarifies performance management requirements.	Medium	Head of People Supt. Sarah Jackson	Agreed management action: The PDR and Cumbria 2025 "Your career, Your Future" will launch with the revised PDR in 2018 (April/May). This will be supported by a widespread Marketing and Communication campaign. It will be a Constabulary wide initiative with clear expectations regarding the mandatory requirement to participate in the PDR process. The Kallidus system upgrade will provide 15 week/annual prompts to ensure compliance is met with the expected frequency for completion. Guidance notes and training will be provided to employees prior to launch to ensure clarity of requirements June 2018 - New guidance has been generated which provides clarity for everyone involved in the new approach. Officers and staff are expected to take personal responsibility for self-development in order to improve performance, not only at an individual level, but with departmental and force objectives in mind. SBC Reviews are mandatory for all officers and staff, as well as to maintain their own continuous record of performance, achievements and competence. CPD can be recorded on the Learning Hub on the CPD Page. This will be held on the system and can be reported upon.	30/09/2018		Completed
Firearms Licensing (CC)	26/02/2018	R1 Action and improvement plans should be fully aligned to service and organisational priorities and contain SMART objectives to ensure clear and direct linkage. Arrangements should be in place for regular monitoring and reporting on plan progress.	Medium	Chief Inspector (Operational Support) Andy Wilkinson Firearms Licensing Manager Karen Morland	We will link the firearms licensing unit action plan to the business plan. Monitoring and reporting on plan progress will be addressed through our 15 week review process. June 2018 - The department accepts that action plans will follow the SMART structure where there is a clear benefit in doing this. There is full agreement with the observation that such plans should be subject to regular review. The plan as referred to was complete prior to receiving this report. The business plan as distinct from an action plan will not be subject of the SMART methodology.	31/03/2018		Completed

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Firearms Licencing (CC)	26/02/2018	R2 Management should define their requirements for prioritising firearms licensing applications, incorporate these requirements into an approved procedure note / process map and develop a mechanism for monitoring progress in this area.	Medium	Firearms Licencing Manager Karen Morland	We will put a procedure into place to prioritise firearms license applications. We will undertake dip sampling to ensure the procedure is followed. June 2018 - This action is accepted and a process map has been produced should the requirement for prioritisation of applications be necessary again. The process map was submitted to the appropriate governing board and approved.	31/03/2018		Completed
Firearms Licencing (CC)	26/02/2018	R3a Management should clearly set out and communicate their expectations for granting and renewing firearm and shotgun licences	Medium	Chief Inspector (Operational Support) Andy Wilkinson	We will document our aspiration to process firearms applications in line with the national targets (renewals within 8 weeks and new licenses within 12 weeks). June 2018 - Nationally there is an absence of consistency in the timescales "offered". Cumbria have been working toward a target of 8 weeks for renewal and variation, and 12 weeks for grant. These are now published on the firearms licensing website and are generally at the more efficient end from a national perspective.	31/05/2018		Completed
Firearms Licencing (CC)	26/02/2018	R3b The Firearms Licencing Department review should be presented to Senior Management for consideration.	Medium	Chief Inspector (Operational Support) Andy Wilkinson	Further work is being undertaken in this area looking at resilience within the firearms licensing team. A paper will be presented to the appropriate organisational governance body to consider. June 2018 - The recommendation for the submission of a review of the department referred to an intended submission as discussed with the auditors. The internal audit did not however identify anticipated issues in relation to resilience, capacity, risk and the storage of data: which was reassuring from the current business perspective however undermining from an intended change perspective. As a consequence of this position and the successful achievement of the back log having now been addressed, the department is not currently proceeding with the previously intended review. This will be subject to consideration throughout departmental meetings namely OS SLT and performance reporting of the turnover and throughput rate. If a review is subsequently identified as necessary, it will then be commissioned.	31/05/2018		Completed
Duty Management (CC)	26/04/2018	R1 Management should ensure that arrangements are in place to clearly document and maintain the role, responsibilities and permissions of groups with a key resource management remit.	Medium	Chief Inspector (Resource Co-ordination) Martin Loebell	As of the 1st April 2018 the Bronze, Silver and Gold governance structure is in place. Each meeting has a clear agenda and action / decision logs are maintained. Guidance has been prepared for the Chair of each meeting and maintaining these up to date will form part of business as usual.	30/04/2018		Completed
Duty Management (CC)	26/04/2018	R2 Management should ensure there is clarity on the level of resource management related information to be reported and recorded at the Daily Operational Review Meeting.	Medium	Chief Inspector (Resource Co-ordination) Martin Loebell	The resource management information to be reported at DORM will be defined, agreed, communicated and recorded. June 2018 - Consultation is ongoing to define operational requirement for reporting of resourcing issues at DORM. On schedule for completion end July 2018.	01/08/2018		Ongoing (within original timescale)
Duty Management (CC)	26/04/2018	R3 It should be ensured that resource management information requirements of all groups are clearly considered and defined as part of the resource management system upgrade project.	Medium	Head of People Sarah Jackson Chief Inspector (Resource Co-ordination) Martin Loebell	There is an ongoing project to upgrade various systems including the duties management system and this aspect will be picked up by the 'Business Futures' project and included in the project plan. June 2018 - Work has started within Business Futures, working with Paul Bull from Staffordshire Police, identifying our future reporting needs and providing better management reporting. For delivery later this year/early 2019. COG paper being prepared by Louise Butler seeking additional support for further investment in this area.	31/10/2019		Ongoing (within original timescale)
Vulnerability/Hate Crime (CC)	01/05/2018	R1 Management should ensure there is clarity around how the achievement of the hate crime aim will be measured, monitored and reported.	Medium	Det. Supt PPU & Operations Vicki Ellis	We will survey victims of hate crime so that we can assess whether we are increasing confidence levels as per the aim. July 2018 - currently being monitored and managed through the monthly vulnerability meetings as a standing agenda item reviewing the survey information.	30/04/2019		Ongoing (within original timescale)
Vulnerability/Hate Crime (CC)	01/05/2018	R2a Management should ensure that all hate crime guidance uses consistent definitions.	Medium	Det. Supt PPU & Operations Vicki Ellis	We will ensure that the agreed College of Policing definitions are used in all hate crime guidance. July 2018 - Being progressed, internal documents have been updated, we are awaiting final approval of policies through Local Policing and Specialist Capabilities Board in August. In addition a new 7 minute briefing is also being circulated.	30/06/2018	31/08/2018	Ongoing (original timescale extended)
		R2b Where policy documents are made available to the public through the Constabulary's website, arrangements should be put in place to ensure only the most recent version is published.	Medium		We will remove the old policy from the website and ensure easy access to the new one. July 2018 - Linked to action 2a above, once the policy documents have been approved, the website will be updated to include only the latest version.	30/06/2018	31/08/2018	Ongoing (original timescale extended)
Vulnerability/Hate Crime (CC)	01/05/2018	R3 Arrangements should be put in place to provide assurance to management that hate crime policy and procedures are being complied with, that all staff are aware of processes and their responsibilities in relation to hate crime and that there is sufficient evidence to demonstrate that these are being undertaken.	Medium	Det. Supt PPU & Operations Vicki Ellis	The Business Improvement Unit checks will identify non-compliance with hate crime policy and procedures and provide a baseline for this. Results will be scrutinised at Vulnerability meetings and reasons for non-compliance identified so that appropriate action can be taken to address it. July 2018 - Informal dip-sampling is being done to highlight our compliance against the policies and procedures by Inspector Gaynor Taylor through the vulnerability agenda. Crime Management Unit scrutinise all Hate Crime and Incidents within 72 hours for review of investigative quality. BIU reality testing starts on 9/8/18.	31/10/2018		Ongoing (within original timescale)
Cash Receipting (CC)	04/05/2018	R1 Management should clearly define and communicate their requirements in relation to cash receipting procedures to ensure that staff in HQ and the Divisional Offices are fully aware of their individual responsibilities.	Medium	Payroll & Transactional Services Manager Alison Hunter	CSD staff in HQ and Area based teams have fully documented procedures to follow to undertake the weekly banking. Staff are provided with these along with training when they start to undertake this role. The existing procedures will be enhanced to include more detail as suggested. June 2018 - Meetings have been held with area based staff to review the revised procedures to ensure that they fully understand them. Final procedures will be issued to all HQ & Area based staff by the 13th July 2018.	30/06/2018	31/07/2018	Ongoing (original timescale extended)
Cash Receipting (CC)	04/05/2018	R2 Management should have arrangements in place to ensure that internal procedures comply with the insurance requirements for carrying cash and that compliance can be demonstrated.	Medium	Head of Central Services Ann Dobinson	Procedures will be amended to add the requirement to document on the Business Banking Receipt details of who has attended the bank on that particular day. June 2018 - Staff have been reminded of the insurance requirements for carrying cash to and from the bank and to document who attends the bank for audit purposes. The procedures have been amended and are currently being circulated to staff involved in the banking process for feedback. Meetings are being held with area based staff to review the revised procedures to ensure they are fully understood before the final version is circulated.	31/05/2018		Completed
Cash Receipting (CC)	04/05/2018	R3 Management should put arrangements in place to ensure • Compliance with their requirement for the prompt receipting of all cash received, and • the timely follow up of any amounts received for which the reason for payment is unclear.	Medium	Head of Central Services Ann Dobinson	Normally all cheques and cash are receipted on the day they are received as detailed in the procedures. A reminder email has been sent to all staff involved in the banking process to ensure all income is receipted on the day it is received in line with the agreed procedures. June 2018 - Action completed as audit was finalised.	30/04/2018		Completed
Creditors (CC)	20/06/2018	R1) Arrangements for deactivating suppliers should be defined, agreed, communicated and monitored. Note, this recommendation was originally raised in the previous audit March 2016 and has been re-raised.	Medium	Not noted	Not noted	No date given		Not Yet Due

Audit Report	Report Date	Recommendation	Grade	Person Responsible	Agreed / Intended Action / Progress Update	Target Date	Revised Target Date	Status
Information Security (OPCC)	22/06/2018	R1) (a) Actions within the GDPR Action Plan should have clear completion dates for monitoring and reporting purposes.	Medium	Governance Manager	(a) Timescales for each action have now been completed.	31/05/2018		Completed
		R1) (b) Arrangements should be in place to ensure the GDPR Action Plan is accurately completed with evidence in place to support any actions marked as complete.		Joanne Head	(b) Customer information had been cleansed at the time of the audit but not shown in the action plan. We have now updated the action plan.	31/05/2018		Completed

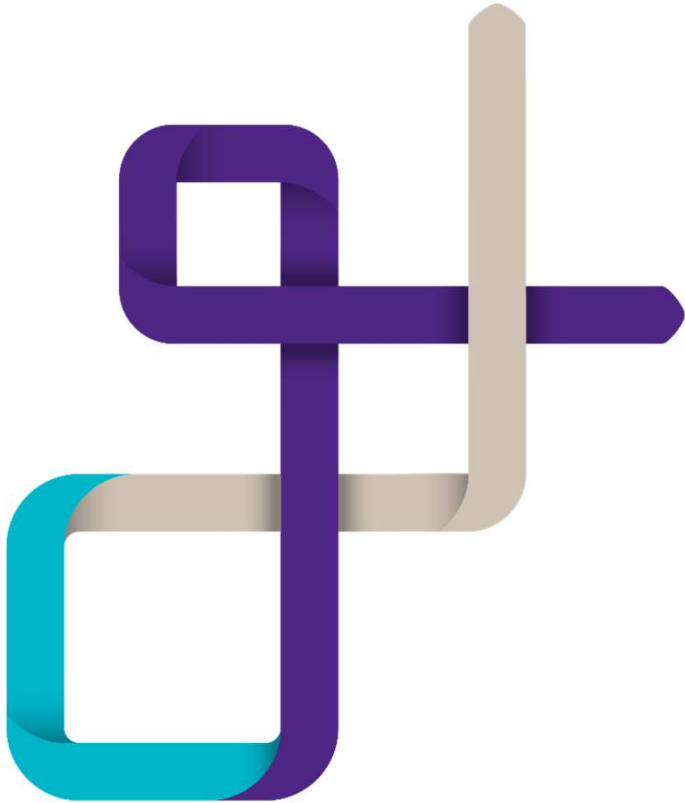


Joint Audit Findings

Year ending 31 March 2018

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

10 July 2018



Contents



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- D. Audit Opinion – PCC
- E. Audit Opinion – Chief Constable

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audits of Cumbria Police and Crime Commissioner ('the PCC') and Cumbria Chief Constable and the preparation of the PCC and Chief Constable's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the group, PCC's and Chief Constable's financial statements give a true and fair view of the group's, PCC's and Chief Constable's financial position and of the group, PCC's and Chief Constable's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statements of Accounts, Annual Governance Statements (AGS) and Narrative Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are shown on pages 24 to 27. We have identified no adjustments to the core financial statements and no impact on the financial position of the PCC, Chief Constable or the Group. Disclosure adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>We have substantially completed our audits of your financial statements and subject to outstanding queries being resolved, we anticipate providing unqualified audit opinions in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (Appendix D). We also anticipate providing an unqualified opinion in respect of the Chief Constable's financial statements (Appendix E). These outstanding items include:</p> <ul style="list-style-type: none">finalising our work on journals, Police Officer Pension Scheme, PFI, cashflow statement and consolidation process;receipt of management representation letters and updating post balance sheet events review; andreview of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statements and Narrative Reports are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the PCC and Chief Constable have each made proper arrangements to secure economy, efficiency and effectiveness in their use of resources ('the value for money (VFM) conclusion')	<p>We have completed our risk based review of the PCC and Chief Constable's value for money arrangements. We have concluded that Cumbria PCC and Chief Constable each have proper arrangements to secure economy, efficiency and effectiveness in their use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion to both entities, as detailed in Appendices D and E. Our findings are summarised on pages 18 to 20.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andcertify the closure of the audits	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audits when we give our audit opinions.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audits. Once again the Finance team produced excellent accompanying working papers at the commencement of our work to support the draft financial statements.

Summary

Overview of the scope of our audit

This Joint Audit Findings presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Joint Audit and Standards Committee, attended by the Police and Crime Commissioner and Chief Constable.

As auditor we are responsible for performing the audits, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on both sets of financial statements that have been prepared by management with the oversight of those charged with governance. The audits of the financial statements do not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the PCC's and Chief Constable's business and is risk based, and in particular included:

- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response.
- Full scope audits of both the PCC and Chief Constable financial statements

- An evaluation of the PCC's and Chief Constable's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audits of your financial statements and subject to outstanding queries being satisfactorily resolved, we anticipate issuing a unqualified audit opinion in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable (Appendix D). We also anticipate providing a unqualified opinions in respect of the Chief Constable's financial statements (Appendix E). These outstanding items include:

- finalising our work on journals, Police Officer Pension Scheme, PFI, cashflow statement and consolidation process;
- receipt of management representation letters;
- updating our post balance sheet events review to date of signing opinion; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for the Group, PCC and Chief Constable (CC). We have set a separate materiality for disclosure of remuneration for senior employees.

	Group, PCC and Chief Constable Amount (£)
Materiality for the financial statements	£2,662,000 (2% of gross revenue expenditure – used lowest for Group, PCC or Chief Constable)
Performance materiality	£1,997,000 (75% of overall materiality)
Trivial matters	£133,000 (5% of overall materiality)
Materiality for specific transactions, balances or disclosures	Senior employees remuneration - £33,880 (PCC / Group), £26,920 (CC) (2% of senior employees expenditure)

Significant audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>1 Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Both	<p>As detailed in our Joint Audit Plan, we do not consider this to be a significant risk for the PCC or the Chief Constable. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the PCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • the culture and ethical frameworks of local authorities, including the PCC for Cumbria, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the PCC.</p> <p>For the Chief Constable, revenue is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable's financial statements as a transfer of resources from the PCC to the Chief Constable for the cost of policing services. Income for the Chief Constable is received entirely from the PCC.</p> <p>Therefore we have determined that the risk of fraud arising from revenue recognition is not a significant risk for the Chief Constable.</p>
<p>2 Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	Both	<p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness; • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness; • evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>We have completed our walkthrough of the journals process and confirmed the completeness of the population from which to select journals. We have selected the journals to test and are currently in the process of testing them. No issues identified to date.</p>

Significant audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>3 Valuation of property, plant and equipment</p> <p>The PCC revalues land and buildings on a rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	PCC	<p>We have:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • discussed with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • tested revaluations made during the year to ensure they are input correctly into the PCC's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. <p>Our work identified that the Finance team had discussed the issue of assets not revalued with the valuer and that the valuer was satisfied that they would not be materially mis-stated as at 31 March 2018. However, this assessment was not documented in the working papers. We identified that 46% of land and buildings had not been revalued for 12 months and 39% had not been revalued for 2 years. The longer an asset has not been revalued for the greater the risk that their value has changed and the more assets in this position the greater the risk that overall assets not revalued could be materially mis-stated.</p> <p>We have reviewed the paper produced by finance and estates staff and we are satisfied that those assets not revalued during the year are not materially misstated.</p>

Significant audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>4 Valuation of pension fund net liability</p> <p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent significant estimates in the financial statements.</p> <p>The Police Officer Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty, being very sensitive to small adjustments in the assumptions used.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	Both	<p>We have:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • evaluated the competence, expertise and objectivity of the actuaries who carried out your pension fund valuations. We have gained an understanding of the basis on which the valuations are carried out; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made; • checked the consistency of the pension fund asset (LGPS only) and liability and disclosures in notes to the financial statements with the actuarial reports from your actuaries. <p>Our work confirmed that although the pension disclosures in the accounts were consistent with the information in the IAS19 reports there was an issue with the LGPS re-run IAS19 reports from the actuary. We challenged the level of the movement on assets and liabilities between the original and re-run LGPS IAS19 figures as the movements were greater than we expected. We identified two significant changes in the data given to the actuary for the Chief Constable. They were:</p> <ul style="list-style-type: none"> • pensions paid reduced by around £1.5 million in the re-run; • payments in respect of leavers reduced by around £0.3 million in the re-run. <p>It has now been confirmed that an error occurred in the extraction of the data sent to the actuary by the Cumbria Local Government Pension Scheme. The IAS19 information has now been re-run. The revised figures show that any impact on the entries in the core financial statements were below our triviality levels and no adjustments have been made. In terms of the disclosures shown in the technical Annex C the individual amounts that make up the disclosures have changed by amounts that are also below the trivial threshold, with one exception. This relates to the figure for benefits / transfers paid and this has changed by £1.883 million for the Group. This figure is used in the build up of the scheme assets and scheme liabilities which net down to the figure reported in the balance sheet. Given the value of the error in the disclosure of the benefits / transfers paid management has decided to amend the disclosure notes for these changes. Therefore, scheme assets and liabilities disclosures have been amended by £1.883 million. No other adjustments were made to the disclosure notes.</p>

Reasonably possible audit risks

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>5 Employee remuneration Payroll expenditure represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	Both	<p>We have:</p> <ul style="list-style-type: none"> evaluated the PCC's and Chief Constable's accounting policies for recognition of payroll expenditure for appropriateness; gained an understanding of the PCC's and Chief Constable's systems for accounting for payroll expenditure and evaluated the design of the associated controls; tested the reconciliation of payroll expenditure to ensure the amount in the accounts can be reconciled to the general ledger and through to payroll reports. Investigated any significant adjusting items; agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents and reviewed any estimates for reasonableness; performed a monthly analytical review on payroll costs. <p>Our work has not identified any issues in respect of the completeness of employee remuneration.</p>
<p>6 Operating expenses Non-pay expenses on other goods and services also represents a significant percentage of the Chief Constable's (and therefore the group's) operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	Bot	<p>We have:</p> <ul style="list-style-type: none"> evaluated the PCC's and Chief Constable's accounting policies for recognition of non-pay expenditure for appropriateness; gained an understanding of the PCC's and Chief Constable's systems for accounting for non-pay expenditure and evaluated the design of the associated controls; obtained a listing of non-pay payments made in April, taken a sample, and ensured that they have been charged to the appropriate year; reviewed the year-end AP reconciliation, and investigated any significant reconciling items <p>Our testing of post year-end payments did not identify any issues in respect of the completeness of operating expenses. We found one error in our testing on operating expenses and one error on creditors. Additional testing confirmed that the potential errors were trivial.</p>

Reasonably possible audit risks (continued)

Risks identified in our Audit Plan	Relevant to PCC or Chief Constable?	Commentary
<p>7 Police pension schemes benefits payable</p> <p>The Chief Constable administers three police pension schemes, with the Police Pension Fund Account being included in the Chief Constable's and therefore the group's financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p>Chief Constable (and group)</p>	<p>We have:</p> <ul style="list-style-type: none"> gained an understanding of the Chief Constable's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls; reconciled the pension payroll to the figures in the accounts; undertaken an analytical review of pensions paid with reference to changes in pensioner numbers and increases applied in the year together with a comparison of pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained; undertaken substantive testing of a sample of monthly pension benefit payments made in the year; undertaken testing of a sample of lump sum pension benefit payments made in the year. <p>We are currently finalising our work on police officer pension scheme benefits payable. No issues have been identified to date but we are reviewing one calculation to complete our detailed testing.</p>

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary - PCC

Auditor commentary

Management's assessment process

The Police and Crime Commissioner has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists.

- The PCC's assessment of going concern was communicated to us in their letter to us dated 16 April 2018.

Work performed

We discussed the financial standing of the PCC with the Joint Chief Finance Officer and reviewed management's assessment of going concern and the assumptions and supporting information.

- No material uncertainty identified;
- Explicit disclosure of going concern as the basis of the preparation of the accounts to be made in the Narrative Report.

Concluding comments

PCC's use of going concern basis of accounting is properly supported but needs explicitly disclosed in the accounts.

- Our opinion is unmodified in respect of the going concern conclusion.

Going concern commentary – Chief Constable

Management's assessment process

The Chief Constable has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exist.

- The Chief Constable's assessment of going concern was communicated to us in their letter to us dated 12 April 2018.

Work performed

We discussed the financial standing of the Chief Constable with the Joint Chief Finance Officer and reviewed management's assessment of going concern and the assumptions and supporting information.

- No material uncertainty identified;
- Explicit disclosure of going concern as the basis of the preparation of the accounts to be made in the Narrative Report.

Concluding comments

Chief Constable's use of going concern basis of accounting is properly supported but needs explicitly disclosed in the accounts.

- Our opinion is unmodified in respect of the going concern conclusion.

Significant matters discussed with management



This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
1 Significant events or transactions that occurred during the year	No issues to report.
2 Business conditions affecting the Group /PCC and Chief Constable, and business plans and strategies that may affect the risks of material misstatement	No issues to report.
3 Concerns about management's consultations with other accountants on accounting or auditing matters	No issues to report.
4 Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	We were re-appointed as auditors of the Police and Crime Commissioner (PPC), the Chief Constable and the PCC Group for five years from 2018/19. We issued our fee letters for 2018/19 on the 20 April 2018 and presented them to the Joint Audit and Standards Committee on 24 May 2018.
5 Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No issues to report.
6 Other matters that are significant to the oversight of the financial reporting process	No issues to report.

Significant findings arising from the group audit

Component	Component auditor	Work completed	Findings and Group audit impact
Police and Crime Commissioner (parent)	Grant Thornton UK LLP	<ul style="list-style-type: none">Full scope UK statutory audit performed by Grant Thornton UK LLP.	<ul style="list-style-type: none">The only issue identified in respect of the risks on pages 5 to 9 relates to the error on the IAS 19 disclosures.
Chief Constable (subsidiary)	Grant Thornton UK LLP	<ul style="list-style-type: none">Full scope UK statutory audit performed by Grant Thornton UK LLP.	<ul style="list-style-type: none">The only issue identified in respect of the risks on pages 5 to 9 relates to the error on the IAS 19 disclosures.

Accounting policies, estimates and judgements

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>PCC</p> <ul style="list-style-type: none"> Revenue from the provision of services is recognised when the percentage completion of the transaction can be reliably measured and that it is probable that economic benefits or service potential associated with the transaction will flow. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due when there is reasonable assurance of: <ul style="list-style-type: none"> - compliance with the conditions attached to the payments, and - the grants or contributions will be received. <p>Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.</p> <p>Chief Constable</p> <ul style="list-style-type: none"> 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. 	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>Policies are in accordance with the requirements of the CIPFA Code of Practice.</p>	 GREEN
Judgements and estimates	<p>PCC</p> <ul style="list-style-type: none"> Key judgements and estimates are set out in notes 2 and 4 respectively and include: <ul style="list-style-type: none"> - uncertainty over future police funding; - treatment of assets and liabilities under PFI contracts; - PPE valuations; - Provisions; and - pensions liability valuations <p>Chief Constable</p> <ul style="list-style-type: none"> Key judgements and estimates are set out in notes 2 and 4 respectively and include: <ul style="list-style-type: none"> - uncertainty over future police funding; - calculation of provisions; - pensions liability valuations. 	<p>We have reviewed the PCC's and Chief Constable's judgements and estimates against the requirements of the CIPFA Code of Practice.</p> <ul style="list-style-type: none"> Where the PCC or Chief Constable has made judgements or estimates in the financial statements these have been supported with robust and clear explanation of the assumptions applied. PPE valuations and pension liability valuations are considered separately on the next page. 	 GREEN


Assessment

● Marginal accounting policy which could potentially be open to challenge by regulators


● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Judgements – pension fund liability	<p>PCC & Chief Constable</p> <p>Local Government Pension Scheme (LGPS)</p> <p>The LGPS is the pension scheme for police staff. This is a funded defined benefit scheme.</p> <p>The scheme is administered by Cumbria County Council.</p> <p>The liability showing the underlying long term commitment to fund future retirement benefits is shown on the relevant PCC and CC balance sheet with a corresponding pension reserve.</p> <p>Police Officers Pension Schemes</p> <p>The Chief Constable operates three pension schemes for police officers. These are the Police Pension Scheme, the 2006 Police Pension Scheme, and the 2015 Police Pension Scheme. All of these are unfunded defined benefit schemes.</p> <p>The financial liability for these schemes appears on the Chief Constable's balance sheet with a corresponding pension reserve.</p> <p>The liabilities relating to these schemes decreased by £55.5 million in 2017/18. The liability stood at £1,187.7 million at 31 March 2018.</p>	<p>For both LGPS and the three police officer pension schemes we have undertaken a review of the relevant actuary's (Mercer for LGPS and GAD for police schemes) work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the schemes' actuaries.</p> <p>The pension fund liabilities are most sensitive to changes in the following key assumptions:</p> <ul style="list-style-type: none"> • Discount rate; • Mortality; • Inflation; and • Future salary increases. <p>For both LGPS and the police pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by both Mercer and GAD are reasonable for the purpose of valuing the liabilities at 31 March 2018.</p> <p>For LGPS we have confirmed with the external auditor of the pension fund that the controls over membership data were operating as intended for the information sent to the actuary as at 31 January 2018. However, it was noted that when the first re-run was done in May 2018 the membership numbers were incorrectly updated. The pension fund auditor has confirmed that the incorrect updated membership numbers are provided for information only and have had no impact on the re-run figures.</p> <p>For the three police pension schemes we are currently finalising our audit procedures on membership data to ensure it is consistent with our expectations.</p> <p>For both LGPS and the police pension schemes we have reviewed the information submitted to the actuaries to confirm that it is consistent with underlying records. Our work on information supplied for the LGPS IAS19 re-run identified that there were errors in the data supplied to the actuary for the re-run. The LGPS IAS19 data is being re-run to obtain the correct disclosures.</p>	<p style="text-align: center;"> AMBER</p>




Assessment

 Marginal accounting policy which could potentially be open to challenge by regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Judgements - property, plant and equipment	<p>PCC</p> <p>The CIPFA Code requires that authorities revalue their land and building assets on a regular basis. The PCC engaged Carigiet Cowen, a firm of chartered surveyors, to provide land and building valuations for financial reporting purposes.</p> <p>The PCC revalues its PPE assets on a rolling programme. For the land and building assets not revalued in 2017/18, the external valuer undertook a review to determine whether it was necessary to increase or decrease the value of all the properties in aggregate. The valuer concluded that properties were not materially misstated at 31 March 2018.</p>	<p>We have undertaken a detailed review of the work performed by Carigiet Cowen to provide land and building valuations for financial reporting purposes.</p> <p>We are satisfied from our review that the methodology and assumptions used by Carigiet Cowen were reasonable.</p> <p>We are satisfied that the PCC's non-current assets are not materially misstated as at 31 March 2018.</p>	 GREEN
Intra-Group funding arrangements and cost recognition	<p>PCC & Chief Constable</p> <p>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.</p> <p>Under the Commissioner's funding arrangement to the Chief Constable premises costs (except where they are directly attributable to the Chief Constable) are initially recorded in the accounts of the Commissioner and a recharge is made to the Chief Constable in the single entity Comprehensive Income and Expenditure Statements on an appropriate basis. Transport and supplies and services costs (except where they are directly attributable to the Commissioner) are initially recorded in the accounts of the Chief Constable and a recharge is made to the Commissioner in the single entity Comprehensive Income and Expenditure Statements on an appropriate basis.</p>	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p> <p>Policies are in accordance with the requirements of the CIPFA Code of Practice.</p>	 GREEN
Other critical policies	<p>PCC & Chief Constable</p> <p>We have reviewed the PCC's and Chief Constable's policies against the requirements of the CIPFA Code of Practice. The accounting policies are appropriate and consistent with previous years.</p>	<p>Our review of accounting policies for each of the PCC and Chief Constable has not highlighted any issues which we wish to bring to your attention.</p>	 GREEN

Assessment

● Marginal accounting policy which could potentially be open to challenge by regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	We have previously discussed the risk of fraud with the Joint Audit and Standards Committee, the PCC and the Chief Constable. We have not been made aware of one potential fraud in the period but no new issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	A standard letter of representation has been requested from each of the PCC and Chief Constable, with the PCC's including specific representations in respect of the Group. These are agenda items on the Joint Audit and Standard Committee papers.
⑤ Confirmation requests from third parties	We requested from management permission to send confirmation requests to the PCC's bank and investment counter-parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
⑥ Disclosures	Our review found no material omissions in the financial statements.
⑦ Significant difficulties	We did not identify any issues with accounts closedown, production of draft accounts or quality of the and working papers.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
1 Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statements (AGS) and Narrative Reports), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue unqualified opinions in this respect – refer to appendices D and E.</p>
2 Matters on which we report by exception	<p>The PCC has updated the Draft Annual Governance Statement to include an additional disclosures in terms of the need to improve arrangements for procurement.</p> <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statements do not meet the disclosure requirements set out in the CIPFA / SOLACE guidance or are misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the PCC (on behalf of the group) does not exceed the threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audits of the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary in the audit opinions, as detailed in Appendices D and E.</p>

Value for Money

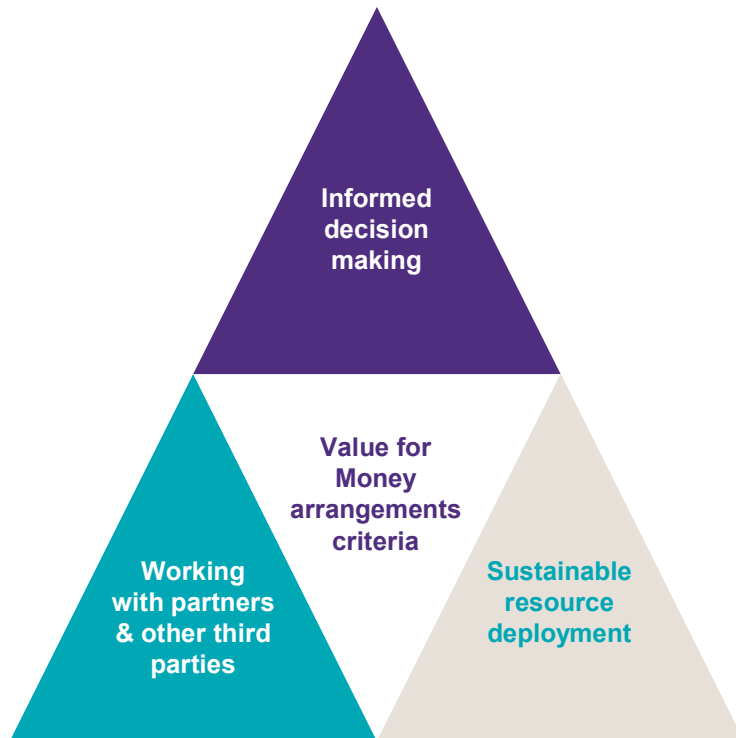
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for police bodies, auditors are required to give a conclusion on whether each of the PCC and Chief Constable has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Joint Audit Plan dated March 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risk determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of each of the PCC and Chief Constable's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in each of the PCC and Chief Constable's arrangements. In arriving at our conclusion, our main considerations were:

- the reasonableness of the assumptions in the 2019-20 to 2021-22 financial forecasts;
- how the Constabulary has considered various scenarios, and updated and refined savings plans, to help in address and potential impact resulting from Police Funding Formula (PFF) changes.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on the next page.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- Individually, the PCC and Chief Constable each had proper arrangements in all significant respects to ensure they delivered value for money in their use of resources.

The text of our reports, which confirms this can be found at Appendix D and E.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment and our ongoing review of documents.

Significant risk	Relevant to PCC or Chief Constable?	Findings	Conclusion
<p>1 Financial sustainability</p> <p>The Police and Crime Commissioner (PCC) has set a balanced budget for 2018/19 and has also managed to balance the 2019/20 budget. However, there is still a need to find around £3.7 million of savings between 2020/21 and 2021/22. At the end of December 2017 the Constabulary was projecting an overspend for 2017/18 of £1.008 million. Even though Cumbria Police has delivered £24 million of savings through its 'Change Strategy' since 2010, delivering further savings of £3.7 million, and ensuring that the Constabulary can continue to deliver policing services within budget represents a significant challenge.</p>	Both	<p>The PCC and the Constabulary continue to face financial challenges but the Medium Term Financial Forecast (MTFF) 2018/19 to 2021/22 demonstrates their long-term financial viability. Key planning assumptions cover both internal and external factors such as, Government funding, pay inflation, non-pay inflation and council tax increases. These assumptions appear reasonable. There is a sound process in place to produce the MTFF.</p> <p>The PCC set the 2018/19 budget and Council tax requirement on 14 February 2018. This resulted in a balanced revenue budget for 2018/19 of £141.5 million and a Council Tax increase of 5.42%. This showed that savings of £3.7 million were required between 2020/21 and 2021/22. The 2018/19 Council Tax increase of 5.42% will help fund 25 additional police officers, maintain 95 PCSOs, increase in the number of armed officers and improving the protection for children and other from cyber risks. The MTFF assumes a 5.14% Council Tax increase in 2019/20. Getting public support for another large Council Tax increase will be challenging even if it were linked to additional resources / improved outcomes. The Joint Chief Finance Officer (CFO) provides an assessment of the adequacy of balances and reasonableness of assumptions and estimates used to produce the budget. There is also a formal process of challenge by the Police and Crime Panel.</p> <p>As part of the budget setting for 2018/19, the projections for 2019/20 to 2021/22 were updated. This showed that savings of £3.7 million were required between 2020/21 and 2021/22. It was clear in the report that this excludes the potential impact of any changes to the Police Funding Formula (PFF). The position on the timing, amount and transitional arrangements of any Police funding formula changes is still to be confirmed but both the PCC and Chief Constable are well aware of the potential impact. The Constabulary has continued to work on various scenarios, and the updating and refining of savings plans, to help it address any PFF impact. This approach is reasonable and provides further evidence of on-going updating of financial plans.</p> <p>Historically, the MTFF is updated as part of a mid-year review but due to the uncertainty around the impact of the Police Funding Formula (PFF), this has not been updated during the year but only for the budget setting process in February 2018. This is not a significant weakness as we have been present when the Joint CFO has briefed Joint Audit and Standards Committee (JASC) members on progress on the funding formula and potential impact.</p> <p>Since 2016/17 amounts are removed from the base budget for Change Programme saving. In addition, for 2018/19, a further £0.6 million of savings were identified, particularly for ICT, estates and fleet as a result of the star chambers process. Whilst no specific monitoring of the delivery of savings was undertaken this was reviewed as part of the Constabulary's regular arrangements for budget monitoring process, also reported to the PCC.</p> <p>During 2017/18 the Constabulary was reporting that it was going to overspend by around £1 million. It has taken action to try to minimise the impact of this in 2017/18 and actually delivered a £0.041million underspend for 2017/18. There were various reasons for this improved position including finalising accounting treatment on the Apprentice Levy, a greater number of vacancies, lower mileage incurred than expected, savings from IT licencing reviews and additional income. The Constabulary's financial position will continue to be challenging in 2018/19 and onwards.</p>	<p>Both the PCC and Chief Constable have in place robust arrangements to monitor and update their financial plans and the delivery of the required savings. They still face significant financial changes from any formula funding changes. We concluded that the PCC and Chief Constable have proper arrangements in place for ensuring they plan finances effectively to support their strategic functions and arrangements for ensuring informed decision making.</p>

Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue	Commentary
1 Public Interest report Written recommendations Application to the court for unlawful item Advisory notice Application for judicial review	We have not identified any matters which require to be considered under our other statutory powers or duties.

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.



Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to each of the PCC and Chief Constable. No non-audit services were identified.


Action plan

We have made two recommendations as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.


Assessment	Issue and risk	Recommendations
<p>1</p> <p> Amber</p>	<p>Both the PCC and Chief Constable asked for the Local Government Pension Scheme (LGPS) IAS19 pension disclosures to be re-run by the Actuary. This was done and the assets and liability have moved by over 2% and nearly 1% respectively. We challenged the level of the movement as we expected the asset value to change slightly with no significant movement in the liability. When we compared the original and re-run IAS19 disclosures we identified two significant changes in the data given to the actuary for the Chief Constable. They were:</p> <ul style="list-style-type: none"> pensions paid reduced by around £1.5 million in the re-run; payments in respect of leavers reduced by around £0.3 million in the re-run. <p>It has now been confirmed that an error occurred in the extraction of the data sent to the actuary by the Cumbria Local Government Pension Scheme. The IAS19 information has been re-run. The risk was that by not validating the re-run data that a material error could occur.</p>	<p>Agree arrangements with the Cumbria Local Government Pension Scheme to validate any data to be submitted to the actuary for re-runs of IAS19 disclosure. When re-run is received review disclosures to ensure that any unexpected movements are investigated.</p> <p>Management response</p> <p>The County Council have recognised that there was an error on their part in amending the data submission to the scheme actuary for the accounting disclosures re-run without first obtaining approval from the Constabulary. In future, enhanced protocols and checks will be built into the final accounts process to ensure that the data used for any re-run figures has been accurately represented.</p>
<p>2</p> <p> Amber</p>	<p>Between 31 March 2016 and 31 March 2018 the PCC revalued all of its land and buildings as part of a rolling programme. However, in 2017/18 on three assets were revalued with a value of £7.5 million (15% of net book value). This meant that 46% of land and buildings had not been revalued for 12 months and 39% had not been revalued for 2 years. The longer an asset has not been revalued for the greater the risk that their value has changed and the more assets in this position the greater the risk that overall assets not revalued could be materially mis-stated. The Finance team had discussed the issue with the valuer and the valuer was satisfied that they would not be materially mis-stated. However, this assessment was not documented in the working papers. In addition, it is clear that the potential risk of assets not revalued being materially mis-stated is increased when the rolling programme of valuations is disproportionately low in one of the three years.</p>	<p>Ensure that the justification that assets not revalued are not materially mis-stated is fully documented. Review the rolling programme of asset revaluations to achieve a more equitable profile to of when assets revalued to minimize the risk of assets not revalued being materially mis-stated.</p> <p>Management response</p> <p>During the preparation of the 2017/18 statement of accounts an evaluation of the asset valuations that had not been subject to review in the year was made. In future years, this process will be better documented and provided as a working paper for the auditors to demonstrate consideration of all values as part of the year end process. In addition, consideration is currently being given to reviewing the valuation schedule to ensure a more even split of asset valuations between years.</p>

We are currently finalising our work on the Oracle E-business suite (EBS) system. No issues have been identified which would be likely to have a material impact on the accounts but we will make suggested improvements to user access controls and passwords.

Controls

 High – Significant effect on control system

 Medium – Effect on control system

 Low – Best practice

Audit Adjustments - PCC

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

We have not identified any adjustments to the PCC's or Group draft accounts during the audit process. No such adjustments have been made by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Movement in Reserves Statement (MiRS)	We identified that the top line in the MiRS did not add up. A column had been hidden in error in the MiRS working paper and this was replicated in the draft accounts. The accounts have been amended to show all required columns.	✓
Note 9 – Property, Plant and Equipment	Not all accumulated depreciation was written back when two componentised assets were revalued as at 31 March 2018. This had no impact on the amounts reported in the balance sheet for Property, Plant and Equipment – Land and buildings but was simply a disclosure note issue. Accumulated depreciation written out increased by £0.92 million with a corresponding reduction in revaluations.	✓
Note 26 – Audit fees	In the note audit fees payable to the external auditor were being reduced by a rebate from Public Sector Audit Assurance (PSAA) Ltd. However, the audit fee note should show in full payments to Grant Thornton UK LLP. The rebate from PSAA has been put as a footnote.	✓
Presentation and consistency	A number of minor changes have been made to the wording and presentation of disclosure notes throughout the Financial Statements to improve their clarity and consistency.	✓

Audit Adjustments - PCC

Impact of unadjusted misstatements

There are no such unadjusted items as a result of our audit.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2016/17 financial statements.

Audit Adjustments – Chief Constable

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

We have not identified any adjustments to the Chief Constable's draft accounts during the audit process. No such adjustments have been made by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Note 8 – Audit fees	In the note audit fees payable to the external auditor were being reduced by a rebate from Public Sector Audit Assurance (PSAA) Ltd. However, the audit fee note should show in full payments to Grant Thornton UK LLP. The rebate from PSAA has been put as a footnote.	✓
Presentation and consistency	A small number of minor changes have been made to the wording and presentation of disclosure notes throughout the Financial Statements to improve their clarity.	✓

Audit Adjustments – Chief Constable

Impact of unadjusted misstatements

There are no such unadjusted items as a result of our audit.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the 2016/17 financial statements.

Fees

We confirm below our final fees charged for the audit.

Audit Fees

	Proposed fee	Final fee
Police and Crime Commissioner Audit	£30,338	£30,338
Chief Constable Audit	£15,000	£15,000
Total audit fees (excluding VAT)	£45,338	£45,338

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Non Audit Fees

No non-audit or audited related services have been undertaken for each of the PCC and Chief Constable.

Audit opinion – PCC

We anticipate we will provide the Group / PCC with an unmodified audit report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Cumbria (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable for Cumbria Constabulary (the 'group') for the year ended 31 March 2018 which comprise the , the Comprehensive Income and Expenditure Statement – Group, the Comprehensive Income and Expenditure Statement – PCC, Movement in Reserves Statement – Group, Movement in Reserves Statement – PCC, the Balance Sheet – PCC & Group, the Cash Flow Statement – PCC & Group and notes to the financial statements, including a summary of significant accounting policies and Annexes A, B, C and D and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, Pension Fund Net assets and Liabilities and the notes to financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2018 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Police and Crime Commissioner in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Joint Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Joint Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Police and Crime Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Joint Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement, other than the group and Police and Crime Commissioner financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and the Police and Crime Commissioner obtained in the course of our work including that gained through work in relation to the Police and Crime Commissioner's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner gained through our work in relation to the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Police and Crime Commissioner and the Joint Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities for the Statement of Account, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Joint Chief Finance Officer. The Joint Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint Chief Finance Officer is responsible for assessing the group's and the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Police and Crime Commissioner lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Police and Crime Commissioner.

The Police and Crime Commissioner is 'Those Charged with Governance.'

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the* Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

To be signed

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

To be dated

Audit opinion – Chief Constable

We anticipate we will provide the Chief Constable with an unmodified audit report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chief Constable for Cumbria Constabulary (the 'Chief Constable') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and Annexes A, B, C and D and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, Pension Fund Net assets and Liabilities and the notes to financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Joint Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Joint Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Chief Constable's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Joint Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Joint Chief Officer Narrative Report and Annex D - the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Chief Constable obtained in the course of our work including that gained through work in relation to the Chief Constable's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Chief Constable gained through our work in relation to the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Chief Constable and the Joint Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities for the Statement of Accounts, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Joint Chief Finance Officer. The Joint Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint Chief Finance Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Constable lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Chief Constable.

The Chief Constable is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Chief Constable* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Chief Constable had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Chief Constable put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Chief Constable has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Chief Constable in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

To be signed

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

To be dated



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Item 12

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

Annual Statement of Accounts 2017/18: Assurance Framework

Report to the Police and Crime Commissioner, Chief Constable and Joint Audit and Standards Committee 19 July 2018

Report of the Joint Chief Finance Officer

1. Introduction and Background

1.1. This report sets out for the Commissioner, Chief Constable and members of the Joint Audit and Standards Committee, those areas of governance and audit pertaining to scrutiny and formal approval of the 2017/18 Statement of Accounts. This report covers the single entity financial statements of the Police and Crime Commissioner, the single entity financial statements of the Chief Constable, and the Group financial statements. The report sets out the opinion of the Commissioner's appointed auditor and amendments made to the Accounts, and accompanying governance statement, as a consequence of the findings of the audit. It also sets out information provided to Mr Robin Baker, of Grant Thornton UK LLP, the Commissioner's appointed auditor, as part of the regulatory requirement for a letter of representation.

1.2. The report includes an appendix that provides a narrative on the financial statements (**Appendix A**). The appendix aims to support members of the Joint Audit and Standards Committee in undertaking their assurance role by providing a narrative in respect of the sources of assurance available to them and on the substantive issues that have been considered in respect of the production of the financial statements.

2. Formal Approval of the Audited Statements

- 2.1. The Statement of Accounts were authorised by the Joint Chief Finance Officer on 24 May 2018 in accordance with the 2015 Accounts and Audit Regulations. The audit has now been substantially completed, the Joint Chief Finance Officer is required to again certify the statements and present them to the Commissioner and Chief Constable for formal approval. Prior to certification the Commissioner and Chief Constable will take into consideration the Audit Findings Report from Mr Robin Baker. The Commissioner and Chief Constable will also take into consideration the views of members of the Joint Audit and Standards Committee. The Committee will receive the Statement of Accounts and the Audit Findings Report. They will consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Commissioner.

3. Appointed Auditor's Audit Findings Report

- 3.1. Preceding this item on your agenda is the Audit Findings Report from Mr Robin Baker, of Grant Thornton UK LLP, the Commissioner's appointed auditor. Mr Baker reports on his completion of the annual audit of the Statements of Account for 2017/18. The Commissioner, Chief Constable and members of the Joint Audit and Standards Committee will be pleased to see his intention, based on his findings to date, to issue an unqualified audit opinion in respect of the Statement of Accounts for the year to 31 March 2018 and in respect of the Commissioner's and Chief Constable's arrangements to secure Value for Money.
- 3.2. In carrying out their audit, the auditors have considered internal controls that are relevant to the preparation of the financial statements. Where they identify any control weaknesses, these are reported to the Commissioner and Chief Constable. Within their report the auditors have raised no matters in relation to internal control which need to be considered by those charged with governance.
- 3.3. As noted in the audit findings report there were no adjusted or unadjusted misstatements identified during the audit.
- 3.4. There were four disclosure changes identified during the audit which are set out in the auditor's report (see pages 24 and 26) and which were adjusted in the financial statements, of these, two impacted only on the PCC's financial statements where the other two impacted on both the PCC's and Chief Constable's financial statements. Member's copy of the financial statements highlights all changes identified during the audit process in yellow. Changes highlighted in yellow include correction of pension assets and liabilities in the notes to the accounts following an error in Local

Government Pension Scheme data submissions by the County Council, adjustments to the presentation of audit fees paid, depreciation of assets, correction of a minor computational error and a small number of changes to wording and presentation in the disclosure notes to improve their accuracy. Other changes highlighted include the updating of relevant dates for signing off the statements, the inclusion of the auditor's opinion and update to the annual governance statement to reflect the period from its initial publication and the date of this report.

- 3.5. In their report the auditors also made two recommendations as a result of issues identified during the audit, relating to arrangements for validating re-run data submitted to the Local Government Pension Scheme actuaries by the County Council and ensuring better documentation of the process to ensure that the values of assets not subject to revaluation in a particular year are not materially mis-stated. Management have agreed an appropriate action plan to address these issues.
- 3.6. The auditors have again noted that the financial statements were supported by excellent quality working papers that were made available at the commencement of the audit.

4. Post Balance Sheet Event

- 4.1. 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 of Practice on Local Authority Accounting (the Code) require adjustment or disclosure. There have been no post balance sheet events following authorisation of the financial statement by the Chief Finance Officer on 24 May and to the issuing of this report.

5. 2017/18 Governance Statements

The Police and Crime Commissioner and Chief Constable approved their 2017/18 Annual Governance Statements (AGS) on 24 May 2018. A small number of changes have been made to the AGS as a result of the external audit assessment of the statements to improve the clarity of the documents.

6. Letters of Management Representation

- 6.1. At the conclusion of the audit of the Statement of Accounts, but before an opinion can be given, a 'Letter of Management Representation' is provided to the appointed auditors by the Joint Chief Finance Officer on behalf of the Commissioner and Chief Constable. The underlying purpose of the letter is to confirm that the financial statements reflect a true and fair view in accordance with international financial reporting. The letters set out that relevant codes, standards and statutory

directions have been complied with and that we have made reasonable estimates and judgements in undertaking accounting entries and disclosures. The letters also confirm that there has been full disclosure of all matters requiring disclosure to our auditors. The Letters of Management Representation are attached at **Appendix B**.

7. Acknowledgements

- 7.1. The work undertaken in preparing the Statement of Accounts and supporting the audit for the year places very significant demands on staff within the financial services team. Key amongst those has been Michelle Bellis, Deputy Chief Finance Officer and Lorraine Holme, Financial Services Manager, who have once again secured for the Commissioner and Chief Constable another clean audit. This report also acknowledges the work undertaken by our colleagues in external audit headed by Robin Baker and Richard McGahon. This is the third year that both the publication of the unaudited accounts and the audited accounts has been brought forward in line with the requirements of the Accounts and Audit Regulations 2015. The work to bring forward the closure of accounts has impacted both on our own team and those at Grant Thornton.

8. Recommendations

- 8.1. Following consideration of the findings and conclusions of the Appointed Auditor it is recommended that:
- ◆ Members of the Joint Audit and Standards Committee determine whether there are any issues in respect of governance or the statement of accounts that they wish to report to the Commissioner and/or Chief Constable.
 - ◆ The Commissioner and Chief Constable sign the audited Statement of Accounts and authorise for publication the Accounts and accompanying Governance Statement.

Statement of Accounts Narrative 2017/18

1. Introduction and Background

- 1.1. The Police and Crime Commissioner and Chief Constable are asked to sign their respective annual statement of accounts following audit and the review process by the Joint Audit and Standards Committee. Members of the Joint Audit and Standards Committee will receive a copy of the audited accounts and accompanying governance statement for which they have a review and assurance role. The Statement of Accounts are highly complex technical documents. They take a number of weeks to produce and a similar period of time to audit by a team of technical and experienced staff. The audit process will typically involve support from national technical teams who assess and advise on accounting treatment for complex transactions against the requirements of international financial reporting standards and codes of practice. Within the finance profession, the Statement of Accounts is a very specialist field.

- 1.2. In this context, this narrative aims to provide a guide to the considerations that the Commissioner, Chief Constable and Members of the Joint Audit and Standard Committee can reasonably be expected to take account of, in carrying out a review process and undertaking to approve the Statement of Accounts. It covers two main areas, sources of assurance for the financial statements and key challenges. These are the areas that influence the dialogue and engagement between the finance staff preparing the accounts and those undertaking the audit. In doing this, the narrative aims to ensure that members have sufficient information to fulfil their assurance role and that the Commissioner can place reliance on this assurance in approving the Statement of Accounts.

2. Sources of Assurance

- 2.1. The Statement of Accounts consolidates financial transactions for a financial year and records the position as at 31 March in respect of assets and liabilities including reserves and cash flow. They include a number of year end accounting entries that ensure income and expenditure is presented on an accruals basis, that assets and liabilities are recorded in accordance with accounting standards and codes and that the financial implications of those assets and liabilities are adjusted such that net expenditure reflects the actual cost funded by external financing (government grants and the council tax payer). They are accompanied by accounting policies that explain how those transactions and balances have been accounted for and a set of notes that provide further detail on amounts included within the main financial statements.

2.2. Those undertaking a review of the accounts will not usually be in a position to determine whether the presented figures are correct based on a reading of the financial statements and notes. The review processes must therefore place reliance on wider sources of assurance from which it is reasonable to make a judgement that the accounts present a true and fair view. The main sources of assurance that support this process are the opinion of the Joint Chief Finance Officer (CFO), the opinion of the Head of Internal Audit (HIA) and the opinion of the Appointed Auditor. These opinions are supported by the statements made by the Joint Chief Finance Officer, on behalf of the Commissioner and Chief Constable, within the letter of representation, by the Commissioner's Annual Governance Statements (signed by the Commissioner, the Commissioner's Monitoring Officer and the CFO) and by the Chief Constable's Annual Governance Statement (signed by the Chief Constable and the CFO).

2.3. **The Joint Chief Finance Officer's (CFO) Opinion:** The CFO provides to members an annual opinion on the effectiveness of the arrangements for audit. That review, presented to members at their Meeting on 24 May 2018, concluded that "there are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2018." In presenting this opinion, the CFO takes into account the opinion of the external auditors. The external auditor's Progress Report and Update, also presented on the May agenda, advised that 'the internal audit service continues to provide an independent and satisfactory service to the PCC and the Chief Constable and that internal audit work contributes to an effective control environment at both entities'. This assurance enables the Commissioner and members of the Joint Audit and Standards Committee to place reliance on the opinion of the Chief Internal Auditor and the findings of internal audit.

Sources of Assurance

"Internal audit work contributes to an effective control environment at both entities" **Grant Thornton, the Commissioner and Chief Constable's appointed auditor.**

"There are no material shortcomings in the effectiveness of the entirety of the Internal Audit arrangements for the year to 31 March 2018." **Joint Chief Finance Officer**

2.4. **The opinion of the Head of Internal Audit (HIA):** The HIA provides an annual opinion on the internal control environment. The opinion is based on the audit reviews undertaken over the course of the financial year. Audits are risk based and include cyclical reviews of the material financial systems. The findings of the HIA are set out in an annual report which was presented to members at the May meeting. The HIA's opinion for 2017/18 is that "the PCC and Chief Constable's frameworks of governance, risk management and internal control are reasonable and audit testing has confirmed that controls are generally working effectively in practice".

2.5. Of the 17 audits finalised during 2017/18, 16 contributed to the Commissioner and Chief Constable's overall assurance with 14 of the 16 assurance audits achieving reasonable or higher assurance. The findings of financial audits reported to the Joint Audit and Standards Committee and the overall opinion of the Chief Internal Auditor is further supported by annual management assurances across all financial systems that are provided to the Joint Chief Finance Officer for review. Collectively these internal controls provide assurance to members, the Chief Constable and the Commissioner on the integrity of the underlying financial transactions and their representation within the financial ledger that is used to produce the financial statements.

Sources of Assurance

"In my opinion, the PCC and Chief Constable's frameworks of governance, risk management and internal control are reasonable and audit testing has confirmed that controls are generally working effectively in practice" **Head of Internal Audit.**

2.6. **The opinion of the Appointed Auditor:** The Appointed Auditor will provide an independent external opinion on the financial statements following the audit process. In forming this audit opinion they will undertake a range of audit work. This will include reconciling the figures within the accounts to the financial ledger, undertaking a computer based analytical review to validate the accuracy of material transactions and undertaking further systems based sample testing of ledger amounts back to the primary financial transactions. The external auditors will also review accounting policies and ensure accounting estimates, manual entries and the presentation of financial information is consistent with policy, financial reporting standards and codes of practice. The external audit is typically undertaken by a team of professionally qualified staff who will audit a number of public and/or private sector clients. They will have access to national technical support and quality controls at a regional and national level to support the integrity of the audit and ensure specialist advice and input is given to the treatment of complex transactions of a technical nature.

Sources of Assurance

"Once again the finance team produced excellent accompanying working papers at the commencement of our work to support the draft financial statements."

"We anticipate providing an unqualified audit opinion in respect of the PCC's financial statements, including the group financial statements, which consolidate the financial activities of the Chief Constable. We also anticipate providing an unqualified opinion in respect of the Chief Constable's financial statements."

The opinion of the Commissioner's appointed auditors, Grant Thornton.

2.7. In forming their opinion, the external auditors give consideration to internal controls relevant to the preparation of the financial statements. The external auditors complete walkthrough tests of controls operating in areas where they consider that there is a risk of material misstatement to the financial statements. For the 2017/18 financial statements this has included walkthrough tests of payroll and pensions

processes, PPE and the Police Officer Pensions Fund. The auditors also reviewed and reported on journal entry controls and early substantive testing in their report to the Committee on 24 May 2018. Their report confirmed that they did not identify any issues to report or any weaknesses which impact on the audit approach. The annual audit findings report of the Appointed Auditor is made to the Commissioner, Chief Constable and Members preceding this item on the agenda and presents the Appointed Auditors intention to issue an “unqualified audit opinion” on the financial statements.

2.8. **The Letters of Representation:** The letters of representation are provided at **Appendix B** and referenced in the main body of this report. The letters provide assurances from the Commissioner and Chief Constable to the Appointed Auditor. The letters are written on behalf of the Commissioner and Chief Constable respectively by the Joint Chief Finance Officer. That officer, as required under legislation, must be financially qualified. The Joint Chief Finance Officer, Roger Marshall is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) with a requirement to abide by codes of practice, standards and ethics. These arrangements provide assurance that members can place reliance on the representations made by the Joint Chief Finance Officer in the letters of representation on behalf of the Commissioner and Chief Constable. There have been no specific matters raised by the Commissioner or Chief Constable in the letter of representation for 2017/18 and all appropriate assurances have been provided to the external auditors.

2.9. **The Annual Governance Statement:** An Annual Governance Statement (AGS) for the separate entities of the Police and crime Commissioner for Cumbria and the Chief Constable for Cumbria Constabulary were presented to members on 24 May 2018 with a number of supporting governance papers. The AGS detail how the Commissioner and Chief Constable have complied with the governance framework set out within the Code. The Statements have been updated to take account of the period from its un-audited issue to the date of the audited financial statements and the PCCs AGS will be signed by the Commissioner, the Commissioner’s statutory Monitoring Officer and Joint Chief Finance Officer and the Chief Constable’s AGS will be signed by the Chief Constable and the Joint Chief Finance Officer. The Annual Governance Statement provides members with assurance that the Commissioner has in place appropriate arrangements for financial and wider governance matters including arrangements for managing risks and internal controls.

2.10. Collectively, these sources of assurance, where they are operating to the satisfaction of members, can support conclusions in respect of the extent to which the committee is reasonably able to provide the related assurance to the Police and Crime Commissioner and Chief Constable in reviewing the financial statements.

3. Key Challenges

3.1. 2017/18 Financial Year Accounts and Audit Timetable

The most significant factor influencing the production of the statement of accounts for 2017/18 has continued to be the 'now' statutory requirement, arising from the Accounts and Audit Regulations 2015, to bring forward the deadline for closure of the accounts to the end of May alongside completion of the audit by end of July. Whilst the new deadlines were achieved on a voluntary basis in 2015/16 and 2016/17 the early publication requirements continue to put a strain on the resources of the finance team, requiring a concerted effort from the whole of the team over a number of weeks to complete the work. This has necessitated continuing the early dialogue with the external auditors to agree some changes to the closedown process and delivery of the audit. The significant changes have been:

- ◆ Agreement on a number of areas of audit work that could be delivered as part of the interim audit in February/March. This has involved the provision of information on specific transactions and notes, including working papers at an earlier stage in the process. This was provided in relation to payroll, pensions, operating expenses, income and grants, exit packages, capital additions and user access to the oracle financial system.
- ◆ This was supported by continuing the practice agreed in 2014/15 for external valuations of land and buildings to be brought forward to the end of the December. The valuer provides a statement from the as at 31st March confirming their continued accuracy.
- ◆ LGPS figures were received earlier from the actuary to support the earlier calculation of pension's information but figures were again (as they were for 2015/16 & 2016/17) required to be refreshed due to market movements between the original calculation date and year end. This continues to be a risk as figures are material and any re-calculation is chargeable.
- ◆ Sample testing commenced as part of the interim audit and this included work on cash and investments.
- ◆ This work was successful in delivering a sign off date for the financial statements by the Joint Chief Finance Officer on 24th May 2018.

3.2. Changes to CIPFA Code of Practice 2017/18

The 2017/18 financial year was another relatively light year in relation to technical changes which impacted on the statement of accounts. The issue which provoked the most debate was the accounting treatment of the Apprenticeship Levy of 0.5% of the pay bill (amounting to around £320k), which was introduced from April 2017. The levy is held in a digital account for a 2 year timeframe within which it can be drawn down to fund training. Given that it is anticipated that the amount held in the digital account will be utilised to deliver training, it was determined that levy should be treated as a pre-payment in the 2017/18 accounts and will only be charged to the income

and expenditure account as it is used for training purposes.

Work has also been undertaken during the year to reduce the length of the Annual Governance Statements of the Commissioner and Chief Constable to make them more accessible following recommendations from the Joint Audit and Standards Committee in 2016/17.

3.3. Public Consultation

The draft statements of Accounts for the Chief Constable and PCC/Group have been published on the respective websites since 25 May 2018. The notice of publication advises readers of their rights of inspection. There have been no requests to view the financial statements or accompanying papers.

This concludes the substantive matters considered as part of the production of the statement of accounts.

Peter McCall
Police and Crime Commissioner for Cumbria
Carleton Hall
Penrith CA10 2AU



In case of enquiry please
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www.cumbria-pcc.gov.uk

Mr Robin Baker
Director
Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

19 July 2018

Dear Mr Baker,

The Police and Crime Commissioner for Cumbria Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of the Police and Crime Commissioner for Cumbria (the 'PCC') and its subsidiary undertaking, The Chief Constable for Cumbria Constabulary, for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the group and parent PCC financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and parent PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the group and parent PCC financial statements are fairly presented in accordance therewith.

- ii. We have complied with the requirements of all statutory directions affecting the group and parent PCC and these matters have been appropriately reflected and disclosed in the group and parent PCC financial statements.
- iii. The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and parent PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent PCC financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. Except as disclosed in the group and parent PCC financial statements:
 - a. there are no unrecorded liabilities, actual or contingent,
 - b. none of the assets of the group and parent PCC has been assigned, pledged or mortgaged,
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the group and parent PCC financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the disclosures changes included in your Audit Findings Report. The group and parent PCC financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent PCC financial statements.
- xiii. We believe that the group and parent PCC's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent PCC's needs. We believe that no further

disclosures relating to the group and parent PCC's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent PCC financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the PCC from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the group and parent PCC financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the group and parent PCC financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent PCC and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the group and parent PCC financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent PCC's financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the group and parent PCC's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent PCC financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the PCC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the group and parent PCC's financial and operating performance over the period covered by the group and parent PCC financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Audit and Standards Committee at its meeting on 19 July 2018 which was attended by the Police and Crime Commissioner for Cumbria.

Yours sincerely

Peter McCall

The Police and Crime Commissioner for Cumbria

19 July 2018

Roger Marshall

Joint Chief Finance Officer

19 July 2018

Name
Department Title
Email michelle.bellis@cumbria.police.uk
T 101 ext:
My Reference CC Letter of Rep
Your Reference CC Letter of Rep
www.cumbria.police.uk

Chief Constable
Chief Constable Michelle Skeer
Police Headquarters
Carleton Hall
Penrith, Cumbria
CA10 2AU



cumbriapolice



Mr Robin Baker
Director
Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

19 July 2018

Dear Mr Baker

[The Chief Constable for Cumbria Constabulary](#)
[Financial Statements for the year ended 31 March 2018](#)

This representation letter is provided in connection with the audit of the financial statements of the Chief Constable for Cumbria Constabulary (the Chief Constable) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Chief Constable financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Chief Constable's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Chief Constable and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Chief Constable has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent,
 - b. none of the assets of the Chief Constable have been assigned, pledged or mortgaged,
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the disclosures changes included in your Audit Findings Report. The Chief Constable financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Chief Constable's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Chief Constable's needs. We believe that no further disclosures relating to the Chief Constable's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Chief Constable financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Constabulary from whom you determined it necessary to obtain audit evidence.

- xv We have communicated to you all deficiencies in internal control of which management is aware.

- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Chief Constable and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxi We have disclosed to you the identity of the Chief Constable's related parties and all the related party relationships and transactions of which we are aware.

- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Chief Constable's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Chief Constable's financial and operating performance over the period covered by the Chief Constable financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Audit and Standards Committee at its meeting on 19 July 2018 which was attended by the Chief Constable for Cumbria Constabulary.

Yours sincerely

Michelle Skeer

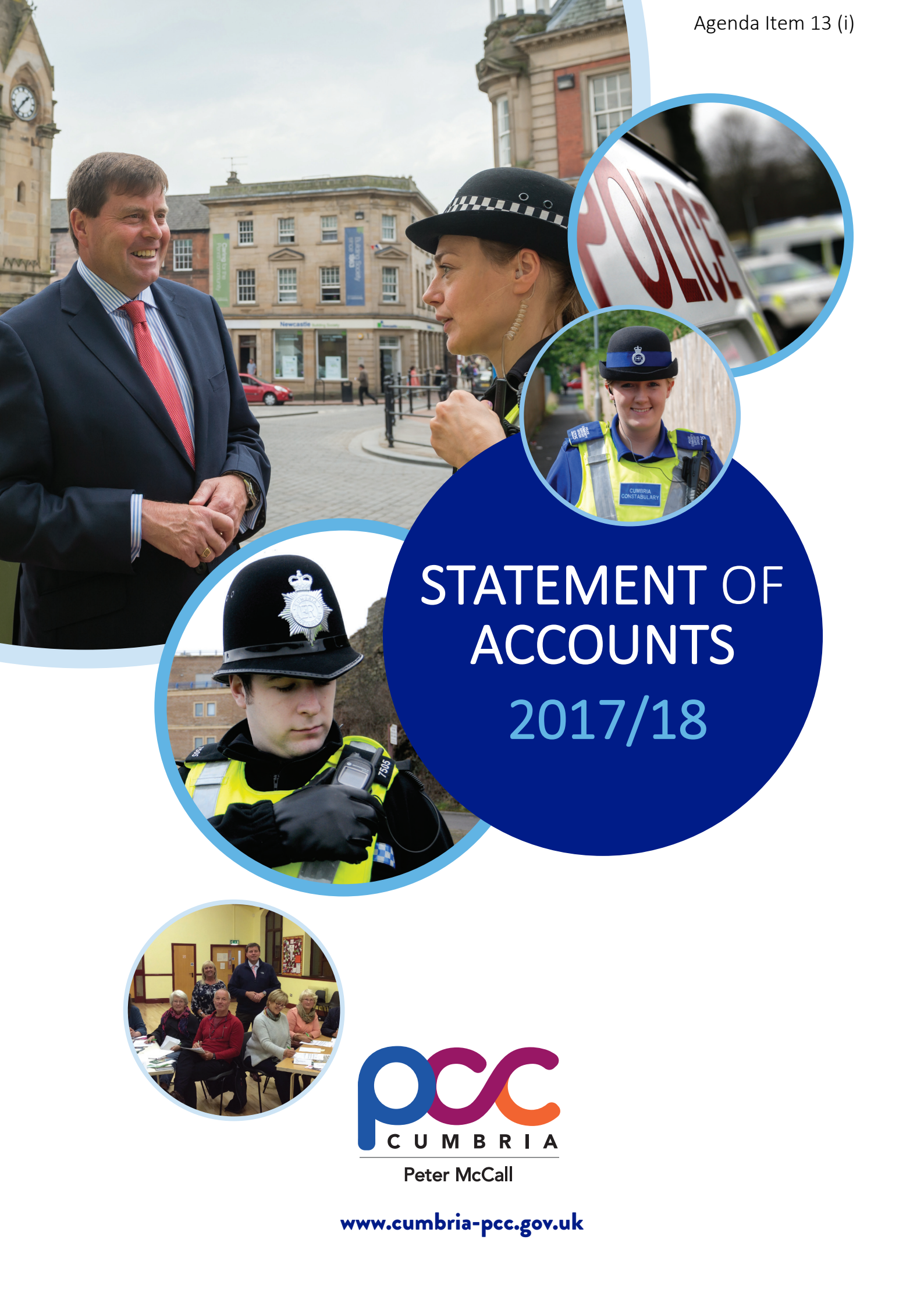
The Chief Constable for Cumbria Constabulary

19 July 2018

Roger Marshall

Joint Chief Finance Officer

19 July 2018



STATEMENT OF ACCOUNTS 2017/18



pcc
C U M B R I A

Peter McCall

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Peter McCall

Police and Crime Commissioner
for Cumbria

Statement of Accounts 2017/18

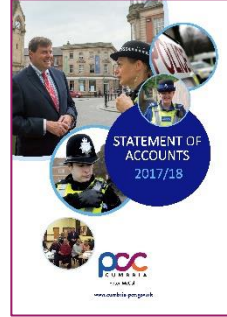
About this Publication

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



The Statement of Accounts for 2017/18 is available on the Commissioner's website at www.cumbria-pcc.gov.uk.

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



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

Alternative Formats



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

Bengali

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2017/18

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The Joint CFO Narrative Report. For a quick, highly summarised version of this Statement of Accounts please read the next 19 pages. **The full story starts on page 22**, please read that too.

Please see page 37 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 both the single entity statements of the Police and Crime Commissioner for Cumbria and the consolidated group position, incorporating the statements of the Chief Constable for Cumbria Constabulary. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

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

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

Statutory Framework

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

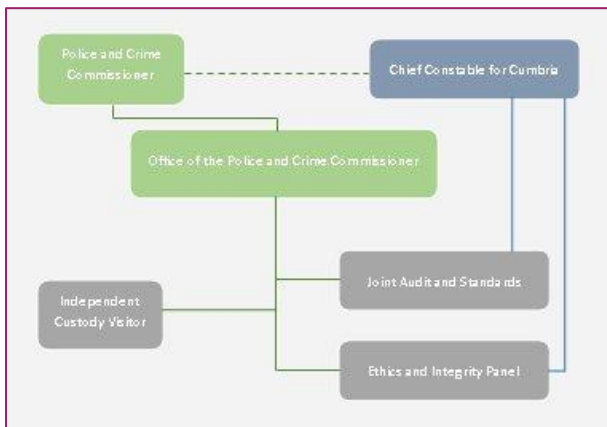
The PRSRA 2011 also established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence. The Chief Constable is responsible for maintaining the Queen's peace and the exercise of police powers. The Chief Constable is accountable to the Commissioner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

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

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

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

Our Organisation



The Police and Crime Commissioner is supported by an office of 10.1 fte staff, this includes two statutory officers.

The Chief Constable is accountable to the Commissioner and has responsibilities to support the Commissioner in the delivery of the strategy and objectives set out in the Police and Crime Plan. Both entities have appointed a Joint Audit and Standards Committee and a Joint Ethics and Integrity Panel. The Committee and Panel comprise independent members to oversee arrangements for governance, including financial reporting and the arrangements for integrity and ethical behaviour. Four Custody Visiting Panels fulfil the statutory requirement for independent review of custody. Membership of the panels at the end of 2017/18 were: Barrow 9; Kendal 9, North Cumbria 12 and West Cumbria 8.

Our Goals

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

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

November 2016 setting out our future strategy and goals.

Our People

Our people are the most important resource we have in achieving our goals. Our values commit to having an empowered staff who are high performing, professional and have high levels of satisfaction in their roles. The Commissioner's Office and Constabulary perform well in relation to the gender diversity of the workforce. At Chief Officer Level, excluding the elected Police and Crime Commissioner, 33% of the single entity Chief Officers are female as are 100% of senior managers. A breakdown by gender of the number of men and women across the organisation at the end of the financial year and the number of men and women who were managers is set out below.

Actual Employees as at 31 March 2018	PCC		Total FTE
	Male FTE	Female FTE	
PCC Single Entity			
Chief Officers	0.5	1.0	1.5
Senior Management	0.0	1.0	1.0
All Other Employees	1.0	6.6	7.6
Total PCC Employees	1.5	8.6	10.1
Group			
Chief Officers	7.0	3.0	10.0
Senior Management	9.0	7.0	16.0
All Other Employees	935.4	837.9	1,773.3
Total Group Employees	951.4	847.9	1,799.3

Chief Executive Report

The Commissioner is now half way through his election term of Office. The next elections are due in May 2020.

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

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

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

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

Public consultation and engagement are paramount to the Commissioner as he is the 'voice' for the people of Cumbria for policing. A wide range of diverse opportunities are available for the public to speak directly to the Commissioner, which is facilitated by the Commissioner being out in the community. This is further supported by the public contacting the Commissioner by email and letter, with more than 282 people contacting the Commissioner in this way during 2017/18; a figure that is increasing year on year. This information is used to influence decisions made by the Commissioner and improve policing services such as 101, local anti-social behaviour and driving issues.

The Commissioner undertook a successful public consultation for the increase in the council tax precept for 2018/19, with a high number of respondents and the support for his proposals compared to previous years. In total 1,500 people took part and 72% supported the increase in council tax precept. As a result of the public consultation and the views of the Chief Constable and Police and Crime Panel, the Commissioner took the decision to increase council tax precept by £11.97 for a Band D property, which equated to an increase of 5.42%.

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

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

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

The Commissioner's staff embrace the fast moving pace of the Office and this is evident for the work that is on-going in relation to Bluelight collaboration and other commissioning developments. The Office is well placed to deal with the new challenges for 2018/19 with responsibility for appeals expected to transfer to the Commissioner from early 2019 and further develop the public facing responsibility of the Commissioner.

Finance Review

2017/18 Grant Settlement and Budget

The Commissioner set a combined net revenue budget of £96.178m for 2017/18 on 22 February 2017. Funding of this amount came from the Police Grant settlement (£58.710m) and income from Council Tax (£37.468m). The budget increased the Council Tax precept by 1.91%, taking the Commissioner's proportion of the band D equivalent tax to £220.77 per annum. The effect of the increase is to support the medium term financial forecast and mitigate the impact of the £0.833m reduction in Police Grant compared to 2016/17. The budget provided funding for the Chief Constable of £111.607m comprising a £116.289m expenditure budget to support policing and an income budget of £4.682m. The Commissioner's budget provided £2.234m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider

Joint Chief Finance Officer Narrative Report

community safety, crime reduction and victim support responsibilities.

The capital budget was set at £6.521m. Capital expenditure is made up broadly of expenditure on assets that have a useful life of beyond one year. Approximately 40% of the programme related to investment in ICT including the provision of mobile devices, with the remainder being made up estates improvements and the cyclical replacement of fleet vehicles. The budget was funded from capital grants (£1.8m), direct contributions from revenue (£1.6m) and capital reserves (£3.1m). The capital budget was subsequently revised upwards to £9.1m reflecting the effect of the 2016/17 capital outturn position.

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

Summary Budget and Outturn

Summary Budget & Provisional Outturn	Base Budget 2017/18 £000s	Revised Budget 2017/18 £000s	Provisional Outturn 2017/18 £000s	(Under)/ Overspend 2017/18 £000s
Constabulary Budget	111,607	111,643	111,602	(41)
Office of the PCC	780	784	757	(27)
Other PCC budgets	12,882	14,909	15,233	324
Grants/Contributions	(27,511)	(29,726)	(29,726)	0
To/(From) Reserves	(1,580)	(1,432)	(1,688)	(256)
Net Expenditure	96,178	96,178	96,178	0
Government Grants	(58,710)	(58,710)	(58,710)	0
Council Tax	(37,468)	(37,468)	(37,468)	0
Total External Funding	(96,178)	(96,178)	(96,178)	0

The Constabulary gross expenditure budget is made up of funding for employee costs (£104.0m; of which Police Officers comprise £78.7m), transport costs of £2.2m and supplies/other costs of £11.8m. The Commissioner's budgets comprise the costs of running his office (£0.784m) and the net position on a range of other costs. These include estates costs (£3.92m for premises used by the Constabulary and Commissioner), Commissioned Services (£3.81m to deliver the Police and Crime Plan) and budgets to finance capital expenditure and the costs of technical accounting adjustments (£6.65m). PCC other budgets also include the costs of insurance and past pension costs. Overall a net contribution from reserves of £1.69m was made in the year to fund expenditure.

In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2017/18 is an overspend of £0.256m. The overall overspend is made up of an underspend of £0.025m on the core budgets of the Commissioner and

Constabulary plus a one off contribution of £0.281m to a legal provision in relation to ongoing legal cases. The core underspend equates to 0.02% of the revised net budget of £96.178m, which is comfortably within the target for the revenue expenditure to be within 1% of the budget at out-turn. During 2017/18 the Constabulary's pay budget experienced pressure due to a combination of a higher than anticipated pay award, maintaining officer numbers and increased overtime to provide public re-assurance following the terrorist incidents in Manchester and London. However, this was offset by underspending elsewhere within the Constabulary budget. In relation to the Commissioner's budgets premises costs were slightly above budget, due, in part, to fire safety checks following the Grenfell Tower disaster. However, this was offset by savings in the Office of the Commissioner, as a result of staff re-structuring including the move to a shared Chief Finance Officer with the Constabulary.

Budget forecasts during the year indicated that the Constabulary budget could be overspent by £1m. However, in the final quarter of the year a combination of pro-active work to manage the budget, additional income receipts and a change in accounting treatment in relation to the apprenticeship levy meant that the Constabulary came in just under budget at the year end.

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

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

The Commissioner maintains the Police Property Act Fund. The fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of the Criminal Courts Act 1973. Community groups and individuals can submit applications for funding on a quarterly basis. During 2017/18 awards totaling £58k were made. As at 31 March 2018 the Police Property Act fund balance stood at £64k.

The 2017/18 Capital Expenditure Outturn amounted to £5.3m against a revised budget of £9.1m. During the year Cumbria has delivered the first phase of its new crime system 'Red Sigma' and begun a project to replace its Command and Control systems. Work on delivering mobile working solutions for officers and staff in roles, which are required to operate at multiple locations, has continued. Other capital expenditure has been incurred in upgrading flood defences at the HQ site and the cyclical replacement of vehicles and ICT equipment. Planning work has also taken place for the construction of a replacement deployment centre for the Eden area.

The variance between actual expenditure and the revised budget is £4.4m (45%), which is significantly outside the 8% target for variations in capital expenditure. Whilst actual performance has fallen substantially short of target, this has been for a number of reasons, which were largely outside of the control of

staff working directly on schemes. The largest elements of slippage relate to a small delay in commencing construction of the Eden Deployment Centre, which has begun in early 2018/19 and supplier delays for fleet vehicles due to heavy demand for vehicles purchased from national contracts.

The Financial Statements

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

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

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the cost of policing and other services provided in the year and the income from government grants and council tax that fund those services. The CIES is shown on page 30 of the full statement of accounts. An expenditure and income analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in note 6 on page 49.

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	104,646	(9,935)	94,711
Cost of Services	104,646	(9,935)	94,711
Other operating expenditure	20,917	(20,657)	260
Financing Costs and Investment Income	38,051	(3,515)	34,536
Council tax and grant income	0	(101,824)	(101,824)
(surplus)/deficit on the provision of services	163,614	(135,931)	27,683
Other comprehensive income and expenditure			(89,206)
Total Comprehensive income and expenditure			(61,523)

The statement shows that the net cost of providing services in the year amounted to £94.711m, which is predominantly the costs of policing.

In addition to showing the cost of services, the CIES also sets out net financing costs of £34.536m. The most significant element of financing costs comprise pension charges (£34.007m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2017/18 financial year. Financing costs also include the costs of borrowing (capital financing). These costs are extremely low other than those that

fund the Workington PFI building. This is because the capital programme is funded internally using cash reserves to reduce investment risk and reflect the relatively low interest rates available on investing such balances. At the end of the financial year £17.979m (inclusive of PFI contract) of the capital programme is funded by the use of cash backed internal reserves rather than borrowing from the open market. At some point in the future, due to a planned reduction in reserves, the Commissioner will need to consider external borrowing.

Showing expenditure and income within this statement in accordance with generally accepted accounting practices results in expenditure exceeding income (a deficit on the provision of services) by £27.683m. A further accounting adjustment of £89.206m income through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a surplus of £61.523m. This is an accounting surplus that is taken to Unusable Reserves. Page 7 of this summary sets out the out-turn position based on the management accounts, and excluding the technical accounting entries required for the CI&ES. The management accounts show an overspend of £0.256m against the 2017/18 budget.

Movement in Reserves Statement

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

Reserves are principally technical accounting adjustments. The Movement in Reserves Statement shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The Movement in Reserves statement is shown on pages 32-33 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 Fund	3,000	0	3,000
Earmarked Revenue Reserves	3,435	3,606	7,041
Earmarked Capital Reserves	17,829	(4,975)	12,854
Capital Receipts	926	523	1,449
Capital Grants Unapplied	5,417	364	5,781
Total Usable Reserves	30,607	(482)	30,125
Unusable Reserves	(1,246,608)	62,005	(1,184,603)
Total Reserves	(1,216,001)	61,523	(1,154,478)

Movements in usable reserves for 2017/18 show a net balance of £0.482m. This is the cumulative position recording the amounts we have drawn down from specific (earmarked) reserves to help fund expenditure during the year. There are separate accounts to record our receipt and use of income from the sale of property and government grants for capital expenditure. Capital receipts amount to £0.523m and were received following the sale of Barrow Police Station and one police house. Capital grants amounting to £0.364m were received during the year and will in the future be applied to finance capital expenditure.

At the end of the year, the Police Fund at 31 March 2018 stands at £3.0m and provides for unplanned financial risks. Earmarked revenue reserves are £7.041m. These reserves provide for a number of

specific operational contingencies, one off budget/project costs and funding to meet future liabilities in respect of insurances and the PFI contract. The most substantial area of reserves at £12.854m are now those set aside to fund the capital programme, all of which is planned to be fully applied by 2022/23. Further detail on earmarked reserves is provided within note 8 to the statement of accounts on pages 54-55.

At the 31st March 2018 we have negative unusable reserves of £1,185m. Unusable reserves provide a mechanism through which transactions are entered into the accounts in accordance with accounting standards. They also provide the means to manage differences in the timing and calculation of those transactions and the actual expenditure or income we need to charge to our accounts. For example, our properties are regularly re-valued. When this happens any increase in their value is shown in a revaluation reserve. The reserve 'records' the additional income we may receive when the property is sold, but it is 'unusable' until we decide to dispose of the property and achieve a sale. When we sell, the revaluation reserve will be reduced by any increase in value that was recorded before sale. The actual income we receive will be shown in our usable capital receipts reserve, where it can be used to fund new capital expenditure. The balance on our unusable reserves reflects the position following the required accounting transactions. The cumulative position for unusable reserves includes reserves of:

- £46.478m in respect of the revaluation reserve and capital adjustment account, recording accounting transactions for our capital assets.

- -£1,229m in respect of negative pensions reserves. The pensions reserves record accounting transactions for the Police and Local Government Pension Schemes. The change in the balance on this reserve in 2017/18 is positive and is as a result of changes in actuarial assumptions that have had a negative impact on scheme liabilities.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date (31 March 2018) of the Commissioner's assets and liabilities. The balance sheet is shown on page 34 in the full statement of accounts. The table below sets out a summary balance sheet.

Summary Balance Sheet	Balance	Balance
	31/03/2017	31/03/2018
	£000s	£000s
Property, plant & equipment	62,325	61,494
Long Term Assets	2,377	2,003
Current assets	26,827	30,993
Current Liabilities	(11,052)	(14,048)
Long Term Liabilities	(1,296,478)	(1,234,920)
Net Assets	(1,216,001)	(1,154,478)
Usable reserves	30,607	30,125
Unusable Reserves	(1,246,608)	(1,184,603)
Total reserves	(1,216,001)	(1,154,478)

The balance sheets shows property, plant and equipment assets, which include the Commissioner's estate, fleet of vehicles and ICT/communications equipment, with a value of £61.494m. Of this, land and buildings comprise £51.077m. Long terms assets are comprised of intangible assets £2.003m. Current assets are principally made up of investments (£12.082m), debtors (£13.944m) and cash (£3.7744m) and have a total value of £30.993m. Investments are made in accordance with the Commissioner's treasury

management strategy and support the management of reserves and cash flows. Debtors' balances are primarily made up of institutional debtors, for example central government, and prepayments. This means that the risk of not receiving the debt remains low. The Commissioner has a good collection record in respect of debtor invoices raised for services provided. During 2017/18 19 sundry debtor invoices totaling £2,555 were authorised to be written off as not collectable. The Bad Debt Provision stands at £2,839 against the future risk that not all outstanding invoices will prove to be 100% collectable. The Commissioner's debtors include a share of the debtors recorded by the 6 Cumbrian District Council's in respect of council tax. This debt amounts to £1.971m and is reduced by the Commissioner's share of their respective bad debt provisions of £0.868m. See note 14 to the statement of accounts (Page 69).

Balance sheet liabilities are amounts owed by the Commissioner. They include creditors, PFI debt, pensions and finance lease liabilities. They are split between short term (current) and long term liabilities, the current liabilities being those amounts due to be paid within 1 year. The most significant element of current liabilities are short term creditors which total £13.906m. The combined short and long term liability on the PFI scheme amount to £4.887m at 31st March 2018. Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,235m (£1,296m in 2016/17). The main element of this amount is a pension's deficit of £1,229m (£1,290m in 2016/17) for the Local Government Pension Scheme (LGPS) and the Police Pension Scheme. However, this deficit will be funded over a number of years, with

financial support from Central Government, meaning that the financial position of the Commissioner remains healthy.

The Cash Flow Statement

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

The statement shows how the Commissioner generates and uses cash and cash equivalents. Cash flows are classified within the cash flow statement as arising from operating activity, investing activity and financing activity. The statement is shown on pages 35-36 of the full statement of accounts. The table below sets out a summary cash flow statement.

Summary Cash Flow Statement	Cash flows 2016/17 £000s	Cash flows 2017/18 £000s
Cash & Cash Equivalents 1 April	(3,303)	(3,044)
Net cash flow from:		
Operating activity	(2,303)	(7,248)
Investing activity	(548)	6,393
Financing activity	3,110	125
Cash & Cash Equivalents 31 March, made up of:	(3,044)	(3,774)
Bank Accounts	(2,040)	(2,069)
Money Market Funds	(1,004)	(1,705)

The table shows a cash inflow of £7.248m from operating activity. This is the net of our cash income including government grants, council tax and charges for services, less how much cash has been paid out, for example for salaries and goods that have been purchased. Cash flows from investing activity show an

Joint Chief Finance Officer Narrative Report

outflow of £6.393m and primarily represents the net balance of investment deposits less the amount of cash received when the investment comes to the end of its term. Investment activity provides a way to manage resources that will be used to fund future expenditure, earning interest on any balances. Investment activity also includes cash flows from the purchase and sale of capital assets (e.g. property). Cash flows arising from financing activities show a net cash outflow of £0.125m, this being amount of cash used in relation to financing and borrowing. The Commissioner has no borrowing other than that which relates to finance leases and the PFI agreement. An amount of £125k was paid to reduce those debts during the year.

The Commissioner's cash flow statement shows an overall balance of £3.774m, compared to £3.044m in 2016/17, reflecting an increase in cash and cash equivalents of £0.730m over the year. At the end of the year £1.705m of the Commissioner's cash deposits was held in money market funds and £2.069m in banks.

Police Officer Pension Fund Account

This statement sets out the transactions on the police officer pension fund account for the year. The statement records all the contributions that have been made during the year to the pension fund. These are primarily contributions from employees and the Constabulary as employer. Contribution rates are set nationally by the Home Office. There are also small amounts of other contributions. These are either transferred contributions, where members join the Constabulary and pension scheme during the year, through transfer from another police force, and

transfer in their existing pension benefits. Other contributions also include additional payments made by the employer to cover the cost of ill-health retirements. The fund records the pensions (benefits) that are paid out of the fund to its members. Any difference between the contributions received into the fund and the amount being paid out is met by government grant. This means the police pension fund always balances to nil.

Summary Police Pension Fund	Pension Fund A/C 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 Police and Crime Commissioner (2.9%)	(1,096)	(1,102)
Net Amount Payable	0	0

The statement identifies contributions into the fund of £8.194m from the Constabulary (employer) and £5.185m from police officers. Employer contribution rates in 2017/18 were maintained at 21.3%. In total £35.724m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £22.020m has been funded by Home Office Grant of £20.918m and additional contributions from the Commissioner of £1.102m. The full police officer pension fund account is shown on pages 94 to 95 of the financial statements accompanied with a page of explanatory notes.

Supporting Information to the Financial Statements

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

Business Review

During 2017/18 the Commissioner has continued a number of programmes and initiatives working with the Constabulary and wider partners to deliver the key priorities within the Police and Crime Plan. This work has included 'The Bridgeway' Sexual Assault Support Service, which brings together a number of newly commissioned services (forensic-medical, counselling) and a new integrated Independent Domestic and Sexual Abuse Crisis Support Service, which will operate across the county providing support to high risk victims of domestic abuse and victims of rape and serious sexual assault. Since its launch the Bridgeway has provided support to over 400 victims and survivors of sexual assault.

In relation to the provision of wider victim support services, the OPCC commissioned Victim Support to develop and implement a bespoke Quality Framework

and conduct an audit to monitor compliance with the Victims Code in Cumbria. The Quality Assessment Framework is now being adopted in other areas of the country and is seen as best practice in improving the delivery of victim services.

The OPCC has also commissioned programmes to work with perpetrators of domestic abuse, 'Turning the Spotlight' on domestic abuse and 'Step-Up' which focus on reducing incidents of domestic abuse by working with perpetrators and victims providing a holistic support service for the whole family. The 'Turning the Spotlight' programme has received over 400 referrals since its implementation in 2015. Between April 2017 and March 2018, 72 referrals were received by the Step-up programme which aims to change behaviours and reduce domestic abuse incidents perpetrated by adolescents and children on parents and/or carers. Other perpetrator projects include 'The Well' which provides support to ex-offenders and veterans to take control of their recovery from substance abuse, by working on a targeted approach aimed at reducing offending and re-offending using peer champions with lived experiences. Over 300 ex-offenders have been supported directly and a further 700 indirectly through The Well's Mutual Aid Facilitation Project.

The Petal's programme, being delivered by Women's Community Matters, was launched in April 2017. This initiative provides an 8-week one to one support package that works with women who have experienced and perpetrated abuse and those at risk of offending. During the financial year 2017/18 over 50

women have been referred on to the Petals Programme.

There has been a number of new commissioning activities in 2017/18. Principal amongst these was the commissioning and delivery of the 'Get Safe Online project' offering a comprehensive programme of online safety and awareness training over the next three years. Over 400 people have attended the sessions across Cumbria. To support the reducing the harm caused by hate crime, the OPCC has commissioned initiatives including a DVD on Mate Crime. Carlisle MENCAP were funded to design, produce and deliver a DVD on 'Mate Crime' designed to empower disabled people to come forward and report if they have been a victim of, or witness incidents of hate crime. On the 20th March 2018 PCC, Home Office representatives joined Carlisle MENCAP to launch the DVD. The 'Feel the Hate' theatre production, which was delivered across secondary schools in Cumbria in 2017/18 has been re-commissioned for 2018/19 following its success. The production focuses on raising awareness around the impacts of hate crime. This is being delivered alongside a 1 year pilot of interventions aimed at reducing hate based incidents. The Value, Attitudes and Behaviours programme will work with offenders and perpetrators aged 18 years and above who have committed a hate based incident and will focus on changing behaviours and attitudes. Remedi have been commissioned to deliver restorative practices across Cumbria by giving victims the chance to decide how offenders should pay a consequence for the crime they have committed. This includes the chance for the victim to meet with offender. To date over 80 victims were supported by

Remedi, 96% of victims who received a service indicated they felt safer and/or at least satisfied with the service they have received.

Prevention work has been a key theme for partnership activity. For young people a Child Sexual Exploitation 'Be SAVY' Programme delivered by Brathay Trust is a 6-month intervention programme with weekly sessions for participants aged between 12 to 17 years having been assessed as vulnerable to child sexual exploitation. 82% of those who engaged in the programme reported they were more able to recognise a healthy relationship. During 2017/18 the return of the 'Chelsea's Choice' theatre production which educates young people to the risks of CSE, has reached over 6,000 students each year. Of students who saw the production 99% reported they had a better understanding of CSE and grooming. Funding has been provided to Skelton Brownies working in partnership with Barnardos to deliver child sexual exploitation awareness raising sessions to Girl Guiding, Brownies and Scout leaders across Cumbria. The training has enabled these groups to engage with in excess of 4,000 girls and boys aged 8 to 15 years from diverse socio-economic backgrounds.

A significant priority for the Commissioner is the continued support provided to the Constabulary to manage demands for service. Following a successful funding bid to the Home Office in 2016/17, the OPCC, Police and partner agency worked collaboratively to establish a Mental Health Crisis Assessment Centre which provides 24/7 multi-agency support and assistance to people at the point mental health crisis

by providing a place of safety. 944 referrals have been received onto the services, resulting in a 28% reduction in the use of Custody as a place of safety.

Multi-agency partnership activity which included; the establishment of Cumbria's first Youth Commission, has enabled young people the opportunity to work alongside the Police and Crime Commissioner to address and develop solutions to issues important to or impacting on them. The Youth Commission are working with several partner agencies to address issues highlighted in the Youth Commission's 1st Annual report from 2016/17. A number of grants have been made available for community groups, including several youth groups, for initiatives and innovative schemes, which support the objectives of the Police and Crime Plan including preventing and reducing the harm caused by anti-social behaviour. The Commissioner has also sought to engage with young people and encourage citizens in policing through the launch of mini police in Cumbria.

In fulfilment of the new statutory requirement for the Commissioner to collaborate on the delivery of emergency services, during 2017/18 the Commissioner undertook an options appraisal exercise to determine the approach to 'Bluelight' collaboration. Following the conclusion of this work and consultation with significant stakeholders, it was decided that for the moment a collaborative model of service delivery would be adopted. Under this approach existing management arrangements will be maintained. In order to progress collaboration in respect of Bluelight services in 2017/18, the Commissioner appointed a

Blue light Collaboration Manager, whose role is to work with emergency services partners including the Constabulary to develop more co-operative and efficient ways of working between the police and fire service.

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

Key Events

April 2017

- Independent Custody Visitors attend the ICV Annual Conference.
 - Dignity in Dementia programme funded by PCC wins NHS Northern Lights Dementia Award.
 - PCC launches Community Awards Scheme to recognise the outstanding work carried out by people within Cumbria from a voluntary or professional capacity.
 - PCC awards 'Turning the Spotlight' on Domestic Abuse Intervention Project to Victim Support following a competitive tender exercise.
 - 7 Projects are awarded funding from the PCC's Community Fund
-

May 2017

- PCC attends the launch of the Cinnamon Network aimed at helping vulnerable people within Cumbria.
 - PCC attends launch of the Triple A project 'All About Autism' the training film for police officer aims to raise awareness and promote an understanding of autism.
 - Chelsea's Choice returns to Cumbria to raise awareness of child sexual exploitation.
-

June 2017

- Get Safe Online project is launched, offering a comprehensive programme of online safety and awareness training over the next three years.
 - Get Safe Online Community Event held during Cumberland Show.
 - 14 projects are awarded funding from the PCC's Property Fund for June 2017.
-

- PCC attended the Pubwatch Star Awards highlighting the exceptional work being undertaken to address the issue of violence and ASB linked to night-time economy.
- Cumbria Independent Custody Visitors join peers across the North West and take part in co-ordinated custody visits to mark Volunteers Week.

July 2017

- Recruitment begins for additional volunteers for PCC's Independent Custody Visitor Scheme
- PCC announces the winners of the Community Awards for North, South and West Cumbria.

August 2017

- PCC holds 8 autumn public surgeries across the Cumbria.
- Get Safe Online Business Event was held aimed at raising awareness of the risks of online safety to businesses in Cumbria.

September 2017

- PCC attends Cumbria Pride Event in Carlisle
- PCC publishes his first Annual Report
- Get Safe Online Community event held during Westmorland Show
- 5 projects are awarded funding from the PCC Property Fund for September 2017
- PCC in partnership with Safer Cumbria held Domestic Abuse and Sexual Violence Support Service consultation.
- PCC reduces staff costs by combining existing roles of two senior members of staff to cover Chief Executive Post.

October 2017

- Launch of Gateway 4 Women Centre in Carlisle offering a holistic approach to women's health and well-being.
- PCC funds theatre production 'Feel the Hate' aimed at raising awareness of hate crime.
- Funds North Cumbria Girlguiding and Barnardos to deliver a training programme aimed at preventing child sexual exploitation.
- PCC supports world Mental Health Day
- PCC appoints BlueLight Collaboration Manager to coordinate the collaboration between Police and Fire Service.

November 2017

- PCC joins staff and volunteers in the second phase of training in preparation for the delivery of 'Turning the Spotlight' on Domestic Abuse programme.
- PCC visits Garden Life, the project funded through the Commissioners Community Fund aims to help reduce youth offender behaviour and youth re-offending.
- PCC attends Brathay Trust to support the OPCC funded 'Be SAVY' project to help safeguard youngsters who are at risk of being sexually exploited.
- PCC launches consultation on Council Tax Precept.
- PCC announces Grants are available from Cumbria Victims Charitable Trust.

December 2017

- Cumbria Youth Commission presents their 1st year findings and recommendations to the PCC and Multi-Agency Forum.
- 5 Projects are awarded funding from the PCC's Property Fund for December 2017.

January 2018

- **PCC launches second consultation on Council Tax Precept**
- PCC in partnership with Young Cumbria announces recruitment drive to find additional young people to join the Cumbria Youth Commission.

February 2018

- Michele Skeer is appointed as new Chief Constable
- PCC agrees Police Budget for 2018/19
- PCC joins MENCAP to celebrate their 50th Anniversary.

March 2018

- PCC and Cumbria Constabulary launch 'Mini Police'
- MENCAP launches 'Mate Crime' DVD funded by PCC the DVD aims to raise awareness of this type of hate crime.
- 7 Projects are awarded funding from the PCCs Property Fund for March 2018.

April 2018

- PCC launches Chelsea's Choice theatre production for a third year aimed at raising awareness of child sexual exploitation to students. Over 5400 students saw the play last

year and 99% said they had a better understanding of CSE and grooming.

- Independent Custody Visitors attend ICV Annual Conference
-

May 2018

- PCC launches a new Integrated Independent Domestic and Sexual Abuse Crisis Support Service which will operate across the county providing support to high risk victims of domestic abuse, rape and serious sexual assault.
 - Work commences on the construction of the new £4.6m Eden Police Deployment Centre.
-

Performance Report

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

Effective Policing

- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Police Effectiveness Efficiency and Legitimacy (PEEL) Inspections: The PEEL Inspections judge the efficiency, effectiveness and legitimacy of the Constabulary in keeping people safe and reducing crime. For 2017 HMICFRS determined that the judgement for Cumbria Constabulary was 'good' in all aspects of effectiveness, efficiency and legitimacy. The Chief Constable reports to the Police and Crime Commissioner on how the Constabulary will tackle any areas requiring improvement and her response to HMICFRS recommendations.
- For 2017/18 overall crime increased by 12.4%, which equates to an increase of 3,144 crimes over

the 12 month period to 31st March 2018. Cumbria is not alone in this trend with all forces nationally with the exception of the City of London reporting an increase. The increase is largely attributable to improved crime reporting. Based on figures to December 2017 Cumbria continues to maintain the third lowest level of reported crime in the whole country.

- Violence against the person offences have increased by 28.2% over the year. Whilst all categories of violent crime showed an increase with the exception of homicides, the largest increases were seen in the less serious violence without injury category. Again, improved standards of crime reporting and recording are the principal reasons for the increase. Cumbria is the 2nd lowest force nationally for volume of crimes.

Community Safety

- Antisocial behaviour has continued to fall, and has seen a 8.5% reduction compared to the same period last year; this includes a 9.5% reduction in youth anti-social behaviour. Nationally, Cumbria has the lowest number of incidents (excluding City of London).
- Hate crimes and incidents continue to be closely monitored. During 2017/18, the number of incidents rose by 32.7%. The Constabulary and partners continue to work to encourage reporting of hate crime. Based on the latest data to 2016/17 Cumbria remains one of the lowest forces for hate crimes both nationally and in the North West region.
- Work has also targeted increased reporting for sexual and domestic violence. During the year

reported incidents of domestic abuse have increased by 2.6% and there has been a 32.2% increase in sexual offences.

Criminal Justice

- All recorded offences are assigned an outcome based on a national framework for crime. Crime outcomes are classed as positive where the offender is either charged or summonsed, receives an out of court disposal or where the Crown Prosecution Service (CPS) or police determine it is not in the public interest to prosecute. In all cases the crime outcome represents positive police activity in detecting the crime. Positive crime outcome performance is 24.3% for 2017/18.
- Cumbria conviction rates for Magistrates Court cases for the quarter to December 2017 equated to 91.6%, which is ranked 1st nationally amongst 42 forces. Crown Court convictions for the same period equated to 85.3%, Cumbria is ranked 10th out of 42 forces.

Customer and Victim Satisfaction

- Performance in customer and victim satisfaction is measured through regular independent surveys following police contact. This is supplemented by the process for police complaints that includes independent sampling of complaint files and scrutiny of local to national comparatives against complaints upheld.
- The latest satisfaction figures for the overall service experience (which includes criteria such as 'making contact', 'action taken', treatment by staff) remain high at 87.8%, which compares to 88.1% in 2016/17.

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

Finance & Value for Money

- We measure our performance against targets for achieving financial outturn within a percentage of the net budget. For 2017/18 this was set at 1% for the revenue budget and 8% for the capital budget.
- Actual performance for revenue (excluding the one off contribution to provisions) was 0.2%, achieving well within the target.
- Capital outturn was 42% below budget, falling significantly outside target. Whilst this was a disappointing result, the year-end position was expected and was impacted by business decisions and circumstances largely beyond the control of the departments delivering the capital programme. Stretch targets will continue to be set for capital expenditure going forward as a recognised area for performance improvement.
- In previous years the budget for the Commissioner and Office of the Police and Crime Commissioner was benchmarked against HMIC Value for Money profiles. Following the inclusion of fire and rescue services under the remit of HMIC, costs for police and crime commissioners are no longer included in the VFM comparators. It has therefore not been possible to undertake a Value for Money analysis for the Office of the Police and Crime Commissioner for 2017/18.
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) 2017 PEEL inspection assessed the Constabulary as good in respect of efficiency.

- Outcomes against wider performance measures that indicate the effectiveness of activity and interventions are strong against the priority areas of keeping crime at low levels, reducing anti-social behaviour, bringing criminals to justice and increasing reporting of hate crime and domestic and sexual abuse.
- Collectively, these indicators provide assurance of Value for Money in respect of the 2017/18 financial year.

The Future Outlook

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

The overall financial position remains strong, which is reflected in the Medium Term Financial Forecast, which sets out the revenue budget position until 2021/22 and a capital programme, which is fully funded over the same period and will support delivery of the 2016-2020 Police and Crime Plan. The current financial position has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of reductions in government funding since 2010. This has enabled reserves to be maintained at a level that balances financial resilience and supports continued investment.

The Medium Term Financial Strategy and 2018/19 budget was approved in the context of the Government's undertaking to protect police grants in cash terms for two years to 2019/20 and affording Commissioner's increased flexibility to raise council tax over the same period. However, the greater certainty with respect to funding is accompanied by increasing cost pressures following the Government's decision to remove the public sector pay cap and the economic uncertainty regarding Brexit. Training and pension costs are also expected to rise over the short to medium term.

Against this background the 2018/19 budget resources an establishment of 1147 Police Officers, an increase of 25 and a maintenance of Police, Community Support Officers at 95. The budget also supports the roll out of body worn video for all officers, which is expected to provide improved evidence to support criminal justice. The budget provides £116.902m funding for the Chief Constable to deliver policing for Cumbria. The longer term 10 year capital programme commits to £59.5m investment across the estate, fleet and ICT.

Whilst the position is financially resilient in the short term, the future outlook is uncertain. Based on the MTFF assumptions savings, will need to be delivered from 2020/21 to balance the budget forecast, which will rise to £3.7m by 2021/2022. The most significant medium term risk to the forecast and delivery of the Police and Crime Plan remains the potential review of the police funding formula, which has now been delayed until the next Comprehensive Spending Review from 2020/21.

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

Acknowledgements

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

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

Roger Marshall

Joint Chief Finance Officer

The accounts present a true and fair view of the position of the Police and Crime Commissioner for Cumbria Single Entity and Group Accounts as at 31 March 2018 and its income and expenditure for the year there ended.

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 19 July 2018

Peter McCall

Police and Crime Commissioner

Date: 19 July 2018.

1 The Commissioner's Responsibilities

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

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

2 The Chief Constable's Responsibilities

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

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

3 The Joint Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the CFO has:

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

Responsibilities for the Statement of Accounts

The CFO has also:

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

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



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Cumbria (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable for Cumbria Constabulary (the 'group') for the year ended 31 March 2018 which comprise the, the Comprehensive Income and Expenditure statement – Group, the Comprehensive Income and Expenditure Statement – PCC, Movement in Reserves Statement – Group, Movement in Reserves Statement – PCC, the Balance Sheet – PCC & Group, the Cash Flow Statement – PCC & Group and notes to the financial statements, including a summary of significant accounting policies and Annexes A, B, C and D and include the Police Officer Pension Fund Account comprising the Police Officer Pension Fund Account, Pension Fund Net assets and Liabilities and the notes to financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2018 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Police and Crime Commissioner in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Joint Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Joint Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Police and Crime Commissioner's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Joint Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement, other than the group and Police and Crime Commissioner financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and the Police and Crime Commissioner obtained in the course of our work including that gained through work in relation to the Police and Crime Commissioner's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner gained through our work in relation to the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Joint Chief Finance Officer Narrative Report and Annex D - Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Police and Crime Commissioner and the Joint Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities for the Statement of Account, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Joint Chief Finance Officer. The Joint Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Joint Chief Finance Officer is responsible for assessing the group's and the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Police and Crime Commissioner lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Police and Crime Commissioner.

The Police and Crime Commissioner is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Independent Auditor's Report

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Police and Crime Commissioner has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Police and Crime Commissioner in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool
L3 1PS

To be dated

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

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

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

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

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

Due to the size of the statements, the positions for the Group and the PCC are shown in separate tables, the figures for 2017/18 and the comparators for 2016/17 are also shown in separate tables.

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

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

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

The balance sheet for the Group and PCC are shown side by side and include both 2017/18 figures and 2016/17 comparators.

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

The cash flow statement for the Group and PCC are shown side by side and include both 2017/18 figures and 2016/17 comparators.

Comprehensive Income and Expenditure Statement – Group

Comprehensive Income and Expenditure Statement (Group)	Notes	Group	Group	Group	Group	Group	Group
		2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	99,000	(8,907)	90,093	104,646	(9,935)	94,711
Cost of Policing and Crime Services		99,000	(8,907)	90,093	104,646	(9,935)	94,711
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	9e	0	21	21	0	260	260
Transfer to Pension Fund/Pension Top Up Grant		17,590	(17,590)	0	20,917	(20,917)	0
		17,590	(17,569)	21	20,917	(20,657)	260
Financing and Investment Income and Expenditure							
Interest payable on PFI unitary payments		633	0	633	619	0	619
Net Interest on the net defined benefit liability (asset)	Annex C (Pg 111)	40,547	(3,938)	36,609	37,432	(3,425)	34,007
Investment property rental income		0	(12)	(12)	0	0	0
Investment interest income		0	(102)	(102)	0	(90)	(90)
		41,180	(4,052)	37,128	38,051	(3,515)	34,536
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27	0	(429)	(429)	0	(364)	(364)
Income from Council Tax	29	0	(36,113)	(36,113)	0	(37,212)	(37,212)
Council Tax Grant (Freeze & Support)	27	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	27	0	(30,822)	(30,822)	0	(30,391)	(30,391)
Home Office Police Grant	27	0	(28,721)	(28,721)	0	(28,320)	(28,320)
PFI Grant	27	0	(687)	(687)	0	(687)	(687)
		0	(101,622)	(101,622)	0	(101,824)	(101,824)
(Surplus) or Deficit on Provision of Services		157,770	(132,150)	25,620	163,614	(135,931)	27,683
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation (Gains)	9			(1,825)			(108)
Revaluation losses (chargeable to revaluation reserve)	9			618			0
Surplus or deficit on revaluation of available for sale financial assets				18			(7)
Actuarial (gains) / losses on pension assets / liabilities							
- Matching the entry to the pensions reserve	Annex C (Pg 111)			227,972			(89,091)
Other Comprehensive Income and Expenditure				226,783			(89,206)
Total Comprehensive Income and Expenditure				252,403			(61,523)

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

Comprehensive Income and Expenditure Statement – PCC

Comprehensive Income and Expenditure Statement (PCC)	Notes	PCC	PCC	PCC	PCC	PCC	PCC
		2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	14,069	(16,288)	(2,219)	13,412	(17,980)	(4,568)
Funding Provided by PCC to CC		105,327	0	105,327	105,851	0	105,851
Cost of Policing and Crime Services		119,396	(16,288)	103,108	119,263	(17,980)	101,283
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	9e	0	21	21	0	260	260
Transfer to Pension Fund/Pension Top Up Grant		17,590	(17,590)	0	20,917	(20,917)	0
		17,590	(17,569)	21	20,917	(20,657)	260
Financing and Investment Income and Expenditure							
Interest payable on PFI unitary payments		633	0	633	619	0	619
Net Interest on the net defined benefit liability (asset)	Annex C (Pg 112)	117	(95)	22	128	(97)	31
Investment property rental income		0	(12)	(12)	0	0	0
Investment interest income		0	(102)	(102)	0	(90)	(90)
		750	(209)	541	747	(187)	560
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27	0	(429)	(429)	0	(364)	(364)
Income from Council Tax	29	0	(36,113)	(36,113)	0	(37,212)	(37,212)
Council Tax Grant (Freeze & Support)	27	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	27	0	(30,822)	(30,822)	0	(30,391)	(30,391)
Home Office Police Grant	27	0	(28,721)	(28,721)	0	(28,320)	(28,320)
PFI Grant	27	0	(687)	(687)	0	(687)	(687)
		0	(101,622)	(101,622)	0	(101,824)	(101,824)
(Surplus) or Deficit on Provision of Services		137,736	(135,688)	2,048	140,927	(140,648)	279
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation gains	9			(1,825)			(108)
Revaluation losses (chargeable to revaluation reserve)	9			618			0
Surplus or deficit on revaluation of available for sale financial assets				18			(7)
Actuarial (gains) / losses on pension assets / liabilities							
- Matching the entry to the pensions reserve	Annex C (Pg 112)			541			(269)
Other Comprehensive Income and Expenditure				(648)			(384)
Total Comprehensive Income and Expenditure				1,400			(105)

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

Movement in Reserves Statement - Group

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

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

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

Movement in Reserves Statement (Group) 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	Transfers to/(from) earmarked reserves	Increase/(decrease) in 2016/17	Balance at 31 March 2017
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	-	3,000	(25,620)	0	(25,620)	25,961	341	(341)	0	3,000
Earmarked Revenue Reserves	8	3,193	0	0	0	0	0	242	242	3,435
Earmarked Capital Reserves	8	17,730	0	0	0	0	0	99	99	17,829
Capital Receipts Reserve	19	556	0	0	0	370	370	0	370	926
Capital Grants Unapplied	19	5,442	0	0	0	(25)	(25)	0	(25)	5,417
Total Usable Reserves		29,921	(25,620)	0	(25,620)	26,306	686	0	686	30,607
Unusable Reserves										
Revaluation Reserve	20a	8,307	0	1,207	1,207	(66)	1,141	0	1,141	9,448
Capital Adjustment Account	20b	38,973	0	0	0	(2,619)	(2,619)	0	(2,619)	36,354
Police Pensions Reserve	20e	(1,012,460)	0	(208,210)	(208,210)	(22,450)	(230,660)	0	(230,660)	(1,243,120)
LGPS Pensions Reserve	20e	(26,223)	0	(19,762)	(19,762)	(1,151)	(20,913)	0	(20,913)	(47,136)
Collection Fund Adjustment Account	20c	739	0	0	0	(19)	(19)	0	(19)	720
Accumulated Absences Account	20d	(2,856)	0	0	0	(1)	(1)	0	(1)	(2,856)
Available for Sale Financial Instruments Reserve	20f	0	0	(18)	(18)	0	(18)	0	(18)	(18)
Total Unusable Reserves		(993,519)	0	(226,783)	(226,783)	(26,306)	(253,089)	0	(253,089)	(1,246,608)
Total Reserves		(963,598)	(25,620)	(226,783)	(252,403)	0	(252,403)	0	(252,403)	(1,216,001)

Movement in Reserves Statement – PCC

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

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

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

Movement in Reserves Statement (PCC) 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	Transfers to/(from) earmarked reserves	Increase/ (decrease) in 2016/17	Balance at 31 March 2017
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	-	3,000	(2,048)	0	(2,048)	2,389	341	(341)	0	3,000
Earmarked Revenue Reserves	8	3,193	0	0	0	0	0	242	242	3,435
Earmarked Capital Reserves	8	17,730	0	0	0	0	0	99	99	17,829
Capital Receipts Reserve	19	556	0	0	0	370	370	0	370	926
Capital Grants Unapplied	19	5,442	0	0	0	(25)	(25)	0	(25)	5,417
Total Usable Reserves		29,921	(2,048)	0	(2,048)	2,734	686	0	686	30,607
Unusable Reserves										
Revaluation Reserve	20a	8,307	0	1,207	1,207	(66)	1,141	0	1,141	9,448
Capital Adjustment Account	20b	38,973	0	0	0	(2,619)	(2,619)	0	(2,619)	36,354
LGPS Pensions Reserve	20e	(687)	0	(541)	(541)	(30)	(571)	0	(571)	(1,258)
Collection Fund Adjustment Account	20c	739	0	0	0	(19)	(19)	0	(19)	720
Accumulated Absences Account	20d	(7)	0	0	0	0	0	0	0	(7)
Available for Sale Financial Instruments Reserve	20f	0	0	(18)	(18)	0	(18)	0	(18)	(18)
Total Unusable Reserves		47,325	0	648	648	(2,734)	(2,086)	0	(2,086)	45,239
Total Reserves		77,246	(2,048)	648	(1,400)	0	(1,400)	0	(1,400)	75,846

Balance Sheet – PCC & Group

Balance Sheet	Notes	PCC	PCC	Group	Group
		31 March 2017	31 March 2018	31 March 2017	31 March 2018
		£000s	£000s	£000s	£000s
Property, Plant & Equipment					
Land and Buildings	9	52,015	51,077	52,015	51,077
Vehicles	9	2,267	3,200	2,267	3,200
Information Technology Equipment	9	6,414	5,806	6,414	5,806
Furniture, Equipment & Plant	9	1,512	1,121	1,512	1,121
Assets Under Construction (Land & Buildings)	9	7	280	7	280
Investment Properties		110	10	110	10
		62,325	61,494	62,325	61,494
Long Term Investments	17	2,043	0	2,043	0
Intangible Assets - Software	11	334	2,003	334	2,003
Long Term Assets		64,702	63,497	64,702	63,497
Short Term Investments	17	8,102	12,082	8,102	12,082
Assets held for sale (within 1yr)	10	1,546	961	1,546	961
Inventories		0	0	253	232
Short Term Debtors (external)	14	13,882	13,944	13,882	13,944
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	14	8,164	11,542	0	0
Short Term Debtors (funding balance owed to PCC by CC)	14	4,688	4,500	0	0
Cash and Cash Equivalents	CF6	3,044	3,774	3,044	3,774
Current Assets		39,426	46,803	26,827	30,993
Short Term Creditors (external)	15	(10,927)	(13,906)	(10,927)	(13,906)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	15	(4,520)	(4,386)	0	0
Short Term Creditors (funding balance due from PCC to CC)	15	(6,565)	(10,072)	0	0
PFI Finance Lease Liability Due within 1 Year	12	(125)	(142)	(125)	(142)
Current Liabilities		(22,137)	(28,506)	(11,052)	(14,048)
Provisions	16	0	0	(1,335)	(1,398)
Other Long Term Liabilities					
Pensions liability - Police	18	0	0	(1,243,120)	(1,187,670)
Pensions liability - LGPS	18	(1,258)	(1,098)	(47,136)	(41,107)
PFI Finance Lease Liability	12	(4,887)	(4,745)	(4,887)	(4,745)
Long Term Liabilities		(6,145)	(5,843)	(1,296,478)	(1,234,920)
Net Assets		75,846	75,951	(1,216,001)	(1,154,478)
Usable reserves	19				
Police Fund		3,000	3,000	3,000	3,000
Earmarked reserves (revenue)	8	3,435	7,041	3,435	7,041
Earmarked reserves (capital)	8	17,829	12,854	17,829	12,854
Capital Receipts Reserve	7	926	1,449	926	1,449
Capital Grants Unapplied	7	5,417	5,781	5,417	5,781
		30,607	30,125	30,607	30,125
Unusable Reserves	20				
Revaluation Reserve	20a	9,448	9,452	9,448	9,452
Capital Adjustment Account	20b	36,354	37,026	36,354	37,026
Pensions Reserve - Police	20e	0	0	(1,243,120)	(1,187,670)
Pensions Reserve - LGPS	20e	(1,258)	(1,098)	(47,136)	(41,107)
Collection Fund Adjustment Account	20c	720	463	720	463
Accumulated Absences Account	20d	(7)	(6)	(2,856)	(2,756)
Available for Sale Financial Instruments Reserve	20f	(18)	(11)	(18)	(11)
		45,239	45,826	(1,246,608)	(1,184,603)
Total Reserves		75,846	75,951	(1,216,001)	(1,154,478)

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)	See Note Below	PCC 2016/17 £000s	PCC 2017/18 £000s	Group 2016/17 £000s	Group 2017/18 £000s
Net (Surplus) or Deficit on the provision of services		2,048	279	25,620	27,683
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(4,728)	(8,062)	(28,300)	(35,466)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	CF2	377	535	377	535
Net cash (inflow)/ outflow from Operating Activities	CF3	(2,303)	(7,248)	(2,303)	(7,248)
Investing Activities	CF4	(548)	6,393	(548)	6,393
Financing Activities	CF5	3,110	125	3,110	125
Net (increase) or decrease in cash and cash equivalents		259	(730)	259	(730)
Cash and cash equivalents at the beginning of the reporting period		(3,303)	(3,044)	(3,303)	(3,044)
Cash and cash equivalents at the end of the reporting period	CF6	(3,044)	(3,774)	(3,044)	(3,774)
Notes to the Cash Flow Statement					
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:					
Depreciation & Amortisation		(4,761)	(4,423)	(4,761)	(4,423)
Impairment & Downward Valuations		(791)	161	(791)	161
Carrying amount of non current assets - sold		(438)	(848)	(438)	(848)
Grants applied to the financing of capital expenditure		429	364	429	364
Pension Liability (Contributions to/from Pensions Reserve)		(30)	(109)	(23,601)	(27,612)
Creditors - Change in Balance Sheet		1,767	(2,980)	1,767	(2,980)
Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		(2,323)	(107)	(2,323)	(107)
Creditors - Adjustment re CC Share of Debtors		(86)	134	0	0
Creditors - Adjustment re Balance of Funding due from PCC to CC		(352)	(3,507)	0	0
Debtors - Change in Balance Sheet		1,977	62	1,977	62
Debtors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		240	0	240	0
Debtors - Change in Balance Sheet (Adjustment for Investment Interest)		(9)	1	(9)	1
Debtors - Adjustment re CC Share of Creditors		(413)	3,378	0	0
Debtors - Adjustment re Balance of Funding due from CC to PCC		62	(188)	0	0
Stock - Change in Balance Sheet		0	0	(15)	(21)
Provisions - Change in Balance Sheet		0	0	(775)	(63)
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(4,728)	(8,062)	(28,300)	(35,466)

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)		PCC 2016/17 £000s	PCC 2017/18 £000s	Group 2016/17 £000s	Group 2017/18 £000s
CF2 - The Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities are made up as follows:					
Proceeds from the Sale of Property, Plant & Equipment and Intangibles		377	535	377	535
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		377	535	377	535
CF3 - The cash flows from <i>Operating Activities</i> include the following items:					
Interest received		(111)	(89)	(111)	(89)
Interest Paid		633	599	633	599
CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:					
Purchase of property, plant and equipment and intangible assets		5,117	5,362	5,117	5,362
Purchase of short-term and long-term investments		45,676	30,900	45,676	30,900
Proceeds from the sale of property, plant and equipment and intangible assets		(377)	(535)	(377)	(535)
Proceeds from short-term and long-term investments		(50,535)	(28,970)	(50,535)	(28,970)
Other receipts from investing activities		(429)	(364)	(429)	(364)
Net cash flows from investing activities		(548)	6,393	(548)	6,393
CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:					
Other receipts from financing activities		3,000	0	3,000	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		110	125	110	125
Net cash flows from financing activities		3,110	125	3,110	125
CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:					
Bank current accounts		(29)	(37)	(29)	(37)
Short-term deposit with bank (overnight)		(2,011)	(2,032)	(2,011)	(2,032)
Investments in Money Market Funds (available on demand)		(1,004)	(1,705)	(1,004)	(1,705)
Total Cash and Cash Equivalents		(3,044)	(3,774)	(3,044)	(3,774)

Accounting Policy - Cash and Cash Equivalents

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

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

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

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. Where the figures provided are different for the Group and PCC Single Entity either separate notes will be provided or a single note will show the respective figures in different columns, these will be headed Group or PCC. Where the figures are the same for the group and single entity a single note is provided, this is headed up PCC/Group. As a general rule, the column showing the figures for 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 96-98. Terms for which an explanation is provided will be depicted by text that is shown in [teal coloured text and underlined](#).

1 Accounting Policies

There are a number of accounting policies that determine how items within the accounts are treated. Where these accounting policies relate to a particular note to the accounts, the accounting policy will now be shown alongside that note in a grey text box. Where an accounting policy is more generic and applicable across the statement accounts it will continue to be shown in a separate technical annex, **Annex A** (see pages 99-101).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 99 to 101), the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for policing. However, the Commissioner has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Commissioner might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Commissioner is deemed to control the services provided under the PFI agreement in relation to the West Cumbria TPA HQ at Workington. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement. The Commissioner has a number of options regarding ownership of the PFI building beyond the initial 25 year contract period including the right to purchase the asset for half of its market value at that time. In December 2015, the PFI building at Hall Brow Workington experienced flooding for the second time in six years. The impact of the flooding on the building highlighted resilience issues for the longer term in respect of both custody and deployment. As a result, options for the future provision of the police estate in West Cumbria are under review and the capital programme for 2018/19 and beyond includes an indicative scheme which seeks to address those resilience issues and provide a longer term solution to the PFI arrangement. In accounting for the PFI contract it is assumed that there is reasonable certainty that the Commissioner will exercise the right to purchase the building. Accordingly the PFI land and building are recognised as property, plant and equipment in the Commissioner's balance sheet at full value of £7.4m. In addition, a liability for outstanding obligations to pay for the building, which includes the cost of purchasing the asset for half its market value at the end of the PFI period are also shown on the balance sheet. As the PFI contract approaches its end it may be necessary to reflect an additional liability to recognise that the market value of the asset may exceed the construction cost.

3 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Joint Chief Finance Officer on 19 July 2018. Events taking place after this date are not reflected in the financial statements or notes.

Accounting Policy - Events after the Balance Sheet Date

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

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

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

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

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

The items in the Commissioner's group balance sheet as at 31 March 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
Property, Plant and Equipment	<p>Land and buildings assets are revalued on a five year rolling basis. Therefore the value of the assets that have not been subject to valuation in the financial year may not reflect the true value of that asset.</p> <p>At the balance sheet date 31 March 2018 the value of property, plant and equipment was £61m.</p>	<p>Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an annual impairment review, the impact of this is thought to be immaterial.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Commissioner with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).</p> <p>At the balance sheet date, the liability in respect of the LGPS pension scheme was £41m and for the police pension scheme was £1,188m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts (Annex C) Pension Disclosures (pages 108-119).</p>
Provisions	<p>The Chief Constable has made a provision of £279k for the settlement of insurance liabilities for a number of eventualities which are not covered by external insurers. The provision is based on an actuarial estimate but it is not yet certain that all valid claims have yet been received by the Chief Constable.</p>	<p>An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £28k to the provision needed.</p>
	<p>The Chief Constable has made a provision of £1.119m in relation to the potential cost of legal claims against the Constabulary which are currently ongoing.</p>	<p>An increase over the forthcoming year of 10% in either the number of claims received or the estimated average settlement would each have the effect of adding £112k to the provision needed.</p>

5 Expenditure and Funding Analysis

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

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

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

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

Notes to the Accounts

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

Expenditure and Funding Analysis (Group)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	Group 2016/17 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	75,570	0	75,570	(13,260)	62,310
PCSO Pay & Allowances	2,674	0	2,674	(21)	2,653
Police Staff Pay & Allowances	20,376	0	20,376	273	20,649
Other Employee Budgets	3,907	0	3,907	0	3,907
Premises Related Expenditure	4,124	0	4,124	0	4,124
Transport Related Expenditure	2,236	0	2,236	0	2,236
Supplies & Services Expenditure	10,193	0	10,193	0	10,193
Third Party Related Expenditure	4,240	0	4,240	0	4,240
Technical Accounting Adjustments	7,964	(4,762)	3,202	2,352	5,554
Income from Fees & Charges	(5,143)	12	(5,131)	0	(5,131)
Grants & Contributions	(21,365)	0	(21,365)	0	(21,365)
Use of Capital Receipts	(8)	0	(8)	8	0
Non distributed costs	417	0	417	0	417
Termination Payments	306	0	306	0	306
Net Cost of Services	105,491	(4,750)	100,741	(10,648)	90,093
Other Income and Expenditure	(101,082)	0	(101,082)	36,609	(64,473)
(Surplus)/Deficit on the Provision of Services	4,409	(4,750)	(341)	25,961	25,620
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2016	(3,000)	(3,193)	(17,730)	(23,923)	
Less Deficit on Police Fund Balance in Year	0	(242)	(99)	(341)	
Closing Police Fund Balance at 31 March 2017	(3,000)	(3,435)	(17,829)	(24,264)	

Notes to the Accounts

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

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

Notes to the Accounts

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

Expenditure and Funding Analysis (PCC)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	PCC 2016/17 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	17,590	0	17,590	0	17,590
Police Staff Pay & Allowances	826	0	826	8	834
Other Employee Budgets	51	0	51	0	51
Premises Related Expenditure	(1,150)	0	(1,150)	0	(1,150)
Transport Related Expenditure	(930)	0	(930)	0	(930)
Supplies & Services Expenditure	(658)	0	(658)	0	(658)
Third Party Related Expenditure	2,986	0	2,986	0	2,986
Technical Accounting Adjustments	7,965	(4,762)	3,203	2,351	5,554
Income from Fees & Charges	(5,143)	12	(5,131)	0	(5,131)
Grants & Contributions	(21,365)	0	(21,365)	0	(21,365)
Use of Capital Receipts	(8)	0	(8)	8	0
Funding Provided by PCC to CC	105,327	0	105,327	0	105,327
Net Cost of Services	105,491	(4,750)	100,741	2,367	103,108
Other Income and Expenditure	(101,082)	0	(101,082)	22	(101,060)
(Surplus)/Deficit on the Provision of Services	4,409	(4,750)	(341)	2,389	2,048
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2016	(3,000)	(3,193)	(17,730)	(23,923)	
Less Deficit on Police Fund Balance in Year	0	(242)	(99)	(341)	
Closing Police Fund Balance at 31 March 2017	(3,000)	(3,435)	(17,829)	(24,264)	

5.a Note to the Expenditure Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the Police Fund (as detailed in note 6) to arrive at the amounts in the Comprehensive Income and Expenditure Statement (pages 30-31). The relevant transfers between reserves are explained in the Movement in Reserves Statement (pages 32-33).

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

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

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

Note to the Expenditure and Funding Analysis (Group)	Group 2016/17						
	Depreciation	Rental Income	Total to arrive at amount charged to the Police Fund	Adjustment for capital purposes (See below)	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services							
Police Officer Pay & Allowances	0	0	0	0	(13,260)	0	(13,260)
PCSO Pay & Allowances	0	0	0	0	(21)	0	(21)
Police Staff Pay & Allowances	0	0	0	0	273	0	273
Technical Accounting Adjustments	(4,761)	0	(4,761)	2,333	0	19	2,352
Income from Fees & Charges	0	12	12	0	0	0	0
Use of Capital Receipts	0	0	0	0	0	8	8
Net Cost of Services	(4,761)	12	(4,749)	2,333	(13,008)	27	(10,648)
Other Income and Expenditure	0	0	0	0	36,609	0	36,609
(Surplus)/Deficit on the Provision of Services	(4,761)	12	(4,749)	2,333	23,601	27	25,961
Further Analysis of Adjustments							
Depreciation/Amortisation				4,761	0	0	4,761
Minimum Revenue Provision (MRP)				(413)	0	0	(413)
Revaluations				791	0	0	791
Direct Revenue Contribution				(2,439)	0	0	(2,439)
Capital Grant Reversal				(429)	0	0	(429)
Pofit & Loss on Sale of FA				62	0	0	62
Police Pensions - Interest on Liabilities				0	35,710	0	35,710
Police Pensions - Reverse Employer Contributions				0	(27,860)	0	(27,860)
Police Pensions - Current Service Cost				0	14,600	0	14,600
LGPS - Interest on Liabilities				0	4,837	0	4,837
LGPS - Return on Plan Assets				0	(3,938)	0	(3,938)
LGPS - Curtailment/Settlement				0	417	0	417
LGPS - Reverse Employer Contributions				0	(3,974)	0	(3,974)
LGPS - Current Service Cost				0	3,809	0	3,809
Use of Capital Receipts				0	0	8	8
Collection Fund Adjustment				0	0	20	20
Accumulated Absences Account Adj				0	0	(1)	(1)
Total Adjustments				2,333	23,601	27	25,961

Notes to the Accounts

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

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

Notes to the Accounts

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

Note to the Expenditure and Funding Analysis (PCC)	Depreciation	Rental Income	Total to arrive at amount charged to the Police Fund	PCC 2016/17 Adjustment for capital purposes (See below)	Net change for the Pensions Adjustment (See below)	Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services							
Police Staff Pay & Allowances	0	0	0	0	8	0	8
Technical Accounting Adjustments	(4,761)	0	(4,761)	2,333	0	18	2,351
Income from Fees & Charges	0	12	12	0	0	0	0
Use of Capital Receipts	0	0	0	0	0	8	8
Net Cost of Services	(4,761)	12	(4,749)	2,333	8	26	2,367
Other Income and Expenditure	0	0	0	0	22	0	22
(Surplus)/Deficit on the Provision of Services	(4,761)	12	(4,749)	2,333	30	26	2,389
Further Analysis of Adjustments							
Depreciation/Amortisation				4,761	0	0	4,761
Minimum Revenue Provision (MRP)				(413)	0	0	(413)
Revaluations				791	0	0	791
Direct Revenue Contribution				(2,439)	0	0	(2,439)
Capital Grant Reversal				(429)	0	0	(429)
Profit & Loss on Sale of FA				62	0	0	62
LGPS - Interest on Liabilities				0	117	0	117
LGPS - Return on Plan Assets				0	(95)	0	(95)
LGPS - Curtailment/Settlement				0	0	0	0
LGPS - Reverse Employer Contributions				0	(118)	0	(118)
LGPS - Current Service Cost				0	126	0	126
Use of Capital Receipts				0	0	8	8
Collection Fund Adjustment				0	0	19	19
Accumulated Absences Account Adj				0	0	(1)	(1)
Total Adjustments				2,333	30	26	2,389

6 Expenditure and Income Analysed by Nature

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

Expenditure and Income	PCC	PCC	Group	Group
	2016/17 £000s	2017/18 £000s	2016/17 £000s	2017/18 £000s
Expenditure				
Police Pay & Allowances	17,590	20,918	75,570	78,760
PCSO Pay & Allowances	0	0	2,674	3,011
Police Staff Pay & Allowances	826	838	20,376	20,247
Other Employee Costs	51	60	3,907	2,935
Premises Related Costs	(1,150)	(1,167)	4,124	4,118
Transport Related Costs	(930)	(653)	2,236	2,154
Supplies & Services	(658)	(1,610)	10,193	10,236
Third Party Payments	2,987	3,514	4,241	4,959
External Interest	633	619	633	619
(Gain)/Loss on the Disposal of Assets	21	260	21	260
Technical Accounting Adjustments	3,222	5,729	3,221	5,828
Non Distributed Costs	0	0	417	1,018
Termination Payments	0	45	306	259
Funding Between PCC & CC	105,327	105,851	0	0
Total Expenditure	127,919	134,404	127,919	134,404
Income				
Income from Fees & Charges	(5,131)	(6,089)	(5,131)	(6,089)
Investment Property Rental Income	(12)	0	(12)	0
Income from Grant & Contributions	(3,775)	(3,846)	(3,775)	(3,846)
Interest & Investment Income	(102)	(90)	(102)	(90)
PFI Grant	(688)	(687)	(688)	(687)
Pensions Top Up grant (Home Office)	(17,590)	(20,917)	(17,590)	(20,917)
Total Income	(27,298)	(31,629)	(27,298)	(31,629)
Use of Reserves				
Transfer to/(from) Earmarked Reserves (Revenue)	242	3,606	242	3,606
Transfer to/(from) Earmarked Reserves (Capital)	99	(4,975)	99	(4,975)
	341	(1,369)	341	(1,369)
External Financing				
Income from Council Tax	(36,113)	(37,212)	(36,113)	(37,212)
Collection Fund Adjustment	(19)	(257)	(19)	(257)
General Government Grants				
- Home Office Police Grant	(28,721)	(28,320)	(28,721)	(28,320)
- Home Office Capital Grant & Other Capital Grants	(429)	(364)	(429)	(364)
- Council Tax Grants (Freeze & Support)	(4,850)	(4,850)	(4,850)	(4,850)
Formula Funding	(30,822)	(30,391)	(30,822)	(30,391)
Total	(100,954)	(101,394)	(100,954)	(101,394)
(Surplus)/Deficit on the Provision of Services	8	12	8	12

7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	Group Police Fund Balance £000s	Group Capital Receipts Reserve £000s	Group Capital Grants Unapplied £000s	Group Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	23,601	0	0	23,601
- Council tax (transfers to or from Collection Fund)	20c/29	19	0	0	19
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	0	1	0	1
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	5,562	0	429	5,991
Total Adjustments to the Revenue Resources		29,182	1	429	29,612
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(377)	377	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	8	(8)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	32	(413)	0	0	(413)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	30a	(2,439)	0	0	(2,439)
Total Adjustments between Revenue and Capital Resources		(3,221)	369	0	(2,852)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	30a	0	0	0	0
- Application of capital grants to finance capital expenditure	20b	0	0	(454)	(454)
Total Adjustments to Capital Resources		0	0	(454)	(454)
Total Adjustments		25,961	370	(25)	26,306

Notes to the Accounts

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

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

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	PCC Police Fund Balance £000s	PCC Capital Receipts Reserve £000s	PCC Capital Grants Unapplied £000s	PCC Total Usable Reserves £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	20e/ Annex C	30	0	0	30
- Council tax (transfers to or from Collection Fund)	20c/29	19	0	0	19
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	0	0	0	0
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9	5,562	0	429	5,991
Total Adjustments to the Revenue Resources		5,611	0	429	6,040
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(377)	377	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	7	(7)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	32	(413)	0	0	(413)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	30a	(2,439)	0	0	(2,439)
Total Adjustments between Revenue and Capital Resources		(3,222)	370	0	(2,852)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	30a	0	0	0	0
- Application of capital grants to finance capital expenditure	20b	0	0	(454)	(454)
Total Adjustments to Capital Resources		0	0	(454)	(454)
Total Adjustments		2,389	370	(25)	2,734

8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Police Fund balances in earmarked reserves to provide financing for future expenditure plans and the movement on earmarked reserves during 2017/18 (and comparatives for 2016/17).

Earmarked Reserves	PCC/Group 2016/17 £000s	PCC/Group 2017/18 £000s	Description/Purpose
Insurance Reserve			
Balance at Start of Year	587	738	To offset any insurance claims not specifically detailed in the insurance provision.
Transfer to Reserve in Year	191	353	
Transfer from Reserve in Year	(40)	51	
Balance at End of Year	738	1,142	
Commissioned Services Reserve			
Balance at Start of Year	0	419	To provide resources for future expenditure on existing commitments under PCC commissioned services.
Transfer to Reserve in Year	419	255	
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	0	0	
Balance at End of Year	419	674	
Motor Claim Reserve			
Balance at Start of Year	0	19	To provide resources to assist in funding unexpected 3rd party motor claims, if necessary. Under a new arrangement following the insurance tender process in 2016 the saving on the motor insurance renewal has been reserved to manage the fluctuations of this new arrangement.
Transfer to Reserve in Year	19	0	
Transfer from Reserve in Year	0	0	
Transfers Between Reserves	0	0	
Balance at End of Year	19	19	
Chief Constable's Operational Reserve			
Balance at Start of Year	250	144	To provide resources to assist in funding unexpected major events, if necessary. The Home Office Financial Management Code recommends that there should be an operational contingency.
Transfer to Reserve in Year	0	20	
Transfer from Reserve in Year	(106)	0	
Transfers Between Reserves	0	86	
Balance at End of Year	144	250	
Chief Constable's Contingency			
Balance at Start of Year	500	0	A reserve established in 2014/15, which was used to fund the outturn overspend position in 2016/17 and was subsequently reinstated during 2017/18. Reserve held to meet an increase in budget pressure arising in year as a result of budgeting risks taken during the budget process. The establishment of this reserve has supported a significant reduction in the ongoing revenue budget requirement.
Transfer to Reserve in Year	0	500	
Transfer from Reserve in Year	(500)	0	
Balance at End of Year	0	500	
PFI Reserve & Lifecycle Replacement			
Balance at Start of Year	313	309	To equalise the impact on the Comprehensive Income and Expenditure Statement of changing levels of grant income and charges over the period of the PFI contract. A decision was taken during 2015/16 to transfer funds within this reserve in response to the December 2015 floods and consequent changes to the capital programme.
Transfer to Reserve in Year	0	0	
Transfer from Reserve in Year	(4)	(20)	
Transfers Between Reserves	0	0	
Balance at End of Year	309	289	
Police and Crime Commissioner Operational Contingency			
Balance at Start of Year	250	250	To provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected expenditure/budget pressures in line with the Commissioner's responsibilities. The Home Office Financial Management Code recommends that there should be an operational contingency.
Transfer to Reserve in Year	0	0	
Transfer from Reserve in Year	0	0	
Balance at End of Year	250	250	

Transfers to/from Earmarked Reserves (Continued)

Earmarked Reserves	PCC/Group 2016/17 £000s	PCC/Group 2017/18 £000s	Description/Purpose
Investment Fund			
Balance at Start of Year	219	984	This fund was established to invest in initiatives to deliver the police and crime plan. During the year the reserve has been used to manage funding to support the significant investment in mobile and digital working. A decision was taken during 2015/16 to transfer funds within this reserve in response to the December 2015 floods and consequent changes to the capital programme.
Transfer to Reserve in Year	1,343	36	
Transfer from Reserve in Year	(2,056)	192	
Transfers Between Reserves	1,478	(482)	
Balance at End of Year	984	730	
Short Term Project Reserves			
Balance at Start of Year	1,074	571	To support a variety of locally managed initiatives granted under the scheme of devolved resource management. These are primarily multi-year technology based projects or resources to provide funding for unbudgeted revenue costs within the 2017/18 or 2018/19 financial year.
Transfer to Reserve in Year	201	3,344	
Transfer from Reserve in Year	(704)	(642)	
Transfers Between Reserves	0	(86)	
Balance at End of Year	571	3,187	
Total Revenue Reserves			
Balance at Start of Year	3,193	3,434	Total of all reserves earmarked for revenue purposes (as set out above).
Transfer to Reserve in Year	2,174	4,508	
Transfer from Reserve in Year	(3,410)	(419)	
Transfers Between Reserves	1,478	(482)	
Balance at End of Year	3,435	7,041	
Capital Reserves			
Balance at Start of Year	17,730	17,829	The capital reserve holds direct contributions from the revenue budget to fund capital schemes within the approved capital programme. Capital reserves are set at a level to ensure that the programme is fully funded for the life of the medium term financial forecast (4 years). The reserve was increased during 2015/16 following changes to the capital programme from 2016/17 onwards in response to the December 2015 floods. During 2017/18, the decision was taken to utilise part of this reserve to support the revenue budget.
Transfer to Reserve in Year	3,473	0	
Transfer from Reserve in Year	(1,896)	(5,457)	
Transfers Between Reserves	(1,478)	482	
Balance at End of Year	17,829	12,854	

9 Property, Plant and Equipment

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

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



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

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

Property, Plant and Equipment	Land and Buildings £000s	Vehicles £000s	PCC/Group		Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets Included in P.P.E. £000s
			IT and Technology £000s	Furniture Equipment & Plant £000s			
Cost or Valuation							
At 1 April 2016	53,908	8,724	18,357	4,458	199	85,646	7,014
Additions	0	353	1,591	181	626	2,751	0
Additions from Assets under construction	818	0	0	0	(818)	0	0
Enhancements	185	0	0	0	0	185	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(154)	0	0	0	0	(154)	858
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(402)	0	0	0	0	(402)	45
Derecognition - Disposals	(250)	(437)	(114)	0	0	(801)	0
Derecognition - Other	(499)	0	0	0	0	(499)	0
Assets reclassified (to)/from Investment Property	(10)	0	0	0	0	(10)	0
At 31 March 2017	53,596	8,640	19,834	4,639	7	86,716	7,917
Accumulated Depreciation & Impairment							
At 1 April 2016	(1,810)	(5,836)	(11,490)	(2,756)	0	(21,892)	(250)
Depreciation Charge	(1,253)	(974)	(2,044)	(371)	0	(4,642)	(153)
Derecognition - Disposals	11	437	114	0	0	562	0
Depreciation written out to the Revaluation Reserve	1,361	0	0	0	0	1,361	271
Depreciation written out to the Surplus/Deficit on the Provision of Services	295	0	0	0	0	295	
Impairment written out to the Surplus/Deficit on the Provision of Services	(185)	0	0	0	0	(185)	(185)
Depreciation as at 31 March 2017	(1,581)	(6,373)	(13,420)	(3,127)	0	(24,501)	(317)
Net Book Value							
At 31 March 2017	52,015	2,267	6,414	1,512	7	62,215	7,600
At 31 March 2016	52,098	2,888	6,867	1,702	199	63,754	6,764



Accounting Policy - Property, Plant and Equipment

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

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

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

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

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Measurement (continued)

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

Component Accounting

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

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

9.a Valuations Rolling Programme

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

Valuations Rolling Programme	PCC/Group					Total
	Land and Buildings	Vehicles	IT and Technology	Furniture & Plant Equipment	Assets Under Construction	Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s
Carried at Historical Cost		9,214	17,953	4,241	280	31,688
Valued at Current Value as at:						
- 31 March 2018	7,479	0	0	0	0	7,479
- 31 March 2017	24,512	0	0	176	0	24,688
- 31 March 2016	21,698	0	0	229	0	21,927
Total Cost or Valuation	53,689	9,214	17,953	4,646	280	85,782

Accounting Policy - Valuations

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

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

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

Accounting Policy – Valuations Material Estimation Techniques

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

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

9.b Impairment Review

The Commissioner's professional valuer, Mr. C. Smith BSc MRICS, Carigiet Cowen, Telford House, Riverside, Warwick Road, Carlisle CA1 2BT, has made an assessment of the possible effects of material impairment to land and buildings during the financial year. His assessment was based on a number of specific criteria, which, in his opinion, could affect the valuation of assets. The outcome of the assessment process is the valuer has concluded that there are no impairments. Following the December 2015 flooding, the valuer impaired the Workington premises on a permanent basis reflecting an increase in the perceived risk of future flooding, this impairment has now been incorporated into the 2016/17 revaluation of that premises.

Accounting Policy - Impairment

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

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

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

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

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

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

A brief analysis of the Commissioner's principal assets as at 31 March 2018 is set out below:

Property, Plant and Equipment in Ownership of PCC	PCC/Group As at 31 March	
	2017 Number	2018 Number
HQ, TPA HQ & Larger Police Stations	9	9
Other Police Stations	9	9
Police Houses and other Properties	12	11
Surplus Properties/ Held for Sale/ Investment Properties	4	3
Vehicles	348	359

9.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2017/18 accounts.

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

The table below analyses the (gain)/loss on sale of property, plant and equipment for the year ended 31 March 2018.

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

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

Gain/Loss on Sale of Property, Plant and Equipment	Net Book Value £000s	PCC/Group		(Gain) / Loss 2016/17 £000s
		Costs of Sale £000s	Proceeds of Sale £000s	
Land and Buildings	437	8	(367)	78
Vehicles	0	6	(63)	(57)
Total	437	14	(430)	21

Note in 2017/18 £71k (£53k in 2016/17) of receipts from proceeds of sale included in the above table were individually below the £10k threshold for recognition as capital receipts and have therefore been treated as revenue income. This explains why the capital receipts recorded in note 7 show £535k (£377k in 2016/17) rather than £606k (£430k in 2016/17) as above.

Accounting Policy - Capital Receipts

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

10 Assets Held for Sale

Assets held for sale relate to land and buildings assets that are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets. The assets are being actively marketed for a sale at a price that is reasonable in relation to its current [fair value](#). The sale is expected to qualify for recognition as a completed sale within one year from the date of classification. The table below shows the movement on Assets Held for Sale in 2017/18 with comparative information for 2016/17.

Assets Held for Sale	PCC/Group As at 31 March	
	2017 £000s	2018 £000s
Balance outstanding at start of year	1,744	1,546
Newly classified as held for sale	0	163
Assets sold	(198)	(748)
Balance outstanding at end of year	1,546	961

*At 31 March 2018 a total of 2 properties were classified as **held for sale**: Ulverston Police Station and a former police house in Carlisle.*

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

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

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

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

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

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

11 Intangible Assets

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

A summary of the movements in intangible assets during the year and the position as at 31 March 2018 (with comparatives for 2016/17) is set out in the table below:

Intangible Assets	PCC/Group	
	2016/17 £000s	2017/18 £000s
Balance at start of year		
- Gross carrying amount	3,220	3,318
- Accumulated amortisation	(2,864)	(2,984)
Net carrying amount at start of year	356	334
Additions	98	1,790
Disposals	0	(81)
Amortisations for the period	(120)	(121)
Amortisation adjustment re disposals	0	81
Net carrying amount at end of year	334	2,003
Comprising		
- Gross carrying amount	3,318	5,027
- Accumulated amortisation	(2,984)	(3,024)
	334	2,003

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

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

Accounting Policy - Intangible Assets

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

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

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

12 Private Finance Initiative (PFI)

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

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

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

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

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

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

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

12.a Movement on Fixed Assets

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

12.b PFI Finance Lease Liability

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

PFI Lease Liability	PCC/Group As at 31 March	
	2017 £000s	2018 £000s
Balance at the start of the year	(5,122)	(5,012)
Repayments made during year	110	125
Balance at the end of the year	(5,012)	(4,887)
Split of liability		
Current Liability	(125)	(142)
Long Term Liability	(4,887)	(4,745)
	(5,012)	(4,887)

12.c Payments Due to be made under PFI Contract

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

Payments Due under PFI Contract	PCC/Group			
	Repayment of Liability £000s	Interest Payments £000s	Service Costs £000s	Total £000s
Repayable within one year	142	602	529	1,273
Between two and five years	781	2,196	2,270	5,247
Between six and ten years	3,964	1,488	2,154	7,606
	4,887	4,286	4,953	14,126

The repayment of liability figures include a sum of £2,910k between 6 and 10 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 2 (page 38) for further explanation.

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

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

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

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

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

13 Leases

13.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

13.b Operating leases

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

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

Future Minimum Lease Payments	PCC/Group As at 31 March	
	2017 £000s	2018 £000s
Not later than one year	185	194
Later than one year and not later than five years	124	124
Later than five years.	3,402	3,371
	3,711	3,689

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

Lease Expenditure Charged to Net Cost of Police Services	PCC/Group 2016/17 £000s	PCC/Group 2017/18 £000s
Minimum Lease Payments		
- Land and Buildings	129	120
- Equipment	77	74
	206	194



North Cumbria Territorial Policing Area HQ – Carlisle

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

Accounting Policy - Leases

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

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

Finance leases (as Lessee)

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

Lease payments are apportioned between:

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

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

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

Operating Leases (as Lessee)

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

Finance Leases (as Lessor)

- There are currently no finance leases as a lessor.

Operating Leases (as Lessor)

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

14 Short-term Debtors

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

A breakdown of the amounts owing to the Commissioner as at 31 March 2018 is set out in the table below:

Short-term Debtors	PCC		Group	
	As at 31 March 2017 £000s	2018 £000s	As at 31 March 2017 £000s	2018 £000s
Central Government Bodies	6,241	5,915	6,241	5,915
Other Police / Local Authorities	1,181	630	1,181	630
NHS Bodies	31	39	31	39
Public Corporations & Trading Funds	22	27	22	27
Other Entities and Individuals (see below)	6,408	7,333	6,408	7,333
	13,882	13,944	13,882	13,944
Balances Owed From Chief Constable:				
- Re CC Share of External Creditors	8,164	11,542	0	0
- Re balance of Funding	4,688	4,500	0	0
Total Debtors	26,734	29,986	13,882	13,944

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

Analysis of Other Entities and Individuals	PCC		Group	
	As at 31 March 2017 £000s	2018 £000s	As at 31 March 2017 £000s	2018 £000s
Police Pensioners Prepayment	2,243	2,353	2,243	2,353
Goods and Services	763	537	763	537
Prepayments/Payments In Advance	2,376	3,225	2,376	3,225
Employees (accumulated compensating absences)	85	118	85	118
Local Taxpayers (#)	1,819	1,971	1,819	1,971
	7,285	8,204	7,285	8,204
Less - Provision for Bad Debts (Goods & Services)	(1)	(3)	(1)	(3)
Less - Provision for Bad Debts (Local Taxpayers) (#)	(876)	(868)	(876)	(868)
	(877)	(871)	(877)	(871)
Other Entities and Individuals (Net of Impairment)	6,408	7,333	6,408	7,333

The debtors in respect of Local Taxpayers represent the Commissioner's share of the debtors recorded by the six Cumbrian District Councils in respect of Council Tax. This figure is reduced by the Commissioner's share of their respective bad debt provisions.

15 Short-term Creditors

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

An analysis of the amounts owed by the Commissioner as at 31 March 2018 is set out in the table below:

Short-term Creditors	PCC		Group	
	As at 31 March		As at 31 March	
	2017	2018	2017	2018
	£000s	£000s	£000s	£000s
Central Government Bodies	(1,882)	(2,022)	(1,882)	(2,022)
Other Police / Local Authorities	(571)	(1,207)	(571)	(1,207)
NHS Bodies	(907)	(1,053)	(907)	(1,053)
Public Corporations & Trading Funds	(2)	(1)	(2)	(1)
Other Entities and Individuals (see below)	(7,565)	(9,623)	(7,565)	(9,623)
	(10,927)	(13,906)	(10,927)	(13,906)
Balances Owed to Chief Constable:				
- Re CC Share of External & Employee Debtors	(4,520)	(4,386)	0	0
- Re balance of Funding	(6,565)	(10,072)	0	0
Total Creditors	(22,012)	(28,364)	(10,927)	(13,906)

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

Analysis of Other Entities and Individuals	PCC		Group	
	As at 31 March		As at 31 March	
	2017	2018	2017	2018
	£000s	£000s	£000s	£000s
Goods and Services	(2,962)	(5,103)	(2,962)	(5,103)
Receipts In Advance	(900)	(955)	(900)	(955)
Employees (accumulated compensating absences)	(2,940)	(2,874)	(2,940)	(2,874)
Local Taxpayers	(763)	(691)	(763)	(691)
Other Entities and Individuals	(7,565)	(9,623)	(7,565)	(9,623)

16 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 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 Commissioner and met internally. The provision for insurance liabilities is subject to an actuarial review on a bi-ennial basis to determine the most appropriate level for the provision based on the circumstances at the time of the review.
- Legal Claims – this provision has been established to cover the potential costs relating to a number of legal claims that are currently ongoing.

Accounting Policy – Provisions

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

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

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

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

Notes to the Accounts

The table below shows the movements during the year on each of the group 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)

17 Financial Instruments

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

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the PCC/Group are included in Section A of a separate technical appendix at Annex B on pages 102 to 107.

The disclosures include:

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

18 Pensions

The PCC/Group participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the PCC/Group are included in a separate technical appendix at Annex C on pages 108 to 119.

The disclosures include:

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

19 Usable Reserves

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

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

- [Capital Receipts](#) Reserve – this reserve is used to hold capital receipts until they are utilised to finance capital expenditure or reduce borrowing.
- Capital Grants Unapplied Account – this reserve is used to hold capital grants until they are utilised to finance capital expenditure.
- Capital Reserve – this reserve is a revenue backed earmarked reserve that has been set aside to fund capital expenditure.
- [Earmarked Reserves](#) - The Commissioner has a number of earmarked reserves that exist both to provide a [contingency](#) to cushion the effect of unexpected events and to provide a mechanism to build up funds to meet expected liabilities. The Commissioner's earmarked reserves have been formulated in conjunction with the [CIPFA](#) guidance on Reserves and [Provisions](#). Details of the earmarked reserves in existence and a brief description as to their purpose is included in note 8 to the accounts (see pages 54-55).

The movement in the Commissioner's Group and Single Entity Usable Reserves is detailed in the Movement in Reserves Statement (see pages 32 to 33), and the disclosure notes relating to Adjustments between the Accounting Basis and Funding Basis under regulations (Note 7) and Transfer to/from Earmarked reserves (Note 8).

Accounting Policy - Reserves

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

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

20 Unusable Reserves

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

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

20.a Revaluation Reserve

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

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

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

The movements on the reserve during 2017/18 and the previous year are set out in the table below:

Revaluation Reserve	PCC/Group 2016/17 £000s	PCC/Group 2017/18 £000s
Balance at Start of Year	8,307	9,448
Upward revaluation of assets	1,825	108
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(618)	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	1,207	108
Accumulated gains on assets sold or scrapped	(66)	(104)
Amount written off to Capital Adjustment Account	(66)	(104)
Balance at End of Year	9,448	9,452

20.b Capital Adjustment Account

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

The movements on the account during 2017/18 and the previous year are set out in the table below:

Capital Adjustment Account	PCC/Group 2016/17 £000s	PCC/Group 2017/18 £000s
Balance at Start of Year	38,973	36,354
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(4,827)	(4,302)
Revaluation gains/(losses) on Property, Plant and Equipment	(607)	161
Amortisation of Intangible assets	(120)	(121)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(437)	(848)
	(5,991)	(5,110)
Adjusting amounts written out of the Revaluation Reserve	66	104
Net written out amount of the cost of non-current assets consumed in the year	(5,925)	(5,006)
Capital financing applied in the year:		
Application of grants to capital financing from the Capital Grants Unapplied Account	454	0
Statutory provision for the financing of capital investment charged against the General Fund	413	423
Capital expenditure charged against the Police Fund	2,439	5,255
	3,306	5,678
Balance at End of Year	36,354	37,026

20.c Collection Fund Adjustment Account

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

The end of year balance on the account reflects the Commissioner's aggregate share of the Surplus/(Deficit) on the Collection fund operated by each of the 6 district councils (or billing authorities) that has yet to be distributed. The movements on the account during 2017/18 and the previous year are set out in the table below:

Collection Fund Adjustment Account	PCC/Group 2016/17 £000s	PCC/Group 2017/18 £000s
Balance at Start of Year	739	720
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(19)	(257)
Balance at End of Year	720	463

A further breakdown of the movement in year by district council, is provided in note 29 on page 89.

Accounting Policy – Collection Fund

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

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

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

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

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

20.d Accumulated Absences Account

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

Accumulated Absences Account	PCC 2016/17 £000s	PCC 2017/18 £000s	Group 2016/17 £000s	Group 2017/18 £000s
Balance at Start of Year	(7)	(7)	(2,855)	(2,856)
Settlement or cancellation of accrual made at the end of the preceding year	7	7	2,855	2,856
Amounts accrued at the end of the current year	(7)	(6)	(2,856)	(2,756)
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	0	1	(1)	100
Balance at End of Year	(7)	(6)	(2,856)	(2,756)

Accounting Policy - Employee Benefits payable during Employment

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

20.e Pensions Reserve

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

Pensions Reserve	PCC		Group		Group	
	LGPS Pensions		LGPS Pensions		Police Pensions	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(687)	(1,258)	(26,223)	(47,136)	(1,012,460)	(1,243,120)
Remeasurement of the net defined pension benefit liability/asset	(541)	269	(19,762)	10,391	(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	(148)	(182)	(5,125)	(7,306)	(50,310)	(54,490)
Employer's pension contributions and direct payments to pensioners payable in the year.	118	73	3,974	2,944	27,860	31,240
Balance at End of Year	(1,258)	(1,098)	(47,136)	(41,107)	(1,243,120)	(1,187,670)

20.f Available for Sale Financial Instruments Reserve

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

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

Available for Sale Financial Instruments Reserve	PCC/Group	
	2016/17	2017/18
	£000s	£000s
Balance at Start of Year	0	(18)
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(18)	7
Balance at End of Year	(18)	(11)

21 Related Party Transactions

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

21.a Chief Constable for Cumbria Constabulary

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

21.b Central Government

Central government has effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework within which the Commissioner operates and provides the majority of its funding in the form of grants. Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement (page 30). Government Grants included within the Net Cost of Services are detailed in note 27 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 14.

21.c Members

The Commissioner has eight appointed Members, four who serve on the Joint Audit and Standards Committee and four who serve on the Ethics and Integrity Panel. These members are required to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2017/18 financial year. The total members allowances paid in 2017/18 are shown in note 22.

21.d Officers and Employees

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

21.e Other Public Bodies

The Commissioner's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex C) pages 108-119.

The amounts received in respect of council tax income from the six Cumbrian District Councils are detailed in note 29.

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

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

22 Members Allowances and Expenses

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

Members Allowances	PCC/Group 2016/17 £000s	PCC/Group 2017/18 £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/>.

23 Disclosure of Remuneration for Senior Employees

The following tables sets out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is less than £150,000 but more than £50,000 per year. The first table provides the information for 2017/18 and the second provides comparatives for 2016/17.



The table below gives the PCC and Group information for 2017/18 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 Police & Crime Commissioner										
Police & Crime Commissioner		65	2	0	0	0	0	67	10	77
PCC Chief Finance Officer	10	20	0	0	45	0	0	65	3	68
PCC Chief Executive (A)	11	46	0	0	0	0	0	46	7	53
PCC Chief Executive (B)	12	65	0	0	0	0	0	65	10	75
PCC Chief Executive (C)	13	66	0	(1)	0	0	0	65	10	75
Total PCC		262	2	(1)	45	0	0	308	40	348
Shown in Single Entity Statements of Chief Constable										
Chief Constable (A)	1	141	7	0	0	0	3	151	0	151
Deputy Chief Constable (A) / Chief Constable (B)	2	118	7	0	0	0	3	128	25	153
Temporary Assistant Chief Constable (A)	3	50	2	0	6	0	2	60	11	71
Assistant Chief Constable (A) / Temporary Deputy Chief Constable (B)	4	82	5	0	0	27	0	114	17	131
Temporary Assistant Chief Constable (B)	5	85	3	0	0	1	3	92	18	110
Joint Chief Finance Officer	6	71	0	0	0	0	0	71	11	82
Director of Corporate Support		82	0	0	0	0	0	82	10	92
Director of Corporate Improvement		82	0	0	0	0	0	82	12	94
Chief Superintendent - Territorial Policing	7	86	2	0	0	1	3	92	18	110
Superintendent - Head of People		75	1	0	0	1	0	77	17	94
Temporary Chief Superintendent - Crime Command	8	56	2	0	0	1	2	61	11	72
Temporary Chief Superintendent - Territorial Policing	9	78	2	0	0	1	3	84	16	100
Director of Legal Services		73	1	0	0	1	0	75	11	86
Total CC		1,079	32	0	6	33	19	1,169	177	1,346
Total Group		1,341	34	(1)	51	33	19	1,477	217	1,694

Notes:

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

The comparative PCC and Group figures for 2016/17 in £000s, are set out in the table below:

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Salary Sacrifice	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Police & Crime Commissioner										
Police & Crime Commissioner (A)	1	7	0	0	0	0	0	7	1	8
Police & Crime Commissioner (B)	2	58	2	0	0	0	0	60	7	67
PCC Chief Finance Officer	3	65	0	0	0	0	0	65	8	73
PCC Chief Executive		91	0	0	0	0	0	91	12	103
Total PCC		221	2	0	0	0	0	223	28	251
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	125	24	149
Assistant Chief Constable	4	84	0	(1)	4	0	2	89	18	107
Temporary Assistant Chief Constable	5	88	4	(1)	0	1	3	95	19	114
Chief Superintendent (A)	6	12	0	0	0	0	0	12	3	15
Chief Superintendent (B)		83	2	0	0	1	3	89	18	107
Chief Superintendent (C)	7	79	3	0	0	1	3	86	17	103
Temp. Chief Superintendent (A)	8	40	2	0	2	0	1	45	8	53
Temp. Chief Superintendent (B)	9	74	2	0	0	1	3	80	16	96
Chief Inspector PSD	10	55	1	0	0	1	1	58	12	70
Head of PSD - Superintendent	11	15	0	0	0	0	0	15	3	18
Director of Legal Services		73	1	0	0	1	0	75	9	84
Director of Corporate Support		81	0	(1)	0	0	0	80	10	90
Director of Corporate Improvement		81	1	0	0	0	0	82	10	92
CC Chief Finance Officer		67	0	0	0	0	0	67	8	75
Total CC		1,086	31	(3)	6	6	22	1,148	175	1,323
Total Group		1,307	33	(3)	6	6	22	1,371	203	1,574

Notes:

- Police and Crime Commissioner (A) came to the end of his term in office in May 2016.
- Police and Crime Commissioner (B) was elected to office in May 2016.
- The PCC Chief Finance Officer reduced her hours from 33.3 hrs per week to 23.5 hrs per week wef 09/01/2017.
- The ACC left Cumbria Constabulary on 08/01/2017.
- The Temporary ACC was appointed to the role with effect from 01/01/2017.
- Chief Superintendent (A) left Cumbria Constabulary on 22/05/2016.
- Chief Superintendent (C) left became Crime Commander on 01/10/2016.
- Temporary Chief Superintendent (A) left Cumbria Constabulary on 30/09/2016.
- Temporary Chief Superintendent (B) was appointed to Temporary Chief Superintendent Territorial Policing on 01/01/2017.
- Chief Inspector PSD ceased the role of Head of Professional Standards Department (PSD) on the 16/01/2017 and was replaced by Superintendent PSD.
- Superintendent PSD became Head of Professional Standards Department w.e.f. 16/01/2017.

24 Employee Remuneration

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

Remuneration Band	2016/17				2017/18			
	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total	PCC Police Staff	CC Police Staff	CC Snr Police Officers	Group Total
£50,000 to £54,999	0	4	0	4	0	3	0	3
£55,000 to £59,999	3	1	0	4	0	2	2	4
£60,000 to £64,999	1	1	0	2	1	4	0	5
£65,000 to £69,999	0	3	0	3	3	0	0	3
£70,000 to £74,999	0	1	0	1	0	2	0	2
£75,000 to £79,999	0	0	1	1	1	0	0	1
£80,000 to £84,999	0	2	1	3	0	2	0	2
£85,000 to £89,999	0	0	1	1	0	0	2	2
£90,000 to £94,999	1	0	2	3	0	1	0	1
£95,000 to £99,999	0	0	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	0	0	1	1
£110,000 to £114,999	0	0	0	0	0	0	0	0
£115,000 to £119,999	0	0	1	1	0	0	0	0
£120,000 to £124,999	0	0	0	0	0	0	1	1
£125,000 to £129,999	0	0	0	0	0	0	0	0
£130,000 to £134,999	0	0	0	0	0	0	0	0
£135,000 to £139,999	0	0	0	0	0	0	0	0
£140,000 to £144,999	0	0	1	1	0	0	1	1
Total	5	12	7	24	5	14	7	26

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 23 for more information.

25 Exit Packages/Termination Payments

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

Exit package cost band (including special payments)	PCC/Group		PCC/Group		PCC/Group		PCC/Group	
	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	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	1	2	2	109	89
£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	4	8	5	298	264

During 2017/18 the contracts of a small number of employees were terminated incurring termination payments amounting to £259k (£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 £264k (£298k in 2016/17). The exit packages can be further split into compensation for loss of employment £176k (£144k in 2016/17) and enhanced pension benefits £88k (£154k in 2016/17). The redundancies are as a result of the OPCC and Constabulary's change programme. The Exit Packages table above provides details of the number and total cost of exit packages per band and include those exit packages paid in 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 (pages 41-42) for 2017/18 is made up of the exit packages paid in the year of £264k (per the table above) minus £5k in respect of these differences in accruals.

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 (pages 41-42) 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 individual's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged (on an [accruals](#) basis) to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the organisation can no longer withdraw the offer of those benefits or when the organisation recognises the costs for restructuring.

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

26 Audit Fees

In 2017/18 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	Group 2016/17 £000s	Group 2017/18 £000s
Amounts Relating to The Police and Crime Commissioner		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	30	30
	30	30
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
	15	15
Other Services		
Fees payable in respect of <i>other services</i> provided by Grant Thornton during the	12	0
Rebate from Public Sector Audit Appointments in year.		
Total External Audit Fees for Year	57	45

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.

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

27 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18.

Grant Income	PCC/Group	
	2016/17 £000s	2017/18 £000s
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions - General	429	364
Formula Funding (Home Office)	30,822	30,391
Council Tax Freeze & Local Council Tax Support Support (Home Office)	4,850	4,850
Home Office Police Grant	28,721	28,320
PFI Grant (Home Office)	687	687
Police Pension Grant (Home Office)	17,590	20,917
TOTAL	83,099	85,529
Credited to Services		
<i>Grants and Contributions - Central Government</i>		
Apprenticeship Levy (Home Office)	0	2
Criminal Records Bureau (Home Office)	292	305
Dedicated Security Posts (Home Office)	169	153
Innovation Fund (Home Office)	1,427	1,863
ANPR Project (mayor's Office of the PCC)	161	0
Victims Services (Ministry of Justice)	588	584
Collaborations (Various)	163	212
Custody Contract Delivery (NHS England)	25	0
Access to Work (DWP)	2	0
	2,827	3,119
<i>Grants and Contributions - Other</i>		
NHS Funding (SASS)	558	343
Local Partnership	288	163
Youth Offending Team (Cumbria CC)	88	99
Safer Cumbria Delivery Board (PCC for Cumbria)	14	122
	948	727
TOTAL	3,775	3,846

Accounting Policy - Government Grants and Contributions

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

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

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

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

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

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

28 Grants Receipts in Advance

During 2015/16 the Commissioner received a grant of £3m from the Nuclear Decommissioning Authority by way of contribution to the construction of a Strategic Command Centre at Carleton Hall in Penrith. At that time it was envisaged that the grant would be drawn down during the construction of the building during 2017/18 and once grant conditions are met.

During 2016/17 however, the project to construct the Strategic Command Centre was aborted. The funding was returned to the Nuclear Decommissioning Authority in December 2016.

29 Income from Council Tax

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

The income from Council Tax for 2017/18 is received as precept from the six district councils as set out below:

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

The comparative information for 2016/17 is as follows:

Council Tax Income	Precept Paid 2016/17 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	6,531	(111)	6,420
Barrow Borough Council	4,098	29	4,127
Carlisle City Council	7,057	57	7,114
Copeland Borough Council	4,411	36	4,447
Eden District Council	4,361	(30)	4,331
South Lakeland District Council	9,674	0	9,674
	36,132	(19)	36,113

30 Capital Expenditure and Capital Financing

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

The commissioner approves on an annual basis a capital programme for the Constabulary. The capital programme is fully funded for a four year period to tie in with the medium term financial forecast. The capital programme covers the routine cyclical replacement of ICT equipment and vehicles and also includes specific one off projects. Due to the cyclical nature of the majority of the capital programme, the programme is also modelled at a high level over a 10 year longer term horizon. The capital programme for 2017/18 was approved by the Commissioner at his Public Accountability Conference on 22 February 2017. The capital strategy report can be found on the Commissioner's website at: <https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/Combined-agenda-and-reports.pdf?x42249>

The capital outturn report for 2017/18 was approved by the Commissioner on 10 May 2018 and can also be found on the Commissioner's website.

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

Capital Expenditure	PCC/Group	
	2016/17 £000s	2017/18 £000s
Technology Schemes		
Case & Custody System	112	22
Computer Hardware & Infrastructure	497	586
Mobility & Digitisation	893	111
Wide Area Network (WAN)	74	67
Control Room Futures	0	296
ESN	0	34
Body Worn Video	0	225
Other Technology Schemes	15	38
	1,591	1,379
Vehicles Replacement Scheme	353	1,614
Building Schemes		
South Estate - Barrow	44	(25)
Eden Deployment Centre	177	273
Other Building Schemes	590	217
	811	465
Equipment Schemes		
County Wide CCTV System	6	7
Automatic Number Plate Recognition (ANPR)	102	0
Other Equipment Schemes	73	0
	181	7
Intangible Assets	98	1,790
Total Capital Expenditure	3,034	5,255

30.a Capital Financing

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

Capital Financing Requirement	PCC/Group	
	2016/17 £000s	2017/18 £000s
Opening Capital Financing Requirement	18,674	18,402
<i>Capital investment</i>		
Property, Plant and Equipment	2,936	3,465
Intangible Assets	98	1,790
<i>Sources of Finance</i>		
Government grants and other contributions	(454)	0
Sums set aside from revenue:		
- Direct revenue contributions	(2,439)	(5,255)
- Minimum revenue provision	(413)	(423)
Closing Capital Financing Requirement	18,402	17,979
<i>Explanation of Movements in Year</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(272)	(423)
Increase/(decrease) in Capital Financing Requirement	(272)	(423)

31 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £2,770k in respect of a number of schemes from the 2017/18 capital programme (£750k in 2016/17).

Outstanding Capital Commitments	PCC/Group As at 31 March	
	2017 £000s	2018 £000s
Control Room Futures	0	2,378
E Business	0	53
Vehicle Replacement	291	42
Case and Custody	88	0
CCTV	46	0
Flood Works at HQ	0	10
Eden Deployment Centre/Carpark	225	225
Other Capital Commitments	100	62
Total	750	2,770

32 Minimum Revenue Provision

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

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

The Minimum Revenue Provision charged for the year 2017/18 (and comparatives for 2016/17) is made up as follows:

Minimum Revenue Provision	PCC/Group 2016/17 £000s	PCC/Group 2017/18 £000s
Minimum Revenue Provisions (MRP)		
Core MRP	303	298
PFI MRP	110	125
Total MRP for Year	413	423

33 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.

34 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.

35 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.

Police Officer Pension Fund Account

Police Officer Pension 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	Group 2016/17 £000s	Group 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 Police and Crime Commissioner (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	Group 2016/17 £000s	Group 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

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 34). 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 108-119).

Funding of Police Pension Schemes

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

Glossary of Terms

Accruals

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

Actuarial Valuation

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

Agency Costs

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

Amortisation/Amortised Cost

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipt

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

Cash and Cash Equivalents

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

CC or Chief Constable

The Chief Constable for Cumbria Constabulary.

CFO

The Joint Chief Finance Officer.

CIPFA

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

Commissioner

The Police and Crime Commissioner for Cumbria.

Componentisation

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

Contingency

A sum set aside to meet unforeseen expenditure.

Creditors

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

Glossary of Terms

Debtors

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

Depreciation

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

De-minimis

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

Direct Revenue Contributions (DRC)

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

Earmarked Reserves

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

Fair Value

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

Hedge Funds

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

Heritage Assets

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

HMICFRS

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

Impairment/Impaired

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

Investment Property

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

Leasing

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

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

Minimum Revenue Provision (MRP)

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

Non-current Assets

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

NPCC

The National Police Chiefs Council.

PCC

The Police and Crime Commissioner for Cumbria.

Pension actuarial gains and losses

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

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

Pension – current service costs

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

Glossary of Terms

Pension – defined benefit scheme

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

Pension assets – expected rate of return

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

Pension – interest costs

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

Pension - past service costs

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

Police Objective Analysis (POA)

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

Precept

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

Private Equity Funds

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

Provision

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revaluation Reserve

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

SERCOP

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

The Commissioner

The Police and Crime Commissioner for Cumbria.

TPA

Territorial Policing Area.

Annex A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 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 Local Government Act 2003. The [Commissioner](#) is responsible for combining the single entity statements to form a set of consolidated group accounts.

Where accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a [grey text box](#), in the notes to the accounts section (see pages 37 to 93). Where an accounting policy is more generic and applicable across the statement accounts it is shown in this **Annex A**.

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

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

2 Accruals of Income and Expenditure

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

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

Accrual Example 1

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

Accrual Example 2

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

Annex A - Statement of Accounting Policies

3 Exceptional Items

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

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

4 Inventories

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

5 Treatment of Overheads

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

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

6 Heritage Assets

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

Annex A - Statement of Accounting Policies

7 Investment Property

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

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

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

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

8 Contingent Assets

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

9 Value Added Tax (VAT)

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

Annex B – Technical Annex – Financial Instrument Disclosures

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

Accounting Policy - Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

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

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

Where assets are identified as [impaired](#) because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. An example of such a charge would be the adjustment made to the [debtors](#) balance as a [provision](#) for bad debts (see note 14, page 69).

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

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

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

B1 Categories of Financial Instrument

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

Categories of Financial Instruments	PCC Long Term		PCC Current		Group Long Term		Group Current	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financial Assets								
Loans and Receivables								
Investments	2,043	0	8,102	12,082	2,043	0	8,102	12,082
Cash & Cash Equivalents	0	0	3,044	3,774	0	0	3,044	3,774
Debtors	0	0	6,707	6,225	0	0	6,792	6,343
Total Financial Assets	2,043	0	17,853	22,081	2,043	0	17,938	22,199
Financial Liabilities								
Financial liabilities carried at contract amounts								
Creditors	0	0	(5,446)	(8,326)	0	0	(8,379)	(11,194)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(4,887)	(4,745)	(125)	(142)	(4,887)	(4,745)	(125)	(142)
Total Financial Liabilities	(4,887)	(4,745)	(5,571)	(8,468)	(4,887)	(4,745)	(8,504)	(11,336)

B2 Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2017/18 relating to financial instruments are made up as follows:

Gains and Losses on Financial Instruments	PCC/Group 2016/17				PCC/Group 2017/18			
	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total	Financial Liabilities Held at amortised cost	Financial Liabilities PFI/Finance Lease	Financial Assets Loans & Receivables	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest Expense	0	633	0	633	0	619	0	619
Impairment Losses (Bad Debts Provision Increase)	0	0	0	0	(2)	0	0	(2)
Total Expenses in (Surplus) or Deficit on the Provision of Services	0	633	0	633	(2)	619	0	617
Interest Income	0	0	(102)	(102)	0	0	(90)	(90)
Impairment Gain (Bad Debts Provision Reduction)	0	0	0	0	0	0	0	0
Total Income in (Surplus) or Deficit on the Provision of Services	0	0	(102)	(102)	0	0	(90)	(90)
Net (Gain)/Loss for the Year	0	633	(102)	531	(2)	619	(90)	527

Annex B – Technical Annex – Financial Instrument Disclosures

B3 Fair value of Assets and Liabilities Carried at Amortised Cost

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

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

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

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

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

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

The fair values calculated are as follows:

Fair Values of Assets and Liabilities	PCC		PCC		Group		Group	
	31 March 2017		31 March 2018		31 March 2017		31 March 2018	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Financial Liabilities								
Creditors	(5,446)	(5,446)	(8,326)	(8,326)	(8,379)	(8,379)	(11,194)	(11,194)
Other Long-term Liabilities (PFI/Finance Lease)	(5,012)	(9,631)	(4,887)	(8,911)	(5,012)	(9,631)	(4,887)	(8,911)
	(10,458)	(15,077)	(13,213)	(17,237)	(13,391)	(18,010)	(16,081)	(20,105)
Financial Assets								
Investments	10,145	10,145	12,082	12,082	10,145	10,145	12,082	12,082
Cash and Cash Equivalents	3,044	3,044	3,774	3,774	3,044	3,044	3,774	3,774
Debtors	6,707	6,707	6,225	6,225	6,792	6,792	6,343	6,343
	19,896	19,896	22,081	22,081	19,981	19,981	22,199	22,199

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

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

The Commissioner’s activities expose it to a variety of financial risks. The Commissioner’s annual Treasury Management Strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Commissioner provides written policies within its Treasury Management Strategy covering interest rate risk, credit risk and the investment of surplus cash balances. A copy of the current Treasury Management Strategy Statement can be found on the Police and Crime Commissioner’s website at: <https://cumbria-pcc.gov.uk/wp-content/uploads/2017/03/Treasury-Management-Strategy-Statement-2017-18-and-Prudential-Indicators-2017-18-to-2019-20.pdf>

B4 (i) Credit Risk

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

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

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

The credit criteria as set out in the 2017/18 TMSS in respect of financial assets held by the Commissioner are detailed below:

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

Annex B – Technical Annex – Financial Instrument Disclosures

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £12m at the balance sheet date cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31 March 2018 that this was likely to happen.

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

Potential Maximum Exposure to Credit Risk	Amount at 31/03/18 £000s	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/18	Estimated maximum exposure to default and uncollectability £000s	Comparative Estimated maximum exposure at 31/03/17 £000s
Customers - Operational Debtors	1,758	0.03%	0.06%	1	1

The Commissioner does not generally allow credit for customers. At the 31 March 2018, £241k (14%) of the £1,758k balance of operational debt was past the due date for payment. This sum has increased from the balance at 31 March 2017 (£72k (4%) out of £1,788k overdue), as a consequence the Commissioner has increased the bad debt provision as at 31 March 2018 to £3k to reflect a degree of uncertainty around a number of the longer standing debts. The past due amount can be analysed by age as follows:

Aged Debt Past Due Date	PCC/Group As at 31 March	
	2017 £000s	2018 £000s
Total Operational Debtors	1,788	1,758
Aged Debt past its due date by:		
1-30 Days	42	145
31-60 Days	12	25
61-90 Days	3	28
91-180 Days	6	25
181-360 Days	0	10
361+ Days	9	8
	72	241

B4 (ii) Liquidity Risk

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

As the Commissioner has ready access to borrowings from the PWLB and had at 31 March 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 under financial instruments. A more pertinent risk is that the Commissioner will be required to replenish a significant proportion of its internal borrowings at a time of unfavourable interest rates. At the balance sheet date the Commissioner is confident that it has adequate working capital principally as a result of its [reserves](#) to mitigate this risk. Nevertheless, prevailing money market rates are regularly monitored with a view to ensuring that long term debt financing decisions are made at the optimum time.

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

B4 (iii) Market Risk

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

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

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

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

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

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

The Treasury Management Strategy also advises on the limits for new variable and fixed-rate borrowing for the year. No new external borrowing was undertaken in 2017/18.

C1 Pension Schemes

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

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

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

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

The LGPS for Police Staff employees, is administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded defined benefit scheme, meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2017/18 the Commissioner made a contribution of 15.4% of pensionable pay. The past service contribution made in 2016/17 of £1,478k (£47k for the PCC Single Entity Statements) represented a three year contribution which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2016 with revised rate for employers contributions of 15.4% being applicable from April 2017.

- **The Police Pension Scheme**

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

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

The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards there is an employer's contribution rate set by the Home Office (21.3% of pensionable salary for 2016/17 and 2017/18 (previously 24.2%)), which is charged to the Comprehensive Income and Expenditure Statement. In addition, the Constabulary is required to make an additional contribution to the Police Pension Fund Account which equates to 2.9% of pensionable pay to fund the difference between the contributions calculated with the current and previous rates. The pension contribution rates were last reviewed in March 2012.

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

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 94-95). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the Police Fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office.

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

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

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

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

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

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

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

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

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

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

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

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

Annex C – Technical Annex – Pensions Disclosures

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

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

Pension Transactions in MIRS and CI&ES	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme		Group Total Pension Schemes	
	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	3,809	5,901	0	0	8,060	8,810	220	440	6,320	11,620	18,409	26,771
• 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	860	1,157	39	30	34,090	30,610	1,170	1,330	450	880	36,609	34,007
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	5,086	7,276	39	30	42,150	40,220	1,390	1,770	6,770	12,500	55,435	61,796
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)	(15,344)	(1,693)	0	0	0	0	0	0	0	0	(15,344)	(1,693)
• Actuarial (gains) and losses arising on changes in demographic assumptions	(1,562)	0	(5)	0	(22,790)	(36,720)	0	(1,570)	0	(2,340)	(24,357)	(40,630)
• Actuarial (gains) and losses arising on changes in financial assumptions	40,981	(8,778)	176	(26)	210,780	30,570	15,620	3,580	8,410	970	275,967	26,316
• Experience (gains) and losses on liabilities	(4,476)	0	(109)	0	(3,470)	(66,350)	40	(6,710)	(380)	(130)	(8,395)	(73,190)
• Administration expenses	101	106	0	0	0	0	0	0	0	0	101	106
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	19,700	(10,365)	62	(26)	184,520	(72,500)	15,660	(4,700)	8,030	(1,500)	227,972	(89,091)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	24,786	(3,089)	101	4	226,670	(32,280)	17,050	(2,930)	14,800	11,000	283,407	(27,295)
<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.	(5,086)	(7,276)	(39)	(30)	(42,150)	(40,220)	(1,390)	(1,770)	(6,770)	(12,500)	(55,435)	(61,796)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	3,910	2,880	64	64	0	0	0	0	0	0	3,974	2,944
• 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	3,910	2,880	64	64	30,590	34,550	10	(100)	(2,740)	(3,210)	31,834	34,184

Annex C – Technical Annex – Pensions Disclosures

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

Pension Transactions in MiRS and CI&ES	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits		PCC Total LGPS Pension Scheme	
	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	126	151	0	0	126	151
• Past service costs	0	0	0	0	0	0
• (Gain)/loss from settlements/curtailments	0	0	0	0	0	0
<i>Financing and Investment Income and Expenditure</i>						
• Net interest expense	21	30	1	1	22	31
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	147	181	1	1	148	182
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)	(926)	(48)	0	0	(926)	(48)
• Actuarial (gains) and losses arising on changes in demographic assumptions	(39)	0	0	0	(39)	0
• Actuarial (gains) and losses arising on changes in financial assumptions	913	(223)	5	(1)	918	(224)
• Experience (gains) and losses on liabilities	584	0	1	0	585	0
• Administration expenses	3	3	0	0	3	3
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	535	(268)	6	(1)	541	(269)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	682	(87)	7	0	689	(87)
<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.	(147)	(181)	(1)	(1)	(148)	(182)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>						
• Employers' contributions payable to the scheme	116	71	2	2	118	73
• Retirements benefits payable to pensioners	0	0	0	0	0	0
Total amount charged against the Police Fund Balance for pensions in the year	116	71	2	2	118	73

Annex C – Technical Annex – Pensions Disclosures

C2 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

The underlying assets and liabilities for retirement benefits attributable to the Group at 31 March 2018 are as follows:

Pension Scheme Assets & Liabilities	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	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	(176,229)	(176,324)	(1,174)	(1,114)	(1,167,410)	(1,100,580)	(49,930)	(47,100)	(25,780)	(39,990)
Fair value of plan assets	130,267	136,331	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(45,962)	(39,993)	(1,174)	(1,114)	(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 Commissioner has, in the long run, to pay retirement benefits. The total group liability of £1.229m (£1.290m at 31 March 2017) has a substantial impact on the net worth of the Commissioner as recorded in the group balance sheet, resulting in a negative overall balance of £1.154m (£1.216m at 31 March 2017).

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

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

The underlying assets and liabilities for retirement benefits attributable to the PCC Single Entity at 31 March 2018 are as follows:

Pension Scheme Assets & Liabilities	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(4,928)	(4,917)	(38)	(36)
Fair value of plan assets	3,708	3,855	0	0
Net liability arising from defined benefit obligation	(1,220)	(1,062)	(38)	(36)

Annex C – Technical Annex – Pensions Disclosures

Reconciliation of present value of scheme liabilities for the group:

Reconciliation of Scheme Liabilities	Group LGPS		Group LGPS		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	Funded Benefits	2016/17	2017/18	Unfunded Benefits	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	(134,244)	(176,229)	(1,137)	(1,174)	(971,330)	(1,167,410)	(32,890)	(49,930)	(8,240)	(25,780)
Current service cost	(3,809)	(5,901)	0	0	(8,060)	(8,810)	(220)	(440)	(6,320)	(11,620)
Interest cost	(4,798)	(4,582)	(39)	(30)	(34,090)	(30,610)	(1,170)	(1,330)	(450)	(880)
Contributions by Scheme Participants	(1,098)	(1,148)	0	0	(2,280)	(1,920)	(80)	(100)	(2,830)	(3,170)
Remeasurement gains and (losses):										
- Arising from changes in demographic assumptions	1,562	0	5	0	22,790	36,720	0	1,570	0	2,340
- Arising from changes in financial assumptions	(40,981)	8,778	(176)	26	(210,780)	(30,570)	(15,620)	(3,580)	(8,410)	(970)
- Experience gains/(losses)	4,476	0	109	0	3,470	66,350	(40)	6,710	380	130
Past service cost	0	0	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	3,080	2,976	64	64	32,870	36,470	90	0	90	(40)
Balance at End of Year	(176,229)	(176,324)	(1,174)	(1,114)	(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 and demographic assumptions by the scheme actuaries.

Accounting Policy – Post-Employment Benefits – Measurement of Liabilities

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in C3 on page 118).

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

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Liabilities	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s
Balance at Start of Year	(3,272)	(4,928)	(33)	(38)
Current service cost	(126)	(151)	0	0
Interest cost	(116)	(127)	(1)	(1)
Contributions by Scheme Participants	(46)	(36)	0	0
Remeasurement gains and (losses):				
- Arising from changes in demographic assumptions	39	0	0	0
- Arising from changes in financial assumptions	(913)	223	(5)	1
- Experience gains/(losses)	(584)	0	(1)	0
Past service cost	0	0	0	0
Gains/(losses) on curtailment	0	0	0	0
Benefits Paid/Transfers	90	102	2	2
Balance at End of Year	(4,928)	(4,917)	(38)	(36)

The liabilities under the LGPS Pension Scheme have decreased during 2017/18. The principal reason for this reduction is in relation to a change in financial and demographic assumptions

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Assets	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s
Balance at Start of Year	109,158	130,267	0	0
Interest Income	3,938	3,425	0	0
Remeasurements - Gains and (Losses)	15,344	1,693	0	0
Administration Expenses	(101)	(106)	0	0
Employer Contributions	3,910	2,880	64	64
Contributions by Scheme Participants	1,098	1,148	0	0
Benefits Paid	(3,080)	(2,976)	(64)	(64)
Balance at End of Year	130,267	136,331	0	0

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

Reconciliation of Scheme Assets	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000s	£000s	£000s	£000s
Balance at Start of Year	2,618	3,708	0	0
Interest Income	95	97	0	0
Remeasurements - Gains and (Losses)	926	48	0	0
Administration Expenses	(3)	(3)	0	0
Employer Contributions	116	71	2	2
Contributions by Scheme Participants	46	36	0	0
Benefits Paid	(90)	(102)	(2)	(2)
Balance at End of Year	3,708	3,855	0	0

Accounting Policy – Post-Employment Benefits – Measurement of Assets

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

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

Annex C – Technical Annex – Pensions Disclosures

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

LGPS Asset Breakdown	Quoted Y/N	PCC 2016/17		PCC 2017/18		Group 2016/17		Group 2017/18	
		£000s	%	£000s	%	£000s	%	£000s	%
Equities									
UK Quoted	Y	477	12.86%	488	12.66%	16,803	12.90%	17,312	12.70%
Global Quoted	Y	745	20.09%	825	21.40%	26,183	20.10%	29,176	21.40%
UK Equity Pooled	N	37	1.00%	42	1.09%	1,303	1.00%	1,499	1.10%
Overseas Equity Pooled	N	623	16.80%	559	14.50%	21,885	16.80%	19,768	14.50%
Bonds									
UK Corporate Bonds	Y	234	6.31%	227	5.89%	8,207	6.30%	8,043	5.90%
Overseas Corporate Bonds	Y	11	0.30%	12	0.31%	391	0.30%	410	0.30%
UK Government Indexed Pooled	N	723	19.50%	674	17.48%	25,402	19.50%	23,857	17.50%
Property									
UK	N	260	7.01%	247	6.41%	9,119	7.00%	8,725	6.40%
Property Funds	N	115	3.10%	112	2.91%	4,038	3.10%	3,954	2.90%
Alternatives									
Private Equity Funds	N	93	2.51%	93	2.41%	3,257	2.50%	3,272	2.40%
Infrastructure Funds	N	219	5.91%	247	6.41%	7,686	5.90%	8,725	6.40%
Real Estate Debt Funds	N	33	0.89%	23	0.60%	1,172	0.90%	818	0.60%
Private Debt Funds	N	19	0.51%	85	2.20%	652	0.50%	3,000	2.20%
Healthcare Royalties	N	0	0.00%	16	0.42%	0	0.00%	546	0.40%
Cash									
Cash Accounts	Y	115	3.10%	205	5.32%	4,038	3.10%	7,226	5.30%
Net Current Assets	N	4	0.11%	0	0.00%	131	0.10%	0	0.00%
		3,708	100.00%	3,855	100.00%	130,267	100.00%	136,331	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

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

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

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

For 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 – Pensions 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	-	-	3.60%	3.55%
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. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	PCC			Group		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme						
Longevity (1 Year increase in life expectancy)	93	3	2	3,335	114	90
Rate of Inflation (increase by 0.1%)	100	4	2	3,893	173	105
Rate of Increase in Salaries (increase by 0.1%)	14	0	0	698	0	19
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(97)	(4)	(2)	(3,810)	(166)	(68)

Annex C – Technical Annex – Pensions Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police	Group	Police
	Pensions	Pensions	Pensions
	1987	2006	2015
	Scheme	Scheme	Scheme
	£000s	£000s	£000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	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 Commissioner's Cash Flows

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

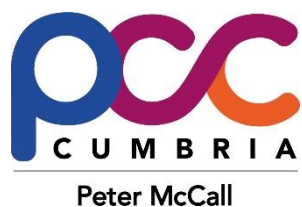
The pension schemes will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS and the other main existing public service schemes in England and Wales (which includes the Police Pension schemes) may not provide benefits in relation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

The total group contributions expected to be made to the Local Government Pension Scheme by the Commissioner in the year to 31 March 2019 are £3,020k (PCC single entity £84k). Expected contributions for the Police Pension Scheme in the year to 31 March 2019 are £9,736k.

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 - PCC	20	20
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

Annex D – Annual Governance Statement



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2017/18

Peter McCall



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2017/18

INTRODUCTION AND SCOPE OF RESPONSIBILITIES

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

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

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

This Annual Governance Statement (AGS) describes how the Commissioner has followed The Code. It also meets the requirements of regulation 6(1) and 10(1) of the

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

REVIEW OF EFFECTIVENESS

The key systems and processes that comprise the Commissioner's governance arrangements for 2017/18 have been guided by the seven core principles of Corporate Governance from the CIPFA/Solace Governance Framework applicable to the 2017/18 financial year. This is the standard against which all local government bodies, including police, should assess themselves.

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

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

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

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Ethics and Integrity

The Commissioner has in place arrangements for anti-fraud and corruption, which have been reviewed in 2017/18. The review concluded that arrangements are effective. Whilst fraud risk remains low within the OPCC office, matters of integrity have been re-enforced including enhanced arrangements in respect of recording gifts and hospitality and/or supplier contact. The anti-fraud and corruption arrangements also highlight mechanisms for confidential reporting and whistleblowing.

The process of commissioning services and award of grants present a potentially high risk with regard to integrity. In 2016/17 the OPCC Grant Regulations were reviewed to align with the development of a new Police

and Crime Plan. To facilitate this process the Grant Regulations were also reviewed, in conjunction with legal and procurement advice, with the aim of ensuring that grant awards are made in a fair, transparent and consistent manner and that appropriate conditions are attached to safeguard public money. A subsequent internal audit of Commissioning in 2017/18, focussed on the award of open grants, provided reasonable assurance.

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

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

During 2017/18 the Ethics and Integrity Panel have carried out dip sample processes and thematic inspections for a number of different areas of business including, adherence with the Code of Ethics and Code of Conduct, public complaints, police misconduct and staff misconduct cases, all of which were found to support high standards of ethics and integrity. This enabled the Police and Crime Commissioner to fulfil his statutory duty to have oversight of the Constabulary's complaints and misconduct processes.

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

The Joint Audit and Standards Committee received the 2017/18 annual report of the Ethics & Integrity Panel in May 2018 to support assurances in respect of arrangements for standards and ethical governance.

During 2017/18 new legislation giving Commissioner's explicit responsibility for the performance of the local complaints system and hearing misconduct appeals was expected to be enacted. The implementation of the new requirements has now been deferred to at least April 2019.

Respecting the rule of law

Officers within the OPCC receive updates on changes in legislation through their professional bodies, APACCE, PACTS, the APCC and from the government. A jointly

funded Legal Advisor post in the Constabulary's Legal Services Department also directly supports the OPCC on legal matters.

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

Principle B: Ensuring openness and Comprehensive stakeholder engagement

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Openness

The OPCC developed and launched a new website in March 2017 with the aim of improving public accessibility of information on the work of the Commissioner.

The Commissioner is highly committed to being the voice of the people of Cumbria. This is demonstrated through a

wide range of engagement opportunities for the public to make contact so their views are heard.

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

The Commissioner operates in accordance with the Elected Local Policing Bodies (Specified Information) Orders of 2011, 2012, 2013 and the guidance provided by the Information Commissioner. This is demonstrated, documented and communicated through an information publication scheme that ensures the openness of all key information to the public. Examples of information that is published includes agendas and reports of public meetings, guidance on the Commissioner's funds, freedom of information requests, financial information and details of key decisions. A range of communications media are used including the Commissioner's website and social media.

To promote openness and transparency, all Public Accountability Conferences have been advertised to allow members of the press and public to attend.

Engaging Comprehensively with Institutional Stakeholders

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

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

During 2017/18 a range of partnership working initiatives to deliver the Commissioning Strategy and ensure arrangements are in place for victims support services. This has included:

- Development of a Quality Assessment Framework to monitor compliance with the Victims Code in Cumbria.
- Commissioned Victims Support to work with statutory partners, including the Constabulary and victims of crime to develop the victims code in Cumbria.
- Worked at a County level to commission a crisis support service for victims of domestic abuse and sexual violence.

- Funded Community Safety Partnerships to continue to work with communities and partners on issues impacting on their specific areas of Cumbria. Work has included a project to help combat the increase in new psychoactive substances and reviewing and embedding a standard protocol for domestic homicide review.

Engaging Stakeholders Effectively including Citizens and Service Users

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

The Commissioner is directly involved in many of the engagement activities and encourages the Commissioner's ethos of 'we, not they' to emphasise that communities, stakeholders and partners need to all work together to help deliver the Police and Crime Plan, and keep Cumbria safe. During 2017/18 engagement included:

- Public surgeries/drop-ins at various locations.

- Numerous speaking engagements and attendance at public events.
- Meetings with a diverse range of community groups
- Media engagements.
- Surveys
- Cumbria Community Messaging,
- the Commissioner's website
- Social media: Twitter, Facebook and YouTube
- a bi-monthly newsletter

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

The Commissioner launched public consultation to canvass the views of the public in relation to setting the policing precept for the 2018/19 budget. The Commissioner also undertook a survey in summer 2018 to determine the priorities of the public in relation to police and crime matters.

During 2017/18 the Commissioner established a Youth Commission to improve communication and understanding of issues affecting young people.

The OPCC logs all quality of service issues that are raised with the Commissioner, which are tracked and escalated

with the Chief Constable where appropriate. This feedback is also used by the Constabulary to assess what lessons can be learned from examples of poor or unsatisfactory service, to make improvements.

In summary, the engagement with all stakeholders allows the Commissioner to develop a vision for policing services, which in turn is incorporated within the Police and Crime Plan.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Defining Outcomes

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

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The Police and Crime Plan 2016-2020 contains the police and crime objectives which all contribute toward achieving the PCC's overall aim 'to make Cumbria an even safer place'. Each objective is supported by actions that the Constabulary and/or partners will undertake to contribute to successful outcomes. These objectives and actions are underpinned by performance measures used to assess how well the objectives are being achieved, which are set out in the PCC's Performance Management Framework.

The priorities within the plan are:

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

An action plan setting out how the objectives of the Police and Crime Plan will be delivered has been developed within the OPCC.

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

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

During 2017/18 a detailed programme of work has been developed with the Police and Crime Panel to facilitate effective scrutiny of delivery of the plan's objectives. Progress reports are presented to the Panel on a quarterly basis supported by thematic reports, which are agreed at the start of the year.

The Chief Constable is held to account for delivery of policing objectives through the PCC's Public Accountability Conference. A reporting Schedule is maintained and agreed with the Constabulary. The PCC monitors performance in a number of areas of policing. During 2017/18 thematic reports giving assurance on anti-

social behaviour, criminal justice, the 101 service, domestic abuse, uniformed policing visibility, serious crime, cyber crime, investigation of sexual offences and offender management were presented at the Public Accountability Conference. In addition, reports were also received covering equality and diversity, finance, and ethics.

The Police and Crime Act 2017 conferred a duty on Commissioner's to collaborate on the delivery of emergency services. During 2017/18 the Commissioner undertook an options appraisal exercise to determine the approach to 'Bluelight' collaboration. Following the conclusion of this work and consultation with significant stakeholders, it was decided that for the moment a collaborative model of service delivery would be adopted. Under this approach existing management arrangements will be maintained, but opportunities to enhance interoperability between police and fire services will be developed.

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

Sustainable economic, social and environmental benefits

The Head of Partnerships and Commissioning ensures that the services commissioned are consistent with the PCC's objectives as set out in the Police and Crime Plan 2016-2020. For the financial year 2017/18, the PCC committed over £1.5m to projects and initiatives aimed at reducing offending and re-offending and supporting victims of crime. A significant proportion of that funding has been committed to supporting the reduction in domestic abuse and sexual violence.

A review of the Joint Procurement Regulations between the Office of Police and Crime Commissioner and Constabulary Procurement Department will incorporate social value into procurement and commissioning activity.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Planning & Determining Interventions

During the course of 2017/18 the Commissioner's Public Accountability Conference received Constabulary assurance covering a range of areas of performance including Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) performance measures to assess police effectiveness, efficiency and legitimacy (PEEL). This enabled the Commissioner to hold the Chief Constable to account. Crime levels, public satisfaction and police performance have been regularly monitored

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

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

- Developed the Quality Assessment Framework with partner agencies to measure and improve how agencies comply with national standards for working with victims.
- Continued to work jointly with health and wider partners to improve access to services for people who are in mental health crisis and reduce the impact on the police. Specific initiatives undertaken in 2017/18 through funding from the national Police Innovation Fund included a 24 hour mental health triage service which can be accessed by officers, provision of a place of safety for people experiencing mental health issues and provision of crisis assessment beds in Carlisle.
- Working with Cumbria's three Community Safety Partnerships to raise public knowledge of how to protect themselves against fraud and other crimes committed via the internet.
- Developed access to support for military service veterans at risk of offending, working with Project Nova.

In order to progress collaboration in respect of Bluelight services in 2017/18, the Commissioner appointed a Blue light Collaboration Manager, whose role will be to work with emergency services partners including the Constabulary to develop more co-operative and efficient ways of working between the police and fire service.

The policing grant settlement, received in December 2018, afforded greater short term certainty and stability of grant funding for both 2018/19 and 2019/20, allowing financial planning on a firmer basis. The review of police formula funding, which has the potential to make a significant reduction in grant funding to Cumbria, has been delayed until the next spending review in 2020/21.

The Government also provided Commissioner's with greater flexibility to increase council tax. Following a public consultation exercise, the Commissioner approved the 2018/19 budget in February 2018 based on a council tax increase of 5.42%. The £124m provided to the Constabulary supported a small increase in frontline officers who will be visible in local communities, dealing with issues, which concern people most and stability in the number of Police Community Support Officers.

Although the immediate financial outlook has improved, over the longer term it is likely that funding constraints will remain. The OPCC and Constabulary are jointly

working to better understand and manage demands for service and realise benefits from investment in new technology, with the aim of delivering a sustainable policing service in the County.

Optimising Achievement of Intended Outcomes

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

Recommendations contained in a victim's needs assessment, conducted by the Victims Advocate in 2016/17, have provided a clear focus of activity for the PCC and partners' work and future commissioning strategy to keep victims safe and at the heart of the Criminal Justice system. During 2017/18 the Commissioner has:

- Provided restorative services, enabling victims to inform offenders of the impact a crime has had on them.
- Funded 'Chelsea's Choice', a production for children raising awareness of Child Sexual Exploitation
- Funded a Domestic Violence Advisor service

- Established a Youth Commission, ensuring young people in Cumbria have a voice on the issues and problems impacting on them.
- Funded support for people with dementia to help reduce calls to the police.
- Established two multi-agency hubs in vulnerable localities.
- Commissioned Victim Support to provide emotional, practical, advocacy and signposting services
- Provided support for witnesses attending Coroner's Courts.
- Continued to develop and fund the Bridgeway Sexual Assault Support Services
- Funded county-wide Perpetrator Programmes "Turning the Spotlight" for domestic abuse.
- Funded 'I Feel the Hate' Hate Crime production for children
- Developed the **Cumbria Together website**
- Developed a new way of providing 'Keep Safe' crime prevention measures in vulnerable victims' homes.
- Funded "Brake" specialist support for bereaved families of victims of Road Traffic Accidents.
- The Commissioner's Innovation, Community and Property Funds also continue to provide financial support for numerous projects working with victims

across Cumbria. Community Fund, Innovation Fund and Property Fund

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Developing the entity's capacity

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

During 2017/18 the Commissioner has undertaken a re-structure of the OPCC to provide greater capacity and flexibility to respond to changes in demand particularly in relation to public engagement activities. The changes have also delivered financial savings.

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

As a result of the planned retirement of the Chief Executive during 2017/18 the Commissioner decided that the Head of Partnerships and Commissioning and Head of Communications and Business Services will perform the roles of Chief Executive and Deputy Chief Executive on a six month rotating basis. Initially this is a temporary arrangement for one year, after which it will be evaluated. The change was approved by the Police and Crime Panel.

The re-structure of the rest of the OPCC is on-going.

Developing the entity's leadership

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

In 2017/18 the Chief Executive and Deputy Chief Executive have completed the Chartered Institute of Public Finance and Accountancy's Certificate in Corporate Governance to enhance their knowledge and skills in performing their new roles.

During 2017/18 development activity for members of the Audit and Standards Committee included development sessions on the Police and Crime Plan, blue-light collaboration, control room operations, treasury management and the medium term financial forecast. A formal review of effectiveness of the Committee against the new CIPFA guidance for Audit Committees evidenced compliance with CIPFA guidance and elements constituting best practice. The full report of the Committee can be found on the Commissioner's website at:

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

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

- Weekly visits to each of the four custody suites
- Recruitment campaigns to attract new candidates Carlisle and Kendal.
- Induction training courses.
- Membership of the Independent Custody Visitors Association (ICVA).
- Attendance at national, regional and local conferences
- Under the Animal Welfare Scheme, monthly visits to Cumbria Constabulary and the Civil Nuclear Constabulary to ensure the welfare of police dogs

Developing the capability of individuals within the entity

All staff within the OPCC have regular one-to-one sessions with their line manager, these meetings incorporate performance review. Weekly tasking meetings attended by all staff have recently been introduced to ensure that all OPCC activities are communicated and co-ordinated.

During 2017/18 specific training has been provided for staff in the areas of General Data Protection Regulations, Code of Ethics and abuse of authority for sexual gain.

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

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Managing risk

During the year the Commissioner's Risk Management Strategy was reviewed and updated to reflect the current risk environment. The updated strategy was supported by the Joint Audit and Standards Committee.

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

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

The Commissioner's arrangements for Risk Management include procedures for Business Continuity, which are reviewed and tested throughout the year. During bad weather conditions in March 2018, the OPCC was able to largely continue operating largely as normal, with staff working from home using remote devices.

Managing Performance

The Public Accountability Conferences facilitate arrangements for the scrutiny of quarterly performance updates and thematic reports around priority areas of policing including, domestic abuse, child sexual exploitation, sexual offences, anti-social behaviour and reducing reoffending. This is supported by regular one to one meetings between the Chief Constable and Commissioner. The Commissioner also monitors the implementation of actions and recommendations arising from inspections including those undertaken by HMICFRS.

The Police and Crime Panel have met five times during 2017/18. All meetings are held in public, providing an open and transparent process for scrutinising the decisions and work of the Commissioner. During 2017/18 the Panel placed a significant focus on monitoring delivery of the Police and Crime Plan, but have also scrutinised the appointment of the Joint Chief Finance Officer and Chief Executive / Deputy Chief Executive roles, arrangements for public engagement and the Commissioner's proposals in relation to blue-light collaboration. The Panel also considered and supported the Commissioner's proposed precept for 2018/19.

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

Robust Internal Control

During 2017/18 a number of areas of the corporate governance framework have been subject to cyclical review and update. This process is supported by the professional advice of the Joint Audit and Standards

Committee. During 2017/18 the Committee has considered and provided scrutiny of the Commissioner's Anti-fraud and Corruption Policy and Procedures, the Code of Corporate Governance, Risk Management Strategy, the Internal Audit Charter, Treasury Management Strategy, Statement of Accounts and Annual Governance Statement.

Internal controls have also been reviewed through the annual process of management assurances and the annual internal audit plan. Of sixteen audits covering the activities of the OPCC and Constabulary, 87% provided either substantial or reasonable assurance. All audits relating specifically to the OPCC provided satisfactory assurance. The outcome of a follow up audit of procurement, which is a service provided to the OPCC by the Constabulary, whilst showing some improvement, was still rated as providing only partial assurance. A commitment from senior management to address the remaining issues has been set out in their response to the audit. The Chief Internal Auditor's overall opinion has concluded that the Commissioner's frameworks for governance, risk and internal control are reasonable and that controls are generally working effectively in practice.

Managing Data

The OPCC operates within the parameters of legislation governing the protection of data, ensuring that all data is appropriately stored and shared where necessary. Information is provided to members of the public under the Freedom of Information Act, with requests and responses published on the Commissioner's website. The Ethics and Integrity Panel provide additional assurance in this respect. Physical data within the OPCC is held securely with appropriate office and cabinet security provided. An action plan has been developed with the aim of ensuring that the OPCC can meet the requirement of the new General Data Protection Legislation in 2018/19.

Strong Public Financial Management

At the Executive Board meeting of 22nd February 2017, the Commissioner set the 2017/18 annual budget and precept in the context of a medium term financial strategy 2017-2021. In line with his duty to maintain the police force the Commissioner agreed a net budget of £116m for the Chief Constable for the 2017/18 financial year and a funding arrangement that codifies the terms for that funding including arrangements for financial management. The budget included £2.2m funding for 2016/17 within a commissioned services budget for victims, community safety and crime reduction.

During 2017/18 the Commissioner received regular financial reports including revenue and capital budget monitoring and treasury management. A new format of financial reports has been adopted in 2017/18 to improve accessibility. Financial reports are published on the Commissioner's website.

The outcome of all audits of financial arrangements during 2017/18 was an opinion that provided either reasonable or substantial assurance.

During 2017/18 financial sustainability in the context of increasing inflation and service pressures, flat government funding and the potential impact of a future review of the police funding formula has remained on the Commissioner's strategic risk register. A number of mitigation measures have been put in place including the detailed medium term financial forecast and development of savings plans in conjunction with the Constabulary.

REVIEW OF REQUIREMENTS AND ARRANGEMENTS

Implementing good practice in transparency

The Commissioner has prepared for publication an annual

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

Throughout the year the Commissioner has published regular financial monitoring information. Monitoring reports have been developed to present a revised, shorter and more succinct format that aims to increase the transparency and accessibility of financial information. Further to this, the reported financial statements published in May 2017 include the statutory Chief Finance Officers' Narrative Report. The Narrative report incorporates a more accessible summary of the statements and financial and performance information alongside a business review.

Implementing good practices in reporting

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

- Continued to fund numerous community projects to tackle the key priorities in the Police and Crime Plan, including on line safety, protecting vulnerable members of the community and supporting victims of domestic abuse and sexual violence.
- Setting the policing budget for 2018/19, providing additional resources for Neighbourhood Policing.
- Improved youth engagement through the work of the Cumbria Youth Commission and the launch of Mini Police
- Prioritised and supported work to address the top four public concerns raised with him namely, police visibility, anti-social behaviour and driving and the performance of the 101 service.

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

A review of the arrangements for internal audit have confirmed that the service meets the requirements of the Public Sector Internal Audit Standards (PSIAS) during 2017/18.

The Commissioner'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.

Assurance and effective accountability

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

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

The Ethics and Integrity Panel monitors and reports on some specific areas of activity, such as complaint handling and ethical issues.

FURTHER INFORMATION

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

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

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*Peter McCall

Police and Crime Commissioner for Cumbria

*Gill Shearer
Chief Executive

*Roger Marshall
Chief Finance Officer

19 July 2018

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

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation Date	Status
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.						
CPA/1	Continue to develop the scope and remit of the Ethics and Integrity Panel will be reviewed to maximise its on-going impact in improving arrangements for Ethics and Integrity. The subjects for in depth pro-active scrutiny will be determined during the course of the year.	PCC Chief Executive	The work of the Panel has been extended in 2017/18 through thematic inspections in areas relevant to ethical conduct. Reporting of the findings to the Commissioner's PAC has strengthened the accountability of this process.	30-Mar-18		⚙️ Completed
CPA/2	In January 2017 the Police and Crime Bill received Royal Assent and was enacted into law. The Act provides Commissioners with an explicit responsibility for the performance of the complaints system locally, responsibility for appeals currently heard internally by police forces and the ability to take on further functions in relation to public complaints. The OPCC will be working to develop a process to deal with appeal files utilising guidance to be produced by the Home Office and the Independent Police Complaints Commission. The implementation of the appeals process will take place in June 2018	Governance Manager	The legislation transferring the responsibility for local complaints and appeals to Commissioners has been deferred to April 2019. Accordingly implementation of this action has been transferred to the 2018/19 action plan.	30-Jun-18	31-Mar-19	⚙️ Ongoing (within original timescale)
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.						
CPB/1	During 2017/18 the OPCC will seek to establish an annual programme of work with the Police and Crime panel	Head of Partnerships and Commissioning	Complete	30-Sep-17		⚙️ Completed
CPB/2	During 2017/18 the Head of Partnerships and Commissioning will seek to commission a provider to establish and embed a Cumbria Youth Commission	Head of Partnerships and Commissioning	Complete. Young Cumbria have been awarded the grant.	30-Sep-17		⚙️ Completed

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	The Commissioner is working with health and local government partners to improve services for victims with mental health issues. Phase 2 of the project the a multi-agency assessment centre is now scheduled for Sept 2017.	Head of Partnerships and Commissioning	The three strands of the project are now in place. A full project evaluation is due April 2018.	30-Sep-17		⚙️ Completed
CPC/2	During 2017/18 the OPCC will monitor delivery against the objectives laid out in the Police and Crime plan and refresh the underpinning delivery plan on an annual basis	Head of Partnerships and Commissioning	Ongoing - regular reports on progress against the plan have been presented to the Police and Crime Panel.	31-Mar-18		⚙️ Completed
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.						
CPD/1	During 2017/18 The Head of Partnerships and Commissioning will continue to take forward work to develop and implement a Quality framework to support collaborative and partnership working in delivering improvements in services to victims and develop compliance with the Victims' Code of Practice.	Head of Partnerships and Commissioning	Complete	31-Dec-17		⚙️ Completed
CPD/2	Develop a joint Social Value Policy with the constabulary	Head of Partnerships and Commissioning	The policy has been developed, it will need to be incorporated into the Procurement Regulations and implemented.	30-Sep-17	30-Jan-18	⚙️ Ongoing (original timescale exceeded)

Ref	Action	Lead Officer	Action Update at 31 March 2018	Implementation by	Revised Implementation Date	Status
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and the individuals within it.						
CPE/1	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.	30-Jun-17		⚙️ Completed
CPE/2	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.	31-Mar-18	30-Jun-18	⚙️ Completed
CPE/3	Review the leadership structure of the OPCC and related job descriptions	PCC Chief Executive	Complete. New arrangements in place for CEO and CFO	30-Sep-17		⚙️ Completed
Core Principle F: Focusing on managing risks and performance through internal control and strong public financial management.						
CPF/1	During 2017/18 the Head of Partnerships and Commissioning will undertake a review of the systems and processes that underpin open grant arrangements	Head of Partnerships and Commissioning	This action has been completed. Assurance has been provided through an internal audit in this area, which was graded as providing reasonable assurance.	31-Dec-17		⚙️ Completed

Ref	Action	Lead Officer	Implementation by
Core Principle A: Focusing on behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.			
CPA/1	Implement systems and processes to facilitate the OPCC's new responsibility for administering local appeals	Governance Manager	31st March 2019
Core Principle B: Focusing on ensuring openness and comprehensive stakeholder engagement.			
CPB/1	To refresh the Engagement Strategy to reflect the increase in capacity as a result of the new Engagement Officer post.	Head of Communications and Business Services	31st March 2019
Core Principle C: Focusing on defining outcomes in terms of sustainable, economic, social and environmental benefits			
CPC/1	Implement an over-arching governance framework for the OPCC.	Head of Communications and Business Services	31st March 2019
CPC/2	In collaboration with stakeholders produce a vision for developing Emergency Services collaboration in the County for the remainder of the Police and Crime Plan period, supported by a detailed action plan.	Blue-light Collaboration Manager	30th September 2018
Core Principle D: Focusing on determining the interventions necessary to optimise the achievement of intended outcomes.			
CPD/1	Embed a new integrated Independent Domestic Violence and Sexual Violence Advisory Service.	Head of Partnerships and Commissioning	31st March 2019
CPD/2	Collaborate with partner bodies to develop a consistent approach to the delivery of Womens' Centres across the County.	Head of Partnerships and Commissioning	31st March 2019
CPD/3	Implement a joint Social Value Policy with the Constabulary	Head of Partnerships and Commissioning	30th September 2018

Ref	Action	Lead Officer	Implementation by
Core Principle E: Focusing on developing the entity's capacity, including the capability of its leadership and the individuals within it.			
CPE/1	Complete the staffing re-structure of the Office of the Police and Crime Commissioner.	Head of Communications and Business Services	30th September 2018
CPE/2	Evaluate options and implement a formal PDR process for all OPCC staff.	Head of Communications and Business Services	31st December 2018
CPE/3	Develop a rolling training and development programme for all OPCC staff incorporating for example ethics and integrity, risk, well-being and health and safety.	Head of Communications and Business Services	31st March 2019
CPE/4	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	Work with the Constabulary to develop a revised public accountability framework.	Head of Partnerships and Commissioning	31st March 2019
CPF/2	Implement an action plan to ensure that the OPCC complies with new General Data Protection Regulations	Governance Manager	31st December 2018



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