



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

Annual Statement of Accounts 2021/22: Narrative

Joint Audit Committee 22 June 2022 Agenda Item 18a

Report of the Joint Chief Finance Officer

1. Introduction and Background

- 1.1 Due to the continuation of the covid-19 pandemic the Department for Levelling-up, Housing and Communities (DLUHC) in December 2021, made an announcement in relation to amended dates for the publication of the 2021/22 accounts. The Accounts and Audit Regulations 2015 (as amended) extend the statutory audit deadlines for 2021/22. The deadline for the Commissioner and Chief Constable to publish their draft accounts (subject to audit) was again moved from 31 May 2022 to 31 July 2022. The deadline for the external auditors to complete their annual audit of the accounts has been moved from 31 July 2022 to 30 November 2022. As a result of these amended timescales the May meeting of the Joint Audit Committee was cancelled. This June meeting has been scheduled to allow the opportunity for members to review and comment on the draft financial statements of the Commissioner and Chief Constable prior to them being approved for issue. As in previous years, members will be provided with a further opportunity to review the statements, prior to their formal approval and publication, at the November meeting of the Joint Audit Committee. This will be accompanied by a more comprehensive paper, which will set out sources of assurance with regard to the statements and wider control framework, the opinion of the external auditor and any amendments, which have been made to the statements post audit.

1.2 The objective of this paper is to provide members with guidance as to fundamental rationale and principles which underpin the accounts and the changes which have been incorporated into the accounts in 2021/22. It is intended that this will assist members in the task of reviewing the accounts. Given that the issues raised impact on both the accounts of the Commissioner and Chief Constable a single report covering both entities has been produced.

2. Recommendations

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

3. Statement of Accounts

3.1 Members of the Joint Audit Committee have received a copy of the draft statement accounts and accompanying governance statement for which they have a review and assurance role. The Statement of Accounts are highly complex technical documents. They take a number of weeks to produce and a similar period of time to audit by a team of technical and experienced staff. The audit process will typically involve support from national technical teams who assess and advise on accounting treatment for complex transactions against the requirements of international financial reporting standards and codes of practice. Within the finance profession, the Statement of Accounts is a very specialist field.

3.2 In this context, this narrative aims to provide a guide to the considerations that the members of the Joint Audit Committee can reasonably be expected to take account of in carrying out a review process and undertaking to approve the Statement of Accounts, also recognising the limited time available to members. It focuses on the key challenges and issues, which are the areas that influence the dialogue and engagement between the finance staff preparing the accounts and those undertaking the audit. In doing this, the narrative aims to ensure that members have sufficient information to fulfil their assurance role.

3.3 The Police Reform and Social Responsibility Act 2011 (PRsRA) established the Police and Crime Commissioner (PCC) and the Chief Constable (CC) as separate corporate entities

on the 22nd November 2012. The implications of this change are that there is a requirement for the PCC and the CC to have single entity Statement of Accounts and for a consolidated group Statement of Accounts. This was followed by the stage 2 transfer, which took on the 1st April 2014, the majority of staff formerly employed by the Police and Crime Commissioner transferred to the employment of the Chief Constable, under a transfer scheme in accordance with the transitional provisions within the PRSRA.

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

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

for the use of the assets.

- Debtors, Creditors and Cash – in accordance with statutory provisions and the funding arrangement between the Commissioner and the Chief Constable, all contracts and procurement is undertaken in the name of the PCC and as funding is provided on the basis of cash flow, all cash is shown in the accounts of the PCC. In addition, the PCC's financial statements disclose all external debtor and creditors, reflecting the PCC's liability in respect of these transactions. Both the PCC and CC's financial statements disclose any associated debtor and creditor liability between the entities.

3.5 2021/22 has again been a relatively light year in relation to technical changes which have impacted on the statement of accounts. Changes in relation to the implementation of IAS16 regarding leases that were to be introduced in 2019/20 have now been further delayed to 2024/25 by CIPFA. There were no other changes to be reflected in the statement of accounts.

3.6 Work on the statutory statement of accounts for 2021/22 has been further complicated by the working arrangements as a result of the organisations response to the covid-19 pandemic. In order to provide members with as much time as possible to review the statement of accounts, the draft accounts have been issued at the same time that senior members of the financial services team are carrying out their due diligence checks. Issues, identified during this process, along with observations from members will be incorporated in the final draft accounts before they are authorised for issue on Friday 24 June 2022.

3.7 The respective statement of accounts incorporates the Annual Governance Statements for the PCC and CC.

Roger Marshall

Joint Chief Finance Officer

14 June 2022



The Police and Crime Commissioner for Cumbria
STATEMENT OF ACCOUNTS
2021/22



Peter McCall

www.cumbria-pcc.gov.uk

The draft Statement of Accounts was approved by the Joint Chief Finance Officer on 24 June 2022. At this point the Grant Thornton LLP 'appointed auditor' has not yet completed his annual audit and as such has not given an opinion on the accounts. The accounts are therefore watermarked 'subject to audit'. Once the audit has been completed, which is expected to be in November 2022, the Police and Crime Commissioner will be asked to approve the Statements and the audit opinion provided will be inserted at pages 25-30 and the watermarking removed. Pages 22, 37 and Page AGSXX of these accounts include signatures which have been removed for the purposes of publication on the website.

Subject to Audit



Peter McCall

Police and Crime Commissioner
for Cumbria

Statement of Accounts 2021/22

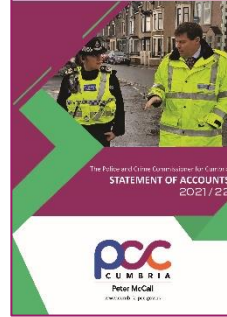
About this Publication

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 2021/22 is available on the Commissioner's website at www.cumbria-pcc.gov.uk.

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



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

Alternative Formats



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

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Police and Crime Commissioner for Cumbria

Statement of Accounts 2021/22

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The Joint CFO Narrative Report. For a quick, highly summarised version of this Statement of Accounts please read the next 20 pages. **The full story starts on page 23**, please read that too.

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

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

Introduction

I am pleased to introduce the financial Statement of Accounts for the 2021/22 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

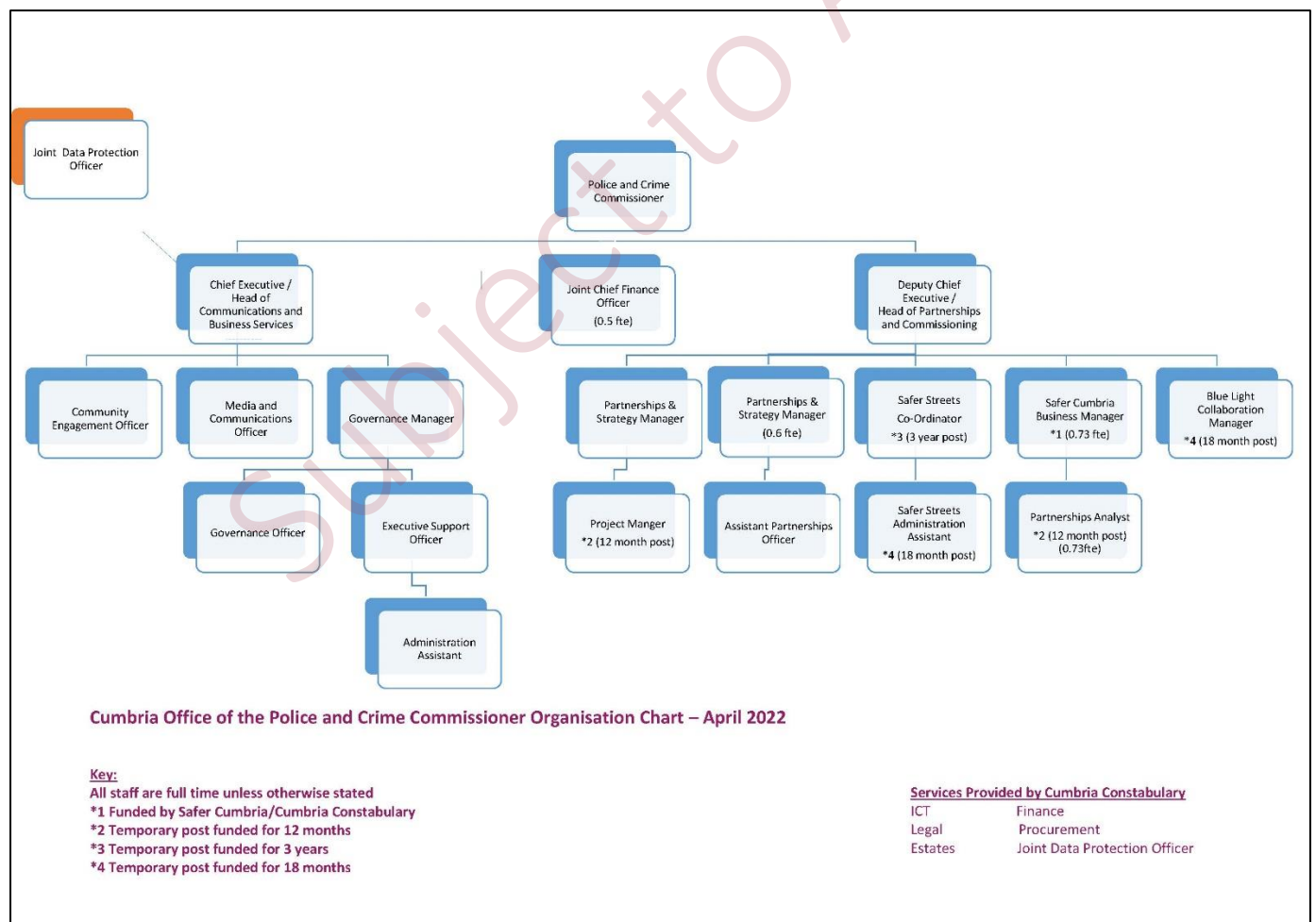
Joint Chief Finance Officer Narrative Report

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

This financial framework provides that the Commissioner receives all funding, including government grants, council tax income and other sources of income related to policing and crime reduction. The Commissioner decides the budget, allocating assets and funds to the Chief Constable.

This, in addition to the powers of the Commissioner to set the strategic direction for policing, appoint, and dismiss the Chief Constable, creates a subsidiary relationship between the Commissioner and the Chief Constable. As such, the Commissioner must publish a set of group accounts in addition to single entity accounts. The Chief Constable must publish single entity accounts and provide information to the Commissioner to support the publication of the group accounts.

Our Organisation



The Police and Crime Commissioner is supported by an office of 17.8 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 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 2021/22 were: Barrow 8, Kendal 10, North Cumbria 10 and West Cumbria 8.

Our Goals

The Commissioner sets the strategic direction for policing and wider interventions within the Police and Crime Plan. The vision for our plan is that Cumbria remains a safe place to live, work and visit, where the public has a say in policing and organisations and community groups work together to address the causes of crime, as well as the consequences. Key priorities include a focus on victims, reducing anti-social driving, preventing rural crime, reducing drug use and drug-related crimes, and preventing cyber-crime.

We work to achieve this by holding the Chief Constable to account for the delivery of effective policing and by commissioning a range of activity and interventions

with the Constabulary and our wider partners. The Police and Crime Commissioner launched his Police and Crime Plan 'Keeping Cumbria Safe' in November 2021 setting out our future strategy and goals.

Our People

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

Actual Employees as at 31 March 2022	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	14.3	15.3
Total PCC Employees	1.5	16.3	17.8
Group			
Chief Officers	7.0	3.0	10.0
Senior Management	11.0	6.0	17.0
All Other Employees	997.8	950.8	1,948.6
Total Group Employees	1,015.8	959.8	1,975.6

Chief Executive Report

The Commissioner has nearly finished his sixth year in Office.

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

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

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

The Commissioner has well established financial and governance frameworks necessary to fulfil statutory, regulatory and best practice requirements, supported

by the relevant professional bodies for local government and policing. This benefits from continuous development to ensure the office continues to meet the highest standards.

Public consultation and engagement are paramount to the Commissioner as he is the 'voice' for the people of Cumbria for policing. A wide range of diverse opportunities are available for the public to speak directly to the Commissioner, when the Commissioner is out in the community or by speaking to groups directly. This is further supported by the public contacting the Commissioner by email and letter, with more than 612 people contacting the Commissioner in this way during 2021/22. The main themes raised in this year were in relation to the overall anti-social behaviour, police service dissatisfaction and anti-social driving.

The Commissioner undertook a successful public consultation for the increase in the council tax precept for 2022/23, with 822 respondents and 60% supporting the proposal. As a result of the public consultation, the views of the Chief Constable and the unanimous support of the Police and Crime Panel, the Commissioner took the decision to increase council tax precept by £7.77 for a Band B property.

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

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

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

The Commissioner's staff embrace the fast-moving pace of the Office and this is evident from the work that is on-going with the Commissioner launching several key strategic campaigns in support of the Police and Crime Plan and commissioning developments. The Office is well placed to deal with the new challenges that we are expecting in 2022/23 and in the future as the role of the Commissioner continues to develop with additional responsibilities.

Finance Review

2021/22 Grant Settlement and Budget

The Commissioner set a combined net revenue budget of £115.112m for 2021/22 on 19 February 2021. Funding of this amount came from the Police Grant settlement (£68.490m) and income from Council Tax (£46.622m). Government grant income increased by 6.3% from 2020/21 as a result of funding to recruit an additional 49 officers as the second phase of the Government's Uplift Programme to recruit 20,000 additional officers nationally by 2022/23. The budget represented an increase of the Council Tax precept by 2.47%, taking the Commissioner's proportion of the band D equivalent tax to £272.16 per annum. The effect of the increase is to support the medium term financial forecast and maintaining existing policing services as the grant settlement made no provision for the inflation. The budget provided funding for the Chief Constable of £136.973m comprising a £142.234m expenditure budget to support policing and an income

budget of £5.261m. The Commissioner's budget provided £2.216m for Commissioned Services, to provide funding for partnership working across the Commissioner's wider community safety, crime reduction and victim support responsibilities and £0.847m for the Office of the Police and Crime Commissioner.

The capital budget was set at £7.265m including schemes approved in the year and the effect of the 2021/22 capital outturn position. Capital expenditure is made up broadly of expenditure on assets that have a useful life of beyond one year. Approximately 37% of the programme related to investment in ICT, with the remainder being made up estates works, the cyclical replacement of fleet vehicles and operational equipment. The budget was funded from a combination of capital grants (£1.0m) and direct contributions from revenue (£3.1m) and borrowing (£1.1m).

The table below shows the summary revenue budget for 2021/22 as set on 19 February 2021, the revised budget (taking into account budget changes made during the year) and the outturn position. The presentation below is as the figures are reported throughout the year in the management accounts. At the year-end a number of technical accounting adjustments (required by proper accounting practice) are made. For this reason, the outturn in the table below will not reconcile directly to the Summary Comprehensive Income and Expenditure statement on page 10. References to the PCC relate to the Police and Crime Commissioner.

Joint Chief Finance Officer Narrative Report

Summary Budget and Outturn

Summary Budget & Outturn	Base	Revised		(Under)/
	Budget	Budget	Outturn	Overspend
	2021/22	2021/22	2021/22	2021/22
	£000s	£000s	£000s	£000s
Constabulary Budget	136,981	133,606	133,233	(373)
Office of the PCC	846	977	937	(40)
Other PCC Budgets	13,006	12,906	13,001	95
Grants/Contributions	(35,118)	(33,319)	(33,572)	(253)
To/(From) Reserves	(603)	942	1,513	571
Net Expenditure	115,112	115,112	115,112	0
Government Grants	(68,490)	(68,490)	(68,490)	0
Council Tax	(46,622)	(46,622)	(46,622)	0
Total External Funding	(115,112)	(115,112)	(115,112)	0

The Constabulary gross expenditure budget is made up of funding for employee costs (£126.5m; of which Police Officers comprise £97.1m), transport costs of £2.4m and supplies/other costs of £13.3m. The Commissioner's budgets comprise the costs of running his office (£0.8m) and the net position on a range of other costs. These include estates costs (£4.6m) for premises used by the Constabulary and Commissioner, Commissioned Services and Sexual Assault support (£2.2m) to deliver the Police and Crime Plan and budgets to finance capital expenditure and the costs of technical accounting adjustments. PCC other budgets also include the costs of insurance and past pension costs.

In-Year Financial Performance

Revenue Expenditure: The out-turn position for 2021/22 is an underspend of £571k. The overall underspend is made up of an underspend of £198k on the budgets managed by the Commissioner and underspend of £373k on those held by the

Constabulary. The core underspend equates to 0.5% of the revised net budget of £115.112m, which is within the target for the revenue expenditure to be within 1% of the budget at out-turn.

In overall terms budgets managed by Commissioner's were £198k under budget. This was largely attributable to a combination of a small saving in the costs of the Office of the Police and Crime Commissioner (£40k), reductions in premises costs (£153k), support for the capital programme (£246k) and increased grants in relation to Uplift, Safer Streets, Covid and apprenticeships (£253k) and reductions in the bad debt provision (£4k) offset by increased costs of insurance (£52k), increased contributions to provisions for insurance and legal claims (£447k).

In 2021/22 the Constabulary was £373k under-budget. The officer pay budget was overspent by £2.5m because of changes to the workforce plan and pressure on overtime budgets. However, this was more than offset by savings on police staff (£0.8m), non-staff costs (£1.1m) and additional income (£1.1m). The net underspend was largely attributable to budgets, which were intended to support recovery from Covid-19, not being spent in the year due to the pro-longed nature of the pandemic.

The impact of Covid-19 on the budget for 2021/22 was broadly neutral with expenditure on PPE and enforcement activities and lost income being offset by Government grants and indirect savings.

It is intended that the majority of the group underspend of £571k will be allocated to a Covid-19

recovery reserve. Detailed outturn reports which explain the full range of variances can be found on the budget and finance section of the Commissioner's website.

The Commissioner maintains the Police Property Act Fund. The fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of the Criminal Courts Act 1973. Community groups and individuals can submit applications for funding on a quarterly basis. During 2021/22 awards totaling £67k were made. As at 31 March 2022 the Police Property Act fund balance stood at £49k.

The 2021/22 Capital Expenditure Outturn amounted to £5.4m against a revised budget of £7.3m. Whilst the variance of 26% against planned expenditure was significantly above the target of 8%, there were continuing extenuating circumstances in 2021/22, as the pandemic has continued to impact on global supply chains particularly for vehicles. There have also been delays in delivering projects some of which are attributable to strategic options appraisal. Nevertheless, progress was made in capital investment during 2021/22 including up-grading the digital infrastructure and provision of mobile devices to facilitate a significant proportion of the workforce operating remotely, the purchase of a commercial kennel facility for police dogs, cyclical replacement of the vehicle fleet (including catch up) and Taser replacement.

The Financial Statements

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

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

Comprehensive Income and Expenditure Statement

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

Joint Chief Finance Officer Narrative Report

The table below sets out a summary CIES statement.

Summary CI&ES	Gross Expenditure 2021/22 £000s	Gross Income 2021/22 £000s	Net Expenditure 2021/22 £000s
Cost of Police Services	135,328	(14,529)	120,799
Cost of Services	135,328	(14,529)	120,799
Other Operating Expenditure	21,360	(21,430)	(70)
Financing Costs and Investment Income	34,905	(3,864)	31,041
Council Tax and Grant Income	0	(121,422)	(121,422)
(Surplus)/Deficit on the Provision of Services	191,593	(161,245)	30,348
Other Comprehensive Income and Expenditure			(38,582)
Total Comprehensive Income and Expenditure			(8,234)

The statement shows that the net cost of providing services in the year amounted to £120.799m, which is predominantly the costs of policing.

In addition to showing the cost of services, the CIES also sets out net financing costs of £31.041m. The most significant element of financing costs comprise pension charges (£30.512m). These charges are calculated in accordance with generally accepted accounting practices and do not all need to be funded in the 2021/22 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 £22.107m (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 £30.348m. A further accounting adjustment of £38.582m income through the 'other comprehensive income and expenditure' line results in an overall position on the statement of a surplus of £8.234m. This is an accounting surplus that is taken to Unusable Reserves. Page 8 of this summary sets out the out-turn position based on the management accounts and excluding the technical accounting entries required for the CI&ES. The management accounts show an underspend of £571k against the 2021/22 budget.

Movement in Reserves Statement

This statement shows the different reserves held by the Commissioner. These are analysed into 'Usable Reserves' and 'Unusable Reserves'. Usable reserves can be used to fund expenditure. They may help to pay for future costs or reduce the amount we need to raise in council tax to meet our expenses. Unusable Reserves are principally technical accounting adjustments. The Movement in Reserves Statement shows the opening balance on all reserves at the start of the year, movements in year and the closing balance. The Movement in Reserves statement is shown on pages 35-36 in the full statement of accounts. The table below sets out a summary movement in reserves statement.

Joint Chief Finance Officer Narrative Report

Summary Movement in Reserves	Balance 31/03/2021 £000s	Movements 2021/22 £000s	Balance 31/03/2022 £000s
Police Fund	3,600	0	3,600
Earmarked Revenue Reserves	13,659	1,519	15,178
Earmarked Capital Reserves	4,294	0	4,294
Capital Receipts	2,181	168	2,349
Capital Grants Unapplied	5,792	(916)	4,876
Total Usable Reserves	29,526	771	30,297
Unusable Reserves	(1,482,908)	7,463	(1,475,445)
Total Reserves	(1,453,382)	8,234	(1,445,148)

Movements in usable reserves for 2021/22 show a net balance of £0.771m. This is the cumulative position recording the amounts we have drawn down from and contribute to specific (earmarked) reserves to help fund expenditure during the year. There are separate accounts to record our receipt and use of income from the sale of property and government grants for capital expenditure. A capital receipt of £168k arose in the year as a result of the sale of surplus police house (£259k) less capital receipts applied to finance capital expenditure and costs of sale (£91k).

At the end of the year, the Police Fund at 31 March 2022 stands at £3.6m and provides for unplanned financial risks. Earmarked revenue reserves are £15.178m. These reserves provide for a number of specific operational contingencies, one off budget/project costs and funding to meet future liabilities in respect of insurances and the PFI contract. The balance of capital reserves as at 31 March 2022 was £4.294m, capital reserves are those set aside to fund the capital programme, the majority of which is planned to be fully applied by 2022/23. Further detail on earmarked reserves is provided within note 8 to the statement of accounts on pages 57-58.

At the 31st March 2022 we have negative unusable reserves of £1,475m. 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:

- £49.562m in respect of the revaluation reserve and capital adjustment account, recording accounting transactions for our capital assets.
- -£1,521m in respect of negative pensions reserves. The pensions reserves record accounting transactions for the Police and Local Government Pension Schemes. The change in the balance on these reserves in 2021/22 is positive and is as a result of changes in actuarial assumptions that have increased scheme liabilities.

The Balance Sheet

The balance sheet shows the value as at the balance sheet date (31 March 2022) of the Commissioner's assets and liabilities. The balance sheet is shown on page 37 in the full statement of accounts. The table below sets out a summary balance sheet.

Summary Balance Sheet	Balance	Balance
	31/03/2021	31/03/2022
	£000s	£000s
Property, Plant & Equipment	64,359	70,080
Long Term Assets	2,307	1,590
Current Assets	25,639	29,063
Current Liabilities	(18,130)	(19,801)
Long Term Liabilities	(1,527,557)	(1,526,080)
Net Liabilities	(1,453,382)	(1,445,148)
Usable Reserves	29,526	30,297
Unusable Reserves	(1,482,908)	(1,475,445)
Total Reserves	(1,453,382)	(1,445,148)

The balance sheet shows property, plant and equipment assets, which include the Commissioner's estate, fleet of vehicles and ICT/communications equipment, with a value of £70.080m. Of this, land and buildings comprise £60.029m. Long terms assets are comprised of intangible assets (predominantly computer software) £1.590m. Current assets are principally made up of investments (£8.003m), debtors (£15.220m), inventories (£0.470m) and cash (£5.370m) and have a total value of £29.063m. 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 2021/22 six debtor invoices with a combined total of

£2,048 were authorised to be written off as not collectable. The provision for impaired or doubtful debts stands at £10,118 against the future risk that not all outstanding invoices will prove to be 100% collectable, this figure is reduced from previous years. The Commissioner's debtors include a share of the debtors recorded by the 6 Cumbrian District Council's in respect of council tax. This debt amounts to £3.902m and is reduced by the Commissioner's share of their respective bad debt provisions of £1.852m. See note 14 to the statement of accounts (Page 72).

Balance sheet liabilities are amounts owed by the Commissioner. They include creditors, PFI debt, pensions and finance lease liabilities. They are split between short term (current) and long term liabilities, the current liabilities being those amounts due to be paid within 1 year. The most significant element of current liabilities are short term creditors which total £13.521m and short term loans of £6.0m. The combined short and long term liability on the PFI scheme amount to £4.198m at 31st March 2022. Long term liabilities are the most significant figure on the balance sheet, showing a balance of £1,526m (£1,528m in 2020/21). The main element of this amount is a pension's deficit of £1,521m (£1,522m in 2020/21) for the Local Government Pension Scheme (LGPS) and the Police Pension Scheme. However, this deficit will be funded over a number of years, with financial support from Central Government, meaning that the financial position of the Commissioner remains healthy.

The Cash Flow Statement

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

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

Summary Cash Flow Statement	Cash flows 2020/21	Cash flows 2021/22
	£000s	£000s
Cash & Cash Equivalents 1 April	(1,271)	(5,482)
Net Cash Flow from:		
Operating Activity	(5,159)	(2,865)
Investing Activity	766	8,771
Financing Activity	182	(5,794)
Cash & Cash Equivalents 31 March, made up of:	(5,482)	(5,370)
Bank Accounts	(684)	(719)
Money Market Funds	(4,798)	(4,651)

The table shows a cash inflow of £2.865m from operating activity. This is the net of our cash income including government grants, council tax and charges for services, less how much cash has been paid out, for example for salaries and goods that have been purchased. Cash flows from investing activity show an outflow of £8.771m 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 inflow of £5.794m, this being amount of cash received in relation to financing and borrowing. At the balance sheet date the Commissioner had two short term loans totalling £6.0m, these loans were to cover short term cash flow liquidity over the year end and were repaid in mid April 2022. The Commissioner has no other borrowing other than that which relates to finance leases and the PFI agreement. An amount of £206k was paid to reduce those debts during the year.

The Commissioner's cash flow statement shows an overall balance of £5.370m, compared to £5.482m in 2020/21, reflecting an decrease in cash and cash equivalents of £0.112m over the year. At the end of the year £4.651m of the Commissioner's cash deposits was held in money market funds and £0.719m 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

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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 2020/21 £000s	Pension Fund A/C 2021/22 £000s
Contributions - Employer	(13,519)	(14,043)
Contributions - Officers	(5,842)	(6,049)
Contributions - Other	(331)	(186)
Benefits Payable	38,862	41,279
Other Payments	20	359
Net Amount Payable	19,190	21,360
Contribution from Home Office	(19,190)	(21,360)
Net Amount Payable	0	0

The statement identifies contributions into the fund of £14.043m from the Constabulary (employer) and £6.049m from police officers. Employer contribution rates in 2021/22 were at 31%. In total £41.279m of pensions have been paid out of the fund. The balance between contributions and those pensions' benefits of £21.360m has been funded by Home Office. The full police officer pension fund account is shown on pages 97 to 98 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 2021/2022, the Commissioner has continued with several programmes and initiatives working with the Constabulary and wider partners to deliver the key priorities within the Police & Crime Plan as well as responding to the Covid-19 pandemic.

In 2021/22, significant work has been undertaken with NHS England to develop a specification for the delivery and commissioning of the Sexual Assault Referral Centre (SARCs), to secure a service for victims of all ages in the county. Following a successful procurement exercise, this new contract is now in place and continues to provide a 'front door' to support following rape and sexual assault, as well as forensic-medical examination and crisis support for the whole county at the purpose-built centre in Penrith.

The Commissioner has continued to fund Remedi to deliver restorative justice services across Cumbria for victims of crime and provide a programme of meditation for victims of antisocial behaviour. Restorative justice gives victims the chance to explain the impact of the offence, upon them and others close to them, and ask the offender direct questions. It holds

offenders to account for what they have done and helps them to take responsibility and make amends for their behaviour.

During 2021/22 In partnership with the Constabulary have helped to reduce reoffending via the Adult Out of Courts Cumbria Disposal Framework. The Offender Management programme is known as 'The Pathways Programme', which is delivered by commissioned provider Remedi. In the first year of delivery, Pathways has received 314 referrals with equal spread of referrals across the county.

The Commissioner continued to fund Keep Safe to deliver a consistent crime prevention advice and target hardening service available for all victims of crime. This service aims to reduce the likelihood of victims being revictimised and helps victims to recover from crime and anti-social behaviour by helping to reduce the victims' feelings of fear so they can feel safer within their own homes.

In June 2021 the Commissioner secured £311,358, then in December a further £22,263 from the Home Office Safer Streets Fund Round 2 to help reduce the number of burglary offences in the St Michael's ward of Workington. With the funding, the Commissioner has supplied thousands of pounds worth of crime prevention measures and home security equipment free of charge to any home within the area. The equipment ranges from door chains, locks, letterbox security, new doors and windows, security lights, back yard doors and outbuilding security measures, all installed by skilled local tradespeople.

The funding also provided 1300 home security packs including property marking kits to residents giving

them the opportunity to have a conversation with our Safer Streets Team about keeping their properties safe, report any issues and be signposted for additional support if needed. The funding also provided police officers with UV torches to aid identification of stolen property and counterfeit documents. CCTV has been provided to St Michael's Nursery and Infant School to help them feel safer and provide evidence to the police as the school is in the heart of the burglary, drug related and anti-social behaviour hotspots, is on the route from the train station to the town centre, and has previously been subject to intruders causing fear. Street lighting has been upgraded in the burglary hotspot streets to improve visibility and aid identification of suspects. In Vulcan Park new lighting has been installed and a CCTV system provided to Workington Town Council to increase feelings of safety, encourage legitimate use of the park and also to provide opportunities for surveillance, detection and prevention of crime and anti-social behaviour.

In October 2021 the Commissioner secured £191,584 from the Home Office Safer Streets Fund Round 3 to reduce violence against women and girls and increase feelings of safety for women and girls and all people in public spaces in Whitehaven. In Castle Park new lighting has been installed and a CCTV system provided to Copeland Borough Council to increase feelings of safety, encourage legitimate use of the park and also to provide opportunities for surveillance, detection and prevention of crime and anti-social behaviour. Four additional CCTV cameras have been installed in areas around the town identified as being of concern to women and girls and to police. Active Bystander Training has been provided to schools and colleges in the area to give young people the awareness and skills

to recognise when a situation is not right and provide the tools to help them decide how to step up safely and take action to prevent the incident from escalating and/or to assist the victim. This training focused on preventing sexual offences occurring but can be transferred to other scenarios such as bullying and anti-social behaviour. Nearly 1400 young people have received this training with positive outcomes reported. A media campaign, both physical and online, has been run locally and countywide to raise awareness of sexual crimes and issues around consent and to encourage reporting.

In November 2021 the Commissioner secured £116,925 from the Home Office Safety of Women at Night (SWaN) fund to prevent crimes which disproportionately affect women and girls in public spaces at night and in the night-time economy in Carlisle. A Safer Streets Team has been established of volunteers and paid staff employed by Carlisle City Council. The Safer Streets Team will be deployed from a mobile multi-agency Welfare Hub on Saturday nights in the busy areas of Carlisle to support all people but especially women who need additional help. The Cumbria Night Safety Charter has been developed and will be rolled out to businesses that operate in the night-time economy. This is a voluntary pledge to ensure that staff are trained and know how to respond to reports of women being at risk, and to be able to spot predatory behaviour and respond appropriately. A production for secondary schools has been created by the University of Cumbria to support the delivery of the PHSE curriculum following Ofsted's review of sexual abuse in schools and colleges published in June 2021. This film was premiered at a VAWG seminar hosted by the University in March 2022 attended by

secondary schools, Carlisle College and university students. The project was supported by a Crimestoppers physical and online media campaign to raise awareness of sexual crimes and harassment of women and to encourage reporting.

The Commissioner and probation services have developed the Women's Outreach Services. to provide information, advice, support, training, education in a safe trusted space across the county in 3 locations, together with outreach North & South. Multiple challenges addressed over a wide range of issues such as health, violence, abuse, employment, education, rights & CJ issues. The services & activities provided by the Women's Centre's vary according to need but include 1:1 holistic support, drug alcohol support, counselling, DA programmes, group work, courses & workshops, drop-in sessions & signposting as required to specialist services. All 3 centre's work well individually & are supportive of each other for combined activity. Each centre has good engagement from referring agencies including HAWCs, Police, NHS. The Criminal Justice Teams are delivering "Women First" with good partnership links to NWPS & their local offices. The Outreach locations have facilitated good links with local authority & housing which aids positive transition around homeless prevention work

The Commissioner continues to lead on the implementation of the Quality Assessment Framework, to review how criminal justice agencies comply with the national Victims' Code of Practice and to drive improvements in specific areas through this process. The Commissioner's Victim's Advocate conducted review of compliance of a dip sample of cases against the Code and the team has also shared its good practice with other counties.

The Commissioner's Victims' Advocate also continued to champion the cause for victims, and importantly, help drive up standards. This included conducting assurance visits to service providers, observing service delivery and dip sampling cases to gain additional assurance in relation to the quality of service victims receive. This has resulted in quality work being recognised, specific actions for improvement being picked up in an action plan and contract management processes for each commissioned service being focused on pertinent issues.

The commissioner has continued to fund the county-wide Domestic Abuse Perpetrator Programme "Turning the Spotlight". The programme received 306 referrals in 2021/22. Positive outcomes included 100% of clients reporting improved understanding of healthy relationship and how to maintain one.

In addition, the commissioner has provided funding to the "Step Up" programme for families experiencing child-on-parent or guardian violence. The Step-up child on parent programme has received 45 referrals for the period of April 2021 to March 2022 with 66.6% of referrals reporting an improvement behaviour and relationships.

The Commissioner, working with partners, continually raises awareness around anti-social driving in response to what residents said is one of their main local concerns. The engagement focuses on raising awareness of the Fatal Four (no seatbelts; speeding; distracted driving and drug/drink driving) as well as any other trends that arise throughout the year e.g. pedestrian safety, motorbike/cyclist safety. The

Commissioner has delivered a rural crime campaign, which has been influenced by current issues raised by the Constabulary and National Farmers Union (NFU), with all partners working together to promote rural safety and prevent rural crime. Working with Get Safe Online, the Commissioner has continued to raise public knowledge of how to protect themselves against fraud and other crimes committed via the internet.

Funding has been provided to TRAC Psychological Limited to support work with young people and their parents who have created or shared indecent images (nude or semi nude images) of themselves or other young people with the outcome that:

- The young people have an appreciation of the impact and potential risks of requesting, taking and sharing images;
- The young people understand what is and is not involved in a healthy relationship
- The young people do not take or share further indecent images (measured in terms of not coming to the attention of the Police or School again).

This pilot intervention is currently being reviewed to understand the level of need and impact.

Performance

The Commissioner has an open and transparent Accountability Framework to assess how well the objectives in the Police & Crime Plan are being achieved.

During 2021/22, the Police and Crime Panel has continued to facilitate effective scrutiny of delivery of the plan's objectives through quarterly meetings. Thematic reports are presented to the Panel and

follow terms of reference agreed in advance with the Panel Chair.

Within the Office of the Police & Crime Commissioner (OPCC) Strength Based Conversation Performance Reviews have been replaced by Personal Development Reviews and continued to be carried out with all staff. During 2021/22, a review of this process was undertaken to ensure it remains appropriate and flexible. To support this, the OPCC Training Plan sets out the overall training plan for the office and cascades into individual responsibilities. In 2021/22, specific training has been provided for staff in the areas of Code of Ethics, risk management, governance, equality, contract management, youth engagement and the budget. Individual staff have attended conferences, workshops and specific training events to help them develop within their roles.

Performance Report

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

- Her Majesty's Inspectorate of Constabulary and Fire and 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. The latest HMICFRS Inspection took place last Autumn/Winter 2021. Her Majesty's Chief Inspector of Constabulary, Andy Cooke, said: "I congratulate Cumbria

Constabulary on its performance in keeping people safe and reducing crime, although it needs to improve in some areas to provide a consistently good service. HMICFRS graded Cumbria Constabulary's performance across eight areas of policing and found the force was 'outstanding' in one area, 'good' in three areas and 'adequate' in four areas. The force's management of registered sex offenders was rated as excellent, but how the force handles calls from the public and its neighbourhood policing resourcing required improvement.

The following data has been provided by Cumbria Constabulary:

- For 2021/22 overall crime increased by 20.2%, which equates to an increase of 6319 crimes over the 12-month period to 31st March 2022. This could be equated to entering the post pandemic phase with increased mobility, retail and recreational venues reopening.
- The crime which experienced the greatest increase was 'Violence against the person' which raised by 3324 crimes. Within this broad category certain crime types such as homicides and death or serious injury as a result of unlawful driving decreased, whereas violence without injury, violence with injury and harassment increased. Hate incident increased by the largest percentage (+40%) from 101 cases during the last period to 142 cases in this period. * In percentage terms, crimes such as Hate Incident (+40%), Sexual Offences (+39%), Robbery (+25%) all rose by the largest percentages.

- The only crime type to decrease this year was Drug Offences falling by 166 cases. (-15%)
- Reports of Rape increased by 66 (15%) and other sexual offences increased by 414 (52%)

Community Safety

- Antisocial behaviour (ASB) decreased during 2021/22. There were 6858 incidents in 2021/22, with a total decrease of 4393 cases (-40%).
- Hate crimes and incidents continue to be closely monitored. During 2021/22, the number of crimes with a hate marker increased from 101 to 142 which equated to a rise of 40%. The constabulary and partners continue to work to encourage reporting hate crime.
- Work has also targeted increased reporting for domestic violence. During 2021/22 Domestic Abuse Safeguarding Referrals increased by 8% from 7860 to 8495.

Criminal Justice

- All recorded offences are assigned an outcome based on a national framework for crime. Crime outcomes are classed as positive where the offender is either charged or summonsed, receives an out of court disposal or where the Crown Prosecution Service (CPS) or police determine it is not in the public interest to prosecute. In all cases the crime outcome represents positive police activity in detecting the crime. Positive crime outcome performance for 2021/22 was 14%.

Customer and Victim Satisfaction

- Performance in customer and victim satisfaction is measured through regular independent surveys following police contact. This is supplemented by the process for police complaints that includes independent sampling of complaint files and scrutiny of local to national comparatives against complaints upheld.
- The latest figures for public confidence in the local police service was 78.5%.
- When allegations are made against the police, those resolved locally perform well against national comparative timescales.

Finance & Value for Money

- We measure our performance against targets for achieving financial outturn within a percentage of the net budget. For 2021/22 this was set at 1% for the revenue budget and 8% for the capital budget.
- Actual performance for the Group revenue was 0.9%, which was within the target.
- The capital outturn was 26% below budget, falling outside the target. Whilst this was a disappointing result, the slippage was to a large degree attributable to a combination of delays in vehicle deliveries, which were beyond our control, and of taking additional time to ensure that investment in fast moving digital technologies is spent wisely to provide long term benefits. Stretch targets will continue to be set for capital expenditure going forward as a recognised area for performance improvement.
- Historically the budget for the Commissioner and Office of the Police and Crime Commissioner was benchmarked against HMIC Value for Money profiles. Following the inclusion of fire and rescue

services under the remit of HMIC, costs for police and crime commissioners are no longer included in the VFM comparators. It has therefore not been possible to undertake a Value for Money analysis for the Office of the Police and Crime Commissioner for 2021/22.

- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) latest PEEL inspection in 2021 assessed the Constabulary adequate in respect of use of resources.
- 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.
- External audit of arrangements for Value for Money in their annual report.
- Collectively, these indicators provide assurance of Value for Money in respect of the 2021/22 financial year.

The Future Outlook

Following his re-election in 2021, Peter McCall the Police and Crime Commissioner for Cumbria launched his Police and Crime Plan covering the period to 2025. 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 balance sheet at the 31st March 2022 remains healthy, which is reflected in the Medium Term Financial Forecast, which sets out the revenue

budget position until 2026/27 and a capital programme, which is fully funded until 2025/26, which will support delivery of the Police and Crime Plan. The current financial position has primarily arisen as a result of positive action on behalf of the Constabulary to reduce costs in the context of real terms reductions in 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 2022/23 budget was approved in the context of the Government continuing to provide additional funding for Operation Uplift and affording Commissioners' flexibility to raise council tax above inflation. However, this is accompanied by increasing cost pressures particularly in light of the recent emergence of inflationary pressures not seen for a generation.

Against this background the 2022/23 budget provides £139.1m funding for the Chief Constable to deliver policing for Cumbria. Resources include an establishment of 1,334 Police Officers by the end of the year; representing an increase of 68, which is the highest number of officers that Cumbria has ever had. The longer term 10 year capital programme envisages a total investment of £68m principally across the estate, fleet and ICT.

Whilst the position is financially resilient in the short term, there are uncertainties which have the potential to impact negatively on the budget in the medium term. Based on the MTFF assumptions, savings will need to be delivered from 2023/24 to balance the budget. The budget gap by 2026/27 is forecast as

£6.6m. The uncertain impact of inflation on future budget prospects compounds existing financial risks in relation to the adequacy and sustainability of funding beyond Operation Uplift, the cost of national policing programmes, particularly the Emergency Services Network, pensions issues and the review of the police funding formula. The required savings are considered to be challenging, but manageable.

Following Local Government Reform proposals in Cumbria to be enacted from 2023/24, the Commissioner has submitted a business case to the Home Office to take on governance of the Fire and Rescue Service of the county. The financial assessment in the business case indicated that the budget is likely to be challenging but should offer opportunities for savings by integrating services with the Constabulary. The financial implications will continue to be evaluated as the process of reform continues in 2022/23.

Financial scenario modelling continues to take place on a frequent on-going basis, together with development of a savings and efficiency plan involving both the OPCC and Constabulary.

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

Financial Management Code

The Financial Management Code developed by the Chartered Institute of Public Finance and Accountancy came into effect from the 1st April 2020, with the aim of supporting good practice in financial management in local authorities including the policing sector. In the most recent self-assessment undertaken in March 2022, the Constabulary largely meets the requirements of the code with full compliance in thirteen out of seventeen statements and partial compliance in the remaining four. Developments have been progressed in relation to the Productivity and Efficiency Plan, balance sheet reporting, financial business partnering and contract management in 2021/22, however, there are some areas where further work is required to ensure full compliance, most notably in relation to

- Demonstrating Value for Money and identifying savings to ensure financial sustainability.
- Developing a financial resilience index.
- Application of formal options appraisal techniques.

Acknowledgements

The financial statements were originally authorised for issue by me as Joint Chief Finance Officer on 24 June 2022.

In closing, it is appropriate to acknowledge the dedication and professionalism of Michelle Bellis the Deputy Chief Finance Officer, Lorraine Holme, Sarah Walker and the wider finance team in again achieving

the closure of accounts and the publication of these Statements against tight deadlines and complex financial reporting standards, in particular recognising the practical working challenges presented by the pandemic.

Roger Marshall

Joint Chief Finance Officer

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 2022 and its income and expenditure for the year there ended.

Signatures removed for the purposes of publishing on the website

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 24 June 2022

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 2022.

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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 2021/22 and the comparators for 2020/21 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 2021/22 figures and 2020/21 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 2021/22 figures and 2020/21 comparators.

Comprehensive Income and Expenditure Statement – Group

Comprehensive Income and Expenditure Statement (Group)	Notes	Group	Group	Group	Group	Group	Group
		2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	131,327	(14,853)	116,474	135,328	(14,529)	120,799
Cost of Policing and Crime Services		131,327	(14,853)	116,474	135,328	(14,529)	120,799
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	9e	0	(175)	(175)	0	(70)	(70)
Transfer to Pension Fund/Pension Top Up Grant		19,190	(19,190)	0	21,360	(21,360)	0
		19,190	(19,365)	(175)	21,360	(21,430)	(70)
Financing and Investment Income and Expenditure							
Interest payable on PFI unitary payments		562	0	562	538	0	538
Net Interest on the net defined benefit liability (asset)	Annex C (Pg 114)	31,782	(3,364)	28,418	34,367	(3,855)	30,512
Investment interest income		0	(15)	(15)	0	(9)	(9)
		32,344	(3,379)	28,965	34,905	(3,864)	31,041
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27	0	(163)	(163)	0	(97)	(97)
Income from Council Tax	28	0	(45,162)	(45,162)	0	(47,297)	(47,297)
Council Tax Grant (Freeze & Support)	27	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	27	0	(33,222)	(33,222)	0	(35,146)	(35,146)
Home Office Police Grant	27	0	(31,207)	(31,207)	0	(33,344)	(33,344)
PFI Grant	27	0	(688)	(688)	0	(688)	(688)
		0	(115,292)	(115,292)	0	(121,422)	(121,422)
(Surplus) or Deficit on Provision of Services		182,861	(152,889)	29,972	191,593	(161,245)	30,348
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation (Gains)	9			(3,002)			(7,285)
Revaluation losses (chargeable to revaluation reserve)	9			1,449			2,118
Actuarial (gains) / losses on pension assets / liabilities							
- Matching the entry to the pensions reserve	Annex C (Pg 114)			230,435			(33,415)
Other Comprehensive Income and Expenditure				228,882			(38,582)
Total Comprehensive Income and Expenditure				258,854			(8,234)

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
		2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	16,723	(23,911)	(7,188)	15,018	(22,987)	(7,969)
Funding Provided by PCC to CC		125,085	0	125,085	128,522	0	128,522
Cost of Policing and Crime Services		141,808	(23,911)	117,897	143,540	(22,987)	120,553
Other Operating Expenditure							
(Gain)/loss on disposal of non current assets	9e	0	(175)	(175)	0	(70)	(70)
Transfer to Pension Fund/Pension Top Up Grant		19,190	(19,190)	0	21,360	(21,360)	0
		19,190	(19,365)	(175)	21,360	(21,430)	(70)
Financing and Investment Income and Expenditure							
Interest payable on PFI unitary payments		562	0	562	538	0	538
Net Interest on the net defined benefit liability (asset)	Annex C (Pg 115)	102	(76)	26	118	(88)	30
Investment interest income		0	(15)	(15)	0	(9)	(9)
		664	(91)	573	656	(97)	559
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27	0	(163)	(163)	0	(97)	(97)
Income from Council Tax	28	0	(45,162)	(45,162)	0	(47,297)	(47,297)
Council Tax Grant (Freeze & Support)	27	0	(4,850)	(4,850)	0	(4,850)	(4,850)
Formula Funding	27	0	(33,222)	(33,222)	0	(35,146)	(35,146)
Home Office Police Grant	27	0	(31,207)	(31,207)	0	(33,344)	(33,344)
PFI Grant	27	0	(688)	(688)	0	(688)	(688)
		0	(115,292)	(115,292)	0	(121,422)	(121,422)
(Surplus) or Deficit on Provision of Services		161,662	(158,659)	3,003	165,556	(165,936)	(380)
Surplus or Deficit on revaluation of Property, Plant and Equipment Assets							
Revaluation gains	9			(3,002)			(7,285)
Revaluation losses (chargeable to revaluation reserve)	9			1,449			2,118
Actuarial (gains) / losses on pension assets / liabilities							
- Matching the entry to the pensions reserve	Annex C (Pg 115)			102			(441)
Other Comprehensive Income and Expenditure				(1,451)			(5,608)
Total Comprehensive Income and Expenditure				1,552			(5,988)

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 2021/22 are provided in the table below:

Movement in Reserves Statement (Group) Figures for 2021/22										
	Note	Balance at 1 April 2021	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 2021/22	Balance at 31 March 2022
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	-	3,600	(30,348)	0	(30,348)	31,867	1,519	(1,519)	0	3,600
Earmarked Revenue Reserves	8	13,659	0	0	0	0	0	1,519	1,519	15,178
Earmarked Capital Reserves	8	4,294	0	0	0	0	0	0	0	4,294
Capital Receipts Reserve	19	2,181	0	0	0	168	168	0	168	2,349
Capital Grants Unapplied	19	5,792	0	0	0	(916)	(916)	0	(916)	4,876
Total Usable Reserves		29,526	(30,348)	0	(30,348)	31,119	771	0	771	30,297
Unusable Reserves										
Revaluation Reserve	20a	14,871	0	5,167	5,167	(90)	5,077	0	5,077	19,948
Capital Adjustment Account	20b	30,451	0	0	0	(837)	(837)	0	(837)	29,614
Police Pensions Reserve	20e	(1,447,160)	0	13,450	13,450	(25,880)	(12,430)	0	(12,430)	(1,459,590)
LGPS Pensions Reserve	20e	(74,805)	0	19,965	19,965	(6,089)	13,876	0	13,876	(60,929)
Collection Fund Adjustment Account	20c	(658)	0	0	0	676	676	0	676	18
Accumulated Absences Account	20d	(5,607)	0	0	0	1,101	1,101	0	1,101	(4,506)
Total Unusable Reserves		(1,482,908)	0	38,582	38,582	(31,119)	7,463	0	7,463	(1,475,445)
Total Reserves		(1,453,382)	(30,348)	38,582	8,234	0	8,234	0	8,234	(1,445,148)

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

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

Movement in Reserves Statement – PCC

The figures for the PCC Single Entity in 2021/22 are provided in the table below:

Movement in reserves Statement (PCC) Figures for 2021/22										
	Note	Balance at 1 April 2021	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 2021/22	Balance at 31 March 2022
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves										
Police Fund Account	-	3,600	380	0	380	1,139	1,519	(1,519)	0	3,600
Earmarked Revenue Reserves	8	13,659	0	0	0	0	0	1,519	1,519	15,178
Earmarked Capital Reserves	8	4,294	0	0	0	0	0	0	0	4,294
Capital Receipts Reserve	19	2,181	0	0	0	168	168	0	168	2,349
Capital Grants Unapplied	19	5,792	0	0	0	(916)	(916)	0	(916)	4,876
Total Usable Reserves		29,526	380	0	380	391	771	0	771	30,297
Unusable Reserves										
Revaluation Reserve	20a	14,871	0	5,167	5,167	(90)	5,077	0	5,077	19,948
Capital Adjustment Account	20b	30,451	0	0	0	(837)	(837)	0	(837)	29,614
LGPS Pensions Reserve	20e	(1,385)	0	441	441	(160)	281	0	281	(1,104)
Collection Fund Adjustment Account	20c	(658)	0	0	0	676	676	0	676	18
Accumulated Absences Account	20d	(69)	0	0	0	20	20	0	20	(49)
Total Unusable Reserves		43,210	0	5,608	5,608	(391)	5,217	0	5,217	48,427
Total Reserves		72,736	380	5,608	5,988	0	5,988	0	5,988	78,724

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

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

Balance Sheet – PCC & Group

Balance Sheet	Notes	PCC	PCC	Group	Group
		31 March 2021 £000s	31 March 2022 £000s	31 March 2021 £000s	31 March 2022 £000s
Property, Plant & Equipment					
Land and Buildings	9	57,057	60,029	57,057	60,029
Vehicles	9	3,247	4,276	3,247	4,276
Information Technology Equipment	9	3,536	4,146	3,536	4,146
Furniture, Equipment & Plant	9	509	486	509	486
Assets Under Construction (Land & Buildings)	9	0	1,133	0	1,133
Investment Properties		10	10	10	10
		64,359	70,080	64,359	70,080
Intangible Assets - Software	11	2,307	1,590	2,307	1,590
Long Term Assets		66,666	71,670	66,666	71,670
Short Term Investments	17	4,300	8,003	4,300	8,003
Assets held for sale (within 1yr)	10	259	0	259	0
Inventories		0	0	368	470
Short Term Debtors (external)	14	15,230	15,220	15,230	15,220
Short Term Debtors (amounts owed to PCC by CC re CC share of external Creditors)	14	13,493	9,986	0	0
Short Term Debtors (funding balance owed to PCC by CC)	14	5,605	5,936	0	0
Cash and Cash Equivalents	CF6	5,482	5,370	5,482	5,370
Current Assets		44,369	44,515	25,639	29,063
Short Term Creditors (external)	15	(17,894)	(13,521)	(17,894)	(13,521)
Short Term Creditors (amounts owed by PCC to CC re CC share of external debtors)	15	(5,317)	(5,682)	0	0
Short Term Creditors (funding balance due from PCC to CC)	15	(9,270)	(6,909)	0	0
PFI Finance Lease Liability Due within 1 Year	12	(206)	(233)	(206)	(233)
Donated Inventories Account		(30)	(47)	(30)	(47)
Loans Due in 1 year	17	0	(6,000)	0	(6,000)
Current Liabilities		(32,717)	(32,392)	(18,130)	(19,801)
Provisions	16	0	0	(1,395)	(1,596)
Other Long Term Liabilities					
Pensions liability - Police	18	0	0	(1,447,160)	(1,459,590)
Pensions liability - LGPS	18	(1,385)	(1,104)	(74,805)	(60,929)
PFI Finance Lease Liability	12	(4,197)	(3,965)	(4,197)	(3,965)
Grant Receipts in Advance					
Long Term Liabilities		(5,582)	(5,069)	(1,527,557)	(1,526,080)
Net Assets / Net (Liabilities)		72,736	78,724	(1,453,382)	(1,445,148)
Usable reserves	19				
Police Fund		3,600	3,600	3,600	3,600
Earmarked reserves (revenue)	8	13,659	15,178	13,659	15,178
Earmarked reserves (capital)	8	4,294	4,294	4,294	4,294
Capital Receipts Reserve	7	2,181	2,349	2,181	2,349
Capital Grants Unapplied	7	5,792	4,876	5,792	4,876
		29,526	30,297	29,526	30,297
Unusable Reserves	20				
Revaluation Reserve	20a	14,871	19,948	14,871	19,948
Capital Adjustment Account	20b	30,451	29,614	30,451	29,614
Pensions Reserve - Police	20e	0	0	(1,447,160)	(1,459,590)
Pensions Reserve - LGPS	20e	(1,385)	(1,104)	(74,805)	(60,929)
Collection Fund Adjustment Account	20c	(658)	18	(658)	18
Accumulated Absences Account	20d	(69)	(49)	(5,607)	(4,506)
		43,210	48,427	(1,482,908)	(1,475,445)
Total Reserves		72,736	78,724	(1,453,382)	(1,445,148)

The unaudited accounts were issued on 24 June 2022.

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Signed: _____
Roger Marshall, Joint Chief Finance Officer.

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)	See Note Below	PCC 2020/21 £000s	PCC 2021/22 £000s	Group 2020/21 £000s	Group 2021/22 £000s
Net (Surplus) or Deficit on the provision of services		3,003	(380)	29,972	30,348
Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1	(8,247)	(2,744)	(35,216)	(33,472)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	CF2	85	259	85	259
Net cash (inflow)/ outflow from Operating Activities	CF3	(5,159)	(2,865)	(5,159)	(2,865)
Investing Activities	CF4	766	8,771	766	8,771
Financing Activities	CF5	182	(5,794)	182	(5,794)
Net (increase) or decrease in cash and cash equivalents		(4,211)	112	(4,211)	112
Cash and cash equivalents at the beginning of the reporting period		(1,271)	(5,482)	(1,271)	(5,482)
Cash and cash equivalents at the end of the reporting period	CF6	(5,482)	(5,370)	(5,482)	(5,370)
Notes to the Cash Flow Statement					
CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:					
Depreciation & Amortisation		(5,185)	(4,593)	(5,185)	(4,593)
Impairment & Downward Valuations		(610)	(943)	(610)	(943)
Carrying amount of non current assets - sold		0	(259)	0	(259)
Grants applied to the financing of capital expenditure		163	97	163	97
Pension Liability (Contributions to/from Pensions Reserve)		(106)	(160)	(25,153)	(31,969)
Creditors - Change in Balance Sheet		(6,072)	4,373	(6,072)	4,373
Creditors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		100	(55)	100	(55)
Creditors - Adjustment re CC Share of Debtors		(390)	(365)	0	0
Creditors - Adjustment re Balance of Funding due from PCC to CC		(2,489)	2,361	0	0
Debtors - Change in Balance Sheet		1,969	(10)	1,969	(10)
Debtors - Change in Balance Sheet (Adjustment for Purchase of Fixed Assets)		0	0	0	0
Debtors - Change in Balance Sheet (Adjustment for Investment Interest)		(10)	3	(10)	3
Debtors - Adjustment re CC Share of Creditors		3,963	(3,507)	0	0
Debtors - Adjustment re Balance of Funding due from CC to PCC		450	331	0	0
Stock - Change in Balance Sheet		0	0	(10)	103
Donated Inventory - Change in Balance Sheet		(30)	(17)	(30)	(17)
Provisions - Change in Balance Sheet		0	0	(378)	(202)
Adjustment to net surplus or deficit on the provision of services for non-cash movements		(8,247)	(2,744)	(35,216)	(33,472)

Cash Flow Statement – PCC & Group

Cash Flow Statement (PCC and Group)		PCC 2020/21 £000s	PCC 2021/22 £000s	Group 2020/21 £000s	Group 2021/22 £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		85	259	85	259
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		85	259	85	259
CF3 - The cash flows from <i>Operating Activities</i> include the following items:					
Interest received		(25)	(6)	(25)	(6)
Interest Paid		571	534	571	534
CF4 - The cash flows from <i>Investing Activities</i> are made up as follows:					
Purchase of property, plant and equipment and intangible assets		2,714	5,427	2,714	5,427
Purchase of short-term and long-term investments		43,600	56,700	43,600	56,700
Proceeds from the sale of property, plant and equipment and intangible assets		(85)	(259)	(85)	(259)
Proceeds from short-term and long-term investments		(45,300)	(53,000)	(45,300)	(53,000)
Other receipts from investing activities		(163)	(97)	(163)	(97)
Net cash flows from investing activities		766	8,771	766	8,771
CF5 - The cash flows from <i>Financing Activities</i> are made up as follows:					
Cash receipts of short and long term borrowing		0	(6,000)	0	(6,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		182	206	182	206
Net cash flows from financing activities		182	(5,794)	182	(5,794)
CF6 - The balance of <i>Cash and Cash Equivalents</i> is made up as follows:					
Bank current accounts		(21)	(195)	(21)	(195)
Short-term deposit with bank (overnight)		(663)	(524)	(663)	(524)
Investments in Money Market Funds (available on demand)		(4,798)	(4,651)	(4,798)	(4,651)
Total Cash and Cash Equivalents		(5,482)	(5,370)	(5,482)	(5,370)

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 2021/22 will be highlighted, whilst the comparatives for 2020/21 (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 99-101. 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 102-104).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 102 to 104), 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 2022/23 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 £7.1m. 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 24 June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting Policy - Events after the Balance Sheet Date

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

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

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

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

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

The items in the Commissioner's group balance sheet as at 31 March 2022 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Land and buildings assets are revalued on a two year rolling basis. Therefore the value of the assets that have not been subject to valuation in the financial year may not reflect the true value of that asset.</p> <p>Each year the valuer conducts an impairment review, whilst the valuer has concluded that there are no impairments of land and building valuations as at 31/03/21.</p> <p>At the balance sheet date 31 March 2022 the value of property, plant and equipment was £70m.</p>	<p>Revaluation gains and losses or disposal proceeds in future years may be significantly different than anticipated. However, as all land and building assets are subject to an annual impairment review, and biennial revaluations, the impact of this is thought to be immaterial. The ongoing impact of the covid-19 pandemic on property values is being monitored.</p> <p>If the useful lives of assets are reduced, depreciation will increase and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings, vehicles and plant would increase by approx. £590k for every year that useful lives had to be reduced. A 10% change in those assets subject to revaluation (£60m) would change the value of those assets on the Balance Sheet by £6m and the depreciation charge to the CIES by £120k.</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 £61m and for the police pension scheme was £1,460m.</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 111-122).</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 2021/22 are provided in the table below:

Expenditure and Funding Analysis (Group)	Group 2021/22				
	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	93,985	0	93,985	(3,030)	90,955
PCSO Pay & Allowances	2,218	0	2,218	304	2,522
Police Staff Pay & Allowances	25,606	0	25,606	4,089	29,695
Other Employee Budgets	4,155	0	4,155	0	4,155
Premises Related Expenditure	4,652	0	4,652	0	4,652
Transport Related Expenditure	2,552	0	2,552	0	2,552
Supplies & Services Expenditure	11,453	0	11,453	0	11,453
Third Party Related Expenditure	4,959	0	4,959	0	4,959
Technical Accounting Adjustments	10,235	(4,592)	5,643	(108)	5,535
Income from Fees & Charges	(6,793)	0	(6,793)	0	(6,793)
Grants & Contributions	(29,097)	0	(29,097)	0	(29,097)
Use of Capital Receipts	(6)	0	(6)	6	0
Non distributed costs	0	0	0	94	94
Termination Payments	117	0	117	0	117
Net Cost of Services	124,036	(4,592)	119,444	1,355	120,799
Other Income and Expenditure	(120,963)	0	(120,963)	30,512	(90,451)
(Surplus)/Deficit on the Provision of Services	3,073	(4,592)	(1,519)	31,867	30,348
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2020	(3,600)	(14,332)	(4,294)	(22,226)	
Less Deficit on Police Fund Balance in Year	0	(1,519)	0	(1,519)	
Closing Police Fund Balance at 31 March 2021	(3,600)	(15,851)	(4,294)	(23,745)	

Notes to the Accounts

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

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

Notes to the Accounts

The figures for the PCC in 2021/22 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 2021/22 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	21,360	0	21,360	0	21,360
Police Staff Pay & Allowances	1,208	0	1,208	130	1,338
Other Employee Budgets	72	0	72	0	72
Premises Related Expenditure	(1,185)	0	(1,185)	0	(1,185)
Transport Related Expenditure	(1,037)	0	(1,037)	0	(1,037)
Supplies & Services Expenditure	(884)	0	(884)	0	(884)
Third Party Related Expenditure	2,816	0	2,816	0	2,816
Technical Accounting Adjustments	9,154	(4,592)	4,562	973	5,535
Income from Fees & Charges	(6,793)	0	(6,793)	0	(6,793)
Grants & Contributions	(29,097)	0	(29,097)	0	(29,097)
Use of Capital Receipts	(6)	0	(6)	6	0
Non distributed costs	(94)	0	(94)	0	(94)
Funding Provided by PCC to CC	128,522	0	128,522	0	128,522
Net Cost of Services	124,036	(4,592)	119,444	1,109	120,553
Other Income and Expenditure	(120,963)	0	(120,963)	30	(120,933)
(Surplus)/Deficit on the Provision of Services	3,073	(4,592)	(1,519)	1,139	(380)
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2021	(3,600)	(14,332)	(4,294)	(22,226)	
Less Deficit on Police Fund Balance in Year	0	(1,519)	0	(1,519)	
Closing Police Fund Balance at 31 March 2022	(3,600)	(15,851)	(4,294)	(23,745)	

Notes to the Accounts

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

Expenditure and Funding Analysis (PCC)	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Police Fund balance (Note 5)	PCC 2020/21 Net Expenditure Chargeable to the Police Fund balance	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services					
Police Officer Pay & Allowances	19,190	0	19,190	0	19,190
Police Staff Pay & Allowances	1,086	0	1,086	79	1,165
Other Employee Budgets	73	0	73	0	73
Premises Related Expenditure	(1,204)	0	(1,204)	0	(1,204)
Transport Related Expenditure	(869)	0	(869)	0	(869)
Supplies & Services Expenditure	(2,287)	0	(2,287)	0	(2,287)
Third Party Related Expenditure	5,071	0	5,071	0	5,071
Technical Accounting Adjustments	8,156	(5,185)	2,971	2,825	5,796
Income from Fees & Charges	(5,227)	0	(5,227)	0	(5,227)
Grants & Contributions	(28,816)	0	(28,816)	0	(28,816)
Non distributed costs	(80)	0	(80)	0	(80)
Funding Provided by PCC to CC	125,085	0	125,085	0	125,085
Net Cost of Services	120,178	(5,185)	114,993	2,904	117,897
Other Income and Expenditure	(114,920)	0	(114,920)	26	(114,894)
(Surplus)/Deficit on the Provision of Services	5,258	(5,185)	73	2,930	3,003
	Police Fund	Earmarked Revenue Reserves	Earmarked Capital Reserves	Total	
Opening Police Fund Balance 1 April 2020	(3,000)	(14,332)	(4,294)	(21,626)	
Less Deficit on Police Fund Balance in Year	(600)	673	0	73	
Closing Police Fund Balance at 31 March 2021	(3,600)	(13,659)	(4,294)	(21,553)	

5.a Note to the Expenditure Funding Analysis

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

The figures for the Group for 2021/22 are set out in the table below:

Note to the Expenditure and Funding Analysis (Group)	Group 2021/22						
	Depreciation £000s	Rental Income £000s	Total to arrive at amount charged to the Police Fund £000s	Adjustment for capital purposes (See below) £000s	Net change for the Pensions Adjustment (See below) £000s	Other Differences (See below) £000s	Total Adjustment Between funding and accounting basis £000s
Cost of Policing & Crime Services							
Police Officer Pay & Allowances	0	0	0	0	(3,030)	0	(3,030)
PCSO Pay & Allowances	0	0	0	0	304	0	304
Police Staff Pay & Allowances	0	0	0	0	4,089	0	4,089
Technical Accounting Adjustments	(4,592)	0	(4,592)	1,669	0	(1,777)	(108)
Use of Capital Receipts	0	0	0	0	0	6	6
Non distributed costs	0	0	0	0	94	0	94
Net Cost of Services	(4,592)	0	(4,592)	1,669	1,457	(1,771)	1,355
Other Income and Expenditure	0	0	0	0	30,512	0	30,512
(Surplus)/Deficit on the Provision of Services	(4,592)	0	(4,592)	1,669	31,969	(1,771)	31,867
Further Analysis of Adjustments							
Depreciation/Amortisation				4,592	0	0	4,592
Minimum Revenue Provision (MRP)				(629)	0	0	(629)
Revaluations				943	0	0	943
Direct Revenue Contribution				(3,140)	0	0	(3,140)
Capital Grant Reversal				(97)	0	0	(97)
Police Pensions - Interest on Liabilities				0	28,910	0	28,910
Police Pensions - Reverse Employer Contributions				0	(37,040)	0	(37,040)
Police Pensions - Current Service Cost				0	34,010	0	34,010
LGPS - Interest on Liabilities				0	5,457	0	5,457
LGPS - Return on Plan Assets				0	(3,855)	0	(3,855)
LGPS - Reverse Employer Contributions				0	(3,990)	0	(3,990)
LGPS - Current Service Cost				0	8,383	0	8,383
LGPS - Non Distributed Costs				0	94	0	94
Use of Capital Receipts				0	0	6	6
Collection Fund Adjustment				0	0	(676)	(676)
Accumulated Absences Account Adj				0	0	(1,101)	(1,101)
Total Adjustments				1,669	31,969	(1,771)	31,867

Notes to the Accounts

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

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

Notes to the Accounts

The figures for the PCC for 2021/22 are set out in the table below:

Note to the Expenditure and Funding Analysis (PCC)	PCC 2021/22						
	Depreciation £000s	Rental Income £000s	Total to arrive at amount charged to the Police Fund £000s	Adjustment for capital purposes (See below) £000s	Net change for the Pensions Adjustment (See below) £000s	Other Differences (See below) £000s	Total Adjustment Between funding and accounting basis £000s
Cost of Policing & Crime Services							
Police Staff Pay & Allowances	0	0	0	0	130	0	130
Technical Accounting Adjustments	(4,592)	0	(4,592)	1,669	0	(696)	973
Use of Capital Receipts	0	0	0	0	0	6	6
Net Cost of Services	(4,592)	0	(4,592)	1,669	130	(690)	1,109
Other Income and Expenditure	0	0	0	0	30	0	30
(Surplus)/Deficit on the Provision of Services	(4,592)	0	(4,592)	1,669	160	(690)	1,139
Further Analysis of Adjustments							
Depreciation/Amortisation				4,592	0	0	4,592
Minimum Revenue Provision (MRP)				(629)	0	0	(629)
Revaluations				943	0	0	943
Direct Revenue Contribution				(3,140)	0	0	(3,140)
Capital Grant Reversal				(97)	0	0	(97)
LGPS - Interest on Liabilities				0	118	0	118
LGPS - Return on Plan Assets				0	(88)	0	(88)
LGPS - Reverse Employer Contributions				0	(105)	0	(105)
LGPS - Current Service Cost				0	235	0	235
Use of Capital Receipts				0	0	6	6
Collection Fund Adjustment				0	0	(676)	(676)
Accumulated Absences Account Adj				0	0	(20)	(20)
Total Adjustments				1,669	160	(690)	1,139

Notes to the Accounts

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

Note to the Expenditure and Funding Analysis (PCC)	PCC 2020/21						
	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 Staff Pay & Allowances	0	0	0	0	79	0	79
Technical Accounting Adjustments	(5,185)	0	(5,185)	2,191	0	634	2,825
Net Cost of Services	(5,185)	0	(5,185)	2,191	79	634	2,904
Other Income and Expenditure	0	0	0	0	26	0	26
(Surplus)/Deficit on the Provision of Services	(5,185)	0	(5,185)	2,191	105	634	2,930
Further Analysis of Adjustments							
Depreciation/Amortisation				5,185	0	0	5,185
Minimum Revenue Provision (MRP)				(608)	0	0	(608)
Revaluations				610	0	0	610
Direct Revenue Contribution				(2,748)	0	0	(2,748)
Capital Grant Reversal				(163)	0	0	(163)
Profit & Loss on Sale of FA				(85)	0	0	(85)
LGPS - Interest on Liabilities				0	102	0	102
LGPS - Return on Plan Assets				0	(76)	0	(76)
LGPS - Reverse Employer Contributions				0	(89)	0	(89)
LGPS - Current Service Cost				0	169	0	169
Collection Fund Adjustment				0	0	608	608
Accumulated Absences Account Adj				0	0	25	25
Total Adjustments				2,191	106	633	2,930

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
	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s
Expenditure				
Police Pay & Allowances	19,190	21,360	89,877	93,985
PCSO Pay & Allowances	0	0	2,533	2,218
Police Staff Pay & Allowances	1,086	1,114	26,121	25,512
Other Employee Costs	73	72	3,119	4,155
Premises Related Costs	(1,204)	(1,185)	4,640	4,652
Transport Related Costs	(869)	(1,037)	2,114	2,552
Supplies & Services	(2,287)	(884)	12,665	11,453
Third Party Payments	5,071	2,816	6,779	4,959
External Interest	562	538	562	538
Loss on the Disposal of Assets	(175)	(70)	(175)	(70)
Technical Accounting Adjustments	3,579	3,886	1,657	4,967
Pension Adjustments	(80)	0	(53)	0
Non Distributed Costs	0	0	53	94
Termination Payments	0	0	139	117
Funding Between PCC & CC	125,085	128,522	0	0
Total Expenditure	150,031	155,132	150,031	155,132
Income				
Income from Fees & Charges	(5,227)	(6,793)	(5,227)	(6,793)
Investment Property Rental Income	0	0	0	0
Income from Grant & Contributions	(9,626)	(7,737)	(9,626)	(7,737)
Interest & Investment Income	(15)	(9)	(15)	(9)
PFI Grant	(688)	(688)	(688)	(688)
Pensions Top Up grant (Home Office)	(19,190)	(21,360)	(19,190)	(21,360)
Total Income	(34,746)	(36,587)	(34,746)	(36,587)
Use of Reserves				
Transfer to Earmarked Reserves (Revenue)	(673)	1,519	(673)	1,519
Transfer from Earmarked Reserves (Capital)	0	0	0	0
Transfer to General Reserves	600	0	600	0
	(73)	1,519	(73)	1,519
External Financing				
Income from Council Tax	(45,162)	(47,297)	(45,162)	(47,297)
Collection Fund Adjustment	(608)	676	(608)	676
General Government Grants				
- Home Office Police Grant	(31,207)	(33,344)	(31,207)	(33,344)
- Home Office Capital Grant & Other Capital Grants	(163)	(97)	(163)	(97)
- Council Tax Grants (Freeze & Support)	(4,850)	(4,850)	(4,850)	(4,850)
Formula Funding	(33,222)	(35,146)	(33,222)	(35,146)
Total	(115,212)	(120,058)	(115,212)	(120,058)
Deficit on the Provision of Services	0	6	0	6

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 2021/22 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	31,969	0	0	31,969
- Council tax (transfers to or from Collection Fund)	20c/28	(676)	0	0	(676)
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	(1,101)	0	0	(1,101)
- 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	5,697	0	97	5,794
Total Adjustments to the Revenue Resources		35,889	0	97	35,986
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(259)	259	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	6	(6)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	31	(629)	0	0	(629)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	29a	(3,140)	0	0	(3,140)
Total Adjustments between Revenue and Capital Resources		(4,022)	253	0	(3,769)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	29a	0	(85)	0	(85)
- Application of capital grants to finance capital expenditure	20b	0	0	(1,013)	(1,013)
Total Adjustments to Capital Resources		0	(85)	(1,013)	(1,098)
Total Adjustments		31,867	168	(916)	31,119

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

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

The figures for the PCC for 2021/22 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	160	0	0	160
- Council tax (transfers to or from Collection Fund)	20c/29	(676)	0	0	(676)
- Holiday Pay (transfers to or from Accumulated Absences Account)	20d	(20)	0	0	(20)
- 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	5,697	0	97	5,794
Total Adjustments to the Revenue Resources		5,161	0	97	5,258
Adjustments between Revenue and Capital Resources					
- Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9e	(259)	259	0	0
- Administrative costs of non-current asset disposals (funded by a contribution from the Capital receipts Reserve)	9e	6	(6)	0	0
- Statutory provision for the repayment of debt (MRP) (transfer from the Capital Adjustment Account)	31	(629)	0	0	(629)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	29a	(3,140)	0	0	(3,140)
Total Adjustments between Revenue and Capital Resources		(4,022)	253	0	(3,769)
Adjustments to Capital Resources					
- Use of the Capital Receipts Reserve to finance capital expenditure	30a	0	(85)	0	(85)
- Application of capital grants to finance capital expenditure	20b	0	0	(1,013)	(1,013)
Total Adjustments to Capital Resources		0	(85)	(1,013)	(1,098)
Total Adjustments		1,139	168	(916)	391

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

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

Notes to the Accounts

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 2021/22 (and comparatives for 2020/21).

Earmarked Reserves	Note	PCC/Group	PCC/Group	PCC/Group	PCC/Group	PCC/Group
		Balance	Movement	Balance	Movement	Balance
		01 April	in 2020/21	31 March	in 2021/22	31 March
		2020		2021		2022
		£000s	£000s	£000s	£000s	£000s
Revenue Reserves						
Future Liability Reserves						
Insurance Reserve	1	1,186	92	1,278	(369)	909
PFI - Lifecycle Replacements	2	256	9	265	(18)	247
Commissioned Services Reserve	3	1,089	619	1,708	746	2,454
		2,531	720	3,251	359	3,610
Budget Stabilisation Reserves						
Chief Constable's Contingency	4	500	0	500	0	500
Chief Constable's Operational Reserve	5	250	0	250	0	250
PCC Operational Reserve	6	250	0	250	0	250
Budget Support Reserve	7	7,674	(1,314)	6,360	(3)	6,357
Body Armour (Future Roll Out)	8	237	50	287	50	337
75% Tax Income Guarantee Scheme	9	0	383	383	537	920
22/23 Budget Support & Covid Recovery Reserve	10	0	0	0	1,010	1,010
		8,911	(881)	8,030	1,594	9,624
Short Term Project Reserves	11					
Cumbria Road Safety Initiatives		25	0	25	(25)	0
The Bridgeway (SASS)		749	4	753	(38)	715
Safer Cumbria Delivery Board		45	(23)	22	(15)	7
HQ Security		130	50	180	0	180
Red Sigma (Durham Collaboration)		252	(144)	108	(105)	3
Business Intelligence		58	(30)	28	0	28
Business Transformation		1,175	(656)	519	(301)	218
Cohort Software		25	(25)	0	0	0
Learning and Development		195	(195)	0	0	0
Covid 19 Recovery		236	457	693	0	693
CO - Demand Risk Resourcing		0	50	50	50	100
		2,890	(512)	2,378	(434)	1,944
Total Earmarked Revenue Reserves		14,332	(673)	13,659	1,519	15,178
Capital Reserves	12					
Estates West Flood Management		4,000	0	4,000	0	4,000
HQ adaptations		294	0	294	0	294
Total Earmarked Capital Reserves		4,294	0	4,294	0	4,294

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

1. Insurance Reserve – to offset any insurance claims not specifically detailed in the insurance provision.
2. PFI Lifecycle Replacements – to equalise the impact on the comprehensive income and expenditure statement of changing levels of grant income and charges over the period of the PFI contract.
3. Commissioned Services Reserve – to provide resources for future expenditure on existing commitments under PCC commissioned services.
4. Chief Constables Contingency – reserve held to meet an increase in budget pressure arising in year as a result of budgeting risks taken during the budget process. The establishment of this reserve supported a reduction in the ongoing revenue budget requirement.
5. Chief Constables Operational Reserve – to provide resources to assist in funding unexpected major events, if necessary. The Home Office Financial Management Code recommends that there should be an operational contingency.
6. PCC Operational Reserve – to provide resources both to back up the annual operational contingency and, in addition, to assist in funding unexpected expenditure/budget pressures in line with the Commissioner's responsibilities. The Home Office Financial Management Code recommends that there should be an operational contingency.
7. Budget Support Reserve – to meet the medium term risks associated with balancing the budget in the context of current funding uncertainties and Covid-19.
8. Body Armour Future Roll Out – to equalise the impact on the comprehensive income and expenditure statement of changing levels of expenditure due to the cyclical nature of body armour replacement.
9. 75% Council Tax Income Guarantee Scheme – as part of the Spending Review the Government confirmed that it would compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21. This grant was recognised in 2020/21 and has been transferred to reserve to be drawn down over the next 3 years to smooth the effects of the increase in council tax deficit which is being recovered from precepting bodies by district councils over a 3 year period.
10. 2022/23 Budget Support & Covid Recovery Reserve – This reserve was established from the revenue budget underspend in 2021/22. The reserve will be utilised to support covid recovery activities following the pandemic.
11. Short Term Project Reserves – To support a variety of locally managed initiatives granted under the scheme of devolved resource management. These are primarily multi-year technology based projects or resources to provide funding for unbudgeted revenue costs within the 2021/22 or 2022/23 financial year.
12. Capital Reserves – the capital reserve holds direct contributions from the revenue budget to fund capital schemes within the capital programme.

9 Property, Plant and Equipment

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

Property, Plant and Equipment	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s	PFI Assets Included in P.P.E. £000s
Cost or Valuation							
At 1 April 2021	58,023	8,982	16,979	4,243	0	88,227	7,820
Additions	0	2,123	1,855	113	1,133	5,224	0
Enhancements	29	0	0	0	0	29	(2)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,631	0	0	0	0	4,631	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,603)	0	0	0	0	(1,603)	0
Derecognition - Disposals	0	(1,087)	(172)	0	0	(1,259)	0
At 31 March 2022	61,080	10,018	18,662	4,356	1,133	95,249	7,818
Accumulated Depreciation & Impairment							
At 1 April 2021	(966)	(5,735)	(13,443)	(3,734)	0	(23,878)	(540)
Depreciation Charge	(1,281)	(1,094)	(1,246)	(136)	0	(3,757)	(168)
Derecognition - Disposals	0	1,087	173	0	0	1,260	0
Depreciation written out to the Revaluation Reserve	536	0	0	0	0	536	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	660	0	0	0	0	660	0
Depreciation as at 31 March 2022	(1,051)	(5,742)	(14,516)	(3,870)	0	(25,179)	(708)
Net Book Value							
At 31 March 2022	60,029	4,276	4,146	486	1,133	70,070	7,110
At 31 March 2021	57,057	3,247	3,536	509	0	64,349	7,280



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

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

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



Construction of the Learning and Development Centre was completed in January 2020

Accounting Policy - Property, Plant and Equipment

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

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

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

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

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Measurement (continued)

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

Component Accounting

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

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

9.a Valuations Rolling Programme

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

Valuations Rolling Programme	Land and Buildings £000s	Vehicles £000s	PCC/Group IT and Technology £000s	Furniture Equipment & Plant £000s	Assets Under Construction £000s	Total Property, Plant & Equipment £000s
Carried at Historical Cost	0	10,018	18,662	3,951	1,133	33,764
Valued at Current Value as at:						
- 31 March 2022	30,779	0	0	0	0	30,779
- 31 March 2021	30,301	0	0	405	0	30,706
Total Cost or Valuation	61,080	10,018	18,662	4,356	1,133	95,249

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. J. Lauder of Carigiet Cowen, applied these valuation methods.

9.b Impairment Review

The Commissioner's professional valuer, Mr. J. Lauder BSc (Hons) 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.

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 2022 is set out below:

Property, Plant and Equipment in Ownership of PCC	PCC/Group As at 31 March	
	2021 Number	2022 Number
HQ, TPA HQ & Larger Police Stations	9	9
Other Police Stations	9	10
Police Houses and other Properties	1	0
Surplus Properties/ Held for Sale/ Investment Properties	1	1
Vehicles	309	329

9.d Effects of Changes in Estimates

There have been no material changes in estimates in the 2021/22 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 2022.

Gain/Loss on Sale of Property, Plant and Equipment	Net Book Value £000s	PCC/Group		(Gain) / Loss 2021/22 £000s
		Costs of Sale £000s	Proceeds of Sale £000s	
Land and Buildings	259	6	(259)	6
Vehicles	0	7	(83)	(76)
Total	259	13	(342)	(70)

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

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

Note in 2021/22 £83k (£92k in 2020/21) 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 £259k (£85k in 2020/21) rather than £342k (£177k in 2020/21) 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 2021/22 with comparative information for 2020/21.

Assets Held for Sale	PCC/Group As at 31 March	
	2021 £000s	2022 £000s
Balance outstanding at start of year	0	259
Newly classified as held for sale	259	0
Assets sold	0	(259)
Balance outstanding at end of year	259	0

At 31 March 2022 there were no assets classified as **held for sale (HFS)**. During 2021/22 a former police house in Kendal that was HFS as at 31 March 2021 was sold.

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 2022 (with comparatives for 2020/21) is set out in the table below:

Intangible Assets	PCC/Group	
	2020/21 £000s	2021/22 £000s
Balance at start of year		
- Gross carrying amount	4,835	4,351
- Accumulated amortisation	(1,507)	(2,044)
Net carrying amount at start of year	3,328	2,307
Additions	50	118
Disposals	(534)	(70)
Amortisations for the period	(830)	(835)
Adjustment to Opening Balance	(241)	0
Amortisation adjustment re disposals	534	70
Net carrying amount at end of year	2,307	1,590
Comprising		
- Gross carrying amount	4,351	4,399
- Accumulated amortisation	(2,044)	(2,809)
	2,307	1,590

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	
	2021 £000s	2022 £000s
Balance at the start of the year	(4,585)	(4,403)
Repayments made during year	182	206
Balance at the end of the year	(4,403)	(4,197)
Split of liability		
Current Liability	(206)	(233)
Long Term Liability	(4,197)	(3,964)
	(4,403)	(4,197)

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	233	511	571	1,315
Between two and five years	3,964	1,488	2,129	7,581
	4,197	1,999	2,700	8,896

The repayment of liability figures include a sum of £2,910k between 2 and 5 years which recognises that there is reasonable certainty that the Commissioner will exercise his right to purchase the PFI building at the end of the PFI contract period. See critical judgement note 2 (page 41) for further explanation.

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

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

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

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

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

13 Leases

13.a Finance Leases

The Commissioner has no material finance leases to be disclosed.

13.b Operating leases

The Commissioner utilises land and buildings and equipment assets under operating leases. The land and buildings are typically short to medium term rentals of buildings. The figures do however include the lease of land at Durranhill from Carlisle City Council upon which the North [TPA](#) HQ and custody suite was constructed. This lease runs for a period of 125 years until March 2132 and the annual lease payments are currently £35k 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	
	2021 £000s	2022 £000s
Not later than one year	196	217
Later than one year and not later than five years	124	140
Later than five years.	3,278	3,666
	3,598	4,023

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 2020/21 £000s	PCC/Group 2021/22 £000s
Minimum Lease Payments		
- Land and Buildings	110	131
- Equipment	113	105
	223	236



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 2022 is set out in the table below:

Short-term Debtors	PCC		Group	
	As at 31 March 2021 £000s	2022 £000s	As at 31 March 2021 £000s	2022 £000s
Trade Receivables	7,502	6,281	7,502	6,281
Prepayments/Payments in Advance	2,555	2,921	2,555	2,921
Other Receivable Amounts				
- Police Pensioners Prepayment	2,687	2,888	2,687	2,888
- Employees (accumulated compensating absences)	80	216	80	216
- Council Tax - Local Taxpayers (#)	3,472	3,902	3,472	3,902
- VAT Reimbursement	515	874	515	874
Less Impairment Allowance for Doubtful Debts:				
- Trade Receivables	(14)	(10)	(14)	(10)
- Local Taxpayers (#)	(1,567)	(1,852)	(1,567)	(1,852)
	15,230	15,220	15,230	15,220
Balances Owed From Chief Constable:				
- Re CC Share of External Creditors	13,493	9,986	0	0
- Re balance of Funding	5,605	5,936	0	0
Total Debtors	34,328	31,142	15,230	15,220

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

Debtors for Local Taxation

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

Council Tax Debtors	PCC/Group	
	31 March 2021 £000s	31 March 2022 £000s
Less than Three Months	65	70
Three to Six Months	31	20
Six Months to One Year	551	360
less than One year	805	1,027
More than One Year	2,020	2,425
	3,472	3,902

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

15 Short-term Creditors

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

An analysis of the amounts owed by the Commissioner as at 31 March 2022 is set out in the table below:

Short-term Creditors	PCC		Group	
	As at 31 March		As at 31 March	
	2021 £000s	2022 £000s	2021 £000s	2022 £000s
Trade Payables	(6,234)	(3,391)	(6,234)	(3,391)
Receipts in Advance	(961)	(662)	(961)	(662)
Employees (accumulated compensating absences)	(5,687)	(4,722)	(5,687)	(4,722)
Council Tax - Local Taxpayers	(1,037)	(1,041)	(1,037)	(1,041)
Council Tax - District Councils	(1,526)	(1,189)	(1,526)	(1,189)
HMRC PAYE Amounts Due	(2,449)	(2,516)	(2,449)	(2,516)
	(17,894)	(13,521)	(17,894)	(13,521)
Balances Owed to Chief Constable:				
- Re CC Share of External & Employee Debtors	(5,317)	(5,682)	0	0
- Re balance of Funding	(9,270)	(6,909)	0	0
Total Creditors	(32,481)	(26,112)	(17,894)	(13,521)

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 2022 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 biennial 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.

The table below shows the movements during the year on each of the group provisions and the position as at 31 March 2022.

Provisions	Balance as at 01/04/21	Additional Provisions Made 2021/22	Amounts Used in 2021/22	Unused Amounts Reversed in 2021/22	Balance as at 31/03/22
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(362)	(513)	193	0	(682)
Legal Claims	(1,033)	(200)	159	160	(914)
Total Provisions	(1,395)	(713)	352	160	(1,596)

The comparative information for year ended 31 March 2021 is as follows:

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

Accounting Policy – Provisions

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

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

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

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

17 Financial Instruments

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

Under International Financial reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the PCC/Group are included in Section A of a separate technical appendix at Annex B on pages 105 to 110.

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 111 to 122.

The disclosures include:

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

19 Usable Reserves

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

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

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

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

Accounting Policy - Reserves

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

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

20 Unusable Reserves

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

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

20.a Revaluation Reserve

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

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

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

The movements on the reserve during 2021/22 and the previous year are set out in the table below:

Revaluation Reserve	PCC/Group 2020/21 £000s	PCC/Group 2021/22 £000s
Balance at Start of Year	13,318	14,871
Upward revaluation of assets	3,002	7,285
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,449)	(2,118)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	1,553	5,167
Difference between fair value depreciation and historical cost depreciation	0	(90)
Amount written off to Capital Adjustment Account	0	(90)
Balance at End of Year	14,871	19,948

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 2021/22 and the previous year are set out in the table below:

Capital Adjustment Account	PCC/Group 2020/21 £000s	PCC/Group 2021/22 £000s
Balance at Start of Year	32,824	30,451
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	(4,114)	(3,757)
Revaluation gains/(losses) on Property, Plant and Equipment	(610)	(943)
Amortisation of Intangible assets	(1,071)	(835)
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	0	(259)
	(5,795)	(5,794)
Adjusting amounts written out of the Revaluation Reserve	0	90
Net written out amount of the cost of non-current assets consumed in the year	(5,795)	(5,704)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	85
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	66	1,013
Statutory provision for the financing of capital investment charged against the General Fund (MRP)	608	629
Capital expenditure charged against the Police Fund	2,748	3,140
	3,422	4,867
Balance at End of Year	30,451	29,614

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 2021/22 and the previous year are set out in the table below:

Collection Fund Adjustment Account	PCC/Group 2020/21 £000s	PCC/Group 2021/22 £000s
Balance at Start of Year	(50)	(658)
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	(608)	676
Balance at End of Year	(658)	18

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

Accounting Policy – Collection Fund

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

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

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

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

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

20.d Accumulated Absences Account

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

Accumulated Absences Account	PCC 2020/21 £000s	PCC 2021/22 £000s	Group 2020/21 £000s	Group 2021/22 £000s
Balance at Start of Year	(44)	(69)	(3,660)	(5,607)
Settlement or cancellation of accrual made at the end of the preceding year	44	69	3,660	5,607
Amounts accrued at the end of the current year	(69)	(49)	(5,607)	(4,506)
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	(25)	20	(1,947)	1,101
Balance at End of Year	(69)	(49)	(5,607)	(4,506)

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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(1,177)	(1,385)	(63,207)	(74,805)	(1,203,170)	(1,447,160)
Remeasurement of the net defined pension benefit liability/asset	(102)	441	(7,745)	19,965	(222,690)	13,450
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	(195)	(265)	(7,836)	(10,079)	(55,670)	(62,920)
Employer's pension contributions and direct payments to pensioners payable in the year.	89	105	3,983	3,990	34,370	37,040
Balance at End of Year	(1,385)	(1,104)	(74,805)	(60,929)	(1,447,160)	(1,459,590)

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 (pages 33-34). Government Grants included within the Net Cost of Services are detailed in note 27 below, the extent to which these grants are outstanding at the end of the year is recorded in short-term [debtors](#) note 14.

21.c Members

The Commissioner has eight appointed Members, four who serve on the Joint Audit Committee and four who serve on the Ethics and Integrity Panel. These members are required to declare any direct financial relationship through outside bodies or companies with the Commissioner. No material transactions have been reported in respect of the 2021/22 financial year. The total members allowances paid in 2021/22 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 2021/22 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 111-122.

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

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

- The PCC for Cheshire – North West Underwater Search Unit, Northwest Armed Policing Collaboration, Northwest Strategic Automatic Number Plate Recognition (ANPR) and Regional Emergency Services Network (ESN).
- The PCC for Merseyside – Regional Crime Unit, Regional Intelligence Unit, Prison Intelligence Unit, Technical Support Unit, Protected Persons Unit, Government Agency Intelligence Network (GAIN), Confiscation Unit, Regional Assets Recovery Team, Operational Security (OPSEY), Cyber Crime, Regional Fraud Team, Regional Insourced Forensic Science Services.

- The PCC for Lancashire – Regional Insourced Forensic Science Services and Learning & Development Collaboration which came to an end on 30 September 2019.
- Cumbria County Council – Shared Internal Audit Service.
- Durham Constabulary – ICT Collaboration in relation to development of systems.

22 Members Allowances and Expenses

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

Members Allowances		PCC/Group 2020/21 £000s	PCC/Group 2021/22 £000s
Basic Allowance		47	22
Travel and Subsistence		2	2
		49	24
Analysis by Type:			
Joint Audit Committee		8	9
Ethics and Integrity Panel		7	8
Independent Custody Visitors		1	1
Misconduct Panel		33	6
		49	24

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

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

23 Disclosure of Remuneration for Senior Employees

The following tables set out the remuneration disclosures for Senior Officers and Relevant Police Officers whose salary is more than £50,000 per year. The first table provides the information for 2021/22 and the second provides comparatives for 2020/21.

The table below gives the PCC and Group information for 2021/22 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Shown in Single Entity Statements of Police & Crime Commissioner									
Police & Crime Commissioner		67	0	0	0	0	67	12	79
PCC Chief Executive (a)	9	87	0	0	0	0	87	16	103
PCC Chief Executive (b)	9	87	0	0	0	0	87	16	103
Total PCC		241	0	0	0	0	241	44	285
Shown in Single Entity Statements of Chief Constable									
Chief Constable - Michelle Skeer		162	7	0	0	3	172	0	172
Deputy Chief Constable (a)		123	7	0	0	11	141	38	179
Deputy Chief Constable (b)	1	126	0	0	0	3	129	0	129
Assistant Chief Constable	2	55	3	0	0	1	59	17	76
Temporary Assistant Chief Constable	3	95	6	0	0	0	101	26	127
Joint Chief Finance Officer		89	0	0	0	0	89	16	105
Director of Corporate Support		89	0	0	0	0	89	16	105
Chief Superintendent (Insight & performance)	4	89	1	0	1	0	91	27	118
Temporary Chief Superintendent - Crime Command		93	2	0	1	3	99	5	104
Temporary Chief Superintendent (Operations & Neighbourhood) (a)	5	8	0	0	0	1	9	2	11
Chief Superintendent (Operations & Neighbourhood) (b)	6	80	1	0	1	0	82	24	106
Temporary Chief Superintendent (Operations & Neighbourhood) (c)	7	87	2	0	1	0	90	26	116
Superintendent (Head of People)	8	74	2	0	1	0	77	23	100
Director of Legal Services		89	1	0	1	0	91	16	107
Total CC		1,259	32	0	6	22	1,319	236	1,555
Total Group		1,500	32	0	6	22	1,560	280	1,840

Notes

- Deputy Chief Constable (b) is seconded to the Police Officer Uplift Programme and associated costs are reimbursed by other forces.
- The Assistant Chief Constable retired on 15/09/2021.
- The Temporary Assistant Chief Constable was temporarily promoted to ACC from 28/06/2021.
- The Chief Superintendent Insight & Performance was promoted to Chief Superintendent w.e.f. 01/04/21.
- The Temporary Chief Superintendent (Operations & Neighbourhood)(a) retired on 03/05/2021.
- The Chief Superintendent (Operations and Neighbourhood)(b) held the role between 01/04/21 and 05/09/2021.
- The temporary Chief Superintendent (Operations and Neighbourhood policing) (c) was appointed to the role from 06/09/21.
- The Superintendent (Head of People) was appointed to the role on 01/04/21.
- The role of Chief Executive to the Commissioner is shared between two individuals each taking responsibility for six months of the year. For the other six month period each will act as Deputy Chief Executive.

The comparative PCC and Group figures for 2020/21 in £000s, are set out in the table below:

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

Notes:

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

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	2020/21				2021/22			
	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	7	0	7	0	12	0	12
£55,000 to £59,999	0	1	0	1	0	4	1	5
£60,000 to £64,999	0	3	0	3	0	3	0	3
£65,000 to £69,999	1	5	0	6	1	7	0	8
£70,000 to £74,999	0	0	1	1	0	0	0	0
£75,000 to £79,999	0	1	0	1	0	0	0	0
£80,000 to £84,999	2	0	0	2	0	0	1	1
£85,000 to £89,999	0	3	1	4	2	3	3	8
£90,000 to £94,999	0	0	0	0	0	0	0	0
£95,000 to £99,999	0	1	2	3	0	0	2	2
£100,000 to £104,999	0	0	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	0	0	0	0
£110,000 to £114,999	0	0	0	0	0	0	0	0
£115,000 to £119,999	0	0	0	0	0	0	0	0
£120,000 to £124,999	0	0	2	2	0	0	0	0
£125,000 to £129,999	0	0	1	1	0	0	1	1
£130,000 to £134,999	0	0	0	0	0	0	1	1
£135,000 to £139,999	0	0	0	0	0	0	0	0
£140,000 to £144,999	0	0	0	0	0	0	0	0
£145,000 to £149,999	0	0	0	0	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0	0	0
£155,000 to £159,999	0	0	0	0	0	0	0	0
£160,000 to £164,999	0	0	1	1	0	0	0	0
£165,000 to £169,999	0	0	0	0	0	0	1	1
£170,000 to £174,999	0	0	0	0	0	0	0	0
£175,000 to £179,999	0	1	0	1	0	0	0	0
Total	3	22	8	33	3	29	10	42

In 2021/22 the remuneration for 252 Police Officers (171 in 2020/21) 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	
	2020/21 Headcount	2021/22 Headcount	2020/21 Headcount	2021/22 Headcount	2020/21 Headcount	2021/22 Headcount	2020/21 £000's	2021/22 £000's
£0-£20,000	3	0	0	0	3	0	10	0
£20,001 - £40,000	0	0	0	1	0	1	0	30
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	1	0	1	0	87
£100,001 - £150,000	0	0	1	0	1	0	129	0
Total	3	0	1	2	4	2	139	117

During 2021/22 the contracts of a small number of employees were terminated incurring termination payments amounting to £117k (£139k in 2020/21). This amount is made up of exit packages paid in 2021/22.

The exit packages paid in 2021/22 relate to one voluntary redundancy and one phased retirement and amount to £117k (£139k in 2020/21). The exit packages can be further split into compensation for loss of employment £28k (£106k in 2020/21) and enhanced pension benefits £89k (£33k in 2020/21). The redundancy is 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 2021/22.

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 2021/22 the Commissioner and Chief Constable incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	Group 2020/21 £000s	Group 2021/22 £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.	33	54
	33	54
Amounts Relating to The Chief Constable		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	17	20
	17	20
Other Services		
Fees payable in respect of <i>other services</i> provided by Grant Thornton during	0	0
Rebate from Public Sector Audit Appointments in year.	0	(7)
Total External Audit Fees for Year	50	67

The above table shows the gross fees payable to the external auditor during the year. In 2021/22 rebates of audit fees of £5k for the PCC and £2k for the Chief Constable were received from Public Sector Audit Appointments.

The amounts in the table agree to the amounts recorded in the comprehensive income and expenditure statement.

27 Grant Income

The Commissioner credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22.

Grant Income	PCC/Group	
	2020/21 £000s	2021/22 £000s
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions - General	163	97
Formula Funding (Home Office)	33,222	35,146
Council Tax Freeze & Local Council Tax Support Support (Home Office)	4,850	4,850
Home Office Police Grant	31,207	33,344
PFI Grant (Home Office)	687	688
Police Pension Grant (Home Office)	19,190	21,360
TOTAL	89,319	95,485
Credited to Services		
<i>Grants and Contributions - Central Government</i>		
Apprenticeship Levy (Home Office)	346	564
Apprenticeship Grant (ESFA)	0	58
Criminal Records Bureau (Home Office)	364	410
Police Pension Contribution (Home Office)	1,174	1,174
Operation Uplift (Home Office)	1,417	912
COVID-19 Surge Funding & Loss of Income (Home Office)	777	509
ATOM Programme (Home Office)	2,663	1
Safer Streets Fund (Home Office)	425	639
Police STAR Board Grant (Home Office)	20	338
Victims Services (Ministry of Justice)	893	1,118
Local Tax Income Guarantee Compensation (MHCLG)	383	853
Collaborations (Various)	286	140
	8,748	6,716
<i>Grants and Contributions - Other</i>		
NHS Funding (SASS)	315	353
Local Partnership	355	368
Youth Offending Team (Cumbria CC)	108	101
Safer Cumbria Delivery Board (PCC for Cumbria)	100	199
	878	1,021
TOTAL	9,626	7,737

Accounting Policy - Government Grants and Contributions

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

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

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

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

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

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

28 Income from Council Tax

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

The income from Council Tax for 2021/22 is received as precept from the six district councils as set out below:

Council Tax Income	Precept Paid 2021/22 £000s	PCC/Group Adjustment Re Debtors/ (Creditors) £000s	Income from Council Tax £000s
Allerdale District Council	8,411	(6)	8,405
Barrow Borough Council	5,300	59	5,359
Carlisle City Council	9,363	83	9,446
Copeland Borough Council	5,655	38	5,693
Eden District Council	5,619	(11)	5,608
South Lakeland District Council	12,273	513	12,786
	46,621	676	47,297

The comparative information for 2020/21 is as follows:

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

29 Capital Expenditure and Capital Financing

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

The commissioner approves on an annual basis a capital programme for the Constabulary. The capital programme is fully funded for a four year period to tie in with the medium term financial forecast. The capital programme covers the routine cyclical replacement of ICT equipment and vehicles and also includes specific one off projects. Due to the cyclical nature of the majority of the capital programme, the programme is also modelled at a high level over a 10 year longer term horizon. The capital programme for 2021/22 was approved by the Commissioner at his Public Accountability Conference on 19 February 2021, papers for which can be found on the Commissioner's website.

The capital outturn report for 2021/22 was approved by the Commissioner on 23 June 2022 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	
	2020/21 £000s	2021/22 £000s
Technology Schemes		
Computer Hardware & Infrastructure	430	1,433
Mobility & Digitisation	24	0
Control Room Futures	9	82
Emergency Services Network (ESN)	760	210
Other Technology Schemes	39	130
	1,262	1,855
Vehicles Replacement Scheme	1,206	2,123
Building Schemes		
Whitehaven Roof	26	1,133
Durrannahill UPS	57	13
Heating, Ventilation & Colling Plant @ Durrannahill	26	0
Eden Deployment Centre	0	18
Other Building Schemes	17	(2)
	126	1,162
Equipment Schemes		
Automatic Number Plate Recognition (ANPR)	48	45
Accident Investigation Scanning Equipment	53	0
Taser Expansion	68	68
	169	113
Intangible Assets	50	118
Total Capital Expenditure	2,813	5,371

29.a Capital Financing

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

Capital Financing Requirement	PCC/Group	
	2020/21 £000s	2021/22 £000s
Opening Capital Financing Requirement	22,210	21,603
<i>Capital investment</i>		
Property, Plant and Equipment	2,763	5,253
Intangible Assets	50	118
<i>Sources of Finance</i>		
Capital receipts	0	(85)
Government grants and other contributions	(65)	(1,013)
Sums set aside from revenue:		
- Direct revenue contributions	(2,748)	(3,140)
- Minimum revenue provision	(608)	(629)
Closing Capital Financing Requirement	21,602	22,107
<i>Explanation of Movements in Year</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	(608)	(629)
Notional/Internal Borrowing	0	1,133
Increase/(decrease) in Capital Financing Requirement	(608)	504

30 Capital Commitments

The Commissioner has outstanding contractual commitments amounting to £1,835k in respect of a number of schemes from the 2021/22 capital programme (£1,939k in 2020/21).

Outstanding Capital Commitments	PCC/Group As at 31 March	
	2021 £000s	2022 £000s
Control Room Futures	175	0
Police Works / Silverlite	38	237
Audit Software	0	50
Record Management System	0	831
ICT Core Hardware	114	194
Vehicle Replacement	1,526	377
Learning and Development Centre	86	92
Dog Section: Wreay		3
West Estates	0	12
Glock Replacements	0	39
Total	1,939	1,835

31 Minimum Revenue Provision

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

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

The Minimum Revenue Provision charged for the year 2021/22 (and comparatives for 2020/21) is made up as follows:

Minimum Revenue Provision	PCC/Group	PCC/Group
	2020/21	2021/22
	£000s	£000s
Minimum Revenue Provisions (MRP)		
Core MRP	426	423
PFI MRP	182	206
Total MRP for Year	608	629

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

For 2021/22 the following accounting policy changes that need to be reported relate to:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year). Note the OPCC/Constabulary have chosen to delay the adoption until 2023/24.
- Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changes standards:
 - IFRS 1 (first time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
 - IAS 37 (onerous contracts) – clarifies the intention of the standard.
 - IFRS 16 (leases) – amendment removes a misleading example that is not references in the Code material.
 - IAS 41 (agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: proceeds before Intended Use (Amendments to IAS 16).

In the Financial Statements for 2022/23, the effect of the changes will be assessed and where necessary, the comparative figures restated.

33 Pension Challenge

Legal Cases

The Chief Constable of Cumbria along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in October 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

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

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

Impact on pension liability

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

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

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

Compensation Claims

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

The above wording relates to 2020/21, the national wording for 2021/22 is currently being agreed and will be updated before the final publication.

Police Officer Pension Fund Account

Police Officer Pension Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2021/22 financial year together with comparative information for 2020/21.

Police Officer Pension Fund Account	Group 2020/21 £000s	Group 2021/22 £000s
Contributions Receivable		
Employer		
- Contributions (31.0% of Pensionable Pay)	(13,519)	(14,043)
Officers' Contributions		
- 1987 Scheme Member Contributions (see narrative for rates)	(843)	(466)
- 2006 Scheme Member Contributions (see narrative for rates)	(37)	(28)
- 2015 Scheme Member Contributions (see narrative for rates)	(4,962)	(5,555)
	(19,361)	(20,092)
Transferees in from Other Schemes	(168)	(12)
Capital Equivalent charge for ill-health schemes	(163)	(174)
	(331)	(186)
Benefits Payable		
Recurrent Pensions	31,129	32,009
Commutations and Lump Sums	7,295	8,937
Other (Scheme Pays)	438	333
	38,862	41,279
Payments to and on Account of Leavers		
Refund of Contributions	20	52
Transfer out to other schemes	0	307
	20	359
Net Amount Payable for the Year	19,190	21,360
Additional Contribution from the Police & Crime Commissioner	(19,190)	(21,360)
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 2022.

Pension Fund Net Assets & liabilities	Group 2020/21 £000s	Group 2021/22 £000s
Current Assets		
Pensions Benefits paid in advance	2,619	2,735
Current Liabilities		
Amount due to the Police & Crime Commissioner	(2,619)	(2,735)
	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 2021/22 and 2020/21 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 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 received full protection to 31 March 2022, transferred to the new 2015 scheme on 1 April 2015, or transferred on different tapering dates in the future subject to individual circumstances around age and length of service remaining. All members will transfer to the 2015 Scheme on 1 April 2022 when the legacy schemes 1987 and 2006 close. The members' contribution rates for the new scheme ranged between 12.44% and 13.78% in 2021/22 and 2020/21.

The financial statements for the Police Officer pension fund account do not take account of liabilities to pay pensions and other benefits after the period end. Details of the Chief Constable's long term pensions obligations can be found in the main accounting statements (see Balance Sheet page 37). Detailed disclosure notes regarding the Police Pension schemes can be found in the Technical Annex to the Statement of Accounts (Annex C Pensions on pages 111-122).

Funding of Police Pension Schemes

In 2006/07 a new arrangement was established to fund Police Pensions. This revised arrangement is for both new and existing police officer schemes, but has no effect on the benefit structures of either scheme. The purpose of the change is to smooth fluctuations in costs, that would previously have been charged to the Chief Constable's Comprehensive Income and Expenditure Statement on a 'pay as you go basis', and to more clearly show the effect of the liability as opposed to current pension payments. Under the revised arrangements the liability for payment of police pensions is removed from the Chief Constable and replaced with an employers' contribution, currently set at 31% of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. The employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to periodic revaluation by the Government Actuary's Department. Pensions are then paid from this account. The pensions account is balanced to nil annually, with any shortfall met by a top up from the Commissioner, or vice versa. However, the Home Office indemnify the Commissioner against any financial liability arising from a deficit on the Pension Account by providing a grant to the Commissioner equal to the Commissioner's top up. Similarly, any surplus on the Pension Account is ultimately repayable to the Home Office.

Glossary of Terms

Accruals

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

Actuarial Valuation

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

Agency Costs

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

Amortisation/Amortised Cost

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipt

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

Cash and Cash Equivalents

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

CC or Chief Constable

The Chief Constable for Cumbria Constabulary.

CFO

The Joint Chief Finance Officer.

CIPFA

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

Commissioner

The Police and Crime Commissioner for Cumbria.

Componentisation

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

Contingency

A sum set aside to meet unforeseen expenditure.

Creditors

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

Glossary of Terms

Debtors

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

Depreciation

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

De-minimis

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

Direct Revenue Contributions (DRC)

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

Earmarked Reserves

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

Fair Value

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

Hedge Funds

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

Heritage Assets

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

HMICFRS

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

Impairment/Impaired

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

Investment Property

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

Leasing

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

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

MHCLG

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

Minimum Revenue Provision (MRP)

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

Non-current Assets

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

NPCC

The National Police Chiefs Council.

PCC

The Police and Crime Commissioner for Cumbria.

Pension actuarial gains and losses

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

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

Pension – current service costs

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

Pension – defined benefit scheme

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

Pension assets – expected rate of return

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

Pension – interest costs

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

Pension - past service costs

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

Police Objective Analysis (POA)

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

Precept

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

Private Equity Funds

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

Provision

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revaluation Reserve

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

SERCOP

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

The Commissioner

The Police and Crime Commissioner for Cumbria.

TPA

Territorial Policing Area.

Annex A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2021/22 financial year and the financial position at the 31 March 2022. 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 2021/22](#) (the Code) and the Service Reporting Code of Practice 2021/22 [SERCOP](#)), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The [Commissioner](#) is responsible for combining the single entity statements to form a set of consolidated group accounts.

Where accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a [grey text box](#), in the notes to the accounts section (see pages 40 to 96). Where an accounting policy is more generic and applicable across the statement accounts it is shown in this **Annex A**.

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

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

2 Accruals of Income and Expenditure

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

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

Accrual Example 1

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

Accrual Example 2

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

Annex A - Statement of Accounting Policies

3 Exceptional Items

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

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

4 Inventories

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

5 Treatment of Overheads

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

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

6 Investment Property

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

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

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

Annex A - Statement of Accounting Policies

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

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

7 **Contingent Assets**

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

8 **Value Added Tax (VAT)**

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

Subject to Audit

Annex B – Technical Annex – Financial Instrument Disclosures

*Financial Instruments are contracts that give rise to a financial asset in one entity and a financial liability in another. The term covers both **financial assets** such as cash & equivalents, investments and debtors and **financial liabilities** such as creditors and borrowings.*

Accounting Policy - Financial Instruments

Financial Liabilities

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

Financial Assets

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

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

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

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

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

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

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

Annex B – Technical Annex – Financial Instrument Disclosures

B1 Categories of Financial Instrument

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

Categories of Financial Instruments	PCC Long Term		PCC Current		Group Long Term		Group Current	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financial Assets								
Investments								
Investments held at Amortised Cost	0	0	4,300	8,003	0	0	4,300	8,003
Total investments	0	0	4,300	8,003	0	0	4,300	8,003
Cash and Cash Equivalents								
Imprest and cash	0	0	5,482	5,370	0	0	5,482	5,370
Total cash and cash equivalents	0	0	5,482	5,370	0	0	5,482	5,370
Debtors								
Debtors held at Amortised Cost	0	0	7,391	6,189	0	0	7,482	6,271
Items not classified as Financial Instruments	0	0	26,938	24,952	0	0	7,749	8,949
Total Debtors	0	0	34,329	31,141	0	0	15,231	15,220
Total Financial Assets	0	0	44,111	44,514	0	0	25,013	28,593
Financial Liabilities								
Investments								
Loans held at Amortised Cost	0	0	0	(6,000)	0	0	0	(6,000)
Total Loans	0	0	0	(6,000)	0	0	0	(6,000)
Creditors								
Creditors held at Amortised Cost	0	0	(791)	(575)	0	0	(6,234)	(3,391)
Items not classified as Financial Instruments	0	0	(31,690)	(25,536)	0	0	(11,660)	(10,130)
Total Creditors	0	0	(32,481)	(26,111)	0	0	(17,894)	(13,521)
Other Long-term Liability (PFI/Finance Lease)								
PFI & Finance Lease Liabilities	(4,197)	(3,965)	(206)	(233)	(4,197)	(3,965)	(206)	(233)
Total other long term liabilities	(4,197)	(3,965)	(206)	(233)	(4,197)	(3,965)	(206)	(233)
Total Financial Liabilities	(4,197)	(3,965)	(32,687)	(32,344)	(4,197)	(3,965)	(18,100)	(19,754)

B2 Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in 2021/22 relating to financial instruments are made up as follows:

Gains and Losses on Financial Instruments	PCC/Group 2020/21				PCC/Group 2021/22			
	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	562	0	562	0	538	0	538
Impairment Losses (Impairment Allowance for Doubtful Debts Increase)	0	0	0	0	0	0	0	0
Total Expenses in (Surplus) or Deficit on the Provision of Services	0	562	0	562	0	538	0	538
Interest Income	0	0	(15)	(15)	0	0	(9)	(9)
Impairment Gain (Impairment Allowance for Doubtful Debts Reduction)	4	0	0	4	4	0	0	4
Total Income in (Surplus) or Deficit on the Provision of Services	4	0	(15)	(11)	4	0	(9)	(5)
Net (Gain)/Loss for the Year	4	562	(15)	551	4	538	(9)	533

Annex B – Technical Annex – Financial Instrument Disclosures

B3 Fair value of Assets and Liabilities Carried at Amortised Cost

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

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

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

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

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

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

The fair values calculated are as follows:

Fair Values of Assets and Liabilities	PCC 31 March 2021		PCC 31 March 2022		Group 31 March 2021		Group 31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financial Liabilities								
Loans	0	0	(6,000)	(6,000)	0	0	(6,000)	(6,000)
Creditors	(32,481)	(32,481)	(26,111)	(26,111)	(17,894)	(17,894)	(13,521)	(13,521)
Other Long-term Liabilities (PFI/Finance Lease)	(4,403)	(7,567)	(4,198)	(6,508)	(4,403)	(7,567)	(4,198)	(6,508)
	(36,884)	(40,048)	(36,309)	(38,619)	(22,297)	(25,461)	(23,719)	(26,029)
Financial Assets								
Investments	4,300	4,300	8,003	8,003	4,300	4,300	8,003	8,003
Cash and Cash Equivalents	5,482	5,482	5,370	5,370	5,482	5,482	5,370	5,370
Debtors	34,329	34,329	31,141	31,141	15,231	15,231	15,220	15,220
	44,111	44,111	44,514	44,514	25,013	25,013	28,593	28,593

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: [Treasury-Management-Strategy-Statement.pdf \(cumbria-pcc.gov.uk\)](https://www.cumbria-pcc.gov.uk/Treasury-Management-Strategy-Statement.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 2021), also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria as set out in the 2021/22 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 Local Authority, unlimited with HM Treasury. Maximum of all deposits – No Limit.

Annex B – Technical Annex – Financial Instrument Disclosures

The Commissioner's maximum exposure to credit risk in relation to its investments in banks, building societies and other Local Authority's of £4m at the balance sheet date cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Commissioner's deposits, but there was no evidence at the 31 March 2022 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 31/03/22 £000s	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31/03/22	Estimated maximum exposure to default and uncollectability £000s	Comparative Estimated maximum exposure at 31/03/21 £000s
Customers - Operational Debtors	8,548	0.02%	0.12%	10	14

The Commissioner does not generally allow credit for customers. At the 31 March 2022, £222k (3%) of the £8,548k balance of operational debt was past the due date for payment. This sum has reduced from the balance at 31 March 2021 (£249k (3%) out of £9,487k overdue). The Commissioner has however reduced the bad debt provision as at 31 March 2022 to £10k following a detailed analysis of amounts outstanding to reflect the degree of uncertainty around a number of the longer standing debts. The past due amount can be analysed by age as follows:

Aged Debt Past Due Date	PCC/Group As at 31 March	
	2021 £000s	2022 £000s
Total Operational Debtors	9,487	8,548
Aged Debt past its due date by:		
1-30 Days	66	34
31-60 Days	25	36
61-90 Days	7	79
91-120 Days	31	0
121-150 Days	42	17
150+ Days	78	56
	249	222

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 2022 no actual long term 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. At 31 March 2022, the Commissioner had two short term loans to cover cash flow over the year end, these loans totalled £6m and both of which were repaid in mid-April 2022.

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 long-term borrowing was undertaken in 2021/22.

C1 Pension Schemes

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

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

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

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

The LGPS for Police Staff employees, is administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded defined benefit scheme, meaning that the Commissioner and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2020/21 the Commissioner made a contribution of 18.4% of pensionable pay. In 2021/22 the Commissioner made a past service contribution of £13k (£13k in 2020/21) which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2019 with a revised rate for employers contributions of 18.4% being applicable from April 2020. For 2021/22 the past service contribution was £13k (made up of £23k for the Chief Constable less a repayment for the PCC of £10k). The contribution rate will next be reviewed in March 2022 with a revised rate for employers contributions being applicable from April 2023.

- **The Police Pension Scheme**

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

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

The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards the payments made during the year under the scheme are funded by a combination of employee contributions and employer contributions charged to the Comprehensive Income and Expenditure Statement with the remaining deficit funded by a specific Home Office grant. The employer's contribution rate was increased to 31% from 1st April 2019 and has remained at this level for 2021/22.

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

Annex C – Technical Annex – Pensions Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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	
	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s
Comprehensive Income and Expenditure Statement												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	6,375	8,383	0	0	4,550	2,870	160	120	23,950	31,020	35,035	42,393
• (Gain)/loss from settlements/curtailments	53	94	0	0	0	0	0	0	0	0	53	94
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	1,386	1,581	22	21	23,860	24,660	980	1,330	2,170	2,920	28,418	30,512
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,814	10,058	22	21	28,410	27,530	1,140	1,450	26,120	33,940	63,506	72,999
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)	(24,119)	(13,214)	0	0	0	0	0	0	0	0	(24,119)	(13,214)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(1,966)	0	(7)	0	0	0	0	0	0	0	(1,973)
• Actuarial (gains) and losses arising on changes in financial assumptions	35,666	(5,563)	83	(11)	123,190	(14,570)	9,720	(1,310)	23,900	(3,210)	192,559	(24,664)
• Experience (gains) and losses on liabilities	(4,015)	625	(24)	3	62,570	7,310	12,380	(2,110)	(9,070)	440	61,841	6,268
• Administration expenses	154	168	0	0	0	0	0	0	0	0	154	168
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	7,686	(19,950)	59	(15)	185,760	(7,260)	22,100	(3,420)	14,830	(2,770)	230,435	(33,415)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure	15,500	(9,892)	81	6	214,170	20,270	23,240	(1,970)	40,950	31,170	293,941	39,584
<i>Movement in Reserves Statement</i>												
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(7,814)	(10,058)	(22)	(21)	(28,410)	(27,530)	(1,140)	(1,450)	(26,120)	(33,940)	(63,506)	(72,999)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	3,919	3,935	64	55	0	0	0	0	0	0	3,983	3,990
• Retirements benefits payable to pensioners	0	0	0	0	39,040	42,590	90	110	(4,760)	(5,660)	34,370	37,040
Total amount charged against the Police Fund Balance for pensions in the year	3,919	3,935	64	55	39,040	42,590	90	110	(4,760)	(5,660)	38,353	41,030

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	
	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s	2020/21 £000s	2021/22 £000s
Comprehensive Income and Expenditure Statement						
<i>Cost of Services</i>						
<i>Service cost comprising:</i>						
• Current service cost	169	235	0	0	169	235
<i>Financing and Investment Income and Expenditure</i>						
• Net interest expense	26	30	0	0	26	30
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	195	265	0	0	195	265
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)	(547)	(301)	0	0	(547)	(301)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(43)	0	0	0	(43)
• Actuarial (gains) and losses arising on changes in financial assumptions	749	(118)	2	0	751	(118)
• Experience (gains) and losses on liabilities	(106)	16	0	0	(106)	16
• Administration expenses	4	5	0	0	4	5
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	100	(441)	2	0	102	(441)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	295	(176)	2	0	297	(176)
<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.	(195)	(265)	0	0	(195)	(265)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>						
• Employers' contributions payable to the scheme	88	104	1	1	89	105
Total amount charged against the Police Fund Balance for pensions in the year	88	104	1	1	89	105

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 2022 are as follows:

Pension Scheme Assets & Liabilities	Group LGPS		Group LGPS		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	Funded Benefits		Unfunded Benefits		2020/21		2020/21		2020/21	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(248,269)	(252,789)	(1,053)	(1,004)	(1,252,680)	(1,230,360)	(66,710)	(64,630)	(127,770)	(164,600)
Fair value of plan assets	174,517	192,864	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(73,752)	(59,925)	(1,053)	(1,004)	(1,252,680)	(1,230,360)	(66,710)	(64,630)	(127,770)	(164,600)

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 £1.521b (£1.522b at 31 March 2021) 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 £1.445b (£1.453b at 31 March 2021). The reduction in overall liability has arisen as a result in a change in actuarial assumptions.

However, statutory arrangements for funding the deficit mean that the financial position of the 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 2022 are as follows:

Pension Scheme Assets & Liabilities	PCC LGPS		PCC LGPS	
	Funded Benefits		Unfunded Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(5,330)	(5,499)	(21)	(20)
Fair value of plan assets	3,966	4,415	0	0
Net liability arising from defined benefit obligation	(1,364)	(1,084)	(21)	(20)

Annex C – Technical Annex – Pensions Disclosures

Reconciliation of present value of scheme liabilities for the group:

Reconciliation of Scheme Liabilities	Group LGPS Funded Benefits		Group LGPS Unfunded Benefits		Group Police Scheme 1987 Scheme		Group Police Scheme 2006 Scheme		Group Police Scheme 2015 Scheme	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(207,517)	(248,269)	(1,036)	(1,053)	(1,077,550)	(1,252,680)	(43,560)	(66,710)	(82,060)	(127,770)
Current service cost	(6,375)	(8,383)	0	0	(4,550)	(2,870)	(160)	(120)	(23,950)	(31,020)
Interest cost	(4,750)	(5,436)	(22)	(21)	(23,860)	(24,660)	(980)	(1,330)	(2,170)	(2,920)
Contributions by Scheme Participants	(1,378)	(1,383)	0	0	(840)	(210)	(40)	(20)	(4,970)	(5,820)
Remeasurement gains and (losses):										
- Arising from changes in demographic	0	1,966	0	7	0	0	0	0	0	0
- Arising from changes in financial assumptions	(35,666)	5,563	(83)	11	(123,190)	14,570	(9,720)	1,310	(23,900)	3,210
- Experience gains/(losses)	4,015	(625)	24	(3)	(62,570)	(7,310)	(12,380)	2,110	9,070	(440)
Gains/(losses) on curtailment	(53)	(94)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	3,455	3,872	64	55	39,880	42,800	130	130	210	160
Balance at End of Year	(248,269)	(252,789)	(1,053)	(1,004)	(1,252,680)	(1,230,360)	(66,710)	(64,630)	(127,770)	(164,600)

The liabilities under the LGPS and Police Pension Schemes have increased during 2021/22. The principal reason for these changes is in relation to changes in financial assumptions and experience gains and losses by the scheme actuaries.

Accounting Policy – Post-Employment Benefits – Measurement of Liabilities

The liabilities of each of the pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in C3 on page 121).

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

Annex C – Technical Annex – Pensions Disclosures

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

Reconciliation of Scheme Liabilities	PCC LGPS Funded Benefits		PCC LGPS Unfunded Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s
Balance at Start of Year	(4,441)	(5,330)	(20)	(21)
Current service cost	(169)	(235)	0	0
Interest cost	(102)	(118)	0	0
Contributions by Scheme Participants	(41)	(48)	0	0
Remeasurement gains and (losses):				
- Arising from changes in demographic	0	43	0	0
- Arising from changes in financial assumptions	(749)	118	(2)	0
- Experience gains/(losses)	106	(16)	0	0
Gains/(losses) on curtailment	0	0	0	0
Benefits Paid/Transfers	66	87	1	1
Balance at End of Year	(5,330)	(5,499)	(21)	(20)

The PCC single entity liabilities under the LGPS have increased during 2021/22. The principal reason for the increase is in relation to changes in financial assumptions by the scheme actuaries.

Subject to Audit

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	
	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s
Balance at Start of Year	145,346	174,517	0	0
Interest Income	3,364	3,855	0	0
Remeasurements - Gains and (Losses)	24,119	13,214	0	0
Administration Expenses	(154)	(168)	0	0
Employer Contributions	3,919	3,935	64	55
Contributions by Scheme Participants	1,378	1,383	0	0
Benefits Paid	(3,455)	(3,872)	(64)	(55)
Balance at End of Year	174,517	192,864	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	
	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s
Balance at Start of Year	3,284	3,966	0	0
Interest Income	76	88	0	0
Remeasurements - Gains and (Losses)	547	301	0	0
Administration Expenses	(4)	(5)	0	0
Employer Contributions	88	104	1	1
Contributions by Scheme Participants	41	48	0	0
Benefits Paid	(66)	(87)	(1)	(1)
Balance at End of Year	3,966	4,415	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 2020/21		PCC 2021/22		Group 2020/21		Group 2021/22	
		£000s	%	£000s	%	£000s	%	£000s	%
Equities									
UK Equity Pooled	Y	368	9.28%	227	5.14%	16,228	9.30%	9,837	5.10%
Global Equity Pooled	Y	1,170	29.50%	1,121	25.39%	51,483	29.50%	48,987	25.40%
Overseas Equity Pooled	N	0	0.00%	203	4.60%	0	0.00%	8,872	4.60%
Bonds									
UK Government Indexed Pooled	N	690	17.40%	746	16.90%	30,366	17.40%	32,594	16.90%
Property									
UK	N	230	5.80%	278	6.30%	10,122	5.80%	12,150	6.30%
Property Funds	N	103	2.60%	124	2.81%	4,537	2.60%	5,401	2.80%
Alternatives									
Private Equity Funds	N	190	4.79%	269	6.09%	8,376	4.80%	11,764	6.10%
Infrastructure Funds	N	278	7.01%	450	10.19%	12,217	7.00%	19,672	10.20%
Real Estate Debt Funds	N	4	0.10%	0	0.00%	175	0.10%	0	0.00%
Private Debt Funds	N	155	3.91%	212	4.80%	6,806	3.90%	9,258	4.80%
Healthcare Royalties	N	36	0.91%	57	1.29%	1,571	0.90%	2,507	1.30%
Multi Asset Credit	N	603	15.20%	605	13.70%	26,527	15.20%	26,423	13.70%
Cash									
Cash Accounts	Y	135	3.40%	119	2.70%	5,934	3.40%	5,207	2.70%
Net Current Assets	N	4	0.10%	4	0.09%	175	0.10%	192	0.10%
		3,966	100.00%	4,415	100.00%	174,517	100.00%	192,864	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 2022. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Accounting Policy – Pensions Material Estimation Techniques

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

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

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

For 2020/21 a discount rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuaries for the Police and LGPS pension funds have advised that discount rates of 2.65% for Police and 2.80% for LGPS are appropriate.

Annex C – Technical Annex – Pensions Disclosures

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2020/21	2021/22	2020/21	2021/22
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.7	22.6	22.0	22.1
- Women	25.3	25.3	23.7	23.8
Longevity at 65 for future pensioners:				
- Men	24.3	24.1	23.7	23.8
- Women	27.2	27.1	25.3	25.4
Rate of Inflation (CPI)	2.70%	3.20%	2.40%	3.00%
Rate of increase in salaries	4.20%	4.70%	4.15%	4.75%
Rate of increase in pensions	2.80%	3.30%	2.40%	3.00%
Rate of Revaluation for CARE Pensions	-	-	3.65%	4.25%
Rate for discounting scheme liabilities	2.20%	2.80%	2.00%	2.65%

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

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	PCC			Group		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme						
Longevity (1 Year increase in life expectancy)	164	7	5	7,349	252	207
Rate of Inflation (increase by 0.1%)	118	6	4	5,576	226	157
Rate of Increase in Salaries (increase by 0.1%)	5	0	1	667	0	20
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(116)	(6)	(2)	(5,457)	(217)	(99)
Change in 2021/22 investment Returns (increase by 1%)	0	0	(1)	0	0	(54)
Change in 2021/22 investment Returns (reduce by 1%)	0	0	2	0	0	55

Annex C – Technical Annex – Pensions Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police Pensions 1987 Scheme	Group Police Pensions 2006 Scheme	Police Pensions 2015 Scheme
	£000s	£000s	£000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	42,000	2,000	5,000
Rate of Increase in Pensions (increase by 0.5%)	93,000	6,000	30,000
Rate of Increase in Salaries (increase by 0.5%)	8,000	4,000	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(103,000)	(10,000)	(26,000)

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

C4 Impact on the Commissioner's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The Commissioner has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 13 years. Funding levels are monitored on an annual basis. The latest triennial valuation took place during 2019/20 based on the position at 31 March 2019. The revaluation resulted in an increase in contribution rates from 15.4% to 18.4% which took effect from 1 April 2020.

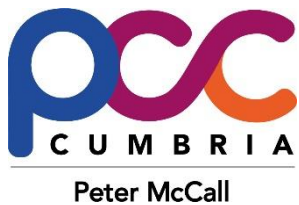
The pension schemes will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS and the other main existing public service schemes in England and Wales (which includes the Police Pension schemes) may not provide benefits in relation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

The total group contributions expected to be made to the Local Government Pension Scheme by the Commissioner in the year to 31 March 2023 are £4,262k (PCC single entity £137k). Expected contributions for the Police Pension Scheme in the year to 31 March 2023 are £15,024k.

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	2020/21 Years	2021/22 Years
Pensions Scheme		
Local Government Pension Scheme - PCC	21	21
Local Government Pension Scheme - CC	22	22
Police Pension -1987 Scheme	18	18
Police Pension -2006 Scheme	33	33
Police Pension -2015 Scheme	36	36

Annex D – Annual Governance Statement



Police and Crime Commissioner for Cumbria

Annual Governance Statement 2021/22

Peter McCall

For the purposes of JAC please see substantive agenda item 17ci. Once finalised, the AGS will be published
as part of SoA





The Chief Constable of Cumbria Constabulary

STATEMENT OF ACCOUNTS

2021/22



www.cumbria.police.uk

The draft Statement of Accounts was approved by the Joint Chief Finance Officer on 24 June 2022. At this point the Grant Thornton LLP 'appointed auditor' has not yet completed his annual audit and as such has not given an opinion on the accounts. The accounts are therefore watermarked 'subject to audit'. Once the audit has been completed, which is expected to be in November 2022, the Chief Constable will be asked to approve the Statements and the audit opinion provided will be inserted at pages 23-28 and the watermarking removed. Pages 21, 31 and **Page AGSX** of these accounts include signatures which have been removed for the purposes of publication on the website.



The Chief Constable of Cumbria
Constabulary

Statement of Accounts 2021/22

About this Publication

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



The Statement of Accounts for 2021/22 is available on the Constabulary's website at www.cumbria.police.uk

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



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

Alternative Formats



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

Bengali

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Cantonese

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The Chief Constable of Cumbria Constabulary

Statement of Accounts 2021/22

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The Joint CFO Introduction.

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 33 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 2021/22 financial year. This financial statement sets out the single entity statements of the Chief Constable of Cumbria Constabulary. The Police and Crime Commissioner for Cumbria (the Commissioner) has also produced group accounts, which consolidate the single entity statements of the Chief Constable and the Commissioner. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

The statement provides a breakdown of net spending during the year and shows the overall financial position of the Chief Constable as at 31 March 2022. The reporting format is specifically designed to meet the requirements of the Code of Practice on Local Authority Accounting. A series of notes are provided to assist readers in their understanding of the statement, whilst the presentational format is designed to make for easier reading by those who access the document through the Chief Constable's website: www.cumbria.police.uk

The narrative report provides a simplified summary of the financial statements with expanded information on the objectives, activities, performance and future financial prospects of the Constabulary. This aims to give the reader greater understanding of the context in which the financial statements are set. The narrative report is also available as a stand-alone document on the same website. The Commissioner's consolidated financial statements showing the group position can be accessed from the Commissioner's website: <https://cumbria-pcc.gov.uk/>

Statutory Framework

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

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

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

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

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

Organisational Structure

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

During 2021/22 operational policing has been split into three commands, each headed by a Chief Superintendent, which report to the Assistant Chief Constable.

The Operations, Engagement and Neighbourhood Policing Command is responsible for local policing, response and public engagement including management of calls for service. The command is

structured in three geographic areas.

The Crime, Safeguarding and Specialist Capabilities Command is responsible for investigating crime and includes specialist units for gathering intelligence, major crime investigation, countering serious and organised crime, public protection and scientific support. Specialist functions, which provide shared support to Neighbourhood Policing teams such as roads, firearms, dogs and criminal justice have recently been transferred to this command.

The Insight, Performance and Policing Futures Command performs a number of strategic functions including responsibility for management information, performance management, business change and benefits management.

There are also two support directorates both of which report to the Deputy Chief Constable.

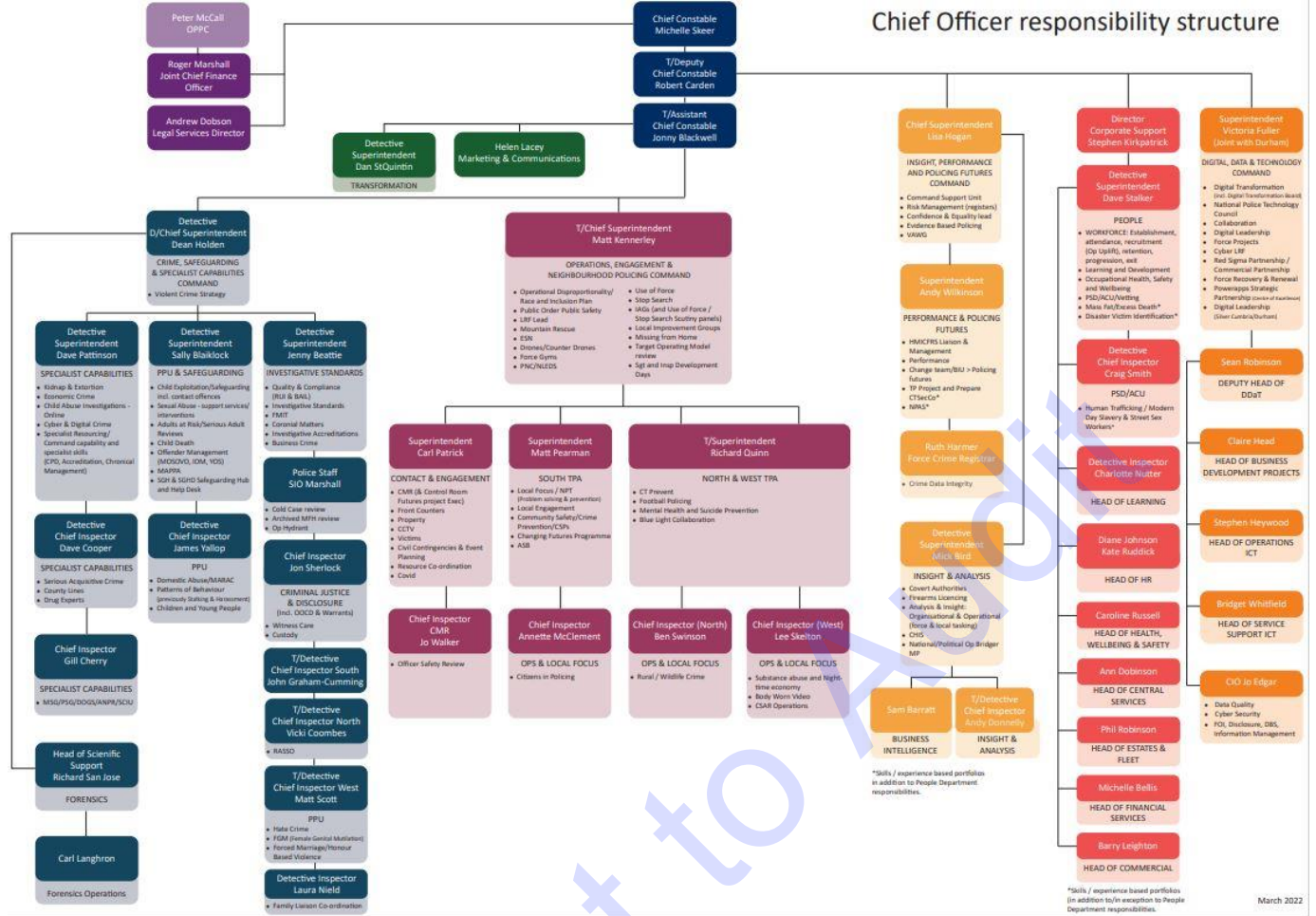
The Corporate Support Directorate includes finance, people, estates, fleet, learning & development, commercial and central services. In overall terms, the Corporate Support directorate aims to provide cohesive and integrated support for operational policing.

The Digital, Data and Technology Directorate is responsible for all aspects ICT development and data management.

Legal Services is a small specialist function, which operates independently from the main directorate structure and provides services to the Chief Constable and Commissioner.

Joint Chief Finance Officer Narrative Report

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



From mid 2022/23 a re-structure is planned aligned to Local Government Reform in Cumbria. The most significant planned change is the establishment of two Basic Command Units which will undertake local policing, response, intelligence and crime investigation and will be co-terminus with the two unitary councils of Cumberland and Westmorland and Furness. The objective of the change is to more clearly establish accountability for policing outcomes and to facilitate improved engagement and collaboration with partner public sector authorities.

Other planned changes include bringing together support and DDaT functions under the leadership of a newly appointed Assistant Chief Officer.

Strategic Objectives

For 2021/22, the Chief Constable determined the strategic direction for the Constabulary, which is 'To Deliver an Outstanding Police Service to Keep Cumbria Safe'. Following consultation with a range of stakeholders, demand and resource analysis, performance results, recommendations from independent inspections and audits and a review of the organisation's strategic risks, the Chief Constable developed the core operational objectives of Tackling Criminality, Helping Those in Need and Connecting with Communities, which will be achieved through :

- Early intervention and prevention.
- Quality investigations
- Innovative use of Intelligence and technology.

- Working together.
- Quality victims care.
- Visible local policing at the heart of what we do.
- Respond to our communities.
- Maximise engagement.

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

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

Cumbria Vision 25 has five key themes

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

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

Chief Constable's Report

In terms of crime and disorder, Cumbria remains one of the safest places to live, work and visit in England and Wales. Cumbria has the second lowest volume of crime and anti-social behaviour and traffic incidents have steadily reduced over the past three years. The people of Cumbria remain supportive of the service we provide.

During 2021/22 the Covid-19 pandemic continued to impact on the work of the Constabulary. Although the challenges of enforcing Covid regulations and ensuring the safety of the force's officers and staff, whilst to maintaining an effective policing service, were less acute than in 2020/21, they still represented a considerable drain on resources. The impact of the virus will continue to be felt in 2022/23 and as a result a Covid recovery plan is being put in place to ensure that the benefits of new ways of working which were adopted during the pandemic are not lost.

In relation to levels of crime, most types of recorded crime rose sharply in 2021/22, however, because of the lockdowns in 2020/21, a year on year comparison does not give a representative picture. It would be fair to say that generally crime levels have returned to their pre-pandemic levels. Crime continues to become more complex as society and technology evolve with the result that the challenges faced by our front line officers in protecting the public are greater than ever. We constantly review our demand to inform our resourcing options, making sure that we address changing criminality.

The other major challenge faced by the Constabulary during 2021/22 was to maintain impetus on the local implementation of the Government's Operation Uplift Programme, to recruit an additional 20,000 officers nationally by 2023. Cumbria's target to recruit an additional 49 officers by the end of 2021/22 in the second phase of Uplift was achieved well ahead of schedule although delivery of the final phase in 2022/23 may be more difficult as the labour market opens up following the pandemic.

The Constabulary remains at the forefront in the use of digital technology in the fight against crime and is recognised nationally as being at the leading edge in rolling out mobile technology. Despite the challenges presented by working remotely during 2021/22, work has continued on developing the digital infrastructure and issuing further mobile devices to enable officers and staff to work flexibly. An innovative approach to developing mobile phone applications through PowerApps has been pioneered and a business case approved for the replacement of the main policing Records Management System in collaboration with a private sector partner Mark 43.

The Constabulary is inspected and graded as part of a regime known as PEEL (Police Efficiency, Effectiveness and Legitimacy) by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Following a suspension in inspection activity during 2020/21 due to the pandemic the Constabulary was inspected in the autumn of 2021. HMICFRS congratulated the Constabulary on its overall good performance, although it needs to improve in some areas. Performance was graded Cumbria Constabulary's performance across eight areas of policing and found the force was 'outstanding' in one area, 'good' in three areas and 'adequate' in four areas. I am pleased with the results of the inspection as a vindication of the work we undertake to keep Cumbria safe. We have taken cognisance of the areas identified by the inspectorate where services could be improved and pro-actively put in place plans to address them.

The Cumbria 2025 Plan remains pivotal to the delivery of a policing service to meet the future needs of the county. It seeks to bring together business and change

planning into a single cohesive plan, which is aligned to the national policing vision. During 2021/22, in addition to the continued development of operational ICT systems highlighted, we have:

- Developed new training pathways for Detectives and recruits holding policing degrees.
- Implemented an action plan in relation to Violence Against Women and Girls.
- Continued to develop ways in which the public can engage with the Constabulary through the call management room such as call back and webchat.

The plan will continue to be developed during 2022/23 under the leadership of the Chief Officer team.

Whilst the favourable grant funding for Operation Uplift and flexibility afforded to Commissioners to increase the precept in 2021/22 is appreciated and has allowed officer numbers to increase, this takes place in the context of uncertainty regarding the longer term financial outlook. The recent increase in inflationary pressures will undoubtedly put pressure on the budget whilst national funding will be constrained by the effect of the pandemic. This will compound existing financial risks regarding the sustainability of funding, the financial burden of national policing initiatives, pensions costs and potential changes to the police funding formula. In the meantime, the Constabulary will continue to operate as efficiently as possible and deliver savings to balance the budget.

In summary, despite the challenges, I will continue to work with the Commissioner and partners across the county to deliver on our core mission of Delivering an Outstanding Policing Service to Keep Cumbria Safe.

2021/22 Grant Settlement and

Budget

Under the provisions of the Police and Social Responsibility Act 2011, the Commissioner receives external funding, principally in the form of central government grants and council tax. The Commissioner is responsible for setting the budget and maintaining the force through the provision of funding to the Chief Constable. Details of the 2021/22 grant settlement, the Commissioner's overall budget and the level of Council Tax levied are provided in the Commissioner's combined financial statements.

In summary, the Government provided significant additional grant funding in 2021/22, which was directed towards the achievement of the second phase of Operation Uplift; the Government's programme to recruit 20,000 officers nationally by 2022/23. The principal challenge presented from the grant settlement was the lack provision to meet the rising cost of providing existing services. To this end, Police and Crime Commissioners were afforded flexibility to increase council tax above inflation to make up the shortfall. Following public consultation, the Commissioner increased the precept by £6.57 for a band D property, which is equivalent to 2.47%. This enabled services to be maintained, offsetting the effect of pay and price increases and other unavoidable commitments, whilst the additional grant has allowed the Constabulary to proceed with rapid recruitment of the its Uplift target of an additional 49 officers.

Business Activity

In addition to the day to day work of Protecting the People of Cumbria, the Constabulary, through its change programme and business strategies, has sought to identify savings and innovative ways to increase the productivity of its officers and staff. During 2021/22 we have made the following changes to enhance services:

- Undertook extensive analysis of current and future demand to support the production of a Force Management Statement for submission to HMICFRS as a means of shaping future service delivery.
- Audits of stop and search and the use of Body Worn Video to provide feedback to officers and improve services.
- Undertook a range of compliance and knowledge checks again to improve services across the operational policing portfolio including victims code of practice, released under investigation, domestic abuse quality of service and crime recording.
- Developed a strategy to counter Violence Against Women and Girls.
- Developed a business case to replace the policing Records Management System in conjunction with Mark 43.
- In conjunction with Tiski, created a number of applications using Power Apps to improve the ability of officers and staff to access data.
- Enhanced public contact through the development of web chat and call back facilities.
- Purchased new kennel facilities with training capability.
- Updated the Constabulary's intranet site.

Performance

Summary Budget and Outturn

The Chief Constable's budget amounting to £137m is based upon the funding agreement with the Commissioner.

The table below shows the summary budget for 2021/22 as set on 19 February 2021, the revised budget (taking into account budget changes made during the year) and the outturn position.

Summary Budget & Outturn	Base Budget 2021/22 £000s	Revised Budget 2021/22 £000s	Outturn 2021/22 £000s	(Under)/Overspend 2021/22 £000s
Police Officers	97,139	93,061	95,575	2,514
PCSOs	1,894	1,894	1,929	35
Police Staff	25,287	25,658	24,861	(797)
Other Employee	2,212	2,888	2,722	(166)
Transport	2,366	2,359	2,268	(91)
Supplies & Services	10,937	11,293	10,135	(1,158)
Third Party Related	2,405	2,645	3,025	380
Total Expenditure	142,240	139,798	140,515	717
Income	(5,259)	(6,192)	(7,282)	(1,090)
Total Constabulary	136,981	133,606	133,233	(373)

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

The budget is predominantly made up of funding for employee costs, amounting in total to £126.53m, which is broken down into Police Officers £97.14m, PCSO's £1.9m, Police Staff £25.29m and other employee costs of £2.21m. The remainder of the

budget relates to non-staff costs including, transport costs of £2.37m and supplies/other costs of £13.34m. Income of £5.26m, which is generated through policing activities, is also shown within the Chief Constable's budget.

In-Year Financial Performance

Revenue Expenditure: The Chief Constable's final expenditure position for 2021/22, compared to the revised budget is an underspend of £0.373m, which represents 0.28% of the budget.

Police Officer pay was overspent by £2.5m through a combination of changes to the workforce plan, decisions to increase some higher rank posts in the context of the overall increase in officer numbers through Operation Uplift and pressure on overtime partially as a result of the re-scheduling of Appleby Fair and policing COP26 (which was recouped). This is more than offset by savings on police staff, (as a result of a higher than expected level of vacancies) non-staff budgets and additional income. In relation to supplies and services the under-spending has arisen from budgets which were expected to be spent as the Constabulary recovered from Covid, with expenditure being delayed due to the pro-longed nature of the pandemic.

During 2021/22 the Covid-19 pandemic continued to have an impact on the Constabulary's budget, although less so than in 2020/21. Additional expenditure totalling £439k was incurred in relation to PPE, technology to facilitate home working and enforcement activities, whilst income generation was also down by a further £258k. However, this was largely offset by a combination of Government support

and savings which resulted indirectly from the pandemic, such as reduced travel and training, totalling £648k, leaving a net cost to the Constabulary of £49k.

Capital Expenditure: Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all non-current assets are under the control of the Commissioner. Details of capital expenditure and funding in relation to the acquisition and enhancement of assets, which amounted to £5.371m in 2021/22 are shown in the financial statements of the Commissioner. This figure was significantly less than capital budget of £7.265m. Expenditure on ICT amounted to £1.886m, which largely comprised upgrading the digital infrastructure and provision of mobile devices to facilitate a significant proportion of the workforce operating remotely. In relation to the Estate £1.132m was spent on the purchase of a commercial kennel facility, which also presents opportunities to develop a training facility. A further £2.089m was expended on the cyclical replacement of the vehicle fleet. Capital expenditure was also incurred in relation to Taser replacement, although the planned replacement of the CCTV infrastructure has been delayed. Whilst supply issues following Covid disruption have improved compared to 2020/21, some delivery delays for vehicles and ICT equipment are still being experienced and have contributed to the slippage in the programme

Organisational Performance

The Constabulary operates a comprehensive framework of performance measures to ensure it is meeting its objectives and support the Commissioner in delivering his Police and Crime Plan. The following

section provides a summary of performance in relation to crime, incidents and other outcomes for 2021/22.

- Overall crime increased by 20% (7,259) crimes. This increase was largely attributable to the relaxation of Covid restrictions compared to 2020/21.
- 'Violence against the person', experienced an increase of 24.5% which equates to 3,309 crimes. This is at least partially reflective of the fact that pubs and nightclubs were closed for much of the previous year. However, within this broad category, certain crime types such as homicides and death and serious injury from unlawful driving reduced, but based on very low numbers.
- Acquisitive crimes such as robbery and theft increased by a quarter compared with the previous year, although there was a much smaller increase in burglaries.
- We encourage the reporting of rape and sex offences; which increased by 38.4% (213 offences) compared to the previous year.
- The only crime type to experience a reduction was drug offences, which reduced by 14.6%. This is an indication of reduced pro-active policing in this area, as officers dealt with increased demand in other areas.
- Antisocial behaviour (ASB) increased has reduced by 39% (4,416 incidents). Some of this reduction is explained by reduced reporting of Covid breaches to the police, which were recorded as ASB.
- Work has also targeted increased reporting for domestic violence. During 2021/22 Domestic Abuse Safeguarding Crimes increased by 10% which equates to 592 crimes.
- Cumbria generally has a low level of hate crime compared to other forces both nationally and in the North West, however, the latest figures for

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crimes with a hate indicator show an annual increase of 41 crimes, which represents an increase of 40.6%.

- The latest figures for public confidence in the local police service remained high at 79.4% for the whole experience.

The table below summarises the Constabulary's performance indicators.

	Number of Crimes 2021/22	% Change from previous year
All Crime	37,121	20%
Violence against the person	16,828	24%
Homicide	3	-67%
Death or Serious Injury - Unlawful Driving	3	-84%
Stalking and Harassment	5,844	26%
Violence with injury	4,761	34%
Assault - cause serious harm	226	19%
Assault with injury	4,371	30%
Other violence with Injury	164	681%
Violence without injury	6,217	17%
Assault without injury	5,257	17%
Assault without injury on a Constable	403	20%
Other violence without injury	557	13%
Rape and sexual offences	1,709	38%
Robbery	151	26%
Theft offences	4,622	24%
Burglary	1,456	2%
Vehicle offences	758	8%
Criminal damage and arson offences	5,026	18%
Drugs offences	972	-15%
Public order offences	4,658	19%
Miscellaneous Crimes Against Society	685	3%
Possession of weapons offences	256	7%

The Constabulary has recently had its HMICFRS Inspection, it has been congratulated on its overall good performance, although it needs to improve in some areas, the police inspectorate has said.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) graded Cumbria Constabulary's performance across eight areas of policing and found the force was 'outstanding' in one area, 'good' in three areas and 'adequate' in four areas.

HMICFRS said the areas requiring improvement included how the force handles calls from the public and its neighbourhood policing resourcing.

Her Majesty's Chief Inspector of Constabulary, Andy Cooke, said: "I congratulate Cumbria Constabulary on its performance in keeping people safe and reducing crime, although it needs to improve in some areas to provide a consistently good service".

"The force's work in the management of registered sex offenders is excellent, which means it is protecting communities from some of the highest-harm offenders - I am impressed by some of the innovative practice".

"The force has a positive, supportive and inclusive culture. Everybody we spoke to during our inspection said that they felt proud to work for Cumbria Constabulary".

"It's digitally progressive and innovative, using digital technology to support those on the front line".

"There's a strong focus on early intervention with children and young people, and I am encouraged to see the child-centred policing model that the force has adopted".

"Cumbria Constabulary does need to improve its call handling performance. Emergency calls are answered and responded to quickly; however, sometimes abandonment rates for non-emergency calls aren't meeting national standards".

"It also needs to review its neighbourhood policing resourcing and deployment model".

"I am reassured that the force has been developing work to address this following our inspection". "I will monitor Cumbria's progress towards addressing the areas I have identified where the force can improve further".

People

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

The Constabulary has re-written and re-launched its People Strategy in 2021/22, which brings together the key themes of:

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

During the year there has been particular focus on recruitment of officers to fulfill the Government's Uplift programme, improvement in workforce data and undertaking a review of workforce policies.

There is a particular focus on wellbeing with work undertaken in 2021/22 seeking to promote and embed:

- Development of an agile working policy to facilitate a mix of home and office working following the pandemic.
- Participation in the national Oscar Kilo programme to promote well-being in the workplace.
- Investment in further Wellbeing initiatives in the Constabulary and the training of Mental Health First Aiders and a buddy up scheme, who can signpost staff for early help and support. LA Silver better health at work award was achieved and

work is proceeding towards a gold award, which is expected to be achieved in 2022

- Provision of psychological screening for officers in high risk roles.
- Development of a spotlight scheme to shape future leaders in the Constabulary
- Streamlined processes in duty management so staff can access automated leave systems
- Investment in anti-corruption and vetting software and resources.

At the 31st March 2022 the Constabulary employed:

- 1,287 Police Officers
- 47 PCSOs
- 624 Police staff (all expressed in full time equivalents)

As part of the Commissioner's council tax pledge in 2021/22 the police officer establishment was increased by 49 FTE, from 1,216 to 1,265, which represented the Constabulary's share of the second phase of the national Operation Uplift programme. The achievement of the Uplift target was made a high priority by the Constabulary, with the result that the increased officer numbers were in place in early 2021/22. Over 2021/22 the numbers of police staff and PCSOs operated below establishment, partly because of the priority given to training officers to meet the Government's recruitment target.

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

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Actual Employees as at 31 March 2022	CC		Total FTE
	Male FTE	Female FTE	
Directors/Chief Officers	6.5	2.0	8.5
Senior Managers	11.0	5.0	16.0
All Other Employees	996.8	936.4	1,933.2
Total CC Employees	1,014.3	943.4	1,957.7

The 2021/22 average percentage of working time lost due to sickness increased for both officers and staff compared with the previous year. The police officer rate increased from 3.93% to 4.73% (approx. 9 working days), whilst police staff increased from 3.51% to 4.6% (9 working days). An attendance action plan is in place with a wide range of actions to pro-actively manage sickness.

The Constabulary is committed to promoting a workforce which reflects our communities and a culture that respects and celebrates all aspects of diversity. Achieving this aim will also lead to a working environment that is free from discrimination, harassment, bullying and victimisation. The Constabulary's diversity strategy covers the period 2020 to 2025 has three objectives:

- 1) Develop a more diverse and inclusive work force, utilising positive action to reflect the communities of Cumbria Constabulary
- 2) Increase awareness of emerging crime types and effectively work with the public sector to understand vulnerabilities and work together to deliver confidence building projects
- 3) Enhance service delivery and accessibility to protected groups and communities where there is perception of inequality by involving them in our work

The Constabulary recognises the importance of developing the skills and knowledge of its workforce.

The Constabulary's has an annual training plan, which aims to ensure that officers, PCSOs and staff are equipped with the requisite skills to perform their role, including mandatory accreditation for specialist responsibilities. During 2021/22 particular training resource was directed to:

- Training for new officer recruits through the Police Educational and Qualification Framework for new officers (developing apprenticeship and degree entry training courses in conjunction with the University of Central Lancashire) including innovative Professional Policing Degree and direct entry Detective programmes.
- Leadership and skills courses for sergeants, inspectors and police staff.
- Specialist crime including an in house developed Investigative Manager course for detective supervisors and forensic interview training.
- Enhanced personal safety and Taser training.

Sustainability

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

In relation to environmental sustainability and countering climate change, the constabulary have appointed the Energy Saving Trust to assist with measuring our carbon footprint and developing a sustainability strategy with a detailed action plan. Work on phase 1, the measuring and collection of data

commenced in April, work on development of the strategy will commence in the autumn of 2022. In addition to this the benefits of signing up to the 'Emergency Services Environmental Sustainability Framework' are currently being evaluated.

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

Procurement of sustainable goods and services is encouraged with targets set for local labour and supply of materials. Larger specifications of work include a percentage of 'green' and where possible recycled products. Tender evaluation considers whole life costing, including running costs for the life of the building and a sustainability / environmental assessment. These measures are consistent with the social value policy.

The estate is served by a force wide building management system which is used for:

- Regular monitoring and control of consumption.
- Controlling mechanical building services.
- Monitoring faults for timely repair.

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

As a result of the pandemic a high proportion of staff have moved to working remotely at least partially. A more flexible approach to home working will be encouraged on a permanent basis as it delivers sustainability benefits reduced travel between sites, improve space efficiency, reduces estate footprint and drives down the energy and environmental footprint at a number of sites.

For many years the Constabulary has operated a recycling policy.

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

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

The fleet includes vehicles of many different types, which are required to perform a number of roles. Each role has specific targets for emissions and the purchasing criteria for new vehicles dictates that they must be within these limits. Where appropriate arrangements exist vehicles are purchased on a national framework, which includes sustainability and environmental criteria. The maintenance of vehicles is carried out at garages located strategically throughout the county, reducing downtime and transportation. Parts are bought locally and make use of the wider local supply chain where possible.

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In a geographically large county staff are encouraged to make use of virtual meetings as an alternative to physical meetings and the transport time and costs, which that entails. Where journeys are essential, public transport via travel plans, car sharing and cycle to work schemes are promoted.

The Financial Statements

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

The key financial statements are:

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Chief Constable prepares this statement in accordance with the expenditure analysis as prescribed by Code of Practice on Local Authority Accounting issued by the Chartered

Institute of Public Finance and Accountancy (CIPFA). The CIES is shown on page 29 of the full statement of accounts.

The table below sets out a summary CIES statement.

Summary CI&ES	Gross Expenditure 2021/22 £000s	Gross Income 2021/22 £000s	Net Expenditure 2021/22 £000s
Cost of Police Services	129,134	(366)	128,768
Funding Provided by PCC to CC	0	(128,522)	(128,522)
Cost of Services	129,134	(128,888)	246
Financing Costs and Investment Income	34,249	(3,767)	30,482
(Surplus)/Deficit on the Provision of Services	163,383	(132,655)	30,728
Other Comprehensive Income and Expenditure			(32,974)
Total Comprehensive Income and Expenditure			(2,246)

The statement shows that the gross cost of providing policing services amounted to £128.768m in 2021/22. This figure included the costs of neighbourhood policing, incident response, crime investigation, roads policing, communication with the public, criminal justice arrangements and a range of support services.

In addition, the CIES also records a number of technical adjustments including 'financing costs & investment income' £30.482m and 'other comprehensive income & expenditure' net income of £32.974m. These adjustments principally relate to changes to future pensions obligations over the year based on proper accounting practices. The overall effect of the cost of providing services and the pensions adjustment is to produce an accounting surplus of £2.246m for the year, which largely impacts on unusable pensions reserves. The analysis on page 9 of this summary, based on the management accounts, shows an underspend of £0.460m.

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An Income and Expenditure analysis that sets out what those costs are (e.g. staffing, transport etc.) is provided in the note 6 to the statement of accounts on page 38.

Movement in Reserves Statement

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

The Chief Constable's statement of movements in reserves is shown on page 30 in the full statement of accounts.

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

Summary Movement in Reserves	Balance 31/03/2021 £000s	Movements 2021/22 £000s	Balance 31/03/2022 £000s
Police Pensions Reserve	(1,447,160)	(12,430)	(1,459,590)
LGPS Pensions Reserve	(73,420)	13,595	(59,825)
Accumulated Absences Reserve	(5,538)	1,081	(4,457)
Total Reserves	(1,526,118)	2,246	(1,523,872)

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

The Chief Constable's movements in reserves statement principally records the Chief Constable's negative reserves in relation to the Police and Local Government

Pension Schemes, reflecting the requirement to record pension assets and liabilities as they are earned rather than when they become due for payment. During 2021/22, the overall negative balance on the police pension scheme and the local government pension scheme have reduced, largely as a result of changes to actuarial assumptions.

All usable reserves are controlled by the Commissioner and are recorded in the balance sheet of the Commissioner, who formally recognises the need to provide contingencies to meet unplanned and planned expenditure in the future. The Commissioner's usable reserves include a general reserve of £3.6m to meet unplanned risks and earmarked reserves of £19m for specific revenue and capital purposes. During 2021/22, a total of £1.5m has been contributed the Commissioner's earmarked reserves from the revenue budget in the year.

The Balance Sheet

The balance sheet shows the value as at the balance sheet date (31 March 2022) of the Chief Constable's assets and liabilities.

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

Summary Balance Sheet	Balance 31/03/2021 £000s	Balance 31/03/2022 £000s
Current Assets	14,955	13,061
Current Liabilities	(19,098)	(15,922)
Long Term Liabilities	(1,521,975)	(1,521,011)
Net Liabilities	(1,526,118)	(1,523,872)
Unusable Reserves	(1,526,118)	(1,523,872)
Total Reserves	(1,526,118)	(1,523,872)

Joint Chief Finance Officer Narrative Report

The Chief Constable's current assets (£13.1m) are comprised of the Chief Constable's share of short-term debtors and the balance of funding between the Commissioner and the Chief Constable. Current liabilities (£16.0) reflect amounts owed by the Chief Constable. They include the Chief Constable's share of short-term creditors and the balance of funding between the Chief Constable and the Commissioner. Long-term liabilities (£1,521m) represent the Chief Constable's share of the pensions deficit together with a small number of provisions to meet future liabilities. The net assets (assets less liabilities) are matched on the balance sheet by the Chief Constable's reserves. The balance sheet reserves reflect the position at year end and therefore match the final position shown in the movement in reserves statement. The balance sheet is shown on page 31 in the full statement of accounts.

The Chief Constable's 2021/22 balance sheet shows a combined pensions deficit of £1,519m (£1,521m in 2020/21) for the LGPS and the Police Pension Scheme to which its employees and former employees belong. However, statutory arrangements for funding the deficit, through increased contributions over a period designed to balance the pensions account and central government funding mean that the financial position of the Chief Constable remains healthy.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Chief Constable during the reporting period. Under the terms of the funding arrangement between the Commissioner and the Chief Constable, all cash and cash equivalents are held by the Commissioner and as such, the Chief Constables cash

flow statement simply reflects the surplus or deficit from the provision of services less adjustments for non-cash movements. The statement is shown on page 32 of the full statement of accounts.

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

Summary Cash Flow Statement	Cash flows 2020/21 £000s	Cash flows 2021/22 £000s
Cash & Cash Equivalents 1 April	0	0
Net (Surplus)/Deficit on the provision of services	26,969	30,728
Adjustments for Non-cash Movements	(26,969)	(30,728)
Net Cash Flows from Operating Activities	0	0
Cash & Cash Equivalents 31 March	0	0

Police Officer Pension Fund Account

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

The fund also records the benefits paid out of the fund to its members. Any difference between the contributions received into the fund and amount paid out is met by government grant, paid through the

Joint Chief Finance Officer Narrative Report

Commissioner. This means that the police pension fund always balances to nil.

A summary of the pension fund is shown below.

Summary Police Pension Fund	Pension Fund A/C 2020/21 £000s	Pension Fund A/C 2021/22 £000s
Contributions - Employer	(13,519)	(14,043)
Contributions - Officers	(5,842)	(6,049)
Contributions - Other	(331)	(186)
Benefits Payable	38,862	41,279
Other Payments	20	359
Net Amount Payable	19,190	21,360
Contribution from Home Office	(19,190)	(21,360)
Net Amount Payable	0	0

The statement identifies contributions made in 2021/22 totaling £20.28m. The pension benefits that are payable from the fund, together with other payments amounted to £41.64m. The balance between contributions and pensions' benefits paid of £21.36m has been funded by the Home Office via the Police and Crime Commissioner. The full pensions fund accounts and note can be found on pages 54-55 of the full statement of accounts.

Supporting Information to the Financial Statements

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

more detail a number of entries in the primary financial statements. A glossary of terms provides an explanation of the various technical accounting terms and abbreviations. The statements are published alongside the Annual Governance Statement for the Chief Constable in accordance with the 2015 Accounts and Audit (England) Regulations.

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

The Financial Outlook

The financial statements provide a breakdown of net spending during the year with the balance sheet showing the strong overall financial position of the Commissioner and Chief Constable as at 31 March 2022. This has primarily arisen as a result of positive action on behalf of the Constabulary to manage costs in the context of increasing demand for services and real terms reductions in funding over the last decade.

To date, with the support of Government, the Constabulary has been able to manage the cost of its response to the Covid-19 pandemic with no adverse effect on its budget.

Looking forward, the Government has continued to provide funding for the final phase of the Uplift Programme to recruit an additional 20,000 officers nationally by the end of 2022/23. In Cumbria's case further additional grant of £4m has been provided for

2022/23, which, in combination with continued flexibility afforded to Police and Crime Commissioners to levy increased council tax has enabled the budget for 2022/23 to be balanced.

However, the financial outlook over the medium term remains challenging. Of particular concern has been the emergence of inflationary pressures in the wider economy on a scale not seen in a generation in the latter part of 2021/22; the impact of which on the Constabulary budget will be closely monitored over the next year. This also has the potential to compound existing financial risks in relation to the funding of pensions, costs of national policing initiatives such as the Emergency Services Network and the potential redistribution of policing resources in the Home Office's planned review of the Police Funding Formula.

The Constabulary's budget is set in the context of a five year medium term financial forecast (MTFF), which was prepared in February and shows that annual savings of over £6m will be required to balance the budget by the end of the forecast period in 2026/27.

The Commissioner and Chief Constable recognise that, having already delivered £27m of savings since 2010, future savings will be hard won. They continue to work towards developing and implementing organisational changes that will improve the efficiency of the Constabulary and seek to address the future gap between expenditure and income. The judicious use of reserves will also be considered as a means of balancing the budget as an interim measure. Against this background, the level of required savings highlighted in the MTFF are considered to be achievable.

A reserves policy has also been developed, which seeks to balance pro-actively utilising reserves to support current policing services with maintaining reserves at a level that provides some financial resilience.

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

Risks

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

Two of the Constabulary's highest scoring strategic risks relate to the potential reduction in service delivery, safety and ultimately public confidence, which could result from a real terms loss of funding and the potential impact of savings on delivery of the Chief Constable's Vision 2025.

Other high scoring risks recognize

- the potential threat to performance and additional cost implications of implementing the Emergency Services Network, which is a national system to replace the force's radio communications. This is likely to remain until the project is implemented, which is now scheduled for 2026.

- Operational capacity, particularly in relation to territorial policing, crime investigation and firearms.
- Lack of Analytical Capability.
- The difficulty of maintaining effective partnership working arrangements in the context of Local Government Reform in Cumbria.

Whilst the impact of Covid-19 remains a strategic risk, its risk score has recently been reduced.

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

Change Programme

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

Current work-streams include:

- Undertaking demand reviews to inform the design of a workforce to meet future policing requirements.
- Realising benefits from investments in digital technology in operational policing.
- Use of business analytics and intelligence to improve management information and generate efficiencies.
- Greater emphasis on income generation.
- Improving the efficiency of business systems and procedures to better support operational policing.
- Exploiting opportunities for collaboration with other partners.
- A more systematic benefits realisation monitoring process.
- Use of benchmarking and Value for Money indicators to inform resourcing decisions.
- Specific reviews of business activities.

Financial Management Code

The Financial Management Code developed by the Chartered Institute of Public Finance and Accountancy came into effect from the 1st April 2020, with the aim of supporting good practice in financial management in local authorities including the policing sector. In the most recent self-assessment undertaken in March 2022, the Constabulary largely meets the requirements of the code with full compliance in thirteen out of seventeen statements and partial compliance in the remaining four. Developments have been progressed in relation to the Productivity and Efficiency Plan, balance sheet reporting, financial business partnering and contract management in 2021/22, however, there are some areas where further work is required to ensure full compliance, most notably in relation to

- Demonstrating Value for Money and identifying savings to ensure financial sustainability.
- Developing a financial resilience index.
- Application of formal options appraisal techniques.

Acknowledgements

The financial statements were authorised for issue by me as Joint Chief Finance Officer, on 24 June 2022.

In closing, it is appropriate to acknowledge the dedication and professionalism of Michelle Bellis Deputy Chief Finance Officer, Lorraine Holme, Sarah Walker and the wider finance team in again achieving the closure of accounts and the publication of these statements against tight deadlines, whilst continuing to work remotely due to the pandemic.

Roger Marshall

Joint Chief Finance Officer

The accounts present a true and fair view of the position of the Chief Constable of Cumbria Constabulary as at 31 March 2022 and its income and expenditure for the year there ended.

Signatures removed for the purpose of publication on the website

Roger Marshall CPFA

Joint Chief Finance Officer

Date: 24 June 2022

Responsibilities for the Statement of Accounts

1 The Chief Constable's Responsibilities

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

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

2 The Joint Chief Finance Officer's Responsibilities

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

In preparing this Statement of Account, the CFO has:

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

The CFO has also:

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

The CFO should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the organisation at the reporting date and its income and expenditure for the year ended 31 March 2022.

Independent Auditor's Report

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Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement (CC)	Notes	CC	CC	CC	CC	CC	CC
		2020/21	2020/21	2020/21	2021/22	2021/22	2021/22
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing and Crime Services	#	124,120	(458)	123,662	129,134	(366)	128,768
Funding Provided by PCC to CC		0	(125,085)	(125,085)	0	(128,522)	(128,522)
Cost of Policing and Crime Services		124,120	(125,543)	(1,423)	129,134	(128,888)	246
Financing and Investment Income and Expenditure							
Net Interest on the net defined benefit liability (asset)	Annex C	31,680	(3,288)	28,392	34,249	(3,767)	30,482
		31,680	(3,288)	28,392	34,249	(3,767)	30,482
(Surplus) or Deficit on Provision of Services		155,800	(128,831)	26,969	163,383	(132,655)	30,728
Remeasurement of the net defined pension benefit liability/asset	Annex C			230,333			(32,974)
Other Comprehensive Income and Expenditure				230,333			(32,974)
Total Comprehensive Income and Expenditure				257,302			(2,246)

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

Movement in Reserves Statement

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

The figures for the Chief Constable in 2021/22 are provided in the table below:

Movement in Reserves Statement (CC) Figures for 2021/22								
Note	Balance at 1 April 2021	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)	Increase/ (decrease) in 2021/22	Balance at 31 March 2022	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves								
	-	0	(30,728)	0	(30,728)	30,728	0	0
		0	(30,728)	0	(30,728)	30,728	0	0
Unusable Reserves								
	14a	(1,447,160)	0	13,450	13,450	(25,880)	(12,430)	(1,459,590)
	14a	(73,420)	0	19,524	19,524	(5,929)	13,595	(59,825)
	14b	(5,538)	0	0	0	1,081	1,081	(4,457)
		(1,526,118)	0	32,974	32,974	(30,728)	2,246	(1,523,872)
		(1,526,118)	(30,728)	32,974	2,246	0	2,246	(1,523,872)

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

Movement in Reserves Statement (CC) Figures for 2020/21								
Note	Balance at 1 April 2020	Surplus/ (deficit) on the provision of services	Other comprehensive income and expenditure	Total comprehensive income and expenditure	Adjustment between accounting basis and funding basis under regulations (Note 7)	Increase/ (decrease) in 2020/21	Balance at 31 March 2021	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves								
	-	0	(26,969)	0	(26,969)	26,969	0	0
		0	(26,969)	0	(26,969)	26,969	0	0
Unusable Reserves								
	14a	(1,203,170)	0	(222,690)	(222,690)	(21,300)	(243,990)	(1,447,160)
	14a	(62,030)	0	(7,643)	(7,643)	(3,747)	(11,390)	(73,420)
	14b	(3,616)	0	0	0	(1,922)	(1,922)	(5,538)
		(1,268,816)	0	(230,333)	(230,333)	(26,969)	(257,302)	(1,526,118)
		(1,268,816)	(26,969)	(230,333)	(257,302)	0	(257,302)	(1,526,118)

Balance Sheet

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

Balance Sheet	Notes	CC	CC
		31 March 2021	31 March 2022
		£000s	£000s
Inventories		368	470
Short Term Debtors (amounts owed to CC by PCC re CC share of external Debtors)	10	5,237	5,466
Short Term Debtors (amounts owed to CC by employees re accumulated absences)	10	80	216
Short Term Debtors (funding balance owed to CC by PCC)	10	9,270	6,909
Current Assets		14,955	13,061
Short Term Creditors (amounts owed by CC to PCC re share of external creditors)	11	(7,875)	(5,313)
Short Term Creditors (amounts owed by CC to employees re accumulated absences)	11	(5,618)	(4,673)
Short Term Creditors (funding balance due from CC to PCC)	11	(5,605)	(5,936)
Current Liabilities		(19,098)	(15,922)
Provisions	12	(1,395)	(1,596)
Other Long Term Liabilities			
Pensions liability - Police	Annex C	(1,447,160)	(1,459,590)
Pensions liability - LGPS	Annex C	(73,420)	(59,825)
Long Term Liabilities		(1,521,975)	(1,521,011)
Net Liabilities		(1,526,118)	(1,523,872)
Unusable Reserves			
Pensions Reserve - Police	14a	(1,447,160)	(1,459,590)
Pensions Reserve - LGPS	14a	(73,420)	(59,825)
Accumulated Absences Account	14b	(5,538)	(4,457)
		(1,526,118)	(1,523,872)
Total Reserves		(1,526,118)	(1,523,872)

The unaudited accounts were issued on 24 June 2022.

Signature removed for publication on website

Signed: _____

Roger Marshall, Joint Chief Finance Officer.

Cash Flow Statement

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

Cash Flow Statement (CC)		CC 2020/21 £000s	CC 2021/22 £000s
	Net (Surplus) or Deficit on the provision of services	26,969	30,728
	Adjustment to net surplus or deficit on the provision of services for non-cash movements	CF1 (26,969)	(30,728)
	Net cash (inflow)/ outflow from Operating Activities	0	0
	CF1 - The Adjustment to net surplus or deficit on the provision of services for non-cash movements are made up as follows:		
	Pension Liability (Contributions to/from Pensions Reserve)	(25,047)	(31,809)
	Debtors - Adjustment re CC Share of Debtors	390	365
	Debtors - Adjustment re Balance of Funding due from PCC to CC	2,489	(2,361)
	Creditors - Adjustment re CC Share of Creditors	(3,963)	3,507
	Creditors - Adjustment re Balance of Funding due from CC to PCC	(450)	(331)
	Stock - Change in Balance Sheet	(10)	103
	Provisions - Change in Balance Sheet	(378)	(202)
	Adjustment to net surplus or deficit on the provision of services for non-cash movements	(26,969)	(30,728)

Notes to the Accounts

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The notes to the accounts are provided to aid the understanding of material items within the core financial statements. As a general rule, the column showing the figures for 2021/22 will be highlighted, whilst the comparatives for 2020/21 (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 56-58. Terms for which an explanation is provided will be depicted by text that is shown in teal coloured text and underlined.

Notes to the Accounts

1 Accounting Policies

There are a number of accounting policies that determine how items within the accounts are treated. Where these accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a grey text box. Where an accounting policy is more generic and applicable across the statement accounts it will continue to be shown in a separate technical annex, **Annex A** (see pages 59-62).

2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out alongside the relevant note or in Annex A (pages 59 to 62), the [Chief Constable](#) has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

3 Events after the Balance Sheet Date

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

The Statement of Accounts was authorised for issue by the Joint Chief Finance Officer on 24 June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting Policy - Events after the Balance Sheet Date

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

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

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

Notes to the Accounts

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

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

The items in the Chief Constable's balance sheet as at 31 March 2022 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
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Two firms of consulting actuaries are engaged to provide the Chief Constable with expert advice about the assumptions to be applied for both the Police Pension Scheme (Government Actuaries Department) and the Local Government Pension Scheme (Mercer Ltd).</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. Examples of the impact of changes in individual assumptions is included in the sensitivity analysis provided in the technical annex to the accounts Annex C, Pensions on pages 65-74.</p>

Notes to the Accounts

5 Expenditure and Funding Analysis

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

The figures for the Chief Constable in 2021/22 and comparatives for 2020/21 are provided in the table below:

Expenditure and Funding Analysis (CC)	Net Expenditure Chargeable to the Police Fund balance and as reported for resource management	CC 2020/21 Adjustments between Funding and Accounting Basis (Note 5 & 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the Police Fund balance and as reported for resource management	CC 2021/22 Adjustments between Funding and Accounting Basis (Note 5 & 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services						
Police Officer Pay & Allowances	70,687	(5,710)	64,977	72,625	(3,030)	69,595
PCSO Pay & Allowances	2,533	204	2,737	2,218	304	2,522
Police Staff Pay & Allowances	25,035	2,108	27,143	24,398	3,959	28,357
Other Employee Budgets	3,046	0	3,046	4,083	0	4,083
Premises Related Expenditure	5,844	0	5,844	5,837	0	5,837
Transport Related Expenditure	2,983	0	2,983	3,589	0	3,589
Supplies & Services Expenditure	14,952	0	14,952	12,337	0	12,337
Third Party Related Expenditure	1,708	0	1,708	2,143	0	2,143
Technical Accounting Adjustments	(1,922)	1,922	0	1,081	(1,081)	0
Non distributed costs	80	53	133	94	94	188
Termination Payments	139	0	139	117	0	117
Funding Provided by PCC to CC	(125,085)	0	(125,085)	(128,522)	0	(128,522)
Net Cost of Services	0	(1,423)	(1,423)	0	246	246
Other Income and Expenditure	0	28,392	28,392	0	30,482	30,482
(Surplus)/Deficit on the Provision of Services	0	26,969	26,969	0	30,728	30,728

Notes to the Accounts

5.a Note to the Expenditure Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the Police Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement (page 29). The relevant transfers between reserves are explained in the Movement in Reserves Statement (page 30).

The figures for 2021/22 and comparatives for 2020/21 are shown in the table below:

Note to the Expenditure and Funding Analysis (CC)	Net change for the Pensions Adjustment (See below)	CC 2020/21 Other Differences (See below)	Total Adjustment Between funding and accounting basis	Net change for the Pensions Adjustment (See below)	CC 2021/22 Other Differences (See below)	Total Adjustment Between funding and accounting basis
	£000s	£000s	£000s	£000s	£000s	£000s
Cost of Policing & Crime Services						
Police Officer Pay & Allowances	(5,710)	0	(5,710)	(3,030)	0	(3,030)
PCSO Pay & Allowances	204	0	204	304	0	304
Police Staff Pay & Allowances	2,108	0	2,108	3,959	0	3,959
Technical Accounting Adjustments	0	1,922	1,922	0	(1,081)	(1,081)
Non distributed costs	53	0	53	94	0	94
Net Cost of Services	(3,345)	1,922	(1,423)	1,327	(1,081)	246
Other Income and Expenditure	28,392	0	28,392	30,482	0	30,482
(Surplus)/Deficit on the Provision of Services	25,047	1,922	26,969	31,809	(1,081)	30,728
Further Analysis of Adjustments						
Police - Interest on Liabilities	27,010	0	27,010	28,910	0	28,910
Police - Reverse Employer Contributions	(34,370)	0	(34,370)	(37,040)	0	(37,040)
Police - Current Service Cost	28,660	0	28,660	34,010	0	34,010
LGPS - Interest on Liabilities	4,670	0	4,670	5,339	0	5,339
LGPS - Return on Plan Assets	(3,288)	0	(3,288)	(3,767)	0	(3,767)
LGPS - Reverse Employer Contributions	(3,894)	0	(3,894)	(3,885)	0	(3,885)
LGPS - Current Service Cost	6,206	0	6,206	8,148	0	8,148
LGPS - Non Distributed Costs	53	0	53	94	0	94
Accumulated Absences Account Adj	0	1,922	1,922	0	(1,081)	(1,081)
Total Adjustments	25,047	1,922	26,969	31,809	(1,081)	30,728

Notes to the Accounts

6 Expenditure and Income Analysed by Nature

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

Expenditure and Income	CC	CC
	2020/21 £000s	2021/22 £000s
Expenditure		
Police Pay & Allowances	70,687	72,625
PCSO Pay & Allowances	2,533	2,218
Police Staff Pay & Allowances	25,035	24,398
Other Employee Costs	3,046	4,083
Premises Related Costs	5,844	5,837
Transport Related Costs	2,983	3,589
Supplies & Services	14,952	12,337
Third Party Payments	1,708	2,143
Technical Accounting Adjustments	(1,922)	1,081
Pension Adjustment	27	0
Non Distributed Costs	53	94
Termination Payments	139	117
Funding Between PCC & CC	(125,085)	(128,522)
Total Expenditure	0	0
(Surplus)/Deficit on the Provision of Services	0	0

Notes to the Accounts

7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

The figures for 2021/22 are set out in the table below:

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC Constabulary Fund Balance £000s	CC Police Pension Reserve £000s	CC LGPS Pension Reserve £000s	CC Accumulated Absences Account £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	Annex C	31,809	(25,880)	(5,929)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	14b	(1,081)	0	0	1,081
Total Adjustments		30,728	(25,880)	(5,929)	1,081

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

Adjustments between Accounting Basis and Funding Basis Under Regulations	Note	CC Constabulary Fund Balance £000s	CC Police Pension Reserve £000s	CC LGPS Pension Reserve £000s	CC Accumulated Absences Account £000s
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	Annex C	25,047	(21,300)	(3,747)	0
- Holiday Pay (transfers to or from Accumulated Absences Account)	14b	1,922	0	0	(1,922)
Total Adjustments		26,969	(21,300)	(3,747)	(1,922)

Notes to the Accounts

8 Audit Fees

In 2021/22 the [Chief Constable](#) incurred the following fees relating to external audit services provided by Grant Thornton UK LLP.

External Audit Fees	CC	CC
	2020/21	2021/22
	£000s	£000s
Amounts Relating to The Chief Constable		
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor.	17	20
Other Services		
Rebate from Public Sector Audit Appointments in year.	0	(2)
Total External Audit Fees for Year	17	18

The above table shows the gross fees payable to the external auditor during the year. In 2021/22 a rebate of audit fees of £2k was received from Public Sector Audit Appointments in relation to the Chief Constables audit fee. The amounts in the table agree to the amounts recorded in the comprehensive income and expenditure statement.

9 Financial Instruments

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

Under International Financial Reporting Standards a full set of disclosure notes are required in respect of financial instruments. These notes for the Chief Constable are included in a separate technical appendix at Annex B on pages 63 to 64.

The disclosures include:

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

Notes to the Accounts

10 Short-term Debtors

A breakdown of the amounts owing to the [Chief Constable](#) as at 31 March 2022 with comparative information for the previous year is set out in the table below:

Short-term Debtors	CC	
	As at 31 March	
	2021	2022
	£000s	£000s
Balance Owed from PCC re CC Share of External Debtors		
- Trade Receivables	111	92
- Police pensions prepayment	2,687	2,888
- Prepayments/Payments in Advance	2,439	2,486
	5,237	5,466
Balance Owed from Employees (re accumulated Absences)	80	216
Balance Owed from PCC re Balance of Funding	9,270	6,909
Total Debtors	14,587	12,591

11 Short-term Creditors

An analysis of the amounts owed by the [Chief Constable](#) as at 31 March 2022 with comparative information for the previous year is set out in the table below:

Short-term Creditors	CC	
	As at 31 March	
	2021	2022
	£000s	£000s
Balance Owed to PCC re CC Share of External Creditors		
- Trade Payables	(5,443)	(2,816)
- HMRC PAYE Amounts Due	(2,432)	(2,497)
	(7,875)	(5,313)
Balance owed to Employees (re accumulated absences)	(5,618)	(4,673)
Balance owed to PCC re balance of Funding	(5,605)	(5,936)
Total Creditors	(19,098)	(15,922)

12 Provisions

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

A brief description of the purpose of the individual provisions as at 31 March 2022 is provided below:

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

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

Accounting Policy – Provisions

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

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

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

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

Notes to the Accounts

The table below shows the movements during the year on each of the provisions and the position as at 31 March 2022.

Provisions	Balance as at 01/04/21	Additional Provisions Made 2021/22	Amounts Used in 2021/22	Unused Amounts Reversed in 2021/22	Balance as at 31/03/22
	£000s	£000s	£000s	£000s	£000s
Insurance Liabilities	(362)	(513)	193	0	(682)
Legal Claims	(1,033)	(200)	159	160	(914)
Total Provisions	(1,395)	(713)	352	160	(1,596)

The comparative information for year ended 31 March 2021 is as follows:

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

13 Pensions

The Chief Constable participates in the Local Government Pension Scheme (LGPS) for Police Staff and three pensions schemes in respect of Police Officers. Under International Financial reporting Standards a full set of disclosure notes are required in respect of Pensions. These notes for the Chief Constable are included in a separate technical appendix at Annex C on pages 65 to 74.

The disclosures include:

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

Notes to the Accounts

14 Unusable Reserves

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

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

Accounting Policy – Reserves

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

14.a Pensions Reserve

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

Pensions Reserve	CC		CC	
	LGPS Pensions		Police Pensions	
	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s
Balance at Start of Year	(62,030)	(73,420)	(1,203,170)	(1,447,160)
Remeasurement of the net defined pension benefit liability/asset	(7,643)	19,524	(222,690)	13,450
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,641)	(9,814)	(55,670)	(62,920)
Employer's pension contributions and direct payments to pensioners payable in the year.	3,894	3,885	34,370	37,040
Balance at End of Year	(73,420)	(59,825)	(1,447,160)	(1,459,590)

Notes to the Accounts

14.b Accumulated Absences Account

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

Accumulated Absences Account	CC 2020/21 £000s	CC 2021/22 £000s
Balance at Start of Year	(3,616)	(5,538)
Settlement or cancellation of accrual made at the end of the preceding year	3,616	5,538
Amounts accrued at the end of the current year	(5,538)	(4,457)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,922)	1,081
Balance at End of Year	(5,538)	(4,457)

Accounting Policy - Employee Benefits Payable during Employment

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

Notes to the Accounts

15 Members Allowances and Expenses

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

Members Allowances	CC 2020/21 £000s	CC 2021/22 £000s
Basic Allowance	47	22
Travel and Subsistence	2	2
	49	24
Analysis by Type:		
Joint Audit Committee	8	9
Ethics and Integrity Panel	7	8
Independent Custody Visitors	1	1
Misconduct Panel	33	6
	49	24

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

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

Notes to the Accounts

16 Disclosure of Remuneration for Senior Employees

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

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

The table below gives the information for 2021/22 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Chief Constable - Michelle Skeer		162	7	0	0	3	172	0	172
Deputy Chief Constable (a)		123	7	0	0	11	141	38	179
Deputy Chief Constable (b)	1	126	0	0	0	3	129	0	129
Assistant Chief Constable	2	55	3	0	0	1	59	17	76
Temporary Assistant Chief Constable	3	95	6	0	0	0	101	26	127
Joint Chief Finance Officer		89	0	0	0	0	89	16	105
Director of Corporate Support		89	0	0	0	0	89	16	105
Chief Superintendent (Insight & performance)	4	89	1	0	1	0	91	27	118
Temporary Chief Superintendent - Crime Command		93	2	0	1	3	99	5	104
Temporary Chief Superintendent (Operations & Neighbourhood) (a)	5	8	0	0	0	1	9	2	11
Chief Superintendent (Operations & Neighbourhood) (b)	6	80	1	0	1	0	82	24	106
Temporary Chief Superintendent (Operations & Neighbourhood) (c)	7	87	2	0	1	0	90	26	116
Superintendent (Head of People)	8	74	2	0	1	0	77	23	100
Director of Legal Services		89	1	0	1	0	91	16	107
Total Chief Constable		1,259	32	0	6	22	1,319	236	1,555

Notes

- Deputy Chief Constable (b) is seconded to the Police Officer Uplift Programme and associated costs are reimbursed by other forces.
- The Assistant Chief Constable retired on 15/09/2021.
- The Temporary Assistant Chief Constable was temporarily promoted to ACC from 28/06/2021.
- The Chief Superintendent Insight & Performance was promoted to Chief Superintendent w.e.f. 01/04/21.
- The Temporary Chief Superintendent (Operations & Neighbourhood)(a) retired on 03/05/2021.
- The Chief Superintendent (Operations and Neighbourhood)(b) held the role between 01/04/21 and 05/09/2021.
- The temporary Chief Superintendent (Operations and Neighbourhood policing) (c) was appointed to the role from 06/09/21.
- The Superintendent (Head of People) was appointed to the role on 01/04/21.

Notes to the Accounts

The table below gives the comparative information for 2020/21 in £000s.

Postholder Information Post Title	Note	Salary (including Fees & Allowances)	Expense Allowances	Termination Pay & Compensation for loss of office	Benefits in Kind	Other Payments (Police Officers Only)	Total Remuneration Excluding pension Contributions	Pension Contributions	Total Remuneration Including pension Contributions
Chief Constable - Michelle Skeer		160	7	0	0	3	170	2	172
Deputy Chief Constable (a)		122	7	0	0	0	129	38	167
Deputy Chief Constable (b)	1	126	0	0	0	3	129	0	129
Assistant Chief Constable		119	7	0	0	3	129	36	165
Joint Chief Finance Officer		87	0	0	0	0	87	16	103
Director of Corporate Support		88	0	0	0	0	88	16	104
Director of Corporate Improvement	2	80	0	97	0	0	177	47	224
Chief Superintendent - Territorial Policing		92	1	0	1	3	97	28	125
Temporary Chief Superintendent - Crime Command		73	1	0	1	0	75	22	97
Superintendent - Head of People (a)		92	2	0	1	3	98	28	126
Superintendent - Head of People (b) (Temp ACC)	3	89	2	0	0	0	91	25	116
Director of Legal Services		88	1	0	1	0	90	16	106
Total Chief Constable		1,216	28	97	4	15	1,360	274	1,634

Notes

- 1 Deputy Chief Constable (b) is seconded to the Police Officer Uplift Programme and associated costs are reimbursed by other forces.
- 2 The Director of Corporate Improvement was made voluntarily redundant on 28/02/21.
- 3 Superintendent/Head of People (b) was temporarily promoted to the rank of ACC for the period 11/01/21 to 31/03/21.

Notes to the Accounts

17 Employee Remuneration

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

Remuneration Band	2020/21			2021/22		
	CC Police Staff	CC Snr Police Officers	CC Total	CC Police Staff	CC Snr Police Officers	CC Total
£50,000 to £54,999	7	0	7	12	0	12
£55,000 to £59,999	1	0	1	4	1	5
£60,000 to £64,999	3	0	3	3	0	3
£65,000 to £69,999	5	0	5	7	0	7
£70,000 to £74,999	0	1	1	0	0	0
£75,000 to £79,999	1	0	1	0	0	0
£80,000 to £84,999	0	0	0	0	1	1
£85,000 to £89,999	3	1	4	3	3	6
£90,000 to £94,999	0	0	0	0	0	0
£95,000 to £99,999	1	2	3	0	2	2
£100,000 to £104,999	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	0	0
£110,000 to £114,999	0	0	0	0	0	0
£115,000 to £119,999	0	0	0	0	0	0
£120,000 to £124,999	0	2	2	0	0	0
£125,000 to £129,999	0	1	1	0	1	1
£130,000 to £134,999	0	0	0	0	1	1
£135,000 to £139,999	0	0	0	0	0	0
£140,000 to £144,999	0	0	0	0	0	0
£145,000 to £149,999	0	0	0	0	0	0
£150,000 to £154,999	0	0	0	0	0	0
£155,000 to £159,999	0	0	0	0	0	0
£160,000 to £164,999	0	1	1	0	0	0
£165,000 to £169,999	0	0	0	0	1	1
£170,000 to £174,999	0	0	0	0	0	0
£175,000 to £179,999	1	0	1	0	0	0
Total	22	8	30	29	10	39

In 2021/22 the remuneration for 252 Police Officers (171 in 2020/21) superintendent rank and below (who are not required to be disclosed in the above note under regulations) exceeded £50,000.

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

Notes to the Accounts

18 Exit Packages/Termination Payments

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

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other Departures Agreed		Total Number of Exit Packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	Headcount	Headcount	Headcount	Headcount	Headcount	Headcount	£000's	£000's
£0-£20,000	3	0	0	0	3	0	10	0
£20,001 - £40,000	0	0	0	1	0	1	0	30
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	1	0	1	0	87
£100,001 - £150,000	0	0	1	0	1	0	129	0
Total	3	0	1	2	4	2	139	117

During 2021/22 the contracts of a small number of employees were terminated incurring termination payments amounting to £117k (£139k in 2020/21). This amount is made up of exit packages paid in 2021/22.

The exit packages paid in 2021/22 relate to one voluntary redundancy and one phased retirement and amount to £117k (£139k in 2020/21). The exit packages can be further split into compensation for loss of employment £28k (£106k in 2020/21) and enhanced pension benefits £89k (£33k in 2020/21). The redundancy is 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 2021/22.

Accounting Policy - Termination Benefits

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

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

19 Related Party Transactions

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

19.a Police and Crime Commissioner

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

19.b Central Government

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

19.c Officers and Employees

Senior officers and staff of the Constabulary were asked to declare any direct financial relationship through outside bodies or companies with the Chief Constable. No material transactions have been reported in respect of the 2021/22 financial year.

19.d Other Public Bodies

The Chief Constable's transactions with the Cumbria Local Government Pension Scheme (administered by County Council) are shown in the pension related disclosure notes included within the Technical Annex (Annex C) pages 65-74.

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

- The PCC for Cheshire – North West Underwater Search Unit, Northwest Armed Policing Collaboration, Northwest Strategic Automatic Number Plate Recognition (ANPR) and Regional Emergency Services Network (ESN).
- The PCC for Merseyside – Regional Crime Unit, Regional Intelligence Unit, Prison Intelligence Unit, Technical Support Unit, Protected Persons Unit, Government Agency Intelligence Network (GAIN), Confiscation Unit, Regional Assets Recovery Team, Operational Security (OPSEY), Cyber Crime, Regional Fraud Team, Regional Insourced Forensic Science Services.
- Cumbria County Council – Shared Internal Audit Service (this arrangement has ended in the 2021/22 financial year).
- Durham Constabulary – ICT Collaboration in relation to development of systems.
- The PCC for Lancashire – Regional Insourced Forensic Science Services.

20 Pension Challenge

Legal Cases

The Chief Constable of Cumbria along with other Chief Constables and the Home Office currently has a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but a case management was held in October 2019, with the resulting Order including an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

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

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

Impact on pension liability

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

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.

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

Compensation Claims

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

The above wording relates to 2020/21, the national wording for 2021/22 is currently being agreed and will be updated before the final publication.

Notes to the Accounts

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

For 2021/22 the following accounting policy changes that need to be reported relate to:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year). Note the OPCC/Constabulary have chosen to delay the adoption until 2023/24.
- Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changes standards:
 - IFRS 1 (first time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
 - IAS 37 (onerous contracts) – clarifies the intention of the standard.
 - IFRS 16 (leases) – amendment removes a misleading example that is not references in the Code material.
 - IAS 41 (agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: proceeds before Intended Use (Amendments to IAS 16).

In the Financial Statements for 2022/23, the effect of the changes will be assessed and where necessary, the comparative figures restated.

Subject to Audit

Police Officer Pension Fund Account

Police Officer Fund Account

This statement provides information on transactions on the Police Pension Fund Account for the 2021/22 financial year together with comparative information for 2020/21.

Police Officer Pension Fund Account		CC 2020/21 £000s	CC 2021/22 £000s
Contributions Receivable			
Employer			
- Contributions (31.0% of Pensionable Pay)		(13,519)	(14,043)
Officers' Contributions			
- 1987 Scheme Member Contributions (see narrative for rates)		(843)	(466)
- 2006 Scheme Member Contributions (see narrative for rates)		(37)	(28)
- 2015 Scheme Member Contributions (see narrative for rates)		(4,962)	(5,555)
		(19,361)	(20,092)
Transferees in from Other Schemes			
		(168)	(12)
Capital Equivalent charge for ill-health schemes			
		(163)	(174)
		(331)	(186)
Benefits Payable			
Recurrent Pensions			
		31,129	32,009
Commutations and Lump Sums			
		7,295	8,937
Other (Scheme Pays)			
		438	333
		38,862	41,279
Payments to and on Account of Leavers			
Refund of Contributions			
		20	52
Transfer out to other schemes			
		0	307
		20	359
Net Amount Payable for the Year			
		19,190	21,360
Additional Contribution from the Police & Crime Commissioner			
		(19,190)	(21,360)
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 2022.

Pension Fund Net Assets & liabilities		CC 2020/21 £000s	CC 2021/22 £000s
Current Assets			
Pensions Benefits paid in advance			
		2,619	2,735
Current Liabilities			
Amount due to the Police & Crime Commissioner			
		(2,619)	(2,735)
		0	0

Notes to the Police Officer Pension Fund Account

Accounting Policies

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

Operation of Police Pensions Schemes

Since 1 April 2015 the Chief Constable has operated three Pensions Schemes for Police Officers. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they fall due. The original Police Officer Pension scheme is known as the 1987 scheme. The second scheme was introduced in April 2006 with the intention that joint contributions of employers and employees would finance the full costs of pension liabilities. All Police Officers recruited from April 2006 onwards automatically become members of the 2006 scheme and the previous 1987 scheme was closed to new members. Officers who were members of the 1987 scheme were allowed by regulation to become members of the 2006 scheme if they wished. Members' contribution rates for 2021/22 and 2020/21 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 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 received full protection to 31 March 2022, transferred to the new 2015 scheme on 1 April 2015, or transferred on different tapering dates in the future subject to individual circumstances around age and length of service remaining. All members will transfer to the 2015 Scheme on 1 April 2022 when the legacy scheme 1987 and 2006 close. The members' contribution rates for the new scheme ranged between 12.44% and 13.78% in 2021/22 and 2020/21.

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 31). 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 65-74).

Funding of Police Pension Schemes

In 2006/07 a new arrangement was established to fund Police Pensions. This revised arrangement is for both new and existing police officer schemes, but has no effect on the benefit structures of either scheme. The purpose of the change is to smooth fluctuations in costs, that would previously have been charged to the Chief Constable's Comprehensive Income and Expenditure Statement on a 'pay as you go basis', and to more clearly show the effect of the liability as opposed to current pension payments. Under the revised arrangements the liability for payment of police pensions is removed from the Chief Constable and replaced with an employers' contribution, currently set at 31% of pensionable pay, which, along with the employee contributions and any transfer values, is paid into the pensions account. The employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to periodic revaluation by the Government Actuary's Department. Pensions are then paid from this account. The pensions account is balanced to nil annually, with any shortfall met by a top up from the Commissioner, or vice versa. However, the Home Office indemnify the Commissioner against any financial liability arising from a deficit on the Pension Account by providing a grant to the Commissioner equal to the Commissioner's top up. Similarly, any surplus on the Pension Account is ultimately repayable to the Home Office.

Glossary of Terms

Accruals

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

Actuarial Valuation

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

Agency Costs

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

Amortisation/Amortised Cost

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipt

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

Cash and Cash Equivalents

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

CC or Chief Constable

The Chief Constable for Cumbria Constabulary.

CFO

The Joint Chief Finance Officer.

CIPFA

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

Commissioner

The Police and Crime Commissioner for Cumbria.

Componentisation

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

Contingency

A sum set aside to meet unforeseen expenditure.

Creditors

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

Glossary of Terms

Debtors

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

Depreciation

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

De-minimis

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

Direct Revenue Contributions (DRC)

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

Earmarked Reserves

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

Fair Value

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

Hedge Funds

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

Heritage Assets

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

HMICFRS

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

Impairment/Impaired

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

Investment Property

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

Leasing

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

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

MHCLG

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

Minimum Revenue Provision (MRP)

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

Non-current Assets

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

NPCC

The National Police Chiefs Council.

PCC

The Police and Crime Commissioner for Cumbria.

Pension actuarial gains and losses

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

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

Glossary of Terms

Pension – current service costs

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

Pension – defined benefit scheme

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

Pension assets – expected rate of return

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

Pension – interest costs

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

Pension - past service costs

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

Police Objective Analysis (POA)

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

Precept

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

Private Equity Funds

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

Provision

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

Public Works Loan Board (PWLB)

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

Reserves

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

Revaluation Reserve

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

SERCOP

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

The Commissioner

The Police and Crime Commissioner for Cumbria.

TPA

Territorial Policing Area.

Annex A - Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the financial transactions for the 2021/22 financial year and the financial position at the 31 March 2022. 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 2021/22](#) (the Code) and the [Service Reporting Code of Practice 2021/22 \(SERCOP\)](#), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The Police and Crime Commissioner is responsible for combining the single entity statements to form a set of consolidated group accounts.

Where accounting policies relate to a particular note to the accounts, the accounting policy is shown alongside that note in a [grey text box](#), in the notes to the accounts section (see pages 33 to 53). Where an accounting policy is more generic and applicable across the statement accounts it is shown in this **Annex A**.

2 Accruals of Income and Expenditure

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

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

Accrual Example 1

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

Accrual Example 2

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

3 Cash and Cash Equivalents

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

Annex A - Statement of Accounting Policies

4 Exceptional Items

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

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

5 Charges to Revenue for Non-Current Assets

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

6 Government Grants and Contributions

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

7 Intangible Assets

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

8 Inventories

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

9 Leases

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

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

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

Annex A - Statement of Accounting Policies

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

10 Treatment of Overheads

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

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

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

11 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Under the terms of the [Commissioner's](#) funding arrangement to the [Chief Constable](#) all property, plant and equipment is held by the Commissioner. Accordingly, all accounting entries in relation to the acquisition, enhancement, revaluation, [impairment](#), [depreciation](#) and sale of such assets are recorded in the single entity accounts of the Commissioner. As noted in policy 5 above, the Commissioner makes a charge to the Chief Constable for the use of such assets which is equivalent to the Chief Constable's share of depreciation.

12 Private Finance Initiative (PFI) and Similar Contracts

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

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

13 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.

Annex A - Statement of Accounting Policies

14 Material Estimation Techniques

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

15 Value Added Tax (VAT)

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

Subject to Audit

Annex B – Technical Annex – Financial Instrument Disclosures

B1 Categories of Financial Instrument

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

Categories of Financial Instruments	CC	
	Current	
	31 March 2021	31 March 2022
	£000s	£000s
Financial Assets		
Debtors		
Debtors held at Amortised Cost	91	81
Items not classified as Financial Instruments	14,496	12,510
Total Financial Assets	14,587	12,591
Financial Liabilities		
Creditors		
Creditors held at Amortised Cost	(5,443)	(2,816)
Items not classified as Financial Instruments	(13,655)	(13,106)
Total Financial Liabilities	(19,098)	(15,922)

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

Accounting Policy – Financial Instruments

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

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

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

B2 Fair value of Assets and Liabilities Carried at Amortised Cost

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

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

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

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

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

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

Credit Risk

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

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

This risk is minimised through the application of policies set out in the annual Treasury Management Strategy Statement (TMSS), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's ratings services. The annual TMSS (approved by the Commissioner in February 2021), also imposes a maximum sum to be invested with a financial institution located within each category.

Liquidity Risk

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

Under the terms of the funding arrangement between the Commissioner and the Chief Constable the Commissioner provides funding to the Chief Constable on a cash basis. As the Commissioner has ready access to borrowings from the Public Works Loans Board (PWLB) and had at 31 March 2022 no actual long term external debt, having financed a number of recent projects through internal borrowing, there is no significant risk that it will be unable to raise finance to meet its commitments to the Chief Constable within the terms of the funding arrangement.

C1 Pension Schemes

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

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

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

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

The LGPS for Police Staff employees is administered by Cumbria County Council (outsourced to Lancashire County Council) – this is a funded [defined benefit scheme](#), meaning that the Chief Constable and employees pay contributions into a fund. Contributions are calculated at a level intended to balance the pensions liabilities with investment assets over the long term. In 2021/22 the Chief Constable made a past service contribution of £23k (£22k in 2020/21) which was made with the aim of reducing future contributions after the next actuarial review. The contribution rate was last reviewed in March 2019 with a revised rate for employers contributions of 18.4% being applicable from April 2020. The contribution rate will next be reviewed in March 2022 with a revised rate for employers contributions being applicable from April 2023.

- **The Police Pension Scheme**

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

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

The Police Pension Scheme is an unfunded scheme (i.e. there are no investment assets built up to meet pension liabilities and cash has to be generated to meet actual pensions payments as they fall due). The funding arrangements for police officers' pensions changed on 1st April 2006. Before April 2006 pensions of former employees were required to be met on a 'pay as you go' basis with the cost charged to the revenue account. From April 2006 onwards the payments made during the year under the scheme are funded by a combination of employee contributions and employer contributions charged to the Comprehensive Income and Expenditure Statement with the remaining deficit funded by a specific Home Office grant. The employer's contribution was increased to 31% from 1st April 2019.

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

Annex C – Technical Annex – Pension Disclosures

Also from 1st April 2006 legislation required the operation of a Pension Fund Account (shown on pages 54-55). The amounts that must be paid into and out of the fund are specified by regulation. Officers' contributions and the employer's contributions are paid into the pension fund account from which pension payments are made. Any shortfall on the pension fund account is met by a contribution from the police fund. A Home Office Grant is received to cover this contribution. Conversely, a surplus on the Pension Fund Account would result in a contribution to the police fund, which would then be recouped by the Home Office. As the Commissioner is responsible for maintaining the police fund the receipt of Home Office pension grant and corresponding contribution to the Police Pension Fund Account are shown in the accounts of the Commissioner.

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

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

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

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

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

Annex C – Technical Annex – Pension Disclosures

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

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

Pension Transactions in MiRS and CIES	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme		CC Total Pension Schemes	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement												
<i>Cost of Services</i>												
<i>Service cost comprising:</i>												
• Current service cost	6,206	8,148	0	0	4,550	2,870	160	120	23,950	31,020	34,866	42,158
• (Gain)/loss from settlements/curtailments	53	94	0	0	0	0	0	0	0	0	53	94
<i>Financing and Investment Income and Expenditure</i>												
• Net interest expense	1,360	1,551	22	21	23,860	24,660	980	1,330	2,170	2,920	28,392	30,482
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	7,619	9,793	22	21	28,410	27,530	1,140	1,450	26,120	33,940	63,311	72,734
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)	(23,572)	(12,913)	0	0	0	0	0	0	0	0	(23,572)	(12,913)
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(1,923)	0	(7)	0	0	0	0	0	0	0	(1,930)
• Actuarial (gains) and losses arising on changes in financial assumptions	34,917	(5,445)	81	(11)	123,190	(14,570)	9,720	(1,310)	23,900	(3,210)	191,808	(24,546)
• Experience (gains) and losses on liabilities	(3,909)	609	(24)	3	62,570	7,310	12,380	(2,110)	(9,070)	440	61,947	6,252
• Administration expenses	150	163	0	0	0	0	0	0	0	0	150	163
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	7,586	(19,509)	57	(15)	185,760	(7,260)	22,100	(3,420)	14,830	(2,770)	230,333	(32,974)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	15,205	(9,716)	79	6	214,170	20,270	23,240	(1,970)	40,950	31,170	293,644	39,760
<i>Movement in Reserves Statement</i>												
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code.	(7,619)	(9,793)	(22)	(21)	(28,410)	(27,530)	(1,140)	(1,450)	(26,120)	(33,940)	(63,311)	(72,734)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>												
• Employers' contributions payable to the scheme	3,831	3,831	63	54	0	0	0	0	0	0	3,894	3,885
• Retirements benefits payable to pensioners	0	0	0	0	39,040	42,590	90	110	(4,760)	(5,660)	34,370	37,040
Total amount charged against the Police Fund Balance for pensions in the year	3,831	3,831	63	54	39,040	42,590	90	110	(4,760)	(5,660)	38,264	40,925

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

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

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

Accounting Policy - Post-Employment Benefits - CIES Entries

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

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

Annex C – Technical Annex – Pension Disclosures

C2 Assets and Liabilities in relation to Retirement Benefits

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

The underlying assets and liabilities for retirement benefits attributable to the [Chief Constable](#) at 31 March 2022 with comparative information for the previous year are as follows:

Pension Scheme Assets & Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Present value of the defined benefit obligation	(242,939)	(247,290)	(1,032)	(984)	(1,252,680)	(1,230,360)	(66,710)	(64,630)	(127,770)	(164,600)
Fair value of plan assets	170,551	188,449	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(72,388)	(58,841)	(1,032)	(984)	(1,252,680)	(1,230,360)	(66,710)	(64,630)	(127,770)	(164,600)

The liabilities in the above table show the underlying commitments that the Chief Constable has, in the long run, to pay retirement benefits. The total liability of £1.519b (£1.521b in 2020/21) has a substantial impact on the net worth of the Chief Constable as recorded in the balance sheet, resulting in a negative overall balance of £1.524b (£1.526b in 2020/21). The reduction in overall liability has arisen as a result in a change in actuarial assumptions.

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

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

Annex C – Technical Annex – Pension Disclosures

Reconciliation of present value of scheme liabilities:

Reconciliation of Scheme Liabilities	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits		CC Police Scheme 1987 Scheme		CC Police Scheme 2006 Scheme		CC Police Scheme 2015 Scheme	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at Start of Year	(203,076)	(242,939)	(1,016)	(1,032)	(1,077,550)	(1,252,680)	(43,560)	(66,710)	(82,060)	(127,770)
Current service cost	(6,206)	(8,148)	0	0	(4,550)	(2,870)	(160)	(120)	(23,950)	(31,020)
Interest cost	(4,648)	(5,318)	(22)	(21)	(23,860)	(24,660)	(980)	(1,330)	(2,170)	(2,920)
Contributions by Scheme Participants	(1,337)	(1,335)	0	0	(840)	(210)	(40)	(20)	(4,970)	(5,820)
Remeasurement gains and (losses):										
- Arising from changes in demographic	0	1,923	0	7	0	0	0	0	0	0
- Arising from changes in financial assumptions	(34,917)	5,445	(81)	11	(123,190)	14,570	(9,720)	1,310	(23,900)	3,210
- Experience gains/(losses)	3,909	(609)	24	(3)	(62,570)	(7,310)	(12,380)	2,110	9,070	(440)
Past service cost	0	0	0	0	0	0	0	0	0	0
Gains/(losses) on curtailment	(53)	(94)	0	0	0	0	0	0	0	0
Benefits Paid/Transfers	3,389	3,785	63	54	39,880	42,800	130	130	210	160
Balance at End of Year	(242,939)	(247,290)	(1,032)	(984)	(1,252,680)	(1,230,360)	(66,710)	(64,630)	(127,770)	(164,600)

The liabilities under the LGPS and Police pension Schemes have reduced during 2021/22. The principal reason for these changes is in relation to changes in financial and experience gain/loss assumptions by the scheme actuaries.

Accounting Policy - Post-Employment Benefits – Measurement of Liabilities

The liabilities of the pension fund are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate (see assumptions set out in C3 on page 73).

Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities.

Annex C – Technical Annex – Pension Disclosures

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

Reconciliation of Scheme Assets	CC LGPS Funded Benefits		CC LGPS Unfunded Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000s	£000s	£000s	£000s
Balance at Start of Year	142,062	170,551	0	0
Interest Income	3,288	3,767	0	0
Remeasurements - Gains and (Losses)	23,572	12,913	0	0
Administration Expenses	(150)	(163)	0	0
Employer Contributions	3,831	3,831	63	54
Contributions by Scheme Participants	1,337	1,335	0	0
Benefits Paid	(3,389)	(3,785)	(63)	(54)
Balance at End of Year	170,551	188,449	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 – Pension Disclosures

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

LGPS Asset Breakdown	Quoted Y/N	CC 2020/21		CC 2021/22	
		£000s	%	£000s	%
Equities					
UK Equity Pooled	Y	15,860	9.30%	9,610	5.10%
Global Equity Pooled	Y	50,313	29.50%	47,866	25.40%
Overseas Equity Pooled	N	0	0.00%	8,669	4.60%
Equity Protection	N	0	0.00%	0	0.00%
Bonds					
UK Government Indexed Pooled	N	29,676	17.40%	31,848	16.90%
Property					
UK	N	9,892	5.80%	11,872	6.30%
Property Funds	N	4,434	2.60%	5,277	2.80%
Alternatives					
Private Equity Funds	N	8,186	4.80%	11,495	6.10%
Infrastructure Funds	N	11,939	7.00%	19,222	10.20%
Real Estate Debt Funds	N	171	0.10%	0	0.00%
Private Debt Funds	N	6,651	3.90%	9,046	4.80%
Healthcare Royalties	N	1,535	0.90%	2,450	1.30%
Multi Asset Credit	N	25,924	15.20%	25,818	13.70%
Cash					
Cash Accounts	Y	5,799	3.40%	5,088	2.70%
Net Current Assets	N	171	0.10%	188	0.10%
		170,551	100.00%	188,449	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 2022. The Police Scheme estimates have been compiled using a valuation model devised by the Government Actuaries Department.

Accounting Policy – Pensions Material Estimation Techniques

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

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

For 2021/22 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 2.65% for Police and 2.80% for LGPS are appropriate.

Annex C – Technical Annex – Pension Disclosures

The principal assumptions used by the actuary have been:

Actuarial Assumptions	LGPS		Police Scheme	
	2020/21	2021/22	2020/21	2021/22
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.7	22.6	22.0	22.1
- Women	25.3	25.3	23.7	23.8
Longevity at 65 for future pensioners:				
- Men	24.3	24.1	23.7	23.8
- Women	27.2	27.1	25.3	25.4
Rate of Inflation (CPI)	2.70%	3.20%	2.40%	3.00%
Rate of increase in salaries	4.20%	4.70%	4.15%	4.75%
Rate of increase in pensions	2.80%	3.30%	2.40%	3.00%
Rate of Revaluation for CARE Pensions	-	-	3.65%	4.25%
Rate for discounting scheme liabilities	2.20%	2.80%	2.00%	2.65%

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

Sensitivity Analysis – LGPS Pension Scheme

Sensitivity Analysis - LGPS	CC		
	Impact on Defined Benefit Obligation £000s	Impact on Projected Service Cost for Next Year £000s	Impact on Projected Interest Cost for Next Year £000s
Local Government Pension Scheme			
Longevity (1 Year increase in life expectancy)	7,185	245	202
Rate of Inflation (increase by 0.1%)	5,458	220	153
Rate of Increase in Salaries (increase by 0.1%)	662	0	19
Rate for Discounting Scheme Liabilities (increase by 0.1%)	(5,341)	(211)	(97)
Change in 2021/22 investment Returns (increase by 1%)	0	0	(53)
Change in 2021/22 investment Returns (reduce by 1%)	0	0	53

Annex C – Technical Annex – Pension Disclosures

Sensitivity Analysis – Police Pension Schemes

Sensitivity Analysis - Police Pensions	Police	CC	Police
	Pensions	Pensions	Pensions
	1987	2006	2015
	Scheme	Scheme	Scheme
	£000s	£000s	£000s
Assumption Sensitivity			
Longevity (1 Year increase in life expectancy)	42,000	2,000	5,000
Rate of Increase in Pensions (increase by 0.5%)	93,000	6,000	30,000
Rate of Increase in Salaries (increase by 0.5%)	8,000	4,000	0
Rate for Discounting Scheme Liabilities (increase by 0.5%)	(103,000)	(10,000)	(26,000)

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

C4 Impact on the Chief Constable's Cash Flows

The objectives of the LGPS scheme are to keep employers' contributions at as constant a rate as possible. The [Chief Constable](#) has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 13 years. Funding levels are monitored on an annual basis. The latest triennial valuation took place during 2019/20 based on the position at 31 March 2019. The revaluation resulted in an increase in contribution rates from 15.4% to 18.4% which took effect from 1 April 2020.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Chief Constable in the year to 31 March 2023 are £4.125m. Expected contributions for the Police Pension Scheme in the year to 31 March 2022 are £15.024m.

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	2020/21	2021/22
	Years	Years
Pensions Scheme		
Local Government Pension Scheme - CC	22	22
Police Pension -1987 Scheme	18	18
Police Pension -2006 Scheme	33	33
Police Pension -2015 Scheme	36	36



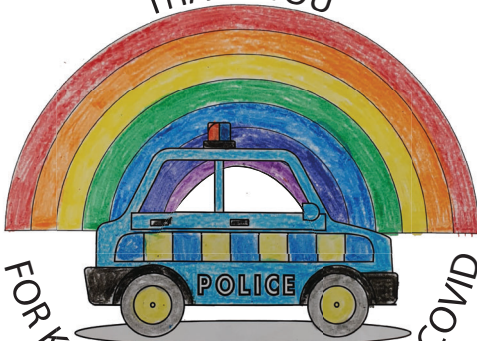
The Chief Constable of Cumbria Constabulary

Annual Governance Statement 2021/22

For the purposes of JAC please see substantive agenda item 17cii. Once finalised, the AGS will be published as part of SoA



THANK YOU



FOR KEEPING US SAFE DURING COVID



Peter McCall

Treasury Management Activities 2021/22 Quarter 4 (January to March 2022) and Annual Report 2021/22

Public Accountability Conference 23 June and JAC Meeting 22 June 2022

Purpose of the Report

The purpose of this paper is to report on the Treasury Management Activities (TMA), which have taken place during the period January to March 2022, in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.

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

Recommendations

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

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

Economic Background

The first three months in 2022 saw:

- **A 0.8% month on month rise in GDP in January which more than reversed December's Omicron-induced 0.2% month on month fall.**

The Chancellor announced some support for households in his Spring Fiscal Statement in March, in the form of tax cuts (reducing fuel duty by 5p a litre and increasing the threshold for employees paying National Insurance by £3,000). Despite the downward revision to the Office for Budget Responsibility's (OBR) real GDP growth forecast for this year and for next year the forecasts still improved and gave the Chancellor a windfall of about £20bn. The package will help to offset about half the blow to household finances from higher energy and food bills but the expected 'squeeze' on households' living standards will be the biggest for over 50 years.

- **A further rise in CPI inflation to a new 30-year high of 6.2% in February.** CPI inflation is expected to have peaked at 9% in April and is forecast to stay above 7.0% for most of 2022 and above 3.0% for most of

2023. The scheduled 54% rise in utility prices on 1st April will have added an extra 1.4ppts to CPI inflation in April. The surge in agricultural commodity prices triggered by the war in Ukraine means that food price inflation is expected to soon climb above 6%.

- **Bank Rate rising by 50bps, taking Bank Rate to the pre-virus and post-Global Financial Crisis high of 0.75%.**

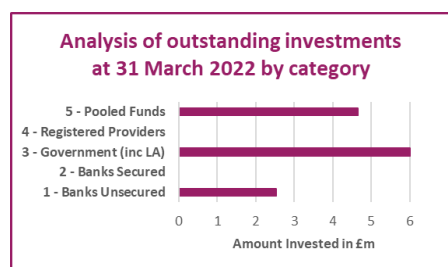
After the Bank of England became the first major western central bank to put interest rates up in this upswing in December, it has quickly followed up its first 0.15% rise by a further two 0.25% rises to 0.75%, in what is very likely to be a series of increases during 2022.

TM Operations and Performance Measures

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

Outstanding Investments: As at 31 March 2022 the total value of investments was **£13.173m** and all were within TMSS limits.

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



A full list of the investments that make up the balance of £13.173m is provided at **Appendix A**.

Investment Activity: During quarter 4 a total of 7 investments with a combined value of £13.3m were made within TM categories 1-3 (banks unsecured, banks secured and Government). In addition to these there were regular smaller investments in category 5 (money market pooled funds).

Non-specified investments: The TMSS sets a limit for investments with a duration of greater than 364 days at the time the investment is made (known as non-specified investments), this limit is £5m. At 31 March the Commissioner had no investments meeting this description.

Investment Income: The base budget for investment interest receivable in 2021/22 was set at £10k based on the interest rate predictions at the time. The budget forecast was revised to £2k in quarter 2 and remained at this level for quarter 3. The actual income achieved against this target was £9k as the market rates rose slowly during quarter 4 in response to the 3 base rate rises, resulting in a rate of 0.75% from 17 March 2022.

The average return on investment during quarter 4 was 0.18%. As a measure of investment performance, the rate achieved on maturing investments of over 3 months in duration would normally be compared with the average BOE base rate for the period of the investment.

However, during the fourth quarter of 2021/22 there were no investments maturing that had been placed for a duration of 3 months or longer.

Interest rates were predicted to rise throughout the quarter and therefore investment durations were kept short to allow the flexibility take advantage of the higher returns as rate increases feed into the market

rates. The majority of fixed term investments in quarter 4 were placed with the Debt Management Office (HM Treasury) as the most secure option but this yielded a low return of between 0.09% and 0.5%.

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

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	60,124	408,898
Days Overdrawn	0	0	0

There were a number of occasions where the bank balance exceeded the target balance of £7.5k as the practice of sweeping smaller balances daily into the liquidity select account was halted in August 2021. The time taken to perform and verify the transfers outweighed the lost interest from holding higher balances in the main fund. Both the main fund and liquidity select account are held at the Commissioners main bank (the NatWest) so there was no change to the risk profile.

There were no instances in the fourth quarter where the account was overdrawn.

Loan Activity: For the first time the Commissioners cash balances towards year end were insufficient to meet its immediate obligations.

A combination of long-term investments, larger than predicted payment runs and large lump sum retirement payments at year end meant that the Commissioner had to access the short-term local authority borrowing market. Full details of the

loans for financial year 2021/22 can be found in **Appendix B**. The loans were fully repaid early in April 2022.

Prudential Indicators

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

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

An analysis of the current position with regard to those prudential indicators for the financial year 2021/22 is provided at **Appendix C**. The analysis confirms that the Prudential Indicators set for 2021/22 have all been complied with.

Annual Report on Treasury Management Operations 2021/22

Treasury Strategy: In February 2021 the Commissioner approved the 2021/22 Treasury Management Strategy Statement (TMSS). The TMSS incorporated the investment and borrowing strategies for the 2021/22 financial year. The investment strategy approved for 2021/22 was largely the same as had been adopted for the previous year. The limits for each category of investment were based on the relative security of each class of financial institution and a percentage of the estimated balances, which would be available for investment during the year.

In relation to borrowing, the Commissioner has an underlying need to borrow funds to finance the capital programme, which is measured by the Capital Financing requirement (CFR).

The CFR at the start of 2021/22 amounted to £21.603m (including £4.403m relating to the PFI agreement for West Cumbria TPA HQ in Workington) leaving a £17.200m exposure to external borrowing at some time in the future, which is presently being covered by the use of internal funds (reserves).

The closing CFR for 2021/22 is £22.107m, of which £4.197m relates to the PFI thereby leaving a £17.910m exposure to the requirement to undertake external borrowing at some point.

During 2021/22 the Commissioner has maintained this strategy of using cash balances, arising primarily from reserves, to meet the cash flow commitments and was not therefore compelled to borrow.

Although long term borrowing rates remained relatively low during

2021/22, a conscious decision was made to defer long term financing decisions as the short term cost of carrying debt (i.e. the differential between the borrowing rate estimated at 3.33% for 20 years fixed rate and the rate of 1.93% available as when such funding was invested for 1 year), as this would have had an adverse effect on the revenue budget for the year and the immediate outlook period.

The provision of treasury management advice services is through a contract with Link Asset Services Ltd.

The Commissioner, in consultation with the treasury advisors continues to look for the most opportune time to undertake any longer term borrowing to fund the capital financing requirement.

Key Statistics

Principal:

Number of investments placed during 2021/22 was **123** (247 in 2020/21).

Value of investments placed during 2021/22 was **£133.937m** (£131.852m in 2020/21).

Of these investments made, 75 were to external counterparties and as such will have attracted a £10 transfer fee per transaction. The transfer to the NatWest Liquidity Select account for overnight money is classed as an inter-account transfer' as the NatWest holds the Commissioner's main bank account. This type of transfer is free although we do pay a small fee to access the internet banking site.

The **average** daily investment balance during 2021/22 was **£19.661m** (£18.56m in 2020/21).

The **highest** daily investment balance in 2021/22 was **£34.171m** (£30.08m in 2020/21)

The **lowest** daily investment balance in 2021/22 was **£5.873m** (£4.24m in 2020/21).

A detailed breakdown of the closing balance invested as at 31 March 2022 is provided at **Appendix A**.

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

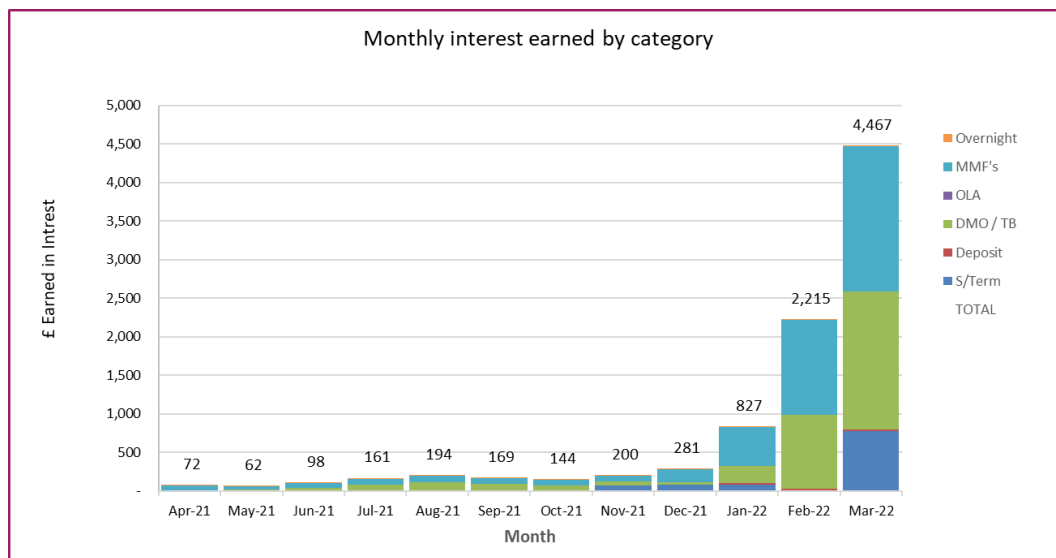


This chart illustrates the monthly average amounts invested during 2021/22 (with monthly comparatives for 2020/21).

Key Statistics

Interest:

A total of £9k was earned in 2021/22 (£15k in 2020/21) from the Commissioner’s treasury management activities and can be broken down as follows:



This chart illustrates the monthly interest receipts during 2021/22 – by category of investment

The average return on investments for 2021/22 was 0.05% (0.08% in 2020/21). The base rate started the year at 0.1% and was increased 3 times towards the end of the financial year as follows:

Base Rate Changes		
Date	INC/(DEC)	Rate
17/03/2022	0.25%	0.75%
03/02/2022	0.25%	0.50%
16/12/2021	0.15%	0.25%
01/04/2021		0.10%

The table above shows the outturn on investment interest as £9k for 2021/22 which is £1k below the base budget of £10k. The base budget was set during the global pandemic when interest rates were at their lowest (even negative in some cases) and fluctuating on a daily basis. Up to and including the quarter 3 report it was expected that interest receipts would be around £2k and only in the last quarter after the base rate increases filtered into market rates did the interest received rise above the estimate.

Whilst trying to find secure investments for the Commissioners surplus’s there were unfortunately two occasions when investments with the Debt Management Office received no interest and one occasion where the rate was negative -0.01%, costing the Commissioner £42.

The interest rates are predicted to rise again so despite the rate increases in quarter 4 the investments have been kept to shorter durations to allow us to take advantage.

Treasury Operations - Investments:

As discussed above the aim of the Treasury Management Strategy is to invest surplus cash and minimise the level of un-invested cash balances, whilst limiting risks to the Commissioner’s funds.

From August 2021 the process of transferring smaller balances to/from the NatWest Liquidity Select account each day was suspended and instead those balances were retained in the Commissioners main fund also at NatWest. The administration behind those smaller transfers outweighed the interest that was being earned. As both accounts are held with NatWest there is no change to security of the funds. The general pattern of the weekly cashflow is that the balance in the bank account builds slightly throughout the week before reducing on a Friday when the supplier payment run leaves the bank meaning that minimal funds are left in the account over the weekend. When analysing the cash flow balances for 1 August to 31 March 22 there potentially could have made an extra £3 in interest earned by not changing practices,

but we have saved approximately £540 in staff time (assuming a conservative 15 mins per day).

Although in cashable terms this is small the non-cashable benefits to the finance team are much greater.

Actual un-invested balances for 2021/22 for the Commissioner’s main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
2021/22			
Days In Credit	365	35,057	408,898
Days Overdrawn	0	0	0

The largest credit balance occurred during quarter 4, occurring during the week commencing 17th January 2022. This was as a result of a number of receipts but mainly the VAT return receipt of £235k and a large payment of £90k from another Police Commissioner in respect of invoices owed.

The new process of leaving higher balances in the main fund means that the Commissioner’s account was never overdrawn during 2021/22. The faster cheque clearing regime that made it difficult to predict if cheques would clear on the same day or they will

clear in one day or two is no longer a problem as we have the funds available.

Treasury Operations – Borrowing:

During quarter 4 the Commissioner utilised the existing arrangements of Local Authority to Local Authority borrowing to meet a short term cashflow shortfall.

As demonstrated in the graph on page 5 it is normal to see the cash balances fall towards the financial year. The remaining cash was invested in fixed duration deposits and liquid money market funds. The weekly creditor payment processes towards the end of the financial year were larger than the weekly average coupled with a few police pension retirement lump sums failing due which led to the short term cashflow deficit. Full details of the loans can be found in **Appendix B.**

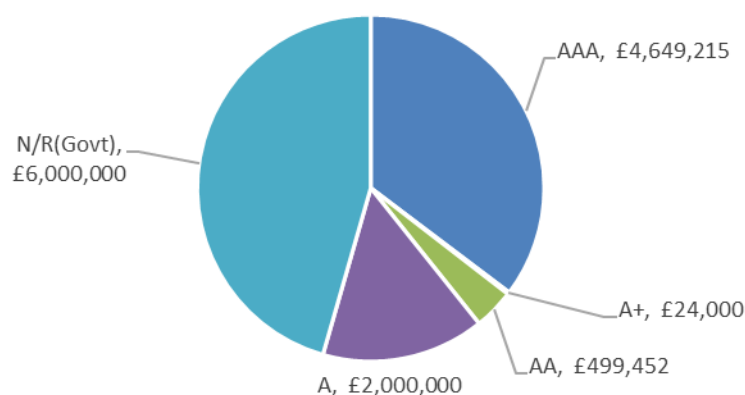
Compliance with Prudential Indicators

All treasury related Prudential Indicators for 2021/22, which were set in February 2021 as part of the annual Statement of Treasury Management Strategy, have been complied with. Further details can be found at **Appendix C.**

Appendix A Investment Balance at 31 March 2022

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Svenska (Deposit Acc)	AA	Various	On Demand	N/A	0.05%	499,452	499,452
Nationwide	A	07/03/2022	31/05/2022	O/N	0.59%	2,000,000	2,000,000
NatWest (Liquidity Select Acc)	A+	31/03/2022	01/04/2022	O/N	0.01%	24,000	24,000
						2,523,452	2,523,452
Category 2 - Banks Secured (Includes Banks & Building Societies)							
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Debt Management Office	Gov	10/01/2022	22/04/2022	22	0.110%	2,000,000	2,000,000
Debt Management Office	Gov	25/02/2022	29/04/2022	29	0.440%	2,000,000	2,000,000
Debt Management Office	Gov	07/03/2022	20/05/2022	50	0.540%	2,000,000	2,000,000
						0	0
						6,000,000	6,000,000
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
						0	0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Invesco	AAA	Various	On demand	O/N	0.355%	280,000	280,000
BlackRock	AAA	Various	On demand	O/N	0.158%	0	0
Fidelity	AAA	Various	On demand	O/N	0.397%	1,749,215	1,749,215
Goldman Sachs	AAA	Various	On demand	O/N	0.443%	1,620,000	1,620,000
Aberdeen Standard	AAA	Various	On demand	O/N	0.381%	1,000,000	1,000,000
						4,649,215	4,649,215
						13,172,667	13,172,667
Total						13,172,667	13,172,667

Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 March 2022



Note – The credit ratings in the table & chart relate to the standing as at 31 March 2022, these ratings are constantly subject to change.

Appendix B

Loans Outstanding at 31 March 2022

Loan Institution	Broker	Borrowing Date	Repayment Date	Days to Repayment	Rate (%)	Interest Amount (£)	Broker Fee (£)	Counterparty Total (£)
Category 3 - Government (Includes HM Treasury and Other Local Authorities)								
Blaenau Gwent County Borough	King and Shaxson	29/03/2022	14/04/2022	14	0.62%	815	53	3,000,000
South Somerset District Council	Arlingclose - iDealTrade	30/03/2022	11/04/2022	11	0.61%	602	30	3,000,000
Total						1,417	82	6,000,000

Appendix C

Prudential Indicators 2021/22

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
<p>The Authorised Limit <i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section 3(1) of the local government Act 2003.</i></p>	<p>TEST - Is current external borrowing within the approved limit</p>	YES		<p>Ratio of Financing Costs to Net Revenue Stream <i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs</i></p>	<p>TEST - Is the ratio of capital expenditure funded by revenue within planned limits</p>	YES	
<p>The Operational Boundary <i>The operational boundary represents and estimate of the most likely but not worst case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i></p>	<p>TEST - Is current external borrowing within the approved limit</p>	YES		<p>Net Borrowing and the Capital Financing Requirement <i>This indicator is to ensure that net borrowing will only be for capital purposes. The commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.</i></p>	<p>TEST - Is net debt less than the capital financing requirement</p>	YES	
<p>Actual External Debt <i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing.</i></p>	<p>TEST - Is the external debt within the Authorised limit and operational boundary</p>	YES		<p>Capital Expenditure and Capital financing <i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2021/22</i></p>	<p>TEST - Is the current capital outturn within planned limits</p>	YES	
<p>Gross and Net Debt <i>The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.</i></p>	<p>TEST - Is the PCC planning to borrow in advance of need</p>	NO		<p>Capital Financing Requirement <i>The CFR is a measure of the extent to which the commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i></p>	<p>TEST - Is the capital financing requirement within planned limits</p>	YES	
<p>Maturity Structure of Borrowing <i>The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i></p>	<p>TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time</p>	NO					
<p>Upper Limit for total principal sums invested for over 365 Days <i>The purpose of this indicator is to ensure that the commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i></p>	<p>TEST - Is the value of long term investments within the approved limit</p>	YES					