

# JOINT AUDIT ADVISORY COMMITTEE



**Date:** Thursday 29<sup>th</sup> July 2021  
**Time:** 13:00  
**Venue:** Virtual Meeting via MS Teams

Any member of the public who wishes to observe this meeting is asked to register their interest by midday on Tuesday 27<sup>th</sup> July 2021 via email [police.crime.commissioner@cheshire.pnn.police.uk](mailto:police.crime.commissioner@cheshire.pnn.police.uk). A link to enable access to the meeting and joining instructions will then be provided to all attendees in advance of the meeting.

## AGENDA

<i>Part 1 - Public Items</i>		<i>Contact</i>	<i>Page</i>
<b>1</b>	<b>MINUTES OF THE JOINT AUDIT ADVISORY COMMITTEE</b> To approve the minutes of the Audit Advisory Committee held on 24 <sup>th</sup> February 2021.	<i>P Bearpark</i>	<i>3</i>
<b>2</b>	<b>MATTERS ARISING FROM PREVIOUS JAAC MEETINGS</b>	<i>P Bearpark</i>	<i>-</i>
<b>3</b>	<b>POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE UPDATE</b>	<i>J Dwyer M Roberts</i>	<i>-</i>
<b>4</b>	<b>STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT</b> To consider the attached report from the Head of Finance and the OPCC Director of Finance	<i>W Bebbington C Hodgson</i>	<i>8</i>
<b>5</b>	<b>EXTERNAL AUDIT PLAN</b> To consider the attached audit plan from the External Auditors	<i>Grant Thornton</i>	<i>115</i>
<b>6</b>	<b>INFORMING THE AUDIT RISK ASSESSMENT</b> To consider the attached report from the External Auditors	<i>Grant Thornton</i>	<i>138</i>
<b>7</b>	<b>INTERNAL AUDIT:</b> (a) <b>Final Annual Internal Audit Plan</b> (b) <b>Internal Audit Follow Up Report</b> (c) <b>Internal Audit Progress Report</b> (d) <b>Head of Internal Audit Opinion and Annual Report</b> (e) <b>Terms of Reference – Covid-19 Review</b> (f) <b>Terms of Reference – NW Motorway Policing Group</b> (g) <b>NFI Briefing Note – Data Matches</b> To consider the attached reports from the Internal Auditor.	<i>A Harrop</i>	<i>164</i>
<b>8</b>	<b>JOINT STRATEGIC RISK REGISTER</b> To consider the attached report by the Chief Constable	<i>L Willis</i>	<i>214</i>
<b>9</b>	<b>SERVICE ASSURANCE PLAN 2020/21</b> To consider the attached report by the Chief Constable	<i>L Willis</i>	<i>215</i>
<b>10</b>	<b>SERVICE ASSURANCE PLAN 2021/22</b> To consider the attached report by the Chief Constable	<i>L Willis</i>	<i>222</i>
<b>11</b>	<b>JAAC MEMBER SINGLE POINT OF CONTACT ROLES</b>	<i>P Bearpark</i>	<i>-</i>

To discuss Single Point of Contact Roles for 2021/22

- |           |   |                   |            |
|-----------|---|-------------------|------------|
| <b>12</b> | <b>JAAC FORWARD PLAN REVIEW</b><br>To discuss the attached forward plan | <i>P Bearpark</i> | <b>228</b> |
| <b>13</b> | <b>ANY OTHER BUSINESS</b>   | <i>P Bearpark</i> | <b>-</b>   |

**For further information about this Agenda, please contact:-  
Clare Hodgson on 01606 364000 or Mandy Guest on 01606 365036**



## MINUTES OF THE JOINT AUDIT ADVISORY COMMITTEE HELD ON 24 FEBRUARY 2021 – VIRTUAL MEETING

*Present:* D Gilbert (Chair), P Bearpark, J Pearsall, A Snape

D Keane, Police & Crime Commissioner  
D Martland, Chief Constable

*Office of the Police & Crime Commissioner:*

P Astley, Chief of Staff  
C Evans, Operational Support Officer

*Cheshire Constabulary:*

J Gill, Assistant Chief Officer  
W Bebbington, Head of Finance  
P Woods, Head of Planning and Performance  
D Bryan, Head of Legal Services

*Internal Audit*

A Harrop, Assistant Director (Mersey Internal Audit Agency)

*External Audit*

M Green, Director (Grant Thornton)  
L Luddington (Grant Thornton)

*Apologies:* L Willis, Planning, Performance & Risk Manager  
C Hodgson, Director of Finance

One member of the public was in attendance to observe the meeting.

### **Part 1 - Public Items**

The Chair welcomed attendees to the meeting and gave the Committee's thanks to colleagues in the Constabulary and OPCC for keeping the public safe. The Committee are grateful for the service given by the Constabulary during lockdown. The Chief Constable thanked the Committee, their comments are really appreciated, and assurance was given that the Committee's comments will be mentioned in the weekly bulletin cascaded to the force.

#### **1. Minutes of the Audit Advisory Committee**

1.1 The minutes from the JAAC meeting of 25<sup>th</sup> November 2020 were approved by the Committee.

#### **2. Matters Arising**

2.1 The Chair explained that an update is needed to his declaration of interest form, this will be completed ahead of the next meeting.

2.2 The Chief Constable and Commissioner confirmed the sending of emails to confirm their approval of their names to be present on the accounts.

**Action:** Annual report to be uploaded and working link to be sent to audit committee members.

### **3. Police and Crime Commissioner and Chief Constable Update**

- 3.1 The Chief Constable provided a detailed update on operational occurrences and the Constabulary's ongoing response to Covid-19. The Chief Constable confirmed the number of calls received had reduced and there is ongoing work regarding the issuing of fixed penalty notices and assurance is provided that these are being issued appropriately. The Chief Constable explained there has been a number of protests and throughout the pandemic force has remained resilient.
- 3.2 The Chief Constable provided reassurance that there has been a focus on domestic abuse projects and ground-breaking work with vulnerable people and supporting organisations.
- 3.3 The Chief Constable provided a detailed update on various operations. A detailed update on ongoing Crown Court cases and the backlogs was also provided.
- 3.4 The Commissioner highlighted his thanks for doing a brilliant job in difficult times. The Commissioner highlighted the concern that front line police officers and staff are not on the Covid-19 vaccination schedule.
- 3.5 The Commissioner confirmed that the budget has been agreed for 2021-2022 for Cheshire Police and the precept increase has been approved with a majority decision from the Police and Crime Panel.
- 3.6 The Commissioner confirmed that the penultimate scrutiny meeting of the Chief Constable will be taking place next week regarding financial commitments for this year to be signed off ahead of the financial year.
- 3.7 The Commissioner provided a detailed update regarding public management board and scrutiny meetings. Public scrutiny meetings are being held on a monthly basis rather than on a quarterly basis.
- 3.8 The Chief Constable provided an update on the sickness level in the Constabulary throughout the duration of the Covid-19 pandemic. The response of officers, staff and the Special Constabulary has been admirable to protect the public.
- 3.9 The Commissioner highlighted the scrutiny of sickness and absence levels with the challenge to bring them down the national average level. This has been achieved in half the time frame provided as a result of persistent work and the 'We Care' principles. A marked improvement in welfare has been realised in the past 2 years.

### **4. External Audit Joint Annual Audit Letters**

- 4.1 External Audit explained that the Annual Audit Letter will be replaced with an Auditors Annual Report. External Audit provided a comprehensive explanation and update on details outlined in the Annual Audit Letter 2019-2020.
- 4.2 The emphasis regarding valuations is a standard paragraph that will be present in all public sector audit reports.
- 4.3 External Audit confirmed that if consultation is not conducted, the decision regarding net pension will be updated by the scheme actuaries. This will be subject to audit and will be present in the final accounts. The fee variations are standard charges and are currently with public sector audit appointments for formal approval. A number of categories are re-current variations due the focus that regulators have put on the areas since the original fees were set.
- 4.4 External Audit explained that the amount of work external audit conducts is increasing with 5 external audit suppliers present in the market. Audit firms nationally are experiencing a deficiency in available resource due to the nature of audit. Grant Thornton are confident that they can deliver the requirements and obligations despite the challenges.

**Action:** Director of Finance and Head of Finance to discuss the potential for External Audit capacity to be placed on the risk register.

### **5. External Audit General Update Paper**

- 5.1 External Audit provided an update on the latest sector news and the planning process of the upcoming timetable for the coming financial year.

## **6. Internal Audit**

### **6a MIAA PROGRESS REPORT**

6a. 1. Internal Audit provided a detailed explanation of the progress report on compliance with public sector internal audit standards and quality assurance work completed. Internal Audit detailed the time frame of upcoming reports and it was confirmed that there are no concerns regarding delivery of internal audit reports and head of audit opinion. It was confirmed that the process worked well with a file- sharing agreement and external feedback on ways of working was provided.

### **6b MIAA Follow Up Report**

6b. 1. No questions were raised in relation to this report.

### **6c Cheshire Police Financial Systems Final Report**

6c. 1. Internal Audit expanded on the aged debt section of the report with the follow up of outstanding debt. The Head of Finance confirmed that debt is reported in quarterly management board meetings with a lot of debt linked to public sector bodies. Once you remove the public sector debt, the level of debt is consistent but not material.

6c. 2. The Head of Finance provided assurance of the journal procedures in place.

### **6d CPCC Risk Management Audit Final Report**

6d. 1. No questions were raised in relation to this report.

### **6e Performance Management, LPU Final Report**

6e. 1. No questions were raised in relation to this report.

### **6f Draft Internal Audit Plan 2021-22**

6f. 1. Internal Audit provided a detailed explanation of the first draft of the internal audit plan. Discussion and review of the Draft Audit Plan 2021-22 occurred.

6f. 2. The Head of Finance confirmed that the procurement is joint between the Constabulary, OPCC and Cheshire Fire Authority and will be reviewed as part of contract management processes in a timely manner with handover protocols in place should any change be made.

<b>Action:</b> The Head of Finance to provide an update on the contract management process for the Internal Audit provider.
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## **7. JAAC Effectiveness Survey**

7.1 Internal Audit provided explanation of the process conducted when sending out the survey. 7 responses were received in total with any areas of no evidence or mixed experience highlighted are areas of focus for the committee.

7.2 The Chair confirmed that there are a number of occasions when the committee meet and this will be picked up outside of the JAAC meeting with a look to address areas of concern.

## **8. Joint Strategic Risk Register**

8.1 The Head of Planning and Performance confirmed that there is nothing further to report, this is to be covered in part 2.

## **9. Service Assurance Plan**

9.1 The Head of Planning and Performance provided a summary of the details of areas highlighted in the Service Assurance Plan.

- 9.2 The Collaborations and Partnership Audit has been moved and replaced with different urgent audit work. This will be reflected and updated in the Service Assurance Plan.
- 9.3 The Head of Planning and Performance confirmed that the audit on Body Worn video has been moved into next year as further work is being conducted. The Head of Planning and Performance confirmed that there has been a roll out and the Constabulary has conducted a post-implementation review. The Chief Constable confirmed that a couple of minor issues have been encountered and a simple narrative with practical examples will be provided in the future.
- 9.4 The Head of Planning and Performance confirmed that the figure for Taser downloads has now been updated to demonstrate 100%.

## **10. 2021-22 Budget and 2021-24 MTFS**

- 10.1 The Head of Finance provided a comprehensive description of the budget and 2021-24 MTFS. Included in the reports are the government's 3 expectations for 2021-22.
- 10.2 The Head of Finance provided a detailed description of table 1 on page 127. A slight modification is to be made to the figure relating to collection funds with Halton Borough Council and Cheshire West and Chester providing an additional £7,000 income.
- 10.3 The Head of Finance explained the financial scenario for the medium term financial strategy. Annual single year settlements have been received from the government, for 2021-22 a single year settlement is to be received.
- 10.4 The Head of Finance confirmed that the decision to increase the precept amount was agreed in January management board and presented to the Police and Crime Panel and set at £15 for a Band D household.
- 10.5 The Head of Finance confirmed that there is an investment in futures figure is estimated and the final figure will be dependent on a procurement process.
- 10.6 The Head of Finance confirmed the reduction in reserves is a planned investment as the Constabulary have been building up an ESN reserve with the process moving away from airwaves to ESN.
- 10.7 The Head of Finance highlighted the treasury management strategy to fund the capital program. The borrowing is allocated to those assets which have longer lives and repayments affordably built in to the medium term strategy and 2021 budget.
- 10.8 The Head of Finance confirmed that the Estates Strategy has been delayed and any major projects will be brought before the Commissioner as a full business case. The Estates strategy will ensure that all opportunities regarding estates will be explored and reviewed overall with a focus on Wilmslow and a number of further options within police estates.
- 10.9 The Committee note the budget report and medium term strategy.

## **11. Collaborations**

- 11.1 The Head of Planning and Performance confirmed that this piece of work stemmed from a recommendation from internal audit and will be detailed in part 2.

## **12. BRIEFING ON REDMOND REVIEW**

- 12.1 The Head of Finance provided a detailed explanation of the briefing paper. A draft set of accounts will be provided at the end of May 2021.

## **13. AAC FORWARD PLAN REVIEW**

- 13.1 The Committee requested dates for future meetings to be agreed and confirmed in the diary.
- 13.2 The Committee confirmed that terms of reference are due to be reviewed and present on the forward plan.
- 13.3 The Committee requested that the review of internal audit is to be planned into the forward plan.

**Action:** The Head of Finance to confirm future dates with the Chief of Staff.

## **14. ANY OTHER BUSINESS**

- 14.1 The Chair, Commissioner, Chief and Chief of Staff provided their thanks to committee member John Pearsall and would like to wish him well in future retirement from JAAC.
- 14.2 No other business was raised by attendees.

*Duration of meeting: The meeting commenced at 13:30 and finished at 15:45.*



**POLICE & CRIME COMMISSIONER  
FOR CHESHIRE AND GROUP  
STATEMENT OF ACCOUNTS  
2020/21**

# STATEMENT OF ACCOUNTS 2020/21

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# NARRATIVE REPORT

## Introduction

Welcome to the 2020/21 Statement of Accounts for Cheshire Police.

On 31 January 2020 the Commissioner set a gross revenue budget of £229.2m (£195.6m net) funded by government grants and the police share of council tax (known as the precept). He also approved a programme of capital investment totalling £7.6m for 2020/21.

This budget provided funding to support the delivery of the Commissioner's Police and Crime Plan together with meeting the obligations of the national Strategic Policing Requirement. Further details of 2020/21 financial performance, expenditure and financing are provided in these accounts.

## Group Accounts

Under the Police Reform and Social Responsibility Act 2011, the roles of Commissioner and Chief Constable became Corporations Sole (separate legal entities) and required individual Statement of Accounts. However, the Act also recognises that the Chief Constable is a wholly owned subsidiary of the Commissioner and proper accounting practices require group accounts to be produced. These accounts include both the group accounts and the Commissioner's accounts.

Any interactions between the Commissioner and the Chief Constable are removed from the group accounts in accordance with the Accounts and Audit Regulations and consolidated on a line-by-line basis. Further details are included in Note 4.

## Primary Statements

The Primary Statements within the Statement of Accounts include the Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet; and Cashflow Statement. These Primary Statements are complimented by an Expenditure and Funding Analysis note.

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Commissioner, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to calculate the amounts chargeable to council tax for the year. This Statement has a strong link to the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis note.

The Comprehensive Income and Expenditure Statement shows the cost for the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It essentially captures the inflow and outflow of resources for the financial year up to 31 March, which have been received or incurred as part of the ordinary activities of the Commissioner and Constabulary. The main figure to understand from this Statement is the Surplus/Deficit on Provision of Services for which there was a deficit of £58.1m in the Group Accounts. This deficit is due to including within this statement a number of accounting entries that are not cash based and are explained in more detail within the Expenditure and Funding Analysis note. The most significant of these accounting entries relates to recognising the actuarial cost of pensions in the year which totals around £56.3m for 2020/21. This is explained further in note 33 to these accounts. Without these accounting entries, the overall outturn position shows an underspend of £0.8m (0.4% of budget).

The Balance Sheet is a statement showing the Commissioner's assets and liabilities i.e. what is owned and what is owed as at 31 March. The net impact of this is funded by Reserves, which is the residual interest in the assets of the Commissioner after deducting all of the liabilities. The 'net worth' is calculated by deducting total liabilities from total assets. In the Group Accounts this was £2.489m as at 31 March 2021 (£2.142m 31 March 2020). The change in the net asset liability is largely due to all of the financial and non-financial assumptions used by the actuaries calculating pension liabilities and assets, for example mortality rates, inflation and legislative changes.

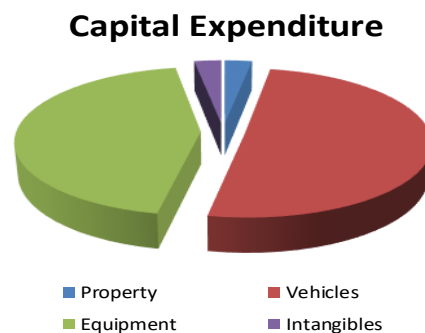
The final Primary Statement is the Cashflow Statement. This shows the changes in cash and cash equivalents of the Commissioner during the financial year. The statement shows how the Commissioner generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount 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 provided by the Commissioner. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Constabulary's service delivery. Cashflows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Commissioner.

## Financial Position as at 31 March 2021

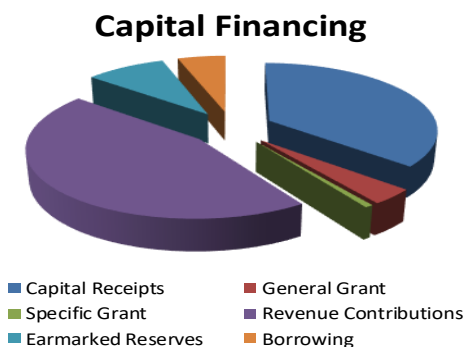
### Capital Expenditure and Financing

In 2020/21 capital investment in new technology, fleet replacement, estate management and equipment was identified in the approved Budget Report which required funding of £7.6m. The programme was reviewed, amended and changes approved throughout the year as necessary with the year-end position shown below together with details of how this was funded.

<u>Capital Expenditure</u>	<b>£000</b>	
Property	125	2.7%
Vehicles	2,320	50.4%
Equipment	2,038	44.2%
Intangibles	124	2.7%
	<b>4,607</b>	<b>100.0%</b>



<u>Capital Financing</u>	<b>£000</b>	
Capital Receipts	1,670	36.2%
General Grant	173	3.7%
Specific Grant	32	0.7%
Revenue Contributions	2,081	45.2%
Earmarked Reserves	408	8.9%
Borrowing	243	5.3%
Total	<b>4,607</b>	<b>100.0%</b>



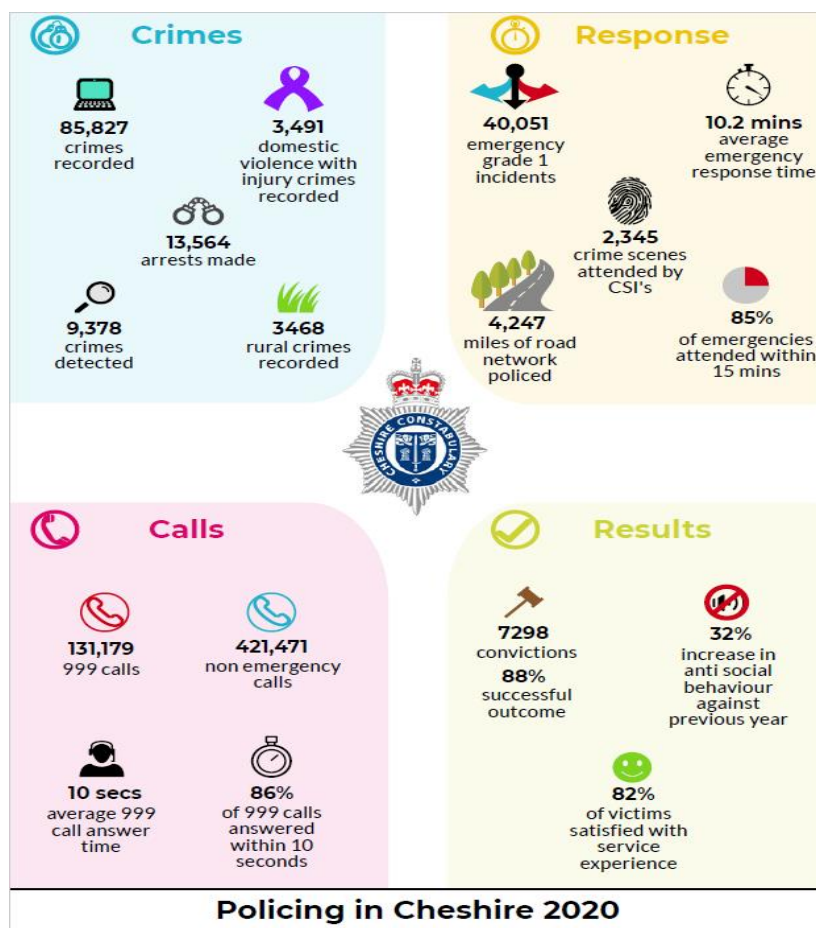
## Financial Performance

The provisional 2020/21 outturn shows an underspend of £0.8m after taking into account £2.6m of approved carry-forward commitments into 2021/22 due to much of 2020/21 being blighted by the corona virus pandemic which has significantly impacted on the delivery of projects and plans. The following table shows the detail of this underspend against the service headings which are explained in full within the Outturn Report presented to the Joint Management Board in July 2021 – please see Commissioner’s website.

	Full Year	Outturn	Carry	Total	Outturn Variance	
	Budget	Actual	Forwards	Outturn	£000	%
	£000	£000	£000	£000	£000	%
Police Pay	108,125	108,078	0	108,078	(48)	(0%)
Overtime	2,677	2,821	0	2,821	144	5%
Local Policing	17,542	17,830	137	17,967	426	2%
Investigations	15,795	14,929	174	15,103	(692)	(4%)
Centrally Delivered Services	5,491	4,968	180	5,148	(343)	(6%)
Business Services	35,903	34,622	932	35,554	(349)	(1%)
Collaborations	11,315	11,191	0	11,191	(125)	(1%)
Contingency	245	0	0	0	(245)	(100%)
Covid Pressures Grant received 25/3/21	0	(872)	872	0	0	
Corporate Costs	(3,528)	(3,095)	0	(3,095)	433	(12%)
<b>Total Constabulary Costs</b>	<b>193,565</b>	<b>190,473</b>	<b>2,295</b>	<b>192,768</b>	<b>(798)</b>	<b>(0%)</b>
Office of the Police & Crime Commissioner	715	675	0	675	(40)	(6%)
Commissioning	1,339	1,072	267	1,339	(0)	(0%)
<b>OPCC Total</b>	<b>2,054</b>	<b>1,747</b>	<b>267</b>	<b>2,014</b>	<b>(40)</b>	<b>(2%)</b>
<b>Total Service Costs</b>	<b>195,620</b>	<b>192,219</b>	<b>2,562</b>	<b>194,781</b>	<b>(838)</b>	<b>(0%)</b>

## Non-Financial Indicators

The Commissioner holds the Chief Constable to account for their performance. Details are published on the Commissioner’s website with the latest details at time of preparing the accounts shown below.



## Review of 2020/21

### Special Constabulary volunteer more than 62,000 hours in 2020

The Special Constabulary contributed a massive 62,676 hours to help keep Cheshire safe through an unprecedented year. This is an increase of 14 per cent from the previous year, a huge achievement given the uncertainty and challenges of the global pandemic. The number of special constables who achieved Independent Patrol Status increased by around 10 per cent, another fantastic achievement given the restrictions and challenges faced this year. The Special Constabulary also led Op Business, which supported businesses during the first national lockdown. This was a great initiative that received well deserved national recognition.



Assistant Chief Constable Jenny Sims said: "I want to express a huge thank you to the Special Constabulary for their outstanding dedication and commitment during such an unprecedented year"

"It was extremely challenging and every special constable who has given up their time to assist night or day has provided real value to policing in Cheshire. On behalf of us all at the force, thank you for all that you are doing to make Cheshire even safer, we are extremely grateful."

### Force supports Domestic Abuse schemes

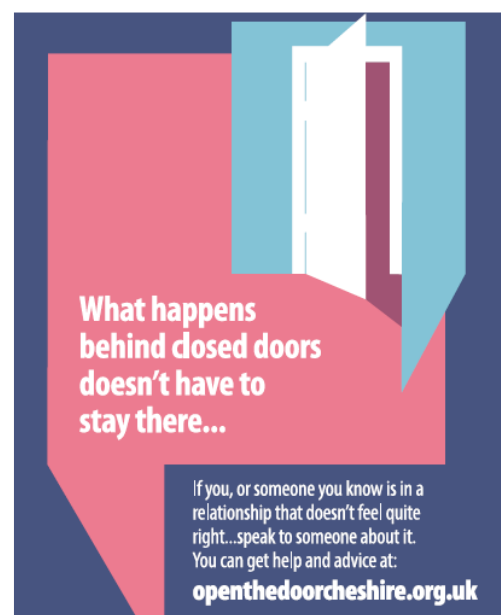
Cheshire Constabulary has a robust approach to tackling domestic abuse. We are integral to the Cheshire-wide Open The Door campaign, instigated the 'You are not alone' initiative in stores at the start of lockdown back in March, hosted live weekly domestic abuse web chats on Facebook and, most importantly, as a Constabulary, we are continually looking to improve and develop how we engage with victims, families and perpetrators.

The Open the Door campaign aims to raise awareness of the issue whilst showing people how to recognise the signs, know what to do and have the confidence to take action. You can find out how to access local domestic abuse services in your area by visiting <https://www.openthedoorcheshire.org.uk/>

If you need support and advice, you can also call Cheshire Police on 101 or the National Domestic Abuse Helpline on 0808 2000 247. In an emergency, where there is a threat to life or a crime is taking place, please call 999.

We are also supporting the Home Office campaign 'Ask for Ani' domestic abuse codeword scheme which launched in January 2021 and is running in participating pharmacies. Victims are able to use the codeword ANI (Assistance Needed Immediately) in pharmacies to let staff know that they require an emergency police response or help contacting a helpline or specialist support service. Those businesses taking part display posters advising that their staff will be able to assist victims by calling the police on hearing the codeword.

Cheshire Constabulary would like to reassure anyone who is suffering domestic abuse that we are here to support them and would urge them to take this opportunity to make that call for help – either to the police or to their local authority domestic abuse support services.



### Targeting organised crime continues to be one of the force's top priorities

Targeting organised crime groups who exploit children, vulnerable adults and destroy local communities continues to be one of our top priorities. In the last 12 months the force has undertaken numerous operations in a bid to disrupt criminals who run drug networks known as 'county lines'. It has also adopted an approach that sees specialist officers identifying and engaging with individuals who are targeted by organised crime groups.



Cheshire Police's Head of Crime said "A lot of our work comes from information and intelligence from the local community. One small piece of information can lead to detectives facilitating operations that bring down an entire organised crime group. The operations can be lengthy but the results and positive impact it has on the community are worth it. We need the public to keep supporting us by continuing to report information as well as familiarising and understanding the signs to look out for that could disrupt this criminality but also prevent and protect a child or vulnerable adult from being targeted. "The police, public and local authorities are already making Cheshire a much safer place to live and work and we will continue to do that."

John Dwyer, Police and Crime Commissioner for Cheshire, added: "Serious and organised crime can blight our communities with county lines drug activity targeting those who are most vulnerable. Cheshire Police's work over recent years has made Cheshire a very difficult place for organised crime groups to operate. I would like to see the force continue this good work and I will be highlighting the need to tackle these types of offences in my new Police and Crime Plan in order to make our communities safer. I am also committed to funding crime prevention activities to prevent vulnerable young people and adults engaging in county lines activity."

If you have information relating to serious and organised crime taking place in your community please contact Crimestoppers anonymously on 0800 555 111 or Cheshire Police by calling 101.



### New Chief Constable confirmed in post

Mark Roberts was confirmed as Cheshire Constabulary's new Chief Constable in March 2021, following a confirmation hearing by Cheshire's Police and Crime Panel.



Mr Roberts said: "I am proud to be confirmed as the next Chief Constable of Cheshire Constabulary and look forward to working with its officers and staff, the Police and Crime Commissioner and local partners to deliver an outstanding service to all our communities in Cheshire. Having previously served in Cheshire as an Assistant Chief Constable, I know that we have a great team, who genuinely care and are committed to public service. The force is already performing well and my role is to build on the work of the previous Chief Constable Darren Martland and the team to provide our people with the support and leadership that will take us to the forefront of UK policing. I am determined to bring my previous experience to bear for the benefit of the Constabulary so that we can continue to keep Cheshire a safe place for the public and a bad place to be a criminal."

## Future Developments

In January 2021, the previous Commissioner set a gross revenue budget of £242.2m (net £207.8m), together with a capital investment programme of £9.4m. In May 2021 Police and Crime Commissioner (PCC) elections took place and John Dwyer was duly elected as the new Cheshire PCC.

The new PCC will produce his Police and Crime Plan which will set out his priorities for the forthcoming year.

## Coronavirus (Covid-19)

The Coronavirus situation has brought about an unprecedented public health emergency. During this major incident, policing has been at the forefront of ensuring that the public follow the rules and stay safe. This has required additional patrols, the use of personal protective equipment (PPE), social distancing and all the while continuing with operational policing, using the following strategy:

- Engage people in a friendly manner
- Explain why we and the Government are asking them to take the action
- Encourage people to take the appropriate action
- Enforce only when necessary

The Constabulary's top priorities have been to maintain the best service to the public, protect officers and staff and support the national response. The Constabulary have continued to provide all of the essential and proactive services that you expect from them, whilst also supporting the NHS and other organisations to keep everyone safe. Agile working has facilitated a large part of the organisation to work from home and the use of technology has enabled social distancing to be observed. As a result the sickness levels for the Constabulary, including self-isolation have been low and resilience has been maintained throughout.

The majority of the costs relating to the pandemic have been incurred during 2020/21. To assist, additional funding has been provided by Central Government for some of the expenditure mentioned – specifically around PPE, additional cleaning, creating Covid-19 secure buildings and overtime relating to Covid-19 restrictions compliance patrols. The Constabulary has also received income loss compensation funding relating to the loss of income in respect of specific services where all of the associated costs are not able to be fully reduced – for example speed awareness courses.

In terms of Council Tax funding, the Commissioners share of the Council Tax Collection Fund is included in these accounts with both debtors and creditors based on the position as at 31 March 2021. The coronavirus pandemic has had a significant impact on collection performance, whereas in previous years there has often been a relatively healthy overall surplus, the estimated deficit position of £223k was built into the approved 2021/22 budget. The Autumn 2020 Spending Review contained proposals to compensate public sector bodies for 75% of their council tax losses due to the pandemic in 2020/21. In December 2020, the Government provided details of these arrangements which it called the Local Tax Income Guarantee confirming that only council tax losses that have arisen directly as a result of the pandemic are within the scope of this scheme, rather than losses which may have been expected to occur in a “normal” year. These 2020/21 accounts include £300k of funding from this scheme.

There are two further areas where the pandemic could impact – the valuation of assets and the valuation of the pension liability. In terms of assets, the financial instruments held are highly liquid and cash based and therefore have not been directly impacted. For land and buildings the valuer has taken into account the impact of the pandemic in line with their professional guidance as stated in Note 17.

In terms of the pension liability, the Police Pension Scheme is an ‘unfunded scheme’ so there are no investment assets built up to meet the pension liabilities. The financial markets therefore have no impact on the actuarial valuation. However, the Cheshire Pension Fund scheme is a ‘funded scheme’ and holds assets and investments. The IAS19 balance sheet total is therefore based on financial market values and future market expectation indicators as at 31 March 2021 to comply with the accounting standard. The financial markets at the accounting date will have taken into account Covid-19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for Covid-19.

- Asset returns and values have followed the market movements prompted by the pandemic and lockdowns, among other factors, which will therefore affect the asset share value. Bond yields and inflation expectations have also followed market movements, which will therefore affect the obligations value.
- The key non-financial assumption made within the accounts is for life expectancy. However at this stage it is not possible to extrapolate the longer term impact of the higher death rate due to Covid-19 in 2020/21 on either future mortality or morbidity rates as the data is not yet available to make an evidence-based assessment on the pandemic's impact on longer term expectations.

Additional information is included in note 33.

### **Further Information**

Every effort has been made to ensure that the information provided in this Group Statement of Accounts is clear and informative. Should you require any further information or if you have any comments, please contact Clare Hodgson, Director of Finance, Office of the Police & Crime Commissioner, on telephone number 01606 364109 or Wendy Bebbington, Head of Finance, Cheshire Constabulary on telephone number 01606 362035 or via the Office of the Police & Crime Commissioner, Clemonds Hey, Oakmere Road, Winsford, Cheshire, CW7 2UA.

Clare Hodgson, Director of Finance, Office of the Police & Crime Commissioner

# STATEMENT OF RESPONSIBILITIES

## Responsibilities of the Commissioner for Cheshire

The Commissioner is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the Office of the Commissioner, that officer is the Chief Finance Officer (Director of Finance, Office of the Police & Crime Commissioner).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

I approve this Statement of Accounts.

John Dwyer  
Police & Crime Commissioner for Cheshire  
xx September 2021

## Responsibilities of the Chief Finance Officer, Office of Commissioner

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

### In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

## Chief Finance Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Commissioner as at 31 March 2021 and of the expenditure and income for the year ended 31 March 2021.

Clare Hodgson  
Chief Finance Officer, Office of the Police & Crime Commissioner  
xx September 2021

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# INDEPENDENT AUDITOR'S REPORT TO THE POLICE AND CRIME COMMISSIONER FOR CHESHIRE

Report on the Audit of the Financial Statements

Opinion

To Follow

## Audit Opinion to Follow

## Audit Opinion to Follow

## Audit Opinion to Follow

## Audit Opinion to Follow

## EXPENDITURE AND FUNDING ANALYSIS NOTE 2020/21 (Group)

	As reported for Resource Management £000	Adjust for Earmarked Reserve Movements £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis (a) £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Police Pay	110,898	0	110,898	1,172	112,070
Local Policing	17,967	137	17,830	232	18,063
Investigations	15,103	174	14,929	219	15,148
Centrally Delivered Services	5,148	180	4,968	59	5,027
Business Services	35,554	932	34,622	(618)	34,004
Collaborations	11,191	760	10,430	116	10,546
Corporate Costs	(6,016)	2,578	(8,595)	(1,421)	(10,016)
Office of the Police & Crime Commissioner	675	0	675	7	682
Office of the Police & Crime Commissioner - Commissioning	1,339	267	1,072	0	1,072
Actuarial Pension Costs – McCloud Judgement	0	0	0	15,890	15,890
<b>Net Cost of Services</b>	<b>191,859</b>	<b>5,028</b>	<b>186,831</b>	<b>15,656</b>	<b>202,486</b>
Other Income & Expenditure	0	0	0	43	43
Financing & Investment Income & Expenditure	2,921	0	2,921	50,551	53,472
Taxation & Non Specific Grant Income	(195,620)	900	(196,520)	(1,336)	(197,856)
<b>(Surplus) or Deficit</b>	<b>(839)</b>	<b>5,928</b>	<b>(6,767)</b>	<b>64,913</b>	<b>58,146</b>
<b>Opening General Fund</b>			<b>(14,767)</b>		
<b>Less/Plus (Surplus) Deficit on General Fund in Year</b>			<b>(6,767)</b>		
<b>Closing General Fund at 31 March</b>			<b>(21,534)</b>		

The Expenditure and Funding Analysis is not a Primary Statement and forms part of the Notes to the Accounts. It demonstrates to the readers of the accounts how the funding available to the Commissioner (i.e. Government Grants, Council Tax and income) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the departments shown above. Income and expenditure accounting under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. (a) Further details on the adjustments between the funding and accounting basis are included in Note 7.

## EXPENDITURE AND FUNDING ANALYSIS NOTE 2019/20 (Group)

	As reported for Resource Management £000	Adjust for Earmarked Reserve Movements £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis (a) £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Police Pay	106,429	0	106,429	9,769	116,198
Local Policing	16,317	0	16,317	2,189	18,506
Investigations	15,338	1,049	14,289	1,895	16,184
Centrally Delivered Services	5,084	19	5,065	535	5,600
Business Services	32,242	628	31,614	2,625	34,239
Collaborations	10,582	(42)	10,625	973	11,598
Corporate Costs	(9,179)	(136)	(9,043)	(1,344)	(10,387)
Office of the Police & Crime Commissioner	740	25	715	68	783
Office of the Police & Crime Commissioner - Commissioning	1,442	207	1,235	0	1,235
Actuarial Pension Costs – McCloud Judgement	0	0	0	(3,729)	(3,729)
<b>Net Cost of Services</b>	<b>178,996</b>	<b>1,749</b>	<b>177,247</b>	<b>12,981</b>	<b>190,227</b>
Other Income & Expenditure	0	0	0	82	82
Financing & Investment Income & Expenditure	2,886	0	2,886	60,296	63,183
Taxation & Non Specific Grant Income	(182,793)	644	(183,437)	(2,123)	(185,560)
<b>(Surplus) or Deficit</b>	<b>(911)</b>	<b>2,393</b>	<b>(3,303)</b>	<b>71,236</b>	<b>67,933</b>
<b>Opening General Fund</b>			<b>(11,464)</b>		
<b>Less/Plus (Surplus) Deficit on General Fund in Year</b>			<b>(3,303)</b>		
<b>Closing General Fund at 31 March</b>			<b>(14,767)</b>		

The Expenditure and Funding Analysis is not a Primary Statement and forms part of the Notes to the Accounts. It demonstrates to the readers of the accounts how the funding available to the Commissioner (i.e. Government Grants, Council Tax and income) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the departments shown above. Income and expenditure accounting under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. (a) Further details on the adjustments between the funding and accounting basis are included in Note 7.

## COMPREHENSIVE INCOME and EXPENDITURE STATEMENT (Group)

2019/20			2020/21			Notes	
£000	£000	£000	£000	£000	£000		
Expenditure	Income	Net	Police Services :	Expenditure	Income	Net	
116,522	(324)	116,198	Police Pay	114,894	(2,824)	<b>112,070</b>	
26,106	(7,601)	18,506	Local Policing	22,775	(4,713)	<b>18,063</b>	
22,157	(5,974)	16,184	Investigations	21,447	(6,298)	<b>15,148</b>	
6,380	(780)	5,600	Centrally Delivered Services	5,783	(755)	<b>5,027</b>	
40,170	(5,931)	34,239	Business Services	41,028	(7,024)	<b>34,004</b>	
11,829	(231)	11,598	Collaborations	11,332	(786)	<b>10,546</b>	
258	(10,645)	(10,387)	Corporate Costs	662	(10,678)	<b>(10,016)</b>	
783	0	783	Office of Police & Crime Commissioner	682	0	<b>682</b>	
3,196	(1,960)	1,235	Office of Police & Crime Commissioner - Commissioning	4,199	(3,127)	<b>1,072</b>	
(3,729)	0	(3,729)	Actuarial Pension Costs – McCloud Judgement	15,890	0	<b>15,890</b>	33
<b>223,672</b>	<b>(33,445)</b>	<b>190,227</b>	<b>Cost of Services</b>	<b>238,693</b>	<b>(36,206)</b>	<b>202,486</b>	9
		82	Other Operating Expenditure & Income			43	9
		63,183	Financing & Investment Income & Expenditure			53,472	9
		(185,560)	Taxation & Non-Specific Grant Income			(197,856)	9
		<b>67,932</b>	<b>Deficit / (Surplus) on Provision of Services</b>			<b>58,146</b>	9
		(8,313)	(Surplus)/Deficit on revaluation of fixed assets			5,809	
		0	Surplus/(Deficit) on revaluation of "available for sale" assets			0	
		(272,768)	Actuarial (gains)/losses on pension assets/ liabilities			283,429	33
		<b>(281,081)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>289,238</b>	15
		<b>(213,149)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>347,383</b>	

The above expenditure and income shown against services such as 'police pay' are calculated in accordance with proper accounting practices and include several items that are not cash related. For example, the above includes depreciation which represents the indicative value of the assets consumed in year but for which no cash has been spent. These are explained in detail within the Expenditure and Funding Analysis note. However, the actual expenditure in cash terms is shown in the table at the top of page 5 in the Narrative Report where you can see as an example 'police pay' cash spend is £110,899k (£106,429k 2019/20) and the OPCC £675k (£740k 2019/20).

## MOVEMENT IN RESERVES STATEMENT (Group)

<b>2020/21</b>	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2020</b>	<b>14,767</b>	<b>2,526</b>	<b>17,293</b>	<b>(2,159,232)</b>	<b>(2,141,939)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(58,146)</b>	<b>0</b>	<b>(58,146)</b>	<b>(289,238)</b>	<b>(347,383)</b>
Adjustments between accounting basis & funding basis under regulations – see Note 15	64,913	(1,670)	<b>63,243</b>	(63,243)	<b>0</b>
Increase/(Decrease) in year	<b>6,767</b>	<b>(1,670)</b>	<b>5,098</b>	<b>(352,481)</b>	<b>347,383</b>
<b>Balances at 31 March 2021</b>	<b>21,534</b>	<b>856</b>	<b>22,391</b>	<b>(2,511,713)</b>	<b>(2,489,322)</b>
<b>2019/20</b>	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2019</b>	<b>11,465</b>	<b>3,720</b>	<b>15,185</b>	<b>(2,370,272)</b>	<b>(2,355,087)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(67,932)</b>	<b>0</b>	<b>(67,932)</b>	<b>281,081</b>	<b>213,149</b>
Adjustments between accounting basis & funding basis under regulations – see Note 15	71,235	(1,194)	<b>70,041</b>	(70,041)	<b>0</b>
Increase/(Decrease) in year	<b>3,303</b>	<b>(1,194)</b>	<b>2,109</b>	<b>211,040</b>	<b>213,149</b>
<b>Balances at 31 March 2020</b>	<b>14,767</b>	<b>2,526</b>	<b>17,293</b>	<b>(2,159,232)</b>	<b>(2,141,939)</b>

Details of the above reserves are in Note 16 & 30.

## BALANCE SHEET AS AT 31 MARCH 2021 (Group)

31 March 2020 £000		31 March 2021 £000	£000	Notes
133,471	Property, Plant & Equipment	121,562		17
1,893	Intangible Assets	1,336		18
1,366	Long Term Debtors	1,159		22
<u>136,730</u>	<b>Long Term Assets</b>		124,057	
504	Stock	933		
25,529	Short Term Debtors	21,453		23
12,135	Cash and Cash Equivalents	23,080		24
0	Assets (held for sale)	0		25
<u>38,168</u>	<b>Current Assets</b>		45,466	
0	Short Term Borrowing	0		22
(26,030)	Short Term Creditors	(29,362)		26
(26,030)	<b>Current Liabilities</b>		(29,362)	
(18,447)	Long Term Creditors	(17,380)		29
(539)	Provisions	(538)		27
(27,873)	Long Term Borrowing	(27,873)		22
(2,243,948)	Other Long Term Liabilities	(2,583,692)		33
<u>(2,290,807)</u>	<b>Long Term Liabilities</b>		(2,629,483)	
<u>(2,141,939)</u>	<b>Net Assets</b>		<u>(2,489,322)</u>	
	<b>Represented By:</b>			
17,293	Usable Reserves		22,391	16
(2,159,232)	Unusable Reserves		(2,511,713)	30
<u>(2,141,939)</u>	<b>Total Reserves</b>		<u>(2,489,322)</u>	

The unaudited accounts were issued on **XX July 2021**

Clare Hodgson, Director of Finance, Office of the Police & Crime Commissioner

**Date:**

## CASHFLOW STATEMENT (Group)

31 March 2020 £000		31 March 2021 £000	Notes
67,932	Net (surplus) or deficit on the provision of services	58,146	
	Adjust net (surplus) or deficit on the provision of services for non-cash movement:		
(11,449)	Depreciation	(11,210)	
(63,515)	Pensions - actuarial movement	(56,348)	
42	Movement in Creditors	246	
(1,096)	Movement in Debtors	(5,377)	
20	Movement of Stock	429	
(1,018)	Other non-cash items	(2,505)	
0	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	0	
(9,084)	Net cash flow from operating activities	(16,619)	
4,228	Investing Activities	4,606	31
(102)	Financing Activities	1,068	31
<u>(4,958)</u>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(10,945)</b>	
(7,177)	Cash and cash equivalents at the beginning of the reporting period	(12,135)	24
(12,135)	Cash and cash equivalents at the end of the reporting period	(23,080)	24
<u>(4,958)</u>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(10,945)</b>	

Details of the above are included in Note 31

## POLICE PENSION FUND

### (Group & Police & Crime Commissioner)

The Government introduced new arrangements for the funding of Police Officers' Pensions with effect from 1 April 2006. Under these arrangements income and expenditure on Police Pensions is charged to a separate fund account. The overall net cost of the fund is met by specific grant from Government; see Note 34 for further details.

2019/20 £000	FUND ACCOUNT	2020/21 £000
	<b>Contributions Receivable from:</b>	
(22,428)	Employer at 31% of pensionable pay	(24,036)
(1,315)	Early Retirements	(1,218)
(9,802)	From current employees	(10,464)
(33,545)		(35,718)
0	Transfers in from other Police & Crime Commissioners	0
(197)	Transfers in from other pension schemes	(499)
(33,742)		(36,217)
	<b>Benefits Payable:</b>	
48,928	Pensions	50,860
13,175	Commutations and lump sum retirement benefits	10,500
0	Lump sum death benefits	288
	<b>Payments to and on account of leavers</b>	
0	Transfers out to other schemes	0
7	Refunds of contributions	36
	<b>Other Payments</b>	
(15)	Pension Admin and Interest Charges	0
62,095		61,684
28,353	Net amount payable for the year	25,467
(28,353)	Additional contribution from the Commissioner <sup>1</sup>	(25,467)
Nil	Net balance on fund in year	Nil
	<b>NET ASSET STATEMENT</b>	
0	Unpaid Pensions Due	0
0	Amount Owing to General Fund	0
0		0

Note<sup>1</sup> the 'additional contribution from the Commissioner' is reimbursed by specific grant from the Home Office.

## EXPENDITURE AND FUNDING ANALYSIS NOTE 2020/21 (Police & Crime Commissioner)

	2020/21		
	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
<b><u>Police Services</u></b>			
Police Pay	(2,824)	0	(2,824)
Local Policing	(4,713)	0	(4,713)
Investigations	(6,298)	0	(6,298)
Centrally Delivered Services	(755)	0	(755)
Business Services	(7,024)	0	(7,024)
Collaborations	(786)	0	(786)
Corporate Costs	(10,724)	0	(10,724)
Office of the Police & Crime Commissioner	675	7	682
Office of the Police & Crime Commissioner - Commissioning	1,072	0	1,072
	<b>(31,377)</b>	<b>7</b>	<b>(31,370)</b>
Funding to Cheshire Constabulary	218,208	8,798	227,006
<b>Net Cost of Services</b>	<b>186,831</b>	<b>8,805</b>	<b>195,636</b>
Other Income & Expenditure	0	43	43
Financing & Investment Income & Expenditure	2,921	7	2,928
Taxation & Non Specific Grant Income	(196,520)	(1,336)	(197,856)
	<b>(6,767)</b>	<b>7,518</b>	<b>751</b>
<b>(Surplus) or Deficit</b>			
<b>Opening General Fund</b>	<b>(14,767)</b>		
<b>Less/Plus (Surplus) Deficit on General Fund in Year</b>	<b>(6,767)</b>		
<b>Closing General Fund at 31 March</b>	<b>(21,534)</b>		

The Expenditure and Funding Analysis is not a Primary Statement and forms part of the Notes to the Accounts. It demonstrates to the readers of the accounts how the funding available to the Commissioner (i.e. Government Grants, Council Tax and income) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the departments shown above. Income and expenditure accounting for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## EXPENDITURE AND FUNDING ANALYSIS NOTE 2019/20

### (Police & Crime Commissioner)

	2019/20		Net Expenditure Comprehensive Income and Expenditure Statement £000
	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	
<b>Police Services</b>			
Police Pay	(324)	0	(324)
Local Policing	(7,601)	0	(7,601)
Investigations	(5,974)	0	(5,974)
Centrally Delivered Services	(780)	0	(780)
Business Services	(5,931)	0	(5,931)
Collaborations	(231)	0	(231)
Corporate Costs	(10,728)	0	(10,728)
Office of the Police & Crime Commissioner	715	68	783
Office of the Police & Crime Commissioner - Commissioning	1,235	0	1,235
	<b>(29,617)</b>	<b>68</b>	<b>(29,549)</b>
Funding to Cheshire Constabulary	206,864	9,173	216,037
<b>Net Cost of Services</b>	<b>177,247</b>	<b>9,241</b>	<b>186,488</b>
Other Income & Expenditure	0	82	82
Financing & Investment Income & Expenditure	2,886	19	2,905
Taxation & Non Specific Grant Income	(183,437)	(2,123)	(185,560)
<b>(Surplus) or Deficit</b>	<b>(3,303)</b>	<b>7,218</b>	<b>3,915</b>
<b>Opening General Fund</b>	<b>(11,464)</b>		
<b>Less/Plus (Surplus) Deficit on General Fund in Year</b>	<b>(3,303)</b>		
<b>Closing General Fund at 31 March</b>	<b>(14,767)</b>		

The Expenditure and Funding Analysis is not a Primary Statement and forms part of the Notes to the Accounts. It demonstrates to the readers of the accounts how the funding available to the Commissioner (i.e. Government Grants, Council Tax and income) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the departments shown above. Income and expenditure accounting for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## COMPREHENSIVE INCOME and EXPENDITURE STATEMENT (Police & Crime Commissioner for Cheshire)

2019/20			2020/21			Notes
£000	£000	£000	£000	£000	£000	
Expenditure	Income	Net	Expenditure	Income	Net	
<u>Police Services:</u>						
0	(324)	(324)	0	(2,824)	(2,824)	
0	(7,601)	(7,601)	0	(4,713)	(4,713)	
0	(5,974)	(5,974)	0	(6,298)	(6,298)	
0	(780)	(780)	0	(755)	(755)	
0	(5,931)	(5,931)	0	(7,024)	(7,024)	
0	(231)	(231)	0	(786)	(786)	
11,366	(22,094)	(10,728)	11,164	(21,888)	(10,724)	
783	0	783	682	0	682	
3,196	(1,960)	1,235	4,199	(3,127)	1,072	
15,344	(44,894)	(29,549)	16,046	(47,416)	(31,370)	
216,037		216,037	227,006		227,006	
		186,488			<b>195,636</b>	
		82			43	9
		2,905			2,928	9
		(185,560)			(197,856)	9
		3,915			751	
		(8,313)			5,809	
		0			0	
		(546)			645	
		(8,859)			<b>6,454</b>	
		(4,944)			<b>7,205</b>	

## MOVEMENT IN RESERVES STATEMENT (Police & Crime Commissioner for Cheshire)

<b>2020/21</b>	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2020</b>	<b>14,767</b>	<b>2,526</b>	<b>17,293</b>	<b>86,452</b>	<b>103,746</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(751)</b>	<b>0</b>	<b>(751)</b>	<b>(6,454)</b>	<b>(7,205)</b>
Adjustments between accounting basis & funding basis under regulations	7,519	(1,670)	5,848	(5,849)	0
Increase/(Decrease) in year	<b>6,767</b>	<b>(1,670)</b>	<b>5,098</b>	<b>(12,303)</b>	<b>(7,205)</b>
<b>Balances at 31 March 2021</b>	<b>21,534</b>	<b>856</b>	<b>22,391</b>	<b>74,148</b>	<b>96,539</b>

Details of the above reserves are in Notes 16 & 30.

<b>2019/20</b>	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2019</b>	<b>11,464</b>	<b>3,720</b>	<b>15,184</b>	<b>83,617</b>	<b>98,801</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,915)</b>	<b>0</b>	<b>(3,915)</b>	<b>8,859</b>	<b>4,944</b>
Adjustments between accounting basis & funding basis under regulations	7,218	(1,194)	6,024	(6,024)	0
Increase/(Decrease) in year	<b>3,303</b>	<b>(1,194)</b>	<b>2,109</b>	<b>2,835</b>	<b>4,944</b>
<b>Balances at 31 March 2020</b>	<b>14,767</b>	<b>2,526</b>	<b>17,293</b>	<b>86,452</b>	<b>103,746</b>

## BALANCE SHEET AS AT 31 MARCH 2021 (Police & Crime Commissioner for Cheshire)

31 March 2020 £000		31 March 2021		Notes
		£000	£000	
133,471	Property, Plant & Equipment	121,562		17
1,893	Intangible Assets	1,336		18
1,366	Long Term Debtors	1,159		22
136,730	<b>Long Term Assets</b>		124,057	
504	Stock	933		
25,529	Short Term Debtors	21,453		23
12,135	Cash and Cash Equivalents	23,080		24
0	Assets (held for sale)	0		25
38,168	<b>Current Assets</b>		45,466	
0	Short Term Borrowing	0		22
(22,350)	Short Term Creditors	(24,583)		
(22,350)	<b>Current Liabilities</b>		(24,583)	
(18,447)	Long Term Creditors	(17,380)		
(539)	Provisions	(538)		27
(27,873)	Long Term Borrowing	(27,873)		22
(1,945)	Other Long Term Liabilities	(2,611)		
(48,804)	<b>Long Term Liabilities</b>		(48,402)	
103,744	<b>Net Assets</b>		<b>96,538</b>	
	<b>Represented By:</b>			
17,293	Usable Reserves		22,391	16
86,451	Unusable Reserves		74,147	30
103,744	<b>Total Reserves</b>		<b>96,538</b>	

The unaudited accounts were issued on **XX July 2021**.

Clare Hodgson, Director of Finance, Office of the Police & Crime Commissioner

**Date:**

## CASHFLOW STATEMENT (Police & Crime Commissioner for Cheshire)

31 March 2020 £000		31 March 2021 £000	Notes
3,915	Net (surplus) or deficit on the provision of services	751	
	Adjust net (surplus) or deficit on the provision of services for non-cash movement:		
(11,449)	Depreciation	(11,210)	
501	Pensions - actuarial movement	1,046	
42	Movement in Creditors	246	
(1,096)	Movement in Debtors	(5,377)	
20	Movement of Stock	429	
(1,018)	Other non-cash items	(2,505)	
0	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	0	
(9,084)	Net cash flow from operating activities	(16,619)	
4,228	Investing Activities	4,606	31
(102)	Financing Activities	1,068	31
<u>(4,958)</u>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<u>(10,945)</u>	
(7,177)	Cash and cash equivalents at the beginning of the reporting period	(12,135)	24
(12,135)	Cash and cash equivalents at the end of the reporting period	(23,080)	24
<u>(4,958)</u>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<u>(10,945)</u>	

Note: cash and cash equivalents above include the bank overdraft shown on the Balance Sheet (Police & Crime Commissioner for Cheshire) under Current Liabilities.

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# NOTES TO THE ACCOUNTS

## 1. Accounting Policies and Principles

### 1.1 General Principles

This Statement of Accounts summarises the Police and Crime Commissioner's (the Commissioner) transactions for the 2020/21 financial year and the position at 31 March 2021. The Commissioner is required to prepare an Annual Statement of Accounts by the Accounts & Audit (England) Regulations 2015 which require such accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). Where notes to the Financial Statements are presented, these are the notes to the Group Financial Statements unless there is a material difference between the Group and Commissioner's Statements.

#### 1.1.1 Accounting Conventions

These financial statements have been prepared under the historical cost convention, modified by the revaluation of certain categories of non-current assets and where material, financial instruments as determined by the relevant accounting standard.

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 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 cashflows fixed or determined by the contract.
- Where revenue and expenditure have been included in the Comprehensive Income and Expenditure Statement 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.

In addition, this Statement of Accounts assumes the Commissioner and Chief Constable will continue in operational existence for the foreseeable future under the 'Going Concern' concept as a statutory Corporations Sole.

## 1.2 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In both the Balance Sheet and Cashflow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Commissioner's cash management.

## 1.3 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

Items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and/or size of the omission or misstatement judged in the surrounding circumstances.

## 1.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts 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 service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Commissioner is not required to raise council tax (via their precept) to fund depreciation, revaluation and impairment losses or amortisation. However, they are required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Commissioner in accordance with statutory guidance, known as the Minimum Revenue Provision.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Minimum Revenue Provision contribution in the General 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.

## 1.5 Council Tax and Non-domestic Rates

The four local authorities within Cheshire act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors – including the Commissioner for council tax. The authorities are required by statute to maintain a separate fund (called the Collection Fund) for the collection and distribution of amounts due in respect of council tax and non-domestic rates. Under the legislative framework for the Collection Fund, the local authorities, preceptors (including the Commissioner) and central Government share proportionately the risks and rewards should the amount collected be more or less than predicted.

The council tax income included in the Comprehensive Income and Expenditure Statement (CIES) is the Commissioner's share of accrued income for the year. However, regulations determine the amount of council tax that must be included in the Commissioner's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account (an unusable reserve) and included as a reconciling item in the Movement of Reserves Statement.

The Balance Sheet includes the Commissioner's share of the end of year balances in respect of council tax relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments together with appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 1.6 Employee Benefits

### Benefits payable during employment

Short term employee benefits are those to be settled within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave, paid sick leave, bonuses and non-monetary benefits (for example cars) for current employees and are recognised as an expense for the service in the year in which employees render service to the Commissioner. An accrual is made for the cost of holiday entitlements, flexi leave and time off 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 rates applicable at year end. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that such benefits are charged to revenue in the financial year in which the benefit occurs.

### Termination benefits

Termination benefits are amounts payable as a result of a decision by the Commissioner to terminate employment before the normal retirement date or an employee's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Commissioner is demonstrably committed to the termination of the employment or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Commissioner 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 the debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post-employment benefits**

The Commissioner's employees may be members of one of two separate pension schemes:

- Police Staff - the Local Government Pension Scheme administered by Cheshire West and Chester Council; or
- Police Officers - the Police Pension Schemes for Police Officers; the Police Pension Schemes are unfunded schemes (Police Pension Fund Regulations 2007 (SI2007/1932) and subsequent updates), meaning there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due. The costs of the scheme are supported by an employer's contribution based on the costs of serving officers and central government grant.

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees of the Commissioner. The impact of these two pension schemes is identified separately in the Comprehensive Income and Expenditure Statement and Balance Sheet and in the Notes to the Accounts.

### **The Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefits scheme with the liabilities attributable to the Commissioner included in the Balance Sheet on an actuarial basis using the projected unit method. This is 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 projected earnings for current employees.

Liabilities are discounted to their value at current prices in line with the actuary's agreed discount rate as stated in the relevant Note to the Accounts. The assets attributable to the Commissioner are also included in the Balance Sheet at fair value:

- Quoted securities – current bid price
- Unquoted securities – professional valuation
- Utilised securities – current bid price
- Property – market value

The change in the net pensions' liability is analysed as follows:

- Current service cost – the increase in liabilities as a result of years of service earned this year. This is charged to the Comprehensive Income and Expenditure Statement and is apportioned across service headings according to numbers of employees.

- 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 and charged to the Comprehensive Income and Expenditure Statement as part of the Non-Distributed Costs.
- Net Interest – on the net defined benefit liability (asset), i.e. the net interest expense for the Commissioner – the change during the period in the net defined 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 benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- The re-measurements comprise of:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit 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 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.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Commissioner to the pension fund or directly to pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the IAS19 Pension Reserve to remove the notional debits and credits for the 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 IAS19 Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for the retirement benefits on the basis of cashflows rather than as benefits that are earned by employees.

### **Discretionary benefits – Local Government Pension Scheme**

The Commissioner also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of such an award are accrued in the year in which the decision was taken and accounted for using the same policies as applied to the Local Government Pension Scheme.

### **Injury awards – The Police Pension Scheme**

Injury awards under The Police (Injury Benefits) Regulations 2006 are not part of the Police Pensions Scheme and are funded direct from the Comprehensive Income and Expenditure Statement. However, liabilities in respect of injury awards are disclosed in the Statement of Accounts as part of the Commissioner’s overall liability and are measured on an actuarial basis, using the projected unit method.

## 1.7 Events after the Reporting Period

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 when the Statement of Accounts is authorised for issue. 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 events and their estimated financial effect.

Events taking place after the date of authorisation of issue are not reflected in the Statement of Accounts.

## 1.8 Financial Instruments

### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Commissioner has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Commissioner has a policy of charging the full effect of premiums and discounts to the Comprehensive Income and Expenditure Statement in the year in which they are incurred.

### 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 cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The Commissioner's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in 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. For most of the financial assets held by the Commissioner, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest, and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Expected Credit Loss Model**

The Commissioner recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Commissioner.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

### **Financial assets measured at fair value through other comprehensive income**

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income. Financial assets are classified in this way if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

### **Financial assets measured at fair value through profit or loss**

Financial assets that are measured at FVPL are recognised on the balance sheet when the Commissioner becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services. Financial assets not held in the amortised cost or fair value through other comprehensive income model are measured at fair value through profit or loss.

## Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 – inputs are quoted prices in active markets for identical assets and liabilities.
- Level 2 – inputs are other than quoted prices in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### 1.9 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Commissioner when there is reasonable assurances that:

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

Amounts recognised as due to the Commissioner 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 in the form of 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 transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the appropriate service line or Taxation and Non-specific Grant Income (for non-ring-fenced 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 General Fund Balance in the Movement in Reserves Statement. Where the grant has not been used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been used to finance capital expenditure 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 used to finance capital expenditure.

## 1.10 Heritage Assets

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

Such assets identified are to be carried separately on the balance sheet at valuation. The Commissioner sets a de-minimis value for such assets at £0.5m.

## 1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Commissioner as a result of past events (e.g. software licences), is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Commissioner.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Commissioner will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Research expenditure cannot be capitalised. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Commissioner's services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held can be determined by reference to an active market. In practice no intangible asset held by the Commissioner meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. 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 in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account or for any sale proceeds over £10,000, the Capital Receipts Reserve.

## 1.12 Stock

Stock is valued at the lower of cost or current replacement cost where it is held for distribution at no charge. The stock reflected in the Balance Sheet relates predominantly to uniforms and equipment which is distributed to officers as appropriate.

### 1.13 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Commissioner and/or Chief Constable in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Commissioner and/or Chief Constable as a joint operator recognises, if material:

- Its assets, includes its share of any asset held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operations.
- Its expenses, including its share of any expenses incurred jointly.

### 1.14 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.

Arrangements that do not have 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.

#### Finance Leases (taken out by the Commissioner)

Property, plant and equipment held under finance leases are 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 this is lower. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Commissioner 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 the ownership of the asset does not transfer to the Commissioner at the end of the lease period).

The Commissioner is not required to raise council tax to fund depreciation or revaluation and impairment losses arising from leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the lease property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (for example if there is a rent free period at the start or end of the lease).

### 1.15 Overheads and support services

The costs of overheads and support services are charged to the service segments in accordance with the organisation's arrangements for accountability and financial performance.

### 1.16 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administration purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment in line with International Accounting Standard (IAS) 16 and International Public Sector Accounting Standard (IPSAS) 17.

#### Recognition of the asset

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 asset will flow to the Commissioner and the cost of the asset can be measured reliably. Expenditure that maintains but does not add to the asset's potential to deliver economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Commissioner's policy is also to capitalise only those assets which have a material value where the cost is £10,000 or more (de-minimis level).

#### Measurement of the asset

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs directly attributable to bringing the asset to the location and condition for it to be capable of operating in the manner intended by the Commissioner, including any directly attributable salary costs of the Commissioner's employees; and
- the initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located.

The Commissioner does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cashflows of the Commissioner). In the latter case where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Commissioner.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. In such cases until the conditions are satisfied the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are carried in the Balance Sheet using the following measurement bases:

- Assets under construction – depreciated historical cost (actual expenditure incurred) until operational and then at fair value.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

Where market based evidence of fair value is not available because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) will be used as an estimate of current value.

For non-property assets which have short useful lives, low value or both, depreciated historical cost will be used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year end, but at a minimum of every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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 service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **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 service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss has 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 operational use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Land – no depreciation applied.
- Property (not land) – straight-line allocation over the life of the property as estimated by the valuer.
- Plant and Equipment – straight-line allocation over the life of the asset as advised by a suitably qualified officer.

Where an item of property, plant and equipment has major components (with different useful lives from the rest of the asset), whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Further details are included in the componentisation policy below.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Componentisation

The Commissioner identifies any properties where it is considered that componentisation is appropriate and provides separate valuation of such components. Componentisation is only applied routinely to new buildings or refurbishments completed after 1 April 2010 onwards and will not apply to historical assets that have not been refurbished.

Specifically, componentisation is considered for:

- all properties over £1m;
- those which have been the subject of significant refurbishment or improvement during the year;
- those properties which are expected to be the subject of significant refurbishment or improvement during the next two years.

In this context significant expenditure is defined as 'greater than 25% of the total cost of the asset; and greater than £100,000'.

## Disposals and non-current Assets held for Sale

When it becomes probable that an asset will be sold it is reclassified as an Asset held for Sale. The asset is re-valued 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 costs 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 previous losses 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; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and 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. 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). Any revaluation gains accumulated for the disposed asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve. These can only then be used to fund new capital expenditure or set aside to reduce the Commissioner's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance via the Movement in Reserves Statement.

All assets with a net present value of £nil (i.e. fully depreciated) will be reviewed annually and any unsubstantiated assets will be recorded as 'disposed of or scrapped'.

The written off value of disposals is not a charge against the council tax as the cost of non-current assets is fully provided for under separate arrangement for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### 1.17 Private Finance Initiative (PFI)

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 Commissioner is deemed to control the services that are provided under its PFI scheme and as ownership of the property, plant and equipment will pass to the Commissioner at the end of the contract, the Commissioner carries the assets used under the contract on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase) was balanced by the recognition of a liability for the 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 owned by the Commissioner.

The amounts payable to the PFI operator each year are analysed as follows:

- fair value of the services received during the year – charged to the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract and charged 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);
- 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.

## 1.18 Provisions, Contingent Assets and Liabilities

### Provisions

Provisions are made when an event has taken place that gives the Commissioner a legal or constructive obligation that probably requires settlement of that obligation and a reasonable estimate of the amount can be made. For example, the Commissioner may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year in which the Commissioner becomes aware of the obligation, based on the best estimate of the likely settlement taking into account relevant risks and uncertainties. When payments are eventually made they are charged to that provision in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a settlement is no longer required (or a lower settlement than anticipated is made), the provision is adjusted and credited back to the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle an obligation is expected to be met by another party (e.g. from an insurance claim) it is only recognised as income in the Comprehensive Income and Expenditure Statement when it is virtually certain that reimbursement will be received.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Commissioner a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Commissioner. Contingent assets are not recognised in the Balance Sheet but are disclosed in a Note to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

## Contingent Liability

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

### 1.19 Reserves

The Commissioner sets aside amounts as reserves for specific policy purposes through appropriations in the Movement of Reserves Statement. Expenditure funded by such reserves is charged directly to the Comprehensive Income and Expenditure Statement with the transfer from the reserve shown separately and accounted for in the Movement of Reserves Statement.

Certain reserves are held to manage the accounting processes of assets; council tax collection; employee benefits and retirement benefits and do not represent usable resources for the Commissioner – these reserves are explained in the relevant policies.

### 1.20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Commissioner has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### 1.21 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.

## 2. Accounting Standards issued, not yet adopted

The Code of Practice for Local Authority Accounting in the UK 2020/21 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted for the relevant financial year. The additional disclosures that may be relevant for additional disclosures that will be required in the 2020/21 and 2021/22 financial statements in respect of accounting changes that are introduced in the 2021/22 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The above changes have no impact on these accounts but will be reviewed during 2021/22 and any amendments required will be clearly shown in the 2021/22 Statement of Accounts.

### 3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 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:

- With the creation of the two corporations sole (the Commissioner and the Chief Constable) and the requirement for each to produce their individual statements of account, judgements have been made as to which statement of account income; expenditure; assets and liabilities have been allocated. This has been based on the substance of the transaction and not just the legal form.

The key judgements are:

- All income and grants are recognised in the Commissioner's Statement of Account.
- All day to day expenditure outside of those properly charged to the Office of the Police & Crime Commissioner are recognised in the Chief Constable's Statement of Accounts.
- All assets are held by the Commissioner who consents to their usage by the Constabulary in pursuance of their policing service for which a 'fair use' charge is applied to the Chief Constable, received by the Commissioner.
- All liabilities are held by the Commissioner with the exception of the Accumulated Absences and Pension Liability applicable to the Constabulary for which the Chief Constable holds unusable reserves.
- All other reserves are held by the Commissioner.
- The Chief Constable is involved in various ways of delivering policing services and it has therefore been necessary to consider carefully the accounting implications of collaboration covering all circumstance where working co-operatively with other police forces and Chief Constables. The Chief Constable has carefully considered all collaborative activity. The judgements and accounting treatment of collaborative activity can be found in Note 13.

### 4. Group Accounts

Under the Police Reform and Social Responsibility Act 2011, the roles of Commissioner and Chief Constable became Corporations Sole (separate legal entities) and required individual Statement of Accounts. However, the Act also recognises that the Chief Constable is a wholly owned subsidiary of the Commissioner and proper accounting practices require group accounts to be produced.

#### Basis of Consolidation

The group accounts comprise of those of the Commissioner and his wholly owned subsidiary the Chief Constable as at 31 March 2021.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. They are fully consolidated from the date that the Commissioner obtains control until the date that such control ceases. These accounts are prepared in accordance with the Accounts and Audit Regulations with subsidiary companies being consolidated on a line-by-line basis.

All intra-group trading, balances and unrealised gains and losses as at the end of each period, are eliminated in full as part of the consolidation process. The main intra-group transactions are the Commissioner fully funding the net expenditure of the Chief Constable and the recognition in the two Balance Sheets of the relevant pension liability in the Chief Constable's accounts matched by an agreement to fund by the Commissioner in the form of a long term debtor. There are no significant restrictions on the ability of the subsidiary to transfer funds to the parent company in any form.

## 5. Assumptions made about the future & other major 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 Balance Sheet at 31 March 2021, for which there is a 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	Assets are depreciated over useful lives and are dependent on assumptions about the level of repairs & maintenance that will be incurred. The current economic climate makes it uncertain that the Commissioner will be able to sustain current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge would increase by £3.628m for every year that useful lives have to be reduced.
Pensions Liability	Estimation of 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 (where applicable).  The Government's Actuary Department is engaged to provide the Commissioner with expert advice about the assumptions to be applied for Police Pensions and Cheshire West & Chester Council provide information on the Local Government Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £59.540m for the Local Government Pension Scheme.  However, the assumptions interact in complex ways. Where assumptions do change these are reported as actuarial gains and losses within the 'Other Income and Expenditure' line in the Comprehensive Income and Expenditure Statement. These changes only impact on the Pension Reserve & Liability & have no impact on general reserve.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## 6. Post Balance Sheet events

There are no post balance sheet events to report.

## 7. Note to the Expenditure and Funding Analysis

The following tables show the breakdown of the Adjustments between the Funding and Accounting Basis shown in the Expenditure and Funding Analysis on page 16.

Adjustments from GF to arrive at the Comprehensive Income & Expenditure Statement 2020/21	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Police Pay	5,833	(5,247)	585	1,172
Local Policing	1,156	(1,040)	116	232
Investigations	1,089	(979)	109	219
Centrally Delivered Services	294	(264)	29	59
Business Services	1,171	(2,014)	225	(618)
Collaborations	575	(518)	58	116
Corporate Costs	(1,421)	0	0	(1,421)
OPCC	35	(31)	3	7
OPCC - Commissioning	0	0	0	0
Actuarial Pension costs - McCloud Judgement	0	15,890	0	15,890
<b>Net cost of services</b>	<b>8,732</b>	<b>5,797</b>	<b>1,126</b>	<b>15,656</b>
Other Operating Income & Expenditure	43	0	0	43
Financing & Invest. Income & Expenditure	0	50,551	0	50,551
Taxation & Non-Specific Grant Income	(2,694)	0	1,358	(1,336)
<b>Difference between GF surplus/ deficit and CIES surplus/ deficit</b>	<b>6,081</b>	<b>56,348</b>	<b>2,484</b>	<b>64,913</b>

Adjustments from GF to arrive at the Comprehensive Income & Expenditure Statement 2019/20	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Police Pay	5,871	3,564	334	9,769
Local Policing	1,316	798	75	2,189
Investigations	1,139	691	65	1,895
Centrally Delivered Services	322	195	18	535
Business Services	1,182	1,320	123	2,625
Collaborations	585	355	33	973
Corporate Costs	(1,344)	0	0	(1,344)
OPCC	41	25	2	68
OPCC - Commissioning	0	0	0	0
Actuarial Pension costs - McCloud Judgement	0	(3,729)	0	(3,729)
<b>Net cost of services</b>	<b>9,112</b>	<b>3,219</b>	<b>650</b>	<b>12,981</b>
Other Operating Income & Expenditure	82	0	0	82
Financing & Invest. Income & Expenditure	0	60,296	0	60,296
Taxation & Non-Specific Grant Income	(2,403)	0	280	(2,123)
<b>Difference between GF surplus/ deficit and CIES surplus/ deficit</b>	<b>6,791</b>	<b>63,515</b>	<b>930</b>	<b>71,236</b>

## 8. Material items of income and expenditure

There are no material items of income and expenditure to report for 2020/21.

## 9. Expenditure and Income Analysed By Nature

<b>Subjective Analysis of Expenditure</b>	<b>2020/21</b>	2019/20
	<b>£000</b>	£000
Employees - Police Pay and Allowances	117,112	109,861
- Civilian Pay and Allowances	55,274	52,386
- Other Pay and Allowances	3,064	2,836
Premises	8,193	8,329
Transport	2,958	3,403
Supplies & Services	20,633	18,913
Third Party Payments	13,315	12,626
IAS19 Pension costs	5,797	3,219
Depreciation and Amortisation of Assets	11,221	11,449
Movement in Accumulated Absences Reserve	1,126	650
<b>Total Service Expenditure</b>	<b>238,693</b>	223,672
Service Income ( <i>see below</i> )	(36,206)	(33,445)
<b>Net Cost of Service</b>	<b>202,486</b>	190,227
(Profit)/Loss on Disposal of Assets	43	82
Interest Payable and Similar Charges	2,977	3,051
Interest and Investment Income	(55)	(164)
IAS19 Pension Net Interest Cost	50,551	60,296
<b>Net Operating Expenditure</b>	<b>256,002</b>	253,492
Police Grant	(66,803)	(61,941)
Formula Funding	(48,165)	(45,025)
Precept on Council Tax Collection Funds	(79,294)	(75,548)
PFI Grant - interest element	(2,007)	(2,088)
Covid Pressures Grant	(872)	0
Council Tax Income Guarantee Scheme Funding	(300)	0
Capital Grants	(206)	(668)
Capital Contributions	(210)	(290)
<b>Deficit / (Surplus) on Provision of Services</b>	<b>58,146</b>	67,932
<b>Subjective Analysis of Service income</b>		
Fees & Charges	3,229	5,187
Sales	91	129
Reimbursements:		
Casualty Reduction Partnership, Hypothecated Fines	622	1,804
Secondments	32	11
Private Finance Initiative reimbursements	232	233
Asset Recovery	132	142
Other Reimbursements	4,641	4,573
Grants:		
Private Finance Initiative	5,222	5,141
Localisation of Council Tax Grant	8,256	8,256
Pensions Uplift grant	2,108	2,108
Counter Terrorism	848	812
Victims and Restorative Justice Grant	1,628	1,218
National Officer Uplift Grant	2,528	433
Covid-19 service specific grants	1,528	0
Other Grants	2,321	996
Other Income:		
Mutual Aid	30	255
External Agency Funding	2,354	1,711
Proceeds of Crime Act	403	436
<b>Total Service Income</b>	<b>36,206</b>	33,445

Within the Comprehensive Income and Expenditure Statements there are three summary lines which are explained in more detail within the next five tables (split where appropriate between those for the Group Accounts and those for the Police & Crime Commissioner).

<b>Other Operating Expenditure (Group)</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
(Profit)/Loss on Sale of Fixed Assets	43	82
Home Office Top Up Grant – Police Pensions	(25,467)	(28,353)
Police & Crime Commissioner contribution to Pension Account	25,467	28,353
<b>Total</b>	<b>43</b>	<b>82</b>
<b>Other Operating Expenditure (Police &amp; Crime Commissioner)</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
(Profit)/Loss on Sale of Fixed Assets	43	82
Income for fair use of assets	(11,210)	(11,449)
Home Office Top Up Grant – Police Pensions	(25,467)	(28,353)
Police & Crime Commissioner contribution to Pension Account	25,467	28,353
<b>Total</b>	<b>(11,167)</b>	<b>(11,367)</b>
<b>Financing and Investment Income and Expenditure (Group)</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Interest and Investment Income	(55)	(164)
Interest Payable and Similar Charges	2,977	3,051
Pension Net Interest	50,551	60,296
<b>Total</b>	<b>53,472</b>	<b>63,183</b>
<b>Financing and Investment Income and Expenditure (PCC)</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Interest and Investment Income	(55)	(164)
Interest Payable and Similar Charges	2,977	3,051
Pension Net Interest	7	18
<b>Total</b>	<b>2,929</b>	<b>2,905</b>
<b>Taxation and Non-Specific Grant Income (Group &amp; PCC)</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Police Grant	(66,803)	(61,941)
DCLG Funding	(48,165)	(45,025)
Precept on Council Tax Collection Funds	(79,996)	(74,988)
Movement on Collection Fund Debtors/Creditors	702	(560)
PFI Grant – Interest Element	(2,007)	(2,088)
Capital Grants and Contributions	(416)	(958)
Covid Pressures Grant	(872)	0
Council Tax Income Guarantee Scheme Funding	(300)	0
<b>Total</b>	<b>(197,856)</b>	<b>(185,560)</b>

## 10. Members' Allowances & Expenses

The amounts shown below relate to the Joint Audit Advisory Committee & Ethics Advisory Panel Members only.

	2020/21 £000	2019/20 £000
Basic Allowances	13	13
Expenses	0	0
<b>Total</b>	<b>13</b>	<b>13</b>

## 11. Officer Remuneration

The Commissioner is required to detail the remuneration received by senior officers of the Constabulary and the Commissioner's Office which are shown in the following tables. The regulations require detailed disclosure for officers whose total remuneration excluding the employer's pension contribution exceeds £50,000. The following definitions apply:

**Salary including fees and allowances:** the amount received under a contract of employment, including any allowances such as housing allowance before the deduction of employees' pension contributions, but excluding payments such as bonuses and benefits in kind. The figures shown separately in the Pensions Contributions column refer to the employer's pension contributions.

**Bonuses:** payments made under Police Reform Pay and Conditions Agreement 2002 & 2004 and payments for exceptional work.

**Benefits in kind:** the estimated value of benefits received other than in cash, for example, use of a fleet vehicle.

**Compensation for loss of office:** includes payments made to or receivable by the person as a result of their termination of employment such as voluntary/compulsory redundancy, voluntary early retirement, pay in lieu of notice, accrued salary or holiday pay etc.

The number of employees whose remuneration, excluding employer's pension contribution exceeding £50,000 or more in bands of £5,000 (including those shown on the next table Senior Officers and Relevant Police Officers emoluments) is set out below:

For the Office of the Police & Crime Commissioner:

Remuneration Band	Number of Employees	
	2020/21	2019/20
£50,000 - £54,999	0	0
£55,000 - £59,999	0	1
£70,000 - £74,999	0	1
£75,000 - £79,999	2	1
£80,000 - £84,999	0	1
£85,000 - £89,999	1	0

**Senior Officers and Relevant Police Officers emoluments exceeding £50,000 to £150,000**

2020/21	Salary incl. Fees & Allowances	Severance	Benefits in Kind	Total Remuneration excl. Pension Contributions 2019/20	Pension Contributions	<b>Total Remuneration incl. Pension contributions 2020/21</b>
Post title	£	£	£	£	£	£
Police & Crime Commissioner	76,500	0	0	76,500	15,147	<b>91,647</b>
Chief of Staff	86,450	0	0	86,450	17,117	<b>103,567</b>
Director of Finance	75,870	0	0	75,870	15,022	<b>90,892</b>
Head of Policy & Partnerships <sup>1</sup>	34,941	0	0	34,941	5,019	<b>39,960</b>
Director of Operations <sup>2</sup>	25,601	0	0	25,601	5,069	<b>30,670</b>

<sup>1</sup> Left in November 2020, <sup>2</sup> Started in November 2020

**Senior Officers and Relevant Police Officers emoluments exceeding £50,000 to £150,000**

2019/20	Salary incl. Fees & Allowances	Severance	Benefits in Kind	Total Remuneration excl. Pension Contributions 2019/20	Pension Contributions	<b>Total Remuneration incl. Pension contributions 2019/20</b>
Post title	£	£	£	£	£	£
Police & Crime Commissioner	76,500	0	0	76,500	15,147	<b>91,647</b>
Chief of Staff	84,340	0	0	84,340	16,699	<b>101,039</b>
Head of Policy & Partnerships	59,606	0	0	59,606	10,951	<b>70,557</b>
Head of Finance, Operations & Governance	72,423	0	0	72,423	14,340	<b>86,763</b>

**Senior Officers and Relevant Police Officers emoluments >£150,000**

2020/21 Post Title	Salaries, Fees and Allowances	Bonuses	Severance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
Chief Constable	161,062	0	0	0	161,062	48,081	209,143

**Senior Officers and Relevant Police Officers emoluments exceeding £50,000 to £150,000**

2020/21 Post Title	Salaries, Fees and Allowances	Bonuses	Severance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
Deputy Chief Constable	134,935	0	0	0	134,935	39,665	174,600
Assistant Chief Constable	117,834	0	0	5,709	123,543	35,712	159,255
Temporary Assistant Chief Constable	93,931	16,620 <sup>1</sup>	0	0	110,550	28,153	138,703
Assistant Chief Officer	110,469	0	0	0	110,469	21,279	131,748
Chief Superintendent	92,156	0	0	0	92,156	28,153	120,309
Chief Superintendent	91,795	0	0	0	91,795	27,719	119,514
Chief Superintendent	91,770	0	0	0	91,770	27,679	119,449
Chief Superintendent	90,823	0	0	0	90,823	26,052	116,875
Chief Superintendent	84,130	0	0	0	84,130	25,247	109,376
Head of Legal Services	81,068	0	0	0	81,068	16,035	97,103
Head of Estates	75,870	0	0	0	75,870	15,022	90,892
Head of Strategic Change	74,533	0	0	0	74,533	14,698	89,231
Head of IT	74,300	0	0	0	74,300	14,698	88,999
Head of People Services	74,247	0	0	0	74,247	14,698	88,945
Head of Corporate Communications	74,235	0	0	0	74,235	14,698	88,933
Head of Planning and Performance	74,235	0	0	0	74,235	14,698	88,933
Head of Finance	74,235	0	0	0	74,235	14,698	88,933
Chief Superintendent <sup>2</sup>	70,766	0	0	0	70,766	21,100	91,866
Head of Procurement	51,328	0	0	0	51,328	10,163	61,491
Head of Fleet	55,442	0	0	0	55,442	10,978	66,420
Head of Forensic Investigations	60,818	0	0	0	60,818	12,042	72,860

1 Temporary Assistant Chief Constable – Relates to remuneration for temporary additional responsibilities, 2 Chief Supt retired January 2021

**Senior Officers and Relevant Police Officers emoluments >£150,000**

2019/20 Post Title	Salaries, Fees and Allowances	Bonuses	Severance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
Chief Constable	160,045				160,045	47,766	207,811

**Senior Officers and Relevant Police Officers emoluments exceeding £50,000 to £150,000**

2019/20 Post Title	Salaries, Fees and Allowances	Bonuses	Severance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
Deputy Chief Constable	128,216	0	0	3,318	131,534	38,277	169,811
Deputy Chief Constable	121,413	0	0	594	122,007	35,731	157,738
Assistant Chief Officer	107,847	0	0	0	107,847	20,760	128,606
Temporary Assistant Chief Constable	90,007	10,204 <sup>1</sup>	0	0	100,211	27,048	127,259
Chief Superintendent	89,840	0	0	0	89,840	27,466	117,306
Chief Superintendent	87,199	0	0	0	87,199	26,648	113,847
Chief Superintendent	85,679	0	0	0	85,679	26,176	111,855
Chief Superintendent	85,431	0	0	0	85,431	26,100	111,531
Head of Legal Services	79,010	0	0	0	79,010	15,644	94,654
Head of Strategic Change	73,204	0	0	0	73,204	14,033	87,237
Head of Estates	72,423	0	0	0	72,423	14,340	86,763
Head of People Services	70,875	0	0	0	70,875	14,033	84,909
Head of Finance	70,875	0	0	0	70,875	14,033	84,909
Head of Corporate Communications	70,875	0	0	0	70,875	14,033	84,909
Head of IT	70,875	0	0	0	70,875	14,033	84,909
Head of Planning and Performance	70,875	0	0	0	70,875	14,033	84,909
Head of Forensic Investigations	58,003	0	0	0	58,003	11,485	69,487
Head of Fleet	52,920	0	0	0	52,920	10,471	63,391
Head of MFSS	51,829	0	11,891	0	63,720	10,187	73,907
Head of Procurement	50,934	0	0	0	50,934	10,085	61,019
Assistant Chief Constable <sup>2</sup>	26,565	0	0	1,037	27,602	8,042	35,644
Temporary Assistant Chief Constable <sup>3</sup>	26,023	0	0	0	26,023	6,647	32,670
Chief Superintendent <sup>4</sup>	6,349	0	0	0	6,349	1,654	8,003

1 Temporary Assistant Chief Constable – Relates to remuneration for temporary additional responsibilities 2 Assistant Chief Constable started Jan 2020 3 Temp Assistant Chief Constable left the Force June 2019

4 Chief Supt retired April 2019

Remuneration Band	Number of Employees		
	2020/21	2019/20	2018/19
£50,000 - £54,999	149	110	116
£55,000 - £59,999	80	88	77
£60,000 - £64,999	39	19	13
£65,000 - £69,999	8	1	12
£70,000 - £74,999	10	14	2
£75,000 - £79,999	3	2	7
£80,000 - £84,999	5	5	2
£85,000 - £89,999	4	4	4
£90,000 - £94,999	4	0	0
£95,000 - £99,999	0	0	0
£100,000 - £104,999	0	1	0
£105,000 - £109,999	0	1	1
£110,000 - £114,999	2	0	1
£115,000 - £119,999	1	0	0
£120,000 - £124,999	0	1	1
£125,000 - £129,999	0	0	0
£130,000 - £134,999	1	1	0
£135,000 - £139,999	0	0	0
£140,000 - £144,999	0	0	1
£145,000 - £149,999	0	0	0
£150,000 - £154,999	0	0	0
£155,000 - £159,999	0	0	0
£160,000 - £164,999	1	1	0
£165,000 - £169,999	0	0	0
<b>Total</b>	<b>307</b>	<b>248</b>	<b>237</b>

The number of termination benefits with total cost per band and 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 agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£nil - £40,000	6	0	0	1	6	1	£25,144	£11,891
£40,001 - £60,000	0	0	0	0	0	0	£0	0
£60,001 - £150,000	0	0	0	1	0	1	£0	£72,863
£150,000+	0	0	0	0	0	0	£0	0
<b>Total</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>6</b>	<b>2</b>	<b>£25,144</b>	<b>£84,754</b>

Further information on the above is included in Note 34.

## 12. External Audit Costs

Grant Thornton LLP, the external auditors received the following fees.

	2020/21 £000	2019/20 £000
Police and Crime Commissioner	43	36
Chief Constable	18	19
As previously reported	61	55
Additional fees agreed re: 2019/20	0	5
Total Fees payable to the Grant Thornton LLP with regard to external audit services carried out by the appointed Auditor	61	60

Included in 2020/21 above are £23.5k of additional fees recommended but not yet paid at 31 March 2021.

## 13. Partnerships & Operational Collaborations

The Commissioner worked with a number of partners during 2020/21. Service level agreements exist to define the role of each of the bodies involved. In all of these agreements each party is responsible for their own liabilities and these cannot be passed or transferred to the other parties involved. They operate as joint operations in accordance with International Accounting Standard (IAS31).

### North West Regional Organised Crime Unit (NWROCU)

NWROCU consists of the Regional Organised Crime Team (ROCT); Regional Intelligence Unit (RIU); Operational Security (OPSY); Regional Confidential Unit (RCU); Regional Technical Surveillance Unit (RTSU); Regional Prison Intelligence Unit (RPIU); Business Support; Pooled; Premises; and Covert Operations 1-3. The Protective Persons Unit (PPU) transferred to the National Crime Agency on the 1 April 2019. The combined unit serves the areas of Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales. It is staffed by police officers and support staff from the six constituent forces with the overall expenditure being met from the six forces above with OPSY, RIU, RCU, TSU, PIU and Ops 3 part funded by Home Office Grant. There are fifteen areas of NWROCU that are fully funded by Home Office Grant including the Regional Asset Recovery team (RART), Government Agencies Intelligence Network (GAIN), Asset Confiscation Enforcement (ACE), Economical Crime Unit (ECU), Cyber Grants (Cyber Crime, Prevent, ISO, Regional Co-ordinator, Dark Web and Protect), Modern Day Slavery (MDS), Disruption, Regional Organised Crime Threat Assessment (ROCTA), County Lines and Regional Fraud Development. The amount reflected in Cheshire's accounts 2020/21 is £1.4m (£1.3m in 2019/20).

### Multi-Force Shared Services (MFSS)

This collaboration commenced in April 2012 between Northamptonshire Police and Cheshire Constabulary with Nottinghamshire Police joining in April 2015 and Civil Nuclear Constabulary (CNC) in April 2016. The areas of business include human resources, accounts, purchasing, payroll and service support. The costs are based on headcount and are currently allocated as Cheshire (33.47%), Northamptonshire (22.12%), Nottinghamshire (31.04%) and CNC (13.37%) as agreed by the MFSS Board. In addition, each force has specific costs such as licences, support, approved request changes and maintenance costs that are not part of the above percentage split. Partners agreed to migrate to GEN2 in 2019/20 (go-live in July 2020) and the costs were incurred in both 2019/20 and 2020/21, shared equally between the four partner forces. The Oracle Cloud licences are recharged based on the agreed headcount. On the 27 July 2020 the Joint Oversight Committee agreed that the partnership would end at the conclusion of the current contract in November 2022. The MFSS Management Board have created a programme to manage the transition which will run from 2020/21 until November 2022. The total cost of MFSS was £7.8m (£8.1m in 2019/20) with Cheshire's share of costs amounting to £2.6m (£2.5m in 2019/20).

**North West Police Underwater Search and Marine Unit**

The North West Police Underwater Search and Marine Unit (UWSU) serves the areas of Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales and is staffed by police officers and one part-time support staff from the six constituent police forces with the overall expenditure being met by those forces. For 2020/21, the Police and Crime Commissioner for Cheshire charged expenditure on the provision of police officers, police staff, equipment, vehicles and transport to the collaboration. The total cost of the UWSU collaboration was £0.9m and apportioned based on each Commissioner's police grant allocation. Cheshire's contribution amounted to £0.1m (£0.1m in 2019/20).

**North West Motorway Policing Group**

The North West Motorway Policing Group (NWMPG) serves the areas of Cheshire, Merseyside and Greater Manchester. It is staffed by an Inspector from Merseyside and police staff from Cheshire with the overall expenditure met by the three constituent police forces. All costs are apportioned based on the geographic share of the motorways being policed, population and the number of incidents occurring. The Inspector costs were originally set-up to be paid by Merseyside, but this was changed from 1 April 2019 to all partners being charged their share of this salary. For 2020/21 Cheshire charged the collaboration expenditure of £0.8m (£0.8m in 2019/20) with Cheshire's contribution amounting to £0.2m (£0.2m in 2019/20).

**North West Armed Policing Collaboration**

The NW Armed Policing Collaboration was formed in 2012 with six member forces, since this time the region has been operating under a single interim College of Policing (CoP) Firearms Training Licence having previously operated under six full training licences. Lancashire left the collaboration on 31 March 2018. The collaboration team comprises of 6 Police Officers and 5 Support Staff who deliver this regional training and interoperability function. The collaboration has taken on governance of the Chronicle IT system on behalf of the region, which is funded separately as its remit is far wider than solely armed policing. It comprises of 1 police officer and 1 police staff, under a separate budget with the lead force being Lancashire Constabulary. For 2020/21, the total cost of NW Armed Policing Collaboration was £0.6m (£0.6m in 2019/20). This collaboration is apportioned based on each Commissioner's police grant. Cheshire's Contribution amounted to £0.08m (£0.07m in 2019/20).

**Cheshire and North Wales Police (NWP) Armed Policing Alliance**

The Cheshire and NWP Armed Policing Alliance provide armed officers to both Cheshire and North Wales in a fully integrated joint force team since 2014. It is an armed policing alliance that serves the areas of Cheshire and North Wales and is staffed by police officers and support staff from the two constituent police forces with the overall expenditure being met by those forces. For 2020/21, Cheshire charged expenditure on the provision of police officers, police staff, equipment, vehicles and transport to the collaboration amounting to £3.8m (£3.7m in 2019/20). The total cost of the Alliance was £6.9m (£6.8m in 2019/20) and apportioned based on each Commissioner's police grant allocation. Cheshire's contribution amounted to £3.8m (£3.7m in 2019/20).

**Cheshire and North Wales (NWP) Police Dog Alliance**

The Cheshire and NWP Dogs Pilot provide dog handlers to both Cheshire and North Wales. The pilot went live operationally in April 2016 and has now been approved as a permanent part of the alliance. The dog alliance provides a range of police dogs skills to both Cheshire and North Wales and is staffed by police officers and support staff from the two constituent police forces with the overall expenditure being met by those forces. There is a reported underspend for 2020/21 which the Strategic Armed Policing Group (SAPG) approved to be transferred to the earmarked reserve. For 2020/21 Cheshire charged expenditure on the provision of police officers, staff, equipment, supplies and services, vehicle costs and mutual aid income to the pilot amounting to £1.3m (£1.2m in 2019/20). The total cost of the Cheshire and North Wales Dog Pilot was £2.1m (£2.0m in 2019/20) and apportioned based on each force agreed share. Cheshire's contribution amounted to £1.4m (£1.3m in 2019/20).

**Cheshire Road Safety Group**

The Cheshire Road Safety Group commenced in April 2011 and succeeds the former Cheshire Safer Roads Partnership. Financially contributing organisations are Cheshire East Council, Cheshire West and Chester Council and Warrington Borough Council. Halton Borough Council contribute a fixed amount of £20,000 per year. Cheshire Fire is the only non-financial contributing party. The aim of the partnership is to reduce the number of people seriously injured or killed on the roads through the operation and maintenance of speed and red light safety cameras on roads with a history of vehicle collisions. In 2020/21 costs of £0.452m were incurred which were fully reimbursed by the Group.

**North West Strategic Roads Automatic Number Plate Recognition**

This collaboration commenced in 2008 with collaborative forces of Cheshire, Cumbria, Lancashire with Merseyside and Greater Manchester joining a short time later. The collaboration was reviewed and reaffirmed at Regional ACPO in April 2011 with North Wales joining in January 2012. The collaboration has strong links to the North West Motorway Policing Group as Automatic Number Plate Recognition (ANPR) is identified as an effective method of providing protective services across the region's strategic road network. Bids secured funding amounting to £1.8m has enabled the ANPR infrastructure to be developed and supported over the last 12 years. The total cost of the collaboration in 2020/21 was £0.08m (£0.06m in 2019/20) and Cheshire's contribution amounted to £0.01m (£0.01m in 2019/20).

**North West Regional Disaster Victim Co-ordinator**

At the North West NPCC on 12 April 2018, the Chief Constables of the 6 Forces in the region agreed to fund the above position for an initial period of six months which has since been reviewed and made a permanent regional post. The agreement was that the cost of the post would be split equally between the 6 Forces. The Police and Crime Commissioner for Lancashire is the lead force. The total cost of the collaboration in 2020/21 was £0.06m (£0.06m 2019/20) and Cheshire's share of costs amounting to £0.01m (£0.01m 2019/20).

**North West Regional Chronicle Collaboration**

Chronicle is a computer system that manages training and operations for specialist functions (armed policing, public order, search, dogs and armoury). The main purpose of the collaboration is to standardise and merge six regional systems into one. The North West Regional Chronicle Collaboration serves the areas of Cheshire, Greater Manchester, Merseyside, Lancashire, Cumbria and North Wales. It is currently staffed by 1 police sergeant from Cheshire and 1 police staff member from GMP with the overall expenditure being met by those forces. The Police and Crime Commissioner for Lancashire is the lead force. For 2020/21 the total cost of NW Regional Chronicle Collaboration was £0.15m (£0.15m in 2019/20) with Cheshire's share of costs amounting to £0.02m (£0.02m in 2019/20).

**Regional Emergency Services Network (ESN)**

The Emergency Services Mobile Communication Programme is a nationally coordinated programme which will see a fundamental change to how each force and emergency service partner will receive critical voice and mobile broadband as part of a national Emergency Service Network for the UK. The North West will be the first region to transition, as such it is imperative to have a coordinated approach to the implementation of ESN. A NW ESN Programme structure has been implemented with the agreement and support of all North West Police Forces. It is currently staffed by 1 Chief Superintendent from Cheshire and 4 police staff (2 Cheshire, 1 Merseyside and 1 Cumbria) with the overall expenditure being met by Cheshire, Merseyside, Greater Manchester, Cumbria and Lancashire Police forces on the agreed basis. To support the programme itself the NW ESN Programme Board and NW ESN Project Coordination meet to coordinate and manage implementation and transition. For 2020/21 the total cost of the Regional ESN collaboration was £0.4m (£0.4m in 2019/20) with Cheshire's share of the costs amounting to £0.04m (£0.04m in 2019/20).

The ESN Programme (ESMCP) entered a phase of testing called Operational Assurance which is divided into 2 key parts – Operational Validation (technical and functional testing) and Operational Evaluation (scripted testing in operational scenarios). The North West Police region (Cumbria, Cheshire, GMP, Merseyside & Lancashire) alongside the South West were selected to be one of 2 Police regions to undertake the testing on behalf of UK Policing.

Operational Assurance is funded by a Home Office grant that enables the establishment of a team to plan, prepare and deliver the testing activities; originally awarded £690k for a period of 18 months from July 2020, the Home Office have recently confirmed funding will be available for the duration of Operational Assurance (scheduled to conclude December 2023). The grant covers staffing, office location & equipment and technology, to date 8 members of staff have been recruited with the potential to increase if required at a later date – the Assurance Partner Manager is responsible for the managing and monitoring the grant and reports to the Home Office and regional NW ESN Programme Board on a quarterly basis. For 2020/21 the total cost of the Operational Assurance was £0.07m which has been funded by Home Office Grant.

### **Regional ACC Lead**

The NW Joint Oversight Committee agreed on the 20 January 2017 that a regional Assistant Chief Constable would be recruited with an equal split of the funding between the six NW partner forces. This role has responsibility for all the regional collaborations including NWROCU, Armed Policing Collaboration, Motorway Policing Group and ANPR. For 2020/21 the total cost of the NW Regional ACC lead was £0.17m (£0.16m in 2019/20) shared equally between the NW police forces of which Cheshire's share of costs amounting to £0.03m (£0.03m in 2019/20).

### **West Coast Collaboration (WCC) BAU and Project Team (previously Tri-Force Niche)**

In February 2019 the Tri-Force collaborating forces of Cheshire, Merseyside and North Wales delivered a single instance of the Niche Records Management System (RMS). This single instance provides immediate access to all operational officers and staff to the combined information and intelligence of the three forces. This is a significant step forward in protecting vulnerable people, managing serious threats and tackling cross border criminality. During 2020/21 a new single networked Niche Business as Usual (BAU) Support Team was agreed and implemented with a centralised and co-ordinated management structure. Coupled with the new BAU team was the decision to continue with project team to develop further WCC opportunities (e.g. Criminal Justice). The Police and Crime Commissioner for Merseyside is the lead force. For 2020/21 the total cost of the West Coast Collaboration was £0.7m (£0.29m in 2019/20) of which the project costs are shared between 4 partners (Cheshire, Merseyside, North Wales and Dyfed Powys) and the BAU costs shared between 3 partners (Cheshire, Merseyside and North Wales). Cheshire's share of costs amounting to £0.18m (£0.08m in 2019/20).

<b>COLLABORATION / PARTNERSHIP</b>	<b>2020/21 Spend</b>	<b>Cheshire Contribution</b>	<b>%</b>
<u>North West Regional Organised Crime Unit (NWROCU)</u>			
Regional Confidential Unit	£2.62m	£0.273m	10.42
Regional Intelligence Unit	£0.25m	£0.026m	10.42
Operational Security (OPSY)	£0.05m	£0.009m	17.31
Regional Organised Crime Unit	£3.48m	£0.363m	10.42
Regional Technical Surveillance - Revenue	£3.19m	£0.332m	10.42
Regional Prison Intelligence	£0.60m	£0.062m	10.42
Business Support	£0.61m	£0.063m	10.42
Covert Operations 1	£1.95m	0	0
Covert Operations 2	£1.45m	£0.132m	9.16
Covert Operations 3	£0.58m	£0.058m	9.86
Pooled	£0.30m	£0.031m	10.42
Premises	£0.32m	£0.033m	10.42
<b>TOTAL NWROCU 2020/21</b>	<b>£15.40m</b>	<b>£1.382m</b>	
Multi Force Shared Services – Main Budget	£5.49m	£1.837m	33.47
Multi Force Shared Services – Force Specific	£1.54m	£0.536m	FIXED
Multi Force Shared Services – Transition	£0.22m	£0.087m	39.84
Multi Force Shared Services – GEN 2A and 2B	£0.50m	£0.124m	25.00
<b>TOTAL MULTI FORCE SHARED SERVICES 2020/21</b>	<b>£7.75m</b>	<b>£2.584m</b>	
NW Regional Underwater Search Unit	£0.89m	£0.093m	10.45
NW Regional Motorway Policing Group (NWMPG)	£0.79m	£0.236m	29.94
NW Armed Policing Collaboration	£0.60m	£0.075m	12.59
Cheshire & North Wales Armed Policing Alliance	£6.93m	£3.782m	54.60
Cheshire & North Wales Dog Pilot	£2.09m	£1.400m	67.02
Cheshire Road Safety Group	£0.45m	0	0
			16.67
NW Strategic Roads ANPR	£0.08m	£0.013m	11.00 (Infrastructure) and 20.00 (Oracle)
NW Disaster Victim Coordinator	£0.06m	£0.011m	16.67
NW Regional Chronicle Collaboration	£0.15m	£0.016m	10.59
Regional Emergency Services Network	£0.39m	£0.045m	11.39
Regional Emergency Services Network – Operational Assurance Grant	£0.07m	0	0
NW Regional ACC Lead	£0.17m	£0.028m	16.67
West Coast Collaboration – Project Team	£0.35m	£0.084m	24.00
West Coast Collaboration – BAU Team	£0.35m	£0.100m	28.80
<b>TOTAL 2020/21</b>	<b>£36.52m</b>	<b>£9.849m</b>	

## 14. Grant Income

The Commissioner credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<u>Credited to Taxation &amp; Non-Specific Grant Income</u>		
Police Grant (Home Office)	66,803	61,941
DCLG Funding	48,165	45,025
PFI Grant – Interest Element	2,007	2,088
Covid-19 Pressures Grant	872	0
Council Tax Income Guarantee Scheme Funding	300	0
<u>Capital Grants</u>		
General Capital Grant (Home Office)	173	661
Miscellaneous Capital Grants (Home Office)	33	7
Miscellaneous Capital Contributions (Partner Forces)	210	290
<b>Total</b>	<b>118,563</b>	<b>110,013</b>
<u>Credited to Other Operating Expenditure</u>		
Police Pension Grant (Home Office)	25,467	28,353
<b>Total</b>	<b>25,467</b>	<b>28,353</b>
<u>Credited to Services</u>		
Local Council Tax Freeze Grant	8,256	8,256
Private Finance Initiative	5,222	5,141
Pensions Uplift Grant	2,108	2,108
Counter Terrorism	848	812
Victims & Restorative Justice	1,628	1,218
National Officer Uplift grant	2,528	433
Covid-19 service specific grants	1,528	0
Other Grants	2,321	996
<b>Total</b>	<b>24,439</b>	<b>18,964</b>

The Commissioner has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

<b>Grants Received in Advance (Revenue Grants)</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Emergency Services Network	(685)	(718)
Automatic Number Plate Recognition Phase 1&2	(61)	(61)
<b>Total</b>	<b>(746)</b>	<b>(779)</b>

## 15. 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 following sets out a description of the reserves that the adjustments are made against:

### General Fund

The General Fund is the statutory fund into which all the receipts of the Commissioner are required to be paid and out of which all liabilities of the Commissioner are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Commissioner is statutorily empowered to spend on police services or on capital investment.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

### Unapplied Capital Grants Reserve

The Unapplied Capital Grants Reserve holds the grant and contributions received towards capital projects for which the Commissioner has met the conditions that would otherwise require repayment of the money but which has yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves	Total Reserves
2020/21	£000	£000	£000	£000	£000	£000
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>						
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>						
Depreciation	(11,210)			(11,210)	11,210	0
Revaluation Gain/(Loss)	(11)			(11)	11	0
<i>Insertion of items not debited or credited to the CIES</i>						
Statutory Provision for repayment of debt	2,489			2,489	(2,489)	0
Capital Grant Applied		206		206	(206)	0
Revenue Contribution to Capital Reserve	2,103	(2,103)		0		0
Earmarked Reserves Applied		2,489		2,489	(2,489)	0
<b>Adjustments Primarily involving the Capital Grants Unapplied Account</b>						
General Capital Grant	206	(206)		0	0	0
Specific Capital Grants/Contributions	210	(210)		0	0	0
<b>Adjustments Primarily involving the Capital Receipts Reserve</b>						
(Gain)/Loss on Sale of Assets	(43)		(0)	(43)	43	0
Capital Receipts Applied			1,670	1,670	(1,670)	0
<b>Adjustments Primarily involving the Pensions Reserve</b>						
Current Service Costs	(67,632)			(67,632)	67,632	0
Employers Contributions under IAS19	61,835			61,835	(61,835)	0
Past Service Costs						0
Curtailments						0
Pensions – Interest less Return on Assets	(50,551)			(50,551)	50,551	0
Collection Fund Adjustment Account	(1,358)			(1,358)	1,358	0
Accumulated Absences Account	(1,126)			(1,126)	1,126	0
<b>Total</b>	<b>(65,089)</b>	<b>176</b>	<b>1,670</b>	<b>(63,243)</b>	<b>63,243</b>	<b>0</b>

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves	Total Reserves
2019/20	£000	£000	£000	£000	£000	£000
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>						
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>						
Depreciation	(11,449)			(11,449)	11,449	0
Revaluation Gain/(Loss)	0			0		0
<i>Insertion of items not debited or credited to the CIES</i>						
Statutory Provision for repayment of debt	2,337			2,337	(2,337)	0
Capital Grant Applied	0	668		668	(668)	0
Revenue Contribution to Capital Reserve	1,220	(1,220)		0	0	0
Earmarked Reserves Applied		1,735		1,735	(1,735)	0
<b>Adjustments Primarily involving the Capital Grants Unapplied Account</b>						
General Capital Grant	668	(668)		0	0	0
Specific Capital Grants/Contributions	290	(290)		0	0	0
<b>Adjustments Primarily involving the Capital Receipts Reserve</b>						
(Gain)/Loss on Sale of Assets	(82)		(280)	(362)	362	0
Capital Receipts Applied			1,474	1,474	(1,474)	0
<b>Adjustments Primarily involving the Pensions Reserve</b>						
Current Service Costs	(74,304)			(74,304)	74,304	0
Employers Contributions under IAS19	61,961			61,961	(61,961)	0
Past Service Costs	9,124			9,124	(9,124)	0
Curtailments	0			0	0	0
Pensions – Interest less Return on Assets	(60,296)			(60,296)	60,296	0
Collection Fund Adjustment Account	(280)			(280)	280	0
Accumulated Absences Account	(650)			(650)	650	0
<b>Total</b>	<b>(71,461)</b>	<b>225</b>	<b>1,194</b>	<b>(70,042)</b>	<b>70,042</b>	<b>0</b>

## 16. Usable Reserves

The Commissioner holds a number of reserves, detailed in the table below that are classified as usable (these can be used to fund the Commissioner's future activities).

Usable Reserves	Balance as at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance as at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance as at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
<b>Revenue Reserves</b>							
General Fund	7,429	(1,656)	0	<b>5,773</b>	0	0	<b>5,773</b>
Medium Term Financial Strategy	1,174	0	1,477	<b>2,651</b>	0	912	<b>3,563</b>
Carry Forward	0	0	1,803	<b>1,803</b>	(1,803)	2,812	<b>2,812</b>
Underwater Search Unit	915	(83)	140	<b>971</b>	(108)	0	<b>863</b>
Local Resilience Forum	99	(7)	53	<b>145</b>	(3)	178	<b>320</b>
Redundancy	882	(99)	0	<b>783</b>	0	0	<b>783</b>
Actuarial Valuation Deficit	0	0	0	<b>0</b>	0	0	<b>0</b>
Multi Force Shared Service	177	(177)	0	<b>0</b>	0	348	<b>348</b>
Armed Police Alliance	510	(190)	0	<b>321</b>	0	155	<b>476</b>
Dog Alliance	79	0	127	<b>206</b>	0	143	<b>349</b>
National Blue Light Procurement	172	(36)	0	<b>136</b>	0	17	<b>153</b>
POCA Reserve	0	0	437	<b>437</b>	0	19	<b>456</b>
Hardship Loan Reserve	0	0	50	<b>50</b>	0	0	<b>50</b>
N. West Armed Police Collaboration Reserve	0	0	0	<b>0</b>	0	25	<b>25</b>
Major Investigations Reserve	0	0	0	<b>0</b>	(30)	953	<b>923</b>
Pay and Pensions Reserve	0	0	830	<b>830</b>	0	0	<b>830</b>
Council Tax Deficit Reserve	0	0	0	<b>0</b>	0	300	<b>300</b>
<b>Total Revenue Reserves</b>	<b>11,438</b>	<b>(2,248)</b>	<b>4,916</b>	<b>14,106</b>	<b>(1,944)</b>	<b>5,862</b>	<b>18,024</b>
<b>Revenue Reserves for Capital Purposes</b>							
Revenue Reserve for Capital Expenditure	27	(1,442)	1,591	<b>177</b>	(2,258)	4,036	<b>1,955</b>
ESN Reserve	0	0	485	<b>485</b>	0	1,070	<b>1,555</b>
IT Reimbursement	0	(221)	221	<b>0</b>	(226)	226	<b>0</b>
<b>Total Rev. Reserves for Capital Purposes</b>	<b>27</b>	<b>(1,663)</b>	<b>2,298</b>	<b>662</b>	<b>(2,484)</b>	<b>5,333</b>	<b>3,510</b>
<b>Capital Reserves</b>							
Capital Receipts Reserve	3,720	(1,474)	280	<b>2,526</b>	(1,670)	0	<b>856</b>
Unapplied Capital Grants	0	(668)	668	<b>0</b>	(206)	206	<b>0</b>
<b>Total Capital Reserves</b>	<b>3,720</b>	<b>(2,142)</b>	<b>948</b>	<b>2,526</b>	<b>(1,876)</b>	<b>206</b>	<b>856</b>
<b>Total Usable Reserves</b>	<b>15,185</b>	<b>(6,053)</b>	<b>8,163</b>	<b>17,294</b>	<b>(6,303)</b>	<b>11,402</b>	<b>22,391</b>

The Commissioner holds both revenue and capital usable reserves for a number of reasons, they provide a source of assurance to ensure the Commissioner is financially stable, investment funds for future initiatives and allow balances to be set aside to fund known cost pressures that will occur in later years.

The overall movements show a net £5.1m increase in reserves during 2020/21 reflecting the decisions made by the Commissioner to set aside funding towards a number of in progress commitments and to meet future funding for capital expenditure plans, including 'invest to save' initiatives, implementation costs and other one-off costs such as the impact of the McCloud/Sargeant pensions judgement.

### **Revenue Reserves**

**General Fund (Usable)** - The General Fund is available to support general revenue expenditure.

**Medium Term Financial Strategy Reserve (Earmarked)** - This reserve was created to support the Medium Term Financial Strategy in recognition of the challenging financial scenario. This will be used to support transition projects, including major estate's schemes and necessary organisational changes to meet future required savings.

**Carry Forward Reserve (Earmarked)** - Management Board approval at outturn places funding temporarily in this reserve for use in the following year.

**Underwater Search Unit Reserve (Earmarked)** - The Commissioner acts as the lead body for the regional underwater search unit. The reserve holds resources that the unit can use to support its operations.

**Local Resilience Forum Reserve (Earmarked)** - This represents the contributions from the collaboration of agencies representing the Local Resilience Forum. The reserve is held on behalf of the forum.

**Redundancy Reserve (Earmarked)** - This reserve funds the cost of redundancies should they be required.

**Actuarial Valuation Deficit Reserve (Earmarked)** - This reserve funds the actuarial valuation consequences.

**Multi Force Shared Service (Earmarked)** – This reserve is held to fund future Multi Force Shared Service related costs.

**Armed Police Alliance & Dog Alliance Reserves (Earmarked)** - This reserve is held on behalf of the Alliance which is a collaboration between Cheshire Constabulary and North Wales Police.

**Blue Light Procurement Reserve (Earmarked)** – This reserve is held on behalf of all the police forces and fire services. The reserve will be used to support future training, re-tendering and IT development costs.

**POCA Reserve (Earmarked)** – This reserve holds the balance of monies received from the proceeds of crime and is set aside to provide grants to support local communities.

**Hardship Loan Reserve (Earmarked)** – This reserve holds funds set aside to underwrite the Emergency Hardship Loan scheme for officers and staff.

**North West Armed Police Collaboration Reserve (Earmarked)** – This reserve is to fund the upskilling and training of National Firearms Instructors to increase resilience across the region.

**Major Investigations Reserve (Earmarked)** - This reserve holds funds to contribute towards the costs of ongoing and future Major Investigations.

**Pay and Pensions Reserve (Earmarked)** - the complexity of the McCloud judgement in terms of the remedy options requires additional support and more detailed analysis of individual pension choices. This reserve is to provide funding for any associated costs.

**Council Tax Deficit Reserve** – This reserve holds funds received from Government towards irrecoverable Council Tax income losses associated with the Coronavirus pandemic. It is held to mitigate against future resulting Council Tax Collection Fund deficits as they are declared by billing authorities.

**Revenue Reserves held for Capital Purposes**

**Revenue Reserve for Capital Expenditure (Earmarked)** - This is used to finance capital expenditure in future years. The Commissioner's budget includes a revenue contribution to this reserve each year to support capital expenditure without further borrowing.

**ESN Reserve (Earmarked)** – This will be used to partly fund costs associated with the upgrade of the Emergency Service Network.

**IT Reimbursement Reserve (Earmarked)** - This represents funds for the replacement of computer equipment.

**Capital Reserves**

**Capital Receipts Reserve (Usable)** - This holds the proceeds of asset sales and can be used to finance new investment or repay borrowing.

**Unapplied Capital Grants Reserve (Earmarked)** - This is specific capital grants received but not yet applied to finance capital expenditure.

**17. Property, Plant & Equipment**

The following table shows the movement of assets classified as property, plant & equipment including work in progress (WIP).

<b>2020/21</b>	Property	Vehicles	Equipment	Assets Under Construction	Total
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000
At 1 April 2020	121,372	14,697	39,787	0	175,856
Additions	125	2,320	2,038	0	4,483
Revaluations	(10,609)	0	0	0	(10,609)
Disposals	0	(1,336)	(10,321)	0	(11,657)
Reclassifications	0	0	0	0	0
At 31 March 2021	110,887	15,682	31,504	0	158,073
<u>Depreciation</u>					
At 1 April 2020	0	(9,662)	(32,723)	0	(42,385)
Charge in year	(4,903)	(2,220)	(3,406)	0	(10,529)
Disposals	0	1,301	10,313	0	11,614
Revaluations	4,789	0	0	0	4,789
Reclassifications	0	0	0	0	0
At 31 March 2021	(114)	(10,581)	(25,816)	0	(36,511)
Net Book Value at 1 April 2020	121,372	5,035	7,064	0	133,471
Net Book Value at 31 March 2021	110,773	5,101	5,688	0	121,562

Included in the above assets are £393k (NBV) of vehicles and equipment held by Cheshire Constabulary on behalf of the Underwater Search Unit collaboration, together with £350k (NBV) of vehicles for the Firearms Alliance collaboration. Details of these two collaborations can be found in Note 13.

<b>2019/20</b>	Property	Vehicles	Equipment	Assets Under Construction	Total
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000
At 1 April 2019	117,408	14,350	43,932	0	175,690
Additions	28	2,488	1,824	0	4,340
Revaluations	3,936	0	0	0	3,936
Disposals	0	(2,141)	(5,969)	0	(8,110)
Reclassifications	0	0	0	0	0
At 31 March 2020	121,372	14,697	39,787	0	175,856
<u>Depreciation</u>					
At 1 April 2019	0	(9,804)	(34,201)	0	(44,005)
Charge in year	(4,377)	(1,946)	(4,392)	0	(10,715)
Disposals	0	2,088	5,870	0	7,958
Revaluations	4,377	0	0	0	4,377
Reclassifications	0	0	0	0	0
At 31 March 2020	0	(9,662)	(32,723)	0	(42,385)
Net Book Value at 1 April 2019	117,408	4,546	9,731	0	131,685
Net Book Value at 31 March 2020	121,372	5,035	7,064	0	133,471

## Depreciation

In line with IAS16, depreciation is defined as the systematic allocation of the depreciable amount of an asset over its useful life. Land and buildings are separable assets and are accounted for separately, even when they are acquired together.

Land has an unlimited useful life and therefore is not depreciated. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. As stated in the accounting policies beginning on page 30, depreciation is charged as follows:

- Land – no depreciation applied.
- Property (not land) – straight-line allocation over 30 to 50 years.
- Plant and Equipment – straight-line allocation over 3 to 20 years.

## Significant commitments under capital contracts

There are no significant commitments under capital contracts.

## Revaluation

Property (land and buildings) are revalued in detail every five years in accordance with the relevant standards and guidance issued by the Royal Institute of Chartered Surveyors. A full valuation was carried out on 31<sup>st</sup> March 2021 by Martin Wilson BSc (Hons) MRICS who was awarded the Certificate in Asset Valuation by CIPFA in March 2017 and Yasmine Lunn BSc (Hons) MRICS. The valuation was supervised by Ian S Pitt BSc (Hons) FRICS IRRV (Hons), Partner and Head of Valuation Faculty within Bruton Knowles. A desktop revaluation exercise will subsequently be undertaken annually with any significant variations reported within these accounts.

This Asset Valuation has been provided in accordance with the RICS Valuation – Global Standards that came into effect on the 31st January 2020, Valuation Information Paper 10, CIPFA Code of Practice on Local Authority Accounting, the International Financial Reporting Standards and the RICS professional standards and guidance, UK, depreciated replacement cost method of valuation for financial reporting, 1st edition, November 2018.

The methodology adopted for the majority of the valuations by the valuer is on a DRC approach.

Using this approach assets are valued on a Modern Equivalent Asset (MEA) basis which applies the principle of Least Cost Replacement which considers whether the same service can be provided in a smaller building in a cheaper location. BCIS build cost data is used to establish the cost of the MEA with the Instant Build approach being applied which reduces fees to only the professional fees incurred during the course of constructing the asset.

Obsolescence has been applied by considering physical, functional and external/economic forms of obsolescence.

The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, this valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

## 18. Intangible Assets

The Commissioner accounts for 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 or property, plant and equipment. The intangible assets reflect the purchased software licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Commissioner. The useful lives generally assigned to the major software suites used by the Commissioner are:

- Non-police operational systems (e.g. finance system) – 4 years.
- Operational police systems (e.g. Airwave) – 3 years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.7m charged to revenue in 2020/21 has been allocated across the CIES heading.

The movement on intangible assets during the year is as follows:

	<b>2020/21</b>	<b>2019/20</b>
<u>Carrying Amount</u>	<b>£000</b>	<b>£000</b>
Balance at start of year	12,682	13,225
Additions	124	167
Disposals	(1,122)	(710)
Balance at end of year	<u>11,684</u>	<u>12,682</u>
<u>Amortisation</u>		
Balance at start of year	(10,789)	(10,766)
Charge for the year	(681)	(733)
Disposals	1,122	710
Balance at end of year	<u>(10,348)</u>	<u>(10,789)</u>
Net Book Value at 1 April	<u>1,893</u>	<u>2,459</u>
Net Book Value at 31 March	<u>1,336</u>	<u>1,893</u>

The value of these intangible assets is based on cost less amortisation. Amortisation is calculated in accordance with the accounting policies set out in Note 1.

## 19. Capital Expenditure & Financing

The total amount of capital expenditure incurred in the year is shown in the table below including the value of assets acquired under finance leases and PFI contracts, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed. The Capital Financing Requirement is analysed in the second part of this note.

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Opening capital financing requirement	48,514	50,221
<u>Capital Expenditure in year:</u>		
Property	125	28
Plant (e.g. vehicles)	2,320	2,488
Equipment	2,038	1,824
Intangibles	124	167
	<b>4,607</b>	<b>4,507</b>
<u>Less: Capital Financing</u>		
Capital Grants	205	668
Capital Receipts	1,670	1,474
Contribution from reserves	231	293
Revenue and Other contributions	2,258	1,442
Total Capital Financing	<b>4,364</b>	<b>3,877</b>
Less: Sums Set Aside from Revenue		
Revenue Provision for Repayment of Debt	2,489	2,337
Early Repayment of Debt	0	0
	<b>2,489</b>	<b>2,337</b>
Closing capital financing requirement	<b>46,268</b>	<b>48,514</b>
<u>Explanation of movement in year:</u>	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Decrease in underlying need to borrow (supported by Government direct funding)	(1,355)	(1,280)
Decrease in underlying need to borrow (not supported by Government direct funding)	(890)	(427)
Increase/(Decrease) in Capital Financing Requirement	<b>(2,246)</b>	<b>(1,707)</b>

## 20. Capitalisation of Borrowing Costs

In line with the accounting policies, the Commissioner does not capitalise borrowing costs incurred whilst assets are under construction. During 2020/21 no borrowing costs were capitalised.

## 21. Impairment Losses

An impairment review was undertaken by the Commissioner's Estates Department. The outcome of the review showed no impairments during 2020/21.

## 22. Financial Instruments (including Borrowing)

The definition of a financial instrument is “any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity”.

The term ‘financial instrument’ covers both financial assets and liabilities. These range from straight forward debtors and creditors to more complex investments and borrowings. The following categories of financial instruments are carried in the Balance Sheet; current is deemed to be under one year and long-term over one year.

	Long-term		Current	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
<b><u>Cash and Cash Equivalents</u></b>				
Imprest and cash	0	0	23,080	12,135
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>23,080</b>	<b>12,135</b>
<b><u>Debtors</u></b>				
Loans and receivables	1,159	1,366	6,040	11,394
Items not classed as Financial Instruments	0	0	15,413	14,135
<b>Total Debtors</b>	<b>1,159</b>	<b>1,366</b>	<b>21,453</b>	<b>25,529</b>
<b><u>Borrowings</u></b>				
Financial Liabilities	27,873	27,873	0	0
<b>Total included in borrowings</b>	<b>27,873</b>	<b>27,873</b>	<b>0</b>	<b>0</b>
<b><u>Creditors</u></b>				
Financial Liabilities	0	0	14,801	11,096
Items not classed as Financial Instruments	746	779	14,561	14,934
<b>Total Creditors</b>	<b>746</b>	<b>779</b>	<b>29,362</b>	<b>26,030</b>
<b><u>Other Long-term Liabilities</u></b>				
PFI & Finance Leases	16,223	17,379	1,157	1,068
<b>Total other long term liabilities</b>	<b>16,223</b>	<b>17,379</b>	<b>1,157</b>	<b>1,068</b>

### Fair Values of Assets and Liabilities

Financial assets and liabilities represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

Financial liabilities relate to the outstanding borrowing with the fair value being calculated by Link Asset Services (the Commissioner’s advisors). Link use the Net Present Value (NPV) approach, which provides an estimate of the value of future payments in today’s terms.

The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, the prevailing rate of a similar instrument with a published market rate is used as the discount factor. The rates quoted in this valuation were obtained by Link from the market on 31 March 2021, using bid prices where applicable.

All financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For both PWLB and non-PWLB loans payable, Link Asset Services has assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on the Balance Sheet date (which could be viewed as a proxy for transfer value);
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- PFI & Finance Leases, Link Asset Services has assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on the Balance Sheet date (which could be viewed as a proxy for transfer value);
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2021		31 March 2020	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b><u>Financial Liabilities</u></b>				
Borrowings	27,873	36,486	27,873	33,431
Creditors	14,801	14,801	11,096	11,096
PFI & Finance Leases	17,380	26,282	18,447	27,447
	<b>60,053</b>	<b>77,569</b>	<b>57,416</b>	<b>71,974</b>
<b><u>Financial Assets</u></b>				
Cash and Cash Equivalents	23,080	23,080	12,135	12,135
Loans and Receivables	7,195	7,195	12,760	12,760
	<b>30,275</b>	<b>30,275</b>	<b>24,895</b>	<b>24,895</b>

The fair value of the liabilities is greater than the carrying amount because the Commissioner's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The Commissioner's activities in relation to financial instruments expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Commissioner.
- Liquidity Risk – the possibility that the Commissioner might not have funds available to meet its commitments and payments.
- Re-financing Risk – the possibility that the Commissioner might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk – the possibility that financial loss might arise for the Commissioner as a result of changes in measures such as interest rates, foreign exchange rates or stock market movements.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund police services. Risk management is carried out under policies approved by the Commissioner in the annual Treasury Management Strategy which was approved on 31 January 2020 and is published each year. The Strategy provides written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

## Credit Risk

Credit risk relates to deposits with banks/financial institutions and the Commissioner's debtors.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. It imposes a maximum sum of £10 million to be invested at any one time with any single institution or group.

The Commissioner uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- credit Default Swaps to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit overlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative standing of counterparties. These colour codes are used by the Commissioner to determine the suggested duration of investments.

As this methodology uses a wide range of information beyond basic credit ratings, it ensures that no one source of information is given undue credence. All ratings and colour codes are monitored weekly via Link's credit listings and in-between via business press.

The Investment Strategy for 2020/21 was approved by the Commissioner on 31 January 2020 and is available on the Commissioner's website.

As at 31 March 2021 the Commissioner had £24.4m of deposits with Major UK Banks (£24.1m) and Money Market Funds (£0.3m). Under IFRS 9 the Expected Credit Loss on these is negligible.

In respect of debtors, action is taken when payments become overdue and may lead to legal action to recover the debt. The Commissioner provides for bad debts each year based on agreed debt management policy (non-statutory debt only). The amount provided for in 2020/21 was £0.1m (£0.1m in 2019/20).

The Invoiced Debt element of total Debtors held by the Commissioner at the end of the financial year, analysed by age is as follows:

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
Current (0-30 days)	341	1,090
1 Month	51	74
2 Months +	256	3,591
<b>Total</b>	<b>648</b>	<b>4,755</b>

### Liquidity Risk

The Commissioner manages his liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Commissioner has ready access to loans from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Commissioner is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The following table shows the long-term borrowing outstanding at 31 March 2021. No new borrowing has been taken out during 2020/21 and no loans have been repaid. All existing loans are maturity loans with the first repayment due in March 2023.

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
Analysis of loans by type		
• Public Works Loans Board (PWLB)	21,873	21,873
• Money Market	6,000	6,000
<b>Total Outstanding</b>	<b>27,873</b>	<b>27,873</b>

Analysis of loans by maturity		
• Less than 1 year	0	0
• Between 1 and 2 years	99	0
• Between 2 and 5 years	3,385	2,455
• Between 5 and 10 years	0	1,029
• More than 10 years	24,389	24,389
<b>Total Outstanding</b>	<b>27,873</b>	<b>27,873</b>

### Re-financing and Maturity Risk

The Commissioner maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Commissioner relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Commissioner approved treasury and investment strategies address the main risks and the Finance Department addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Commissioner's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

## Market Risk

### Interest Rates

The Commissioner is exposed to risk in terms of movement in interest rates on its borrowings and investments. Movements in interest rates have a complex impact on the Commissioner. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowing at fixed rates – the fair value of the borrowings will fall.
- Investments at variable rates – the income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates – the fair value of the investments will fall.

Borrowings are not carried at fair value so nominal gains and losses on fixed rate borrowings would not impact the Comprehensive Income and Expenditure Statement. However, changes in interest rates on variable borrowings and investments will have a direct impact on the Comprehensive Income and Expenditure Statement and affect the General Fund balance.

The Commissioner takes into account interest rates as part of his investment strategy but recognises the need for security above return. Given the overall impact of the banking crisis of 2008, security has become an increasing area of risk and investments are only made with organisations with highest security ratings. To ensure the maximum security, the current strategy favours short-term or instant access deposits. Interest rates on borrowing remained unchanged during 2020/21.

### Premiums and Discounts on Early Repayment of Debt

The Commissioner did not make any early repayment of debt in 2020/21.

### Foreign Exchange Rates / Stock Markets

The Commissioner has no material exposure to foreign exchange rates or stock market movements (price risk).

### 23. Analysis of Debtors (including Prepayments etc.)

Analysis of debtors and prepayments are shown below.

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Central Government Bodies	6,970	8,323	6,895
Other Local Authorities	4,724	8,469	9,767
NHS Bodies	19	2	29
Council Tax Collection Fund	7,924	6,957	6,258
Other entities and individuals	1,946	1,886	2,056
LESS: Provision for Credit Losses	(130)	(108)	(541)
<b>Total</b>	<b>21,453</b>	<b>25,529</b>	<b>24,465</b>

### 24. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Cash held	32	32	32
Bank Current Accounts	(1,316)	(1,068)	(1,540)
Short-term deposits	24,364	13,171	8,685
<b>Total</b>	<b>23,080</b>	<b>12,135</b>	<b>7,177</b>

In addition to the above, the Commissioner held £1.322m (£1.073m 2019/20) of funds as follows:

**Police Property Act** – At the 31 March 2021, the Commissioner held £0.127m (£0.125m in 2019/20) under the Police Property Act 1997. The Act applies to property that is in the possession of police where the owner of the property cannot be identified and where no order of a competent court has been made. The proceeds, after defraying the costs of handling the property, are available for distribution each year to local charities as directed by the Chief Constable.

**Proceeds of Crime and Misuse of Drugs Acts** – At the 31 March 2021, the Commissioner held £1.195m (£0.948m in 2019/20) under the Proceeds of Crime Act 2002 and the Misuse of Drugs Act. This is money seized in connection with possible criminal activity and held pending a decision, by the courts, on the lawful owner, or distribution if no legal owner is identified.

These funds are not under the ownership of the Constabulary who acts as steward on behalf of various parties, and as such, does not form part of the Commissioner's accounts.

## 25. Assets Held for Sale

The Commissioner's Estates Strategy is to review all property held and when advantageous to do so place surplus property for sale. The following table shows the property for sale at the Balance Sheet dates. When classified as "for sale" the asset is no longer subject to depreciation.

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Balance at the start of year	0	210	0
Assets newly classified as held for sale			
• Property, Plant & Equipment	0	0	210
• Other Assets	0	0	0
Revaluations gains / (losses)	0	0	0
Impairment losses	0	0	0
Assets sold	0	(210)	0
Balance at the end of year	<b>0</b>	<b>0</b>	<b>210</b>

## 26. Analysis of Creditors

Analysis of short-term creditors is shown below.

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Central Government Bodies	(4,697)	(4,183)	(3,933)
Other Local Authorities	(4,651)	(4,583)	(4,082)
NHS Bodies	(106)	(170)	(13)
Council Tax Collection Fund	(8,516)	(6,190)	(5,212)
Other entities and individuals	(11,393)	(10,903)	(9,946)
Total	<b>(29,362)</b>	<b>(26,030)</b>	<b>(23,186)</b>

## 27. Provisions

A provision has been created to meet the cost of quantifiable claims in respect of Covert Human Intelligence Sources officer overtime pay. The Allard Case was referred to the Court of Appeal in 2015, where it was deemed that intelligence handlers were 'recalled to duty' when taking calls between shifts and would therefore be due overtime pay. The Commissioner has paid no claims during 2020-21 with the estimated value of outstanding claims being £0.395m. In addition a number of small ad-hoc provisions are held at 31 March 2021 and these will be reviewed during 2021/22.

	<b>2020/21 £000</b>	<b>2019/20 £000</b>
<u>Allard Claims Provision</u>		
Balance at 1 April	395	401
Use of provision in the year	0	(6)
Balance at 31 March	<b>395</b>	<b>395</b>
<u>Small ad-hoc provisions</u>		
Balance at 31 March	<b>144</b>	<b>144</b>
Total provisions at 31 March	<b>539</b>	<b>539</b>

## 28. Leases: Finance and Operating

### Finance Leases

IAS 17 requires the minimum lease payments to be reported. The following table shows the minimum lease payments relating to PFI.

	2020/21	2019/20
	£000	£000
Not later than one year	3,151	3,151
Later than one year, not later than five years	12,574	12,574
Later than five years	23,743	26,894
<b>Total</b>	<b>39,468</b>	<b>42,619</b>

### Operating Leases

The Commissioner rents properties and equipment, mostly on short term leases, which are accounted for as operating leases. The rentals payable in 2020/21 and 2019/20 were £0.24m and £0.22m respectively. The Commissioner was committed at 31 March 2021 to making payments of £0.54m under operating leases as follows:

	Property	Equipment	Total
	£000	£000	£000
Not later than one year	98	85	183
Later than one year, not later than five years	54	148	202
Later than five years	154	0	154
<b>Total</b>	<b>306</b>	<b>233</b>	<b>539</b>

## 29. Private Finance Initiative

In 2002 the former Police Authority entered into a long term contractual agreement under a Private Finance Initiative (PFI) for its headquarters facilities. Under the agreement the contractor is responsible for providing the buildings and facilities at Headquarters in Winsford for a period of 30 years. The annual unitary charge is £6.7m (2020/21) and is subject to annual increases using indexation data agreed within the contract. The services provided under the contract are subject to periodic market testing.

The contract provides the Commissioner with fully serviced headquarters accommodation throughout the contract period. These services include building & grounds maintenance, security, receptions, cleaning and catering. At the end of the 30 year contract the Commissioner has the right to purchase the Headquarters for a nominal sum.

The contract transfers much of the operational risk to our private sector partner (Cheshire SPV Ltd.) supported by an agreed performance regime. The Commissioner retains the 'demand risk' whereby the Commissioner will be required to make payments for the facilities irrespective of the number of staff working from the site.

### Assets

The land and buildings at Headquarters, together with the associated equipment are included in property, plant and equipment shown on the Balance Sheet and Note 17. The costs, depreciation and valuations undertaken during 2020/21 are detailed below:

	Land £000	Property £000	Equipment £000	Total £000
Gross Book Value on 1 April 2020	3,127	31,119	403	34,649
Additions	0	0	0	0
Revaluations	(166)	(704)	0	(870)
<b>Gross Book Value on 31 March 2021</b>	<b>2,961</b>	<b>30,415</b>	<b>403</b>	<b>33,779</b>
Depreciation on 1 April 2020	0	0	(360)	(360)
Charge for the year	0	(2,394)	(22)	(2,416)
Revaluation	0	2,394	0	2,394
<b>Depreciation on 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>(381)</b>	<b>(381)</b>
Net Book Value on 1 April 2020	3,127	31,119	43	34,289
<b>Net Book Value on 31 March 2021</b>	<b>2,961</b>	<b>30,415</b>	<b>22</b>	<b>33,398</b>

## Liabilities

At the start of the PFI contract the former Authority's liability was equal to the cost of the assets now recognised on the Balance Sheet. This was initially reduced by the Commissioner making a prepayment of £6.49m and further reduced each year by the element of the unitary payment attributable to the capital expenditure. This is shown in the accounts under the Minimum Revenue Provision and for 2020/21 equated to £1.067m. The current liability at 31 March 2021 is £17.380m.

	31 March 2021 £000	31 March 2020 £000	31 March 2019 £000
PFI Liability			
Balance at 1 April	18,447	19,441	20,349
Movement in year	(1,067)	(993)	(909)
<b>Balance at 31 March</b>	<b>17,380</b>	<b>18,447</b>	<b>19,441</b>

## Payments due

As stated above the Commissioner has an obligation to make the annual payments for this contract until it ends in 2033. Details of the profiling of these payments split into their constituent parts are shown below and are based on the contractual figures before market testing and indexation:

Analysis of payments due within:	Service Charges £000	Finance Charges £000	Reduction to Liability £000	Total £000
1 year	1,866	1,994	1,157	5,017
2 to 5 years	7,469	6,933	5,641	20,043
6 to 10 years	9,334	5,581	10,111	25,026
11 to 15 years	4,826	7,580	471	12,877
<b>Total due</b>	<b>23,495</b>	<b>22,088</b>	<b>17,380</b>	<b>62,963</b>

### 30. Unusable Reserves

The Commissioner also holds unusable reserves (technical accounting adjustment accounts reflecting the difference between the outcome of applying proper accounting practices and the statutory requirements for funding expenditure within the public sector). This note shows the movements in year.

#### Revaluation Reserve (Unusable)

The Revaluation Reserve contains the gains arising from increases in the value of Property, Plant and Equipment. 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 realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated in the balance on the Capital Adjustment Account.

	2020/21 £000	2019/20 £000	2018/19 £000
Balance at 1 April	(66,929)	(61,288)	(49,671)
Movement in year	8,270	(5,641)	(11,617)
Balance at 31 March	<b>(58,659)</b>	<b>(66,929)</b>	<b>(61,288)</b>

#### Capital Adjustment Account (Unusable)

The Capital Adjustment Account 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 and depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value into historical cost). The Account is credited with the amounts set aside to finance the cost of acquisition, construction or enhancement.

The Account also contains revaluation gains accumulated on Property, Plant & Equipment before 1 April 2007 and the date that the Revaluation Reserve was created to hold such gains. Note 17 provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve.

	2020/21 £000	2019/20 £000	2018/19 £000
Balance at 1 April	(19,923)	(22,848)	(25,275)
Depreciation & Amortisation	11,210	11,449	11,089
Revaluation losses and write down	(2,451)	(2,539)	(2,128)
Impact of disposals/sale of assets	43	229	560
Capital Financing – see Note 20	(4,364)	(3,877)	(5,125)
Minimum Revenue Provision/Debt Repayment	(2,489)	(2,337)	(1,969)
Balance at 31 March	<b>(17,973)</b>	<b>(19,923)</b>	<b>(22,848)</b>

**IAS19 Pension Reserve (Unusable)**

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits in accordance with statutory provisions. Post-employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as the benefits 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. Statutory arrangements however, require benefits earned to be financed as the Commissioner makes employer's contributions to pension funds or eventually pay any pensions for which he is directly responsible. The debt balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources 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.

	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	2,243,169	2,452,422	2,212,982
Movement in year	339,777	(209,253)	239,440
<b>Balance at 31 March</b>	<b>2,582,946</b>	<b>2,243,169</b>	<b>2,452,422</b>

\* Note: The Police and Crime Commissioner's element of the IAS19 Pension reserve is £1.865m in 2020/21 (£1.166m 2019/20)

**Collection Fund Adjustment Account (Unusable)**

The Collection Fund Adjustment Account is the difference between the precept income included in the accounts and the amount required by statute to be credited to the General Fund. The balance relates to the net creditor/debtor from billing authorities when accounting for collection fund balances on an accruals basis at the year end.

	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	(766)	(1,046)	(1,501)
Movement in year	1,358	280	455
<b>Balance at 31 March</b>	<b>592</b>	<b>(766)</b>	<b>(1,046)</b>

**Accumulated Absences Reserve (Unusable)**

As part of working terms and conditions employees at any given time can hold entitlement to leave, time off in lieu or flexi leave for additional hours worked. This reserve shows the financial impact of such untaken leave at the balance sheet date.

	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	3,680	3,030	2,613
Movement in year	1,127	650	417
<b>Balance at 31 March</b>	<b>4,807</b>	<b>3,680</b>	<b>3,030</b>

\* Note: The Police and Crime Commissioner's element of the Accumulated Absences reserve is £28k (Nil in 2019/20)

	<b>2020/21</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Total All Unusable Reserves</b>	<b>2,511,713</b>	<b>2,159,232</b>	<b>2,370,272</b>

\* Note: The Police and Crime Commissioner's element of total Unusable Reserves is £74.1m in 2019/20 (£86.5m 2019/20)

### 31. Notes to the Cashflow Statement

The cashflow include the following items:

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Other Operating Expenditure</b>		
Interest received	(55)	(164)
Interest paid	2,977	3,051
<b>Total</b>	<b>2,921</b>	<b>2,887</b>
<b>Investing Activities</b>		
	<b>£000</b>	<b>£000</b>
Purchase of Property, Plant & Equipment & Intangible Assets	4,606	4,508
Proceeds from sale of assets	0	(280)
<b>Total</b>	<b>4,606</b>	<b>4,228</b>
<b>Financing Activities</b>		
	<b>£000</b>	<b>£000</b>
Cash receipts of short and long-term borrowing	0	(2,000)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,068	993
Repayment of short and long-term borrowing	0	905
<b>Total</b>	<b>1,068</b>	<b>(102)</b>

### 32. Related Parties

The Commissioner is required to disclose material transactions with related parties (i.e. bodies or individuals that have the potential to control or influence the Commissioner or 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.

#### 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, provides the majority of the Commissioner's funding in the form of grants and prescribes the terms of many of the transactions that the Commissioner has with other parties (e.g. council tax bills). Grants received from Government departments are set out in Note 14.

#### The Police Reform & Social Responsibility Act 2011

The above Act created two new corporations sole, the Police & Crime Commissioner and the Chief Constable. Each organisation is required to produce a Statement of Accounts which is subject to external audit under the Local Audit & Accountability Act 2014. The Chief Constable for Cheshire is a wholly owned subsidiary of the Commissioner for Cheshire.

## Office of the Police & Crime Commissioner

Since November 2012 the Office of the Police and Crime Commissioner has maintained a Register of Interests for the Commissioner, Chief of Staff, and Chief Finance Officer. It has also maintained a Register of Business Interests covering the staff employed therein.

### Officers and Staff

The Constabulary maintains a Register of the Business Interests of Officers and Staff.

In the Chief Finance Officer's opinion there are no material transactions recorded between the Office of the Police & Crime Commissioner or the Constabulary and any related parties.

### Other Public Bodies (subject to common control by Central Government)

Since the creation of the Multi-Force Shared Service on 1 April 2012, there have been significant transactions with Northamptonshire Police, Nottinghamshire Police and Civil Nuclear Constabulary as partner forces. The governance arrangements assure transparency over these transactions and are recorded in the Comprehensive Income & Expenditure Statement or as assets and contributions in the Balance Sheet.

Material transactions with other public bodies such as the Borough Councils and the Cheshire Pension Fund have been disclosed within the Comprehensive Income and Expenditure Account and the Cashflow Statement. Separate specific disclosures have also been made in relation to partnerships and collaborations in Note 13.

Ammunition is held in stock on behalf of both the Constabulary and the Armed Police Alliance which is a collaboration between Cheshire Constabulary and North Wales Police, please see Note 13.

There are no other related party transactions to report.

## 33. Employee Benefits

### Termination Benefits

The Commissioner and Chief Constable terminated the contracts of 6 employees in 2020/21 incurring liabilities of £0.025m (£0.085m In 2019/20). The 6 employees were made redundant when a contract with a partner force to provide Firearms Training to their officers had to be terminated early due to Covid-19 restrictions. The redundancy costs incurred were reimbursed by the partner force.

### Participation in Pensions Schemes

As part of the terms and conditions of employment of his officers and staff, the Commissioner offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Commissioner has a commitment to make the payments (for those benefits) and to disclose them at the time when employees earn their future entitlement.

The Commissioner's and Chief Constable's officers and staff participate in two pension schemes:

- The Police Pension Scheme for police officers is an unfunded, technically defined benefit scheme, meaning there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the Commissioner must transfer annually an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, this must be repaid to central government. Details of this scheme are shown in the Pension Account on page 22.

- The Local Government Pension Scheme (LGPS) for Police Staff is administered by Cheshire West and Chester Council. This is a funded defined benefit scheme, meaning that the scheme's liabilities are backed by investment assets. The Commissioner and its employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

### **Transactions relating to retirement benefits**

The Commissioner recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions on the next few pages have been charged to the Comprehensive Income & Expenditure Statement and General Fund Balance via the Movement in Reserves Statement during the year.

## Comprehensive Income & Expenditure Statement (Pensions)

	Local Government Pension Scheme		Police Pension Scheme (1987)		Police Pension Scheme (2006)		Police Pension Scheme (2015)		Police Injury Awards Scheme		TOTAL	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<i>Cost of Services:</i>												
• Current Service Costs	(14,812)	(18,774)	(6,470)	(9,840)	(220)	(260)	(44,890)	(44,260)	(1,240)	(1,170)	<b>(67,632)</b>	<b>(74,304)</b>
• Past Service Costs	0	(46)	0	(8,250)	0	17,420	0	0	0	0	<b>0</b>	<b>9,124</b>
• Settlements & Curtailments	0	0	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<i>Financing and Investment Income &amp; Expenditure:</i>												
• Net Interest Expense	(861)	(2,286)	(42,980)	(50,930)	(1,570)	(2,280)	(4,120)	(3,610)	(1,020)	(1,190)	<b>(50,551)</b>	<b>(60,296)</b>
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<b>(15,673)</b>	<b>(21,106)</b>	<b>(49,450)</b>	<b>(69,020)</b>	<b>(1,790)</b>	<b>14,880</b>	<b>(49,010)</b>	<b>(47,870)</b>	<b>(2,260)</b>	<b>(2,360)</b>	<b>(118,183)</b>	<b>(125,476)</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>												
• Return on plan assets (not included in net interest expense)	40,601	(2,011)	0	0	0	0	0	0	0	0	<b>40,601</b>	<b>(2,011)</b>
• Actuarial Gains and Losses arising from changes in demographic assumptions	(7,045)	43,504	0	60,620	0	2,940	0	5,440	0	1,450	<b>(7,045)</b>	<b>113,954</b>
• Actuarial Gains and Losses arising from changes in financial assumptions	(117,008)	15,566	(142,680)	112,930	(33,090)	5,280	(22,390)	14,200	(4,980)	1,990	<b>(320,148)</b>	<b>149,966</b>
• Other	3,163	10,859	0	0	0	0	0	0	0	0	<b>3,163</b>	<b>10,859</b>
<i>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</i>	<b>(80,289)</b>	<b>67,918</b>	<b>(142,680)</b>	<b>173,550</b>	<b>(33,090)</b>	<b>8,220</b>	<b>(22,390)</b>	<b>19,640</b>	<b>(4,980)</b>	<b>3,440</b>	<b>(283,429)</b>	<b>272,768</b>

## Movement in Reserves Statement (Pensions)

	Local Government Pension Scheme		Police Pension Scheme (1987)		Police Pension Scheme (2006)		Police Pension Scheme (2015)		Police Injury Awards Scheme		TOTAL	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
<ul style="list-style-type: none"> <li>Reversal of net charges made to the Surplus and Deficit for the Provision of Services for post-employment benefits in accordance with the Code</li> </ul>	15,673	21,106	49,450	69,020	1,790	(14,880)	49,010	47,870	2,260	2,360	118,183	125,476
<b>Actual expenditure met from council tax through the General Fund</b>												
<ul style="list-style-type: none"> <li>Employer's contributions payable to the scheme</li> </ul>	9,145	8,421	57,460	58,870	(30)	(40)	(7,050)	(7,100)	2,310	1,810	61,835	61,961

## Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Police Pension Scheme (1987)		Police Pension Scheme (2006)		Police Pension Scheme (2015)		Police Injury Awards Scheme		TOTAL	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Present value of defined benefit obligation	(463,961)	(323,181)	(2,070,310)	(1,935,640)	(104,740)	(69,830)	(235,590)	(157,140)	(50,840)	(45,910)	(2,925,441)	(2,531,701)
Fair value of plan assets	342,496	288,533	0	0	0	0	0	0	0	0	342,496	288,533
Sub-total	(121,465)	(34,648)	(2,070,310)	(1,935,640)	(104,740)	(69,830)	(235,590)	(157,140)	(50,840)	(45,910)	(2,582,945)	(2,243,168)
Other movements in the liability	0	0	0	0	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(121,465)	(34,648)	(2,070,310)	(1,935,640)	(104,740)	(69,830)	(235,590)	(157,140)	(50,840)	(45,910)	(2,582,945)	(2,243,168)

## Reconciliation of the movements in the fair value of scheme (plan) assets

	Local Government Pension Scheme	
	2020/21	2019/20
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>288,533</b>	<b>278,134</b>
Interest income	6,708	6,757
Re-measurement gain/(loss)		
▫ The return on plan assets, excluding the amount included in the net interest expense	40,601	(2,011)
▫ Other	0	0
The effect of changes in foreign exchange rates	0	0
Contributions from employer	9,145	8,421
Contributions from employees	2,997	2,720
Benefits paid	(5,488)	(5,488)
Other		
<b>Closing fair value of scheme assets</b>	<b>342,496</b>	<b>288,533</b>

## Reconciliation of present value of scheme liabilities

	<u>Funded liabilities</u>				<u>Unfunded liabilities</u>						TOTAL	
	Local Government Pension Scheme		Police Pension Scheme (1987)		Police Pension Scheme (2006)		Police Pension Scheme (2015)		Police Injury Awards Scheme			
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
<b>Opening balance at 1 April</b>	(323,181)	(368,015)	(1,935,640)	(2,099,040)	(69,830)	(92,890)	(157,140)	(121,810)	(45,910)	(48,800)	<b>(2,531,701)</b>	<b>(2,730,555)</b>
Current service cost	(14,812)	(18,774)	(6,470)	(9,840)	(220)	(260)	(44,890)	(44,260)	(1,240)	(1,170)	<b>(67,632)</b>	<b>(74,304)</b>
Interest cost	(7,569)	(9,043)	(42,980)	(50,930)	(1,570)	(2,280)	(4,120)	(3,610)	(1,020)	(1,190)	<b>(57,259)</b>	<b>(67,053)</b>
Contribution from scheme participants	(2,997)	(2,720)	(1,430)	(1,900)	(50)	(60)	(9,450)	(8,020)	0	0	<b>(13,927)</b>	<b>(12,700)</b>
Re-measurement gains/(losses)												
▫ Actuarial gains/losses arising from changes in demographic assumptions	(7,045)	43,504	0	60,620	0	2,940	0	5,440	0	1,450	<b>(7,045)</b>	<b>113,954</b>
▫ Actuarial gains/losses arising from changes in financial assumptions	(117,008)	15,566	(142,680)	112,930	(33,090)	5,280	(22,390)	14,200	(4,980)	1,990	<b>(320,148)</b>	<b>149,966</b>
▫ Other	3,163	10,859	0	0	0	0	0	0	0	0	<b>3,163</b>	<b>10,859</b>
Past service costs	0	(46)	0	(8,250)	0	17,420	0	0	0	0	<b>0</b>	<b>9,124</b>
Losses/(gains) on curtailment	0	0	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
Liabilities assumed on entity combinations	0	0	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
Benefits paid	5,488	5,488	58,890	60,770	20	20	2,400	920	2,310	1,810	<b>69,108</b>	<b>69,008</b>
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Closing balance at 31 March</b>	<b>(463,961)</b>	<b>(323,181)</b>	<b>(2,070,310)</b>	<b>(1,935,640)</b>	<b>(104,740)</b>	<b>(69,830)</b>	<b>(235,590)</b>	<b>(157,140)</b>	<b>(50,840)</b>	<b>(45,910)</b>	<b>(2,925,441)</b>	<b>(2,531,701)</b>

## Local Government Pensions Scheme assets comprised:

	Fair value of scheme assets	
	2020/21 £000	2019/20 £000
<b>Cash and cash equivalents</b>	15,303	8,442
<b>Equity instruments: by industry type</b>		
• Consumer	5,574	3,650
• Manufacturing	6,678	2,930
• Energy and utilities	286	426
• Financial institutions	3,487	4,058
• Health and care	2,479	1,767
• Information technology	25,184	14,489
• Other	2,301	1,045
Sub-total equity	45,989	28,365
<b>Bonds: by sector</b>		
• Corporate	0	0
• Government	0	0
• Other	0	0
Sub-total bonds	0	0
<b>Property: by type <sup>*1</sup></b>		
• United Kingdom	24,391	23,112
• Overseas	435	403
Sub-total property	24,826	23,515
<b>Private equity:</b>		
• All	11,642	10,862
Sub-total private equity	11,642	10,862
<b>Other investment funds:</b>		
• Equities	65,302	44,246
• Bonds	144,590	128,242
• Hedge Fund	21,112	32,949
• Other	13,732	11,913
Sub-total other investment funds	244,736	217,350
<b>Derivatives:</b>		
• All	0	0
<b>Total Assets</b>	<b>342,496</b>	<b>288,533</b>

<sup>\*1</sup> Following RICS advice, due to global economic uncertainty caused by the Covid 19 pandemic, 2019/20 property asset valuations were provided on the basis of 'material valuation uncertainty'

## **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The Police Pension Scheme has been assessed by the Government Actuary's Department and the Cheshire Pension Fund liabilities has been assessed by Hymans Robertson and Co, an independent firm of actuaries, estimates for the Cheshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

### Covid-19 Impact and assumptions

The IAS19 balance sheet total is based on financial market values and future market expectation indicators as at 31 March 2021 to comply with the accounting standard. The financial assumptions used reflect the impact of Covid-19 on the market at 31 March 2021.

The Police Pension Scheme is an 'unfunded scheme' so there are no investment assets built up to meet the pension liabilities. The financial markets therefore have no impact on the actuarial valuation. However, the Cheshire Pension Fund scheme is a 'funded scheme' and holds assets and investments. The financial markets at the accounting date will have taken into account Covid-19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for Covid-19 by Hymans, although following RICS advice, due to global economic uncertainty caused by the Covid 19 pandemic, 2019/20 property asset valuations were provided on the basis of 'material valuation uncertainty'. However, at the 31 March 2021 valuation date property markets are mostly functioning again, and as a result this valuation is not reported as being subject to 'material valuation uncertainty'. Asset returns and values have followed the market movements prompted by the pandemic and lockdowns, among other factors, which will therefore affect the asset share value. Bond yields and inflation expectations have also followed market movements, which will therefore affect the obligations value.

The current population mortality projections for both schemes make no specific allowance for the impact of Covid-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. Our view is that it remains too early to determine whether Covid-19 changes the long-term view of life expectancy in the UK. It was therefore considered not unreasonable to retain the existing mortality assumptions. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's accounts.

### McCloud / Sargeant judgement

The Chief Constable of Cheshire, along with other Chief Constables and the Home Office, currently has a number of claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. These claims against the Police pension scheme (the Aarons case) had previously been stayed behind the McCloud/Sargeant judgement, but have now been lifted and a case management hearing was held on 25 October 2019. The resulting Order of 28 October 2019 included an interim declaration that the claimants are entitled to be treated as if they had been given full transitional protection and had remained in their existing scheme after 1 April 2015. This interim declaration applies to claimants only. However, the Government made clear that non-claimants who are in the same position as claimants will be treated fairly to ensure they do not lose out. This was re-iterated in the Written Ministerial Statement on 25 March 2020.

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 members to remain in their existing scheme as at 1 April 2015 would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries estimated the potential increase in scheme liabilities for Cheshire to be approximately 4.4% or £99.6m of pension schemes liabilities. This increase was reflected in the IAS 19 disclosure as a past service cost in the 2018/19 accounts. In 2019/20, the estimated increase was a further £13.8m reflecting an additional years benefits from the remedy and a reduction of £17.5m resulting from the eligibility criteria for members set out in HM Treasury's consultation. In 2020/21, the estimated increase is a further £15.9m reflecting an additional years benefits from the remedy. The actuaries have highlighted that these estimates are based on the potential impact of any difference in the profile of the force's membership compared with the scheme as a whole and that the figures are highly sensitive to assumptions around short term earnings growth.

The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change. The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a Police and Crime Commissioner to maintain a police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the Commissioner in the form of a central Government top-up grant.

### Compensation Claims

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.

### Local Government Pension Scheme (LGPS)

With regard to the LGPS a similar adjustment to past service costs (£1.2m) within the IAS19 Disclosure was made for the McCloud judgment in the 2018/19 accounts. The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

The principal assumptions used in their calculations have been as follows:

	Local Government Pension Scheme		Police Pension Schemes	
	2020/21 %	2019/20 %	2020/21 %	2019/20 %
<b><u>Mortality assumptions:</u></b>				
Longevity at 65 (police), 65 (LGPS) for current pensioners:				
Men	21.4	21.2	22.0	21.9
Women	24.0	23.6	23.7	23.6
Longevity at 65 (police), 65 (LGPS) for future pensioners:				
Men	22.4	21.9	23.7	23.6
Women	25.7	25	25.3	25.2
<b><u>Other assumptions:</u></b>				
Rate of Inflation – RPI / CPI	3.3/2.8	2.8/1.9	2.4	2.0
Rate of increase in salaries – Long Term/Short Term	3.5	2.5	4.15	4.0
Rate of increase in pensions	2.8	1.8	2.4	2.0
Rate of CARE revaluation	-	-	3.65	3.25
Percentage of employees opting to convert annual pension to retirement lump sum:				
Pre April 2008 Service	50	50	n/a	n/a
Post April 2008 Service	75	75	n/a	n/a
Rate for discounting scheme liabilities	2.05	2.3	2.00	2.25

Note: RPI figure not provided by pension administrator.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the 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 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.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below shows the potential impact should the above assumptions change.

	Local Govt Pension Scheme		Police Pension Scheme (1987)		Police Pension Scheme (2006)		Police Pension Scheme (2015)		Police Injury Benefit Scheme	
	%	£000	%	£000	%	£000	%	£000	%	£000
0.5% decrease in Real Discount Rate	13	59,540	9	182,000	15.5	16,000	15.5	37,000	8	4,000
0.5% increase in salary increase	2	7,591	1	20,000	7.5	8,000	0	0	0.5	0
0.5% increase in pension increase	11	50,613	8	168,000	10	10,000	18	43,000	8	4,000
1 year increase in life expectancy	3-5	13,919 - 23,198	3.5	72,000	3	3,000	3	7,000	3.5	2,000

## Impact on the Commissioner's cash flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Local Government Pension Scheme run by Cheshire West and Chester Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next few years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earning schemes to pay pensions and other benefits to certain public servants.

For 2020/21, the weighted average duration of the defined benefit obligation for scheme members is 19 years (Police Pension 1987); 35 years (Police Pension 2006); 35 years (Police Pension 2015).

## 34. Notes Relating to the Police Pension Fund

### 34.1 Basis of Fund

The Police Pension Fund Regulations which came into force on 1 August 2007, with backdated effect from 1 April 2006, put on a statutory footing the requirement that police authorities:

- set up a pension fund;
- pay the employer contributions and officer contributions into the pension fund;
- make other specified *payments* into and from the pension fund; and
- transfer funds between the police fund and the pension fund as necessary to balance any audited deficit or surplus in the pension fund

and for the Secretary of State to:

- adjust grant funding to police authorities upwards to match the amounts transferred by them out of their police fund to balance their pension fund; and
- require police authorities to pay to the Secretary of State an amount to match the sums transferred from the pension fund to the police fund to balance their pension fund account

The financial arrangements introduced in 2007 apply to both the old & new police pension schemes – i.e. the Police Pension Scheme 1987 (PPS 1987), the New Police Pension Scheme 2006 (NPPS 2006) & the New Police Pension Scheme 2015.

### 34.2 Accounting policies

The Police Pension Fund's accounting policies are set out in the main Statement of Accounting Policies as set out from page 30.

The Police Pension Fund account on page 22 summarises the transactions of the Fund. It does not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in Note 34 and the Police Pension Fund account should be read in conjunction with that note.

### 34.3 Status of the pension fund

The regulations refer to the new account as a "pension fund" since its legal status is that of a fund for the purposes of Section 30 of the Local Government Finance Act. The pension fund accounts, which must be included in the Commissioner's statement of accounts as separate statements, comprise a fund account and net assets statement. The fund account must be ring-fenced to prevent unauthorised transfers taking place. It is through the fund account that each Commissioner discharges their responsibility for paying the pensions of retired officers and their survivors.

#### 34.4 Administration of the Fund

The fund is administered by the Commissioner within the management and operation requirements established under the Police Pension Fund Regulations 2007 (SI 2007 No 1932).

The police pension schemes operates as unfunded schemes and that consequently the fund has no investment assets, benefits payable are funded by contributions from employers and employees, with any difference between benefits payable and contributions receivable met by top-up grant from the Home Office. The Fund is balanced to nil each year by a transfer to or from the General Fund.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department.

#### 34.5 Benefits payable to and from the Fund

Under the financial arrangements the funds payable into and out of the Commissioner's pension fund account will be:

##### Income

- Officer contributions, including those of officers seconded elsewhere.
- Employer contributions, including those for officers seconded elsewhere.
- Incoming transfers from other pension schemes.
- Inter-Commissioner adjustments for 1966 and 1974 reorganisations.
- Re-instatement of pensions – mis-selling charges.
- Capital-equivalent charge payments for ill-health early retirements.
- Reimbursements of pension payments which could have been withheld under regulation K4 of the Police Pension Regulations 1987 and regulation 52 of the Police Pension Regulations 2006.
- Payments by an officer under regulation 84(3) of the Police Pension Regulations 2006.
- Other authorised income – to be specified by the Commissioner in the accounts.
- Top-up from the police fund (operating account) to meet any deficit.

##### Expenditure

- Pension payments to retired police officers and other beneficiaries.
- Inter-Commissioner adjustments for 1966 and 1974 reorganisations.
- Refund of pension contributions.
- Outgoing transfers to other pension schemes.
- Payments by the Commissioner to HMRC on behalf of an officer under regulation 84 or regulation 85 of the Police Pension Regulations 2006.
- Other authorised expenditure – to be specified by the Commissioner in the accounts.
- Payments to the police fund (operating account) to clear a surplus at the end of the accounting year.

Injury awards, including awards payable on death attributable to a qualifying injury, are not part of either Police Pension Scheme 1987 or New Police Pension Scheme 2006 and are payable irrespective of whether an officer is a member of the pension scheme. Tax rules from April 2006 prevent injury awards from being part of the regulations for either scheme. In order to comply with this requirement injury awards have, with effect from April 2006, been set out in the Police (Injury Benefit) Regulations 2006 which are entirely separate from the Police Pension Regulations 1987 and the Police Pension Regulations 2006. Injury awards are not pension scheme payments and therefore are not chargeable to the fund.

### 35. Contingent Assets & Liabilities

#### Assets

There are no contingent assets at 31 March 2021

#### Liabilities

A multi-force collaboration to provide an effective and efficient business support service commenced in April 2012 between Northamptonshire Police and Cheshire Constabulary, with Nottinghamshire Police joining in April 2015 and Civil Nuclear Constabulary in April 2016. On the 27 July 2020 the Joint Oversight Committee agreed that the partnership would end at the conclusion of the current contract in November 2022. Although the Constabulary's primary aim is to avoid redundancy wherever possible and it will take all reasonable steps to minimise redundancies during the business change transition period including a commitment to redeploy existing staff to vacancies wherever possible, there are a number of staff who remain at risk of redundancy. Partners, including Cheshire, will have to meet such costs.

### 36. Authorisation of Accounts

Under the Accounts and Audit (England) Regulations 2015 the pre-audited Statement of Accounts was signed by the Director of Finance as responsible financial officer of the Commissioner on XX July 2021 and released for audit purposes.

## ANNUAL GOVERNANCE STATEMENT 2020/21

### 1. Scope of Responsibilities

- 1.1 Governance is about how the Police & Crime Commissioner and the Chief Constable ensure they are doing the right things in the right way for the right people in a timely, inclusive, open and accountable manner that is built on a foundation of integrity. It comprises the systems, processes, culture and values by which the Commissioner and the Chief Constable direct and manage together, along with the activity through which they account to and engage with the people of Cheshire.
- 1.2 The Commissioner's role is set out in the Police Reform and Social Responsibility Act 2011. The Commissioner is responsible for securing the maintenance of the police force for their area and securing that the police force is efficient and effective. The Commissioner holds the Chief Constable to account for the exercise of their functions and the functions of those under the Chief Constable's direction and control. The Commissioner is accountable to the people of Cheshire who elected him to represent their views on policing.
- 1.3 The Chief Constable is accountable under law for the exercise of police powers and to the Commissioner for the delivery of efficient and effective policing in Cheshire. While the Chief Constable discharges their responsibilities in support of the Commissioner's Police & Crime Plan, they remain at all times operationally independent.
- 1.4 Production of an Annual Governance Statement is a requirement under the Accounts and Audit Regulations (England) 2015 and ensures that a reliable system of internal controls can be demonstrated.

### 2. The Governance Framework

- 2.1 The Commissioner is responsible for ensuring that business is conducted in accordance with the law, with openness and engagement with stakeholders and that risk is managed through robust internal control and strong public finance management to deliver effective accountability. The Commissioner has adopted a Scheme of Corporate Governance which sets out the governance framework that will assist in enabling the Commissioner and Chief Constable to fulfil their statutory functions. The Scheme is reviewed on an annual basis to ensure it remains up to date and relevant taking into account local and national changes in the way the police service operates.
- 2.2 Within the Scheme of Corporate Governance there are a number of documents as indicated below that can be viewed in full on the Commissioner's website ([Governance Documents](#)).
  - Scheme of Corporate Governance – this describes how the Commissioner will discharge their responsibilities to secure an efficient and effective local police service and hold the Chief Constable to account for the exercise of their functions and those of persons under their direction and control
  - Procedural Rules – these rules relate to the business & proceedings of the Commissioner and Chief Constable including how decisions are taken
  - Scheme of Consent & Delegation - this sets out which functions are reserved to the Commissioner, which are delegated to the Chief Constable and how the Commissioner will delegate functions to his own staff.




- Financial Regulations - under Section 151 of the Local Government Act 1972 ‘every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs’. Under the Police Reform and Social Responsibility Act 2011, both Police and Crime Commissioners and Chief Constables are required to comply with Section 151 requirements. The Financial Regulations set out how this duty is discharged.
  - Constabulary’s Scheme of Delegation – covers the financial and non-operational decision making powers the Chief Constable has delegated to their officers and staff
  - Memorandum of Understanding – this sets out how the Commissioner obtains additional services to supplement his core office of staff (OPCC) which the Chief Constable will provide in pursuant to their obligations of assistance and in furtherance of the Commissioner’s and Chief Constable’s joint vision of working together in partnership, without compromising the Commissioner’s powers and duty to hold the Chief Constable to account
- 2.3 The above framework sets out the relationship between the Commissioner and Chief Constable both in decision making and accountability. Within the Constabulary, there is an independent governance framework which covers both operational and business decision making with the Chief Officer’s Group being the primary decision-making body for the Constabulary. From 2021/22 this will be replaced by SCT Business Meeting and the Constabulary’s Scheme of Delegation has been updated accordingly.
- 2.4 In line with Home Office guidelines, the Commissioner and Chief Constable have established an independent Joint Audit Advisory Committee. This committee consider internal and external audit reports and advise the Commissioner and Chief Constable according to good governance principles and proper practices.
- 2.5 The above processes and meetings represent a standard year and have been followed until the outbreak of the Coronavirus pandemic. In response the Government passed the Coronavirus Act 2020 on 25 March 2020 and introduced the ‘lockdown’ restrictions. Within this Act, provision has been made for regulations to be issued to amend the legislation around authority meetings. These regulations - The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 – allow meetings to be held virtually. Since then, procedures have been updated to accommodate virtual meetings and these have taken place and the outcomes published as appropriate.

### 3. Internal Financial Controls

- 3.1 The objective of the internal financial controls is to maintain sound and proper financial arrangements; to explain why safeguards and controls are important and necessary; to profile a framework for financial management which will enable, wherever possible, managerial and financial responsibilities to be aligned and safeguard all officers and staff.
- 3.2 The key documents that set out the internal financial controls are:
- Financial Regulations – as set out above
  - Scheme of Delegation – as set out above
  - Treasury Management Strategy – approved annually by the Commissioner. This sets out the Annual Investment Strategy, Borrowing Strategy and Minimum Revenue Provision Statement
  - Treasury Management Practices – which set out the detailed processes and practices to be followed in order to deliver the Treasury Management Strategy

- 3.3 In addition to the above, there are a series of governance checks and controls carried out through the Finance and HR teams to ensure financial systems are operating effectively. These are supported by periodic Internal and External Audit reviews to provide appropriate assurance to those charged with governance or produce actions plans where necessary. The Director of Internal Audit's Opinion and his annual report for 2020/21 provide substantial assurance that there is a good system of internal controls designed to meet the organisation's objectives and that controls are generally being consistently applied. The Director of Internal Audit carries out his role in accordance with guidance issued in the CIPFA Statement on the role of the Head of Internal Audit (2010).
- 3.4 Further assurance is provided through HM Inspectorate of Constabularies, Fire and Rescue Services (HMICFRS) who carried out a police effectiveness, efficiency and legitimacy (PEEL) assessment of the effectiveness with which Cheshire Constabulary keeps people safe and reduces crime. The last review was undertaken in 2018 with the following results:

Cheshire Constabulary was inspected in tranche two and we found:

-  the extent to which the force is effective at reducing crime and keeping people safe is good.
-  the extent to which the force operates efficiently and sustainably is good.
-  the extent to which the force treats the public and its workforce legitimately is good.

- 3.5 It should be noted, however, that significant progress has been made on action plans created in response to the areas requiring improvement. Due to the Coronavirus Pandemic, all inspections by HMICFRS had been suspended and therefore the above rating remains in place, however inspections have now recommenced using remote meetings as appropriate and the above rating should be updated during 2021.

#### 4. Good Governance in the Police

- 4.1 In 2016 CIPFA, in association with various groups including the Association of Police and Crime Commissioners, issued best practice guidance on Delivering Good Governance. It sets out seven principles of good governance which are illustrated below:



4.2 The ethos of the above is for principles A and B to permeate the implementation of principles C to G. It also illustrates that good governance is dynamic and that an organisation as a whole should be committed to continually improving through a process of evaluation and review. Each principle will be considered from the perspective of both the Commissioner and Chief Constable.

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

5.1 Commissioners and Chief Constables have responsibility for creating an environment where the Code of Ethics can thrive by setting standards, policies and principles that help in embedding the Code. The Code of Ethics consists of two main parts – 'Policing Principles' and 'Standards of Behaviour'. The former originates from the Principles of Public Life to which has been added 'fairness' and 'respect' as the evidence base demonstrates they are crucial to enhancing public confidence. How fair an organisation is perceived to be internally by its people is likely to affect the extent to which they feel valued by, and part of, that organisation. This sense of having a stake in that organisation has been shown to affect staff willingness to comply voluntarily with work rules, hold positive attitudes about the public and engage in a range of positive work behaviours. The work environment fostered by police leaders and supervisors is, therefore, likely to effect the ethical health of a force.

5.2 Cheshire Constabulary has fully adopted the Code of Ethics from its inception in 2014 and this has been embedded into everyday decision-making.

5.3 The Professional Standards Department is responsible for the receipt, recording and investigation of public complaints against the conduct of officers and members of police staff and investigating allegations of misconduct within the Cheshire Constabulary. The behaviour and integrity of police officers and members of police staff are at the very core of the Constabulary's values and service ethos and the department engages widely within the Constabulary to promote and uphold these exacting standards. The Department is responsible for the Constabulary's anti-fraud and corruption arrangements together with their whistle blowing procedures. In addition, the Department records all gifts and hospitality and business interests to ensure the integrity and transparency against any conflicts of interests.

5.4 Both the Commissioner and Chief Constable have Monitoring Officers whose role is to advise on the rule of law and ensure decision making is legally sound and compliant with the Governance Framework. Any breaches are reported to the Commissioner and Chief Constable – no breaches were reported during 2020/21.

6. **Principle B: Ensuring openness and comprehensive stakeholder engagement**

6.1 In preparing the Police and Crime Plan, public opinion on policing, their priorities and their experiences both in terms of crime and interaction with the Constabulary has and continues to have, a direct impact on the Commissioner's Police and Crime Plan and priorities.

6.2 A consultation exercise was undertaken in January 2021 using an online survey to obtain views on the 2021/22 budget and precept. Local residents were encouraged to complete the survey via social media such as Twitter, Facebook and Cheshire Police Alert. The ability to utilise face to face consultation was prohibited due to Covid restrictions. As such, the online consultation was supported by virtual public engagement sessions that the Commissioner held with Chief Constable, providing residents with the opportunity to talk directly to the Commissioner and Chief Constable about their views on community safety issues and the precept.

- 6.3 The Constabulary undertakes regular telephone surveys of both victims of crime and the general public in Cheshire to gauge satisfaction with the services provided. The latest results show that 82% of victims of crime are satisfied with the overall level of service.
- 6.4 As part of the virtual meeting arrangements brought in as a response to the pandemic as set out in paragraph 2.5, the ability of the public to have access to public meetings was enabled through the use of technology. All meetings are publicised together with the agendas, on the OPCC website.
- 7. Principle C: Defining outcomes in terms of sustainable economic, social & environmental benefits**
- 7.1 The Commissioner's Police and Crime Plan sets out how economic, social and environmental factors will be taken into account in decision making around delivering these priorities, and how the success in achieving these priorities will be monitored and reviewed, including holding the Chief Constable to account.
- 7.2 A Medium Term Financial Strategy is produced annually, reviewed regularly and updated as necessary. It sets out the financial assumptions and demands upon the Constabulary to highlight budgetary pressures and the options available to address any funding shortfalls to ensure sustainability. This is supported by a Capital Strategy and Reserves Strategy.
- 8. Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**
- 8.1 The Scheme of Corporate Governance sets out a decision making framework which ensures that all decisions taken by the Commissioner and Chief Constable are supported by all relevant information, including financial, legal and other appropriate professional advice, that available options are considered and that internal and external stakeholders are consulted. All decisions are formally recorded, and published subject to confidentiality requirements.
- 8.2 The Commissioner has a statutory duty and electoral mandate to hold the Chief Constable to account on behalf of the public of Cheshire. The Commissioner does this by scrutinising, supporting and challenging the performance of the Constabulary, including against the priorities in the Police and Crime Plan. The Commissioner undertakes this role at Scrutiny Board. These meetings consider performance against the priorities identified in the Police and Crime Plan as well as a wide range of performance information relating to all aspect of policing. Performance data can be found on the Commissioner's website [www.cheshire-pcc.gov.uk/what-im-doing/holding-the-chief-constable-to-account/performance](http://www.cheshire-pcc.gov.uk/what-im-doing/holding-the-chief-constable-to-account/performance).
- 8.3 HMICFRS produce annually a Value for Money profile which is available via their website. This profile benchmarks Cheshire's costs and resources both operationally and for support services against our most similar forces and policing as a whole. These profiles are reviewed and used to support resource allocation debates and as part of the budget setting process.
- 9. Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- 9.1 Cheshire Constabulary is a high performing organisation offering a range of career opportunities. It provides a broad range of police and police staff roles with career pathways to develop. It is structured and provides progression and fast track opportunities. Support and advice are provided to assist everyone in their career journey. Overall, it is recognised that as professionals it is our responsibility to be as good as we can be and in doing so ensure we invest time to learn and develop to meet the changing needs of the communities we serve.

9.2 Cheshire Constabulary has a key priority for organisational learning. As an organisation, the vision is:

- To be a learning organisation through the creation, retention, sharing and using of knowledge.
- This Organisational Learning area is the Constabulary's hub where practitioners learn through the creation, retention, sharing and using of knowledge.
- The Organisational Learning area is the gateway to the Constabulary's What Works programme, where practitioners can learn about evidence based practice, its practical application and view examples of effective problem solving.

9.3 As part of the national programme for uplifting officer numbers, the Constabulary has now welcomed over 90 new officers, alongside the usual annual recruitment programme. The Constabulary continues to invest in the skills of its workforce, including areas such as detective training to ensure resilience and future capacity.

## 10. **Principle F: Managing risks & performance through robust internal control and strong public financial management**

10.1 The role of the Commissioner and the Chief Constable at the Joint Management Board is to scrutinise and approve the risk register quarterly as part of the approved Risk Management Framework. The role of Joint Audit Advisory Committee is to review and advise the Commissioner and the Chief Constable on the adequacy of action plans and actions taken to mitigate each risk on a quarterly basis.

10.2 The review and subsequent update/amendment ensures that there is a joined up approach between the Commissioner and the Chief Constable and that the key risks are evaluated, managed, mitigated, scrutinised and reported top down and bottom up through both Leadership Teams.

10.3 With the high level threats of the pandemic and the speed with which changes were made in response to the virus, there was an increase in risk to officer and staff safety; operational cover and provision; and the financial impact on the organisation. In response, Cheshire Constabulary followed advice from Public Health England (PHE) and NHS in keeping our officers and staff safe. Structures were put in place to make sure the Constabulary were properly managing any impact on the organisation and held regular Gold meetings to ensure up to date information was shared quickly and effectively. Briefings were also held with the Commissioner.

10.4 The Constabulary has a comprehensive performance management framework in place. Performance against this framework is scrutinised by the Commissioner at regular public scrutiny meetings and actions are identified at these meetings, which are kept under review and progress reported to the Commissioner.

10.5 Business Intelligence (BI) is changing the way the Constabulary report on command and control data. For example, the new reporting tool enables call management information on 999 and 101 calls to be sent directly to the Force Control Centre and local incident data can be sent directly to the relevant Local Policing Units and Beat Management teams.

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

11.1 A Joint Management Board where decisions are made and Scrutiny Board where the Commissioner holds the Chief Constable to account; publish papers in advance of their meetings and the meetings themselves are open to the public.

- 11.2 The Police and Crime Panel (PCP), which is totally independent of the Office of the Police and Crime Commissioner, oversees the work of the Commissioner. Its role includes reviewing the Commissioner's proposals for the amount of council tax local people pay towards policing. It has the power to veto these proposals if it considers the amount is inappropriate; considering the Police and Crime Plan and Annual Report; considering the Commissioner's proposals for the appointment of a new Chief Constable, with the power to veto; and investigating complaints about the Commissioner. Cheshire East hosted the PCP for 2020/21 and details of these meetings can be found on their website.
- 11.3 Both the Commissioner and Chief Constable have Publication Schemes on their respective websites listing information available and a means of contact should the information required not be included.
- 11.4 The Constabulary's Information Management team co-ordinate all information held to ensure compliance with all the appropriate requirements including Freedom of Information requests and Data Protection. The OPCC liaises closely with the Information Management team in relation to Freedom of Information requests and Data Protection issues, however these are managed by the OPCC Senior Governance and Performance Officer to ensure that organisational independence is maintained.
- 11.5 External assurance in terms of accountability is provided by both Internal and External Audit, HMICFRS reviews and partner forces reviews of collaborations.

## 12. Review of Effectiveness

- 12.1 As part of the on-going governance roles, each of the above principles is reviewed and evidence sourced to show effectiveness in terms of communications, actions, policies and procedures. This evidence is scrutinised and challenged by the Commissioner's S.151 Officer, Senior Governance and Performance Officer and the Joint Audit Advisory Committee.

### 12.2 Report on Areas for Action during 2020/21

Within the 2019/20 Annual Governance Statement, the review of effectiveness identified three areas where further action was required. The following re-visits the actions and reports on the outcome in 2020/21.

**Coronavirus** – review the impact on service, economy and future funding [Action owner: Chief Constable]

**UPDATE:** The Constabulary is following advice from Public Health England (PHE) and NHS in keeping our officers and staff safe. We have structures in place to make sure we are properly managing any impact on the Constabulary and are holding regular Gold meetings. We will be keeping staff up to date through regular updates on the Intranet.

In terms of the impact on economy and future funding, this has been recognised in both the 2021/22 budget and the current Medium Term Financial Strategy. There remains a significant level of uncertainty going forward and various financial scenarios are being explored to aid understanding of the risk and inform future planning.

**IT Security** – ensure steps are taken to mitigate risks [Action owner: Deputy Chief Constable]

**UPDATE:** We are constantly reviewing our position regarding IT Security and continue to make incremental changes to strengthen our posture. This is against a very challenging landscape with the risks from threat actors increasing considerably over the past year, many of whom took Covid-19 as an opportunity to scam individuals and infiltrate organisations.

There has also been an increased threat to suppliers who service the policing market, with a view to gaining access to our systems/data from that perspective. To counter we have again reviewed our procurement processes and strengthened our procedures even further to make sure that all suppliers meet our requirements. The next year will require us to continually monitor the situation and determine what further changes need to be made in order to keep our data safe.

**Collaborations** – review of collaborations, their governance, funding and value for money [Action owner: Assistant Chief Officer]

**UPDATE:** A review has been carried out on all the collaborations which set out the governance, legal status and financial implications of each. These have been reviewed by the relevant senior officer and an action plan created as appropriate and priorities set. This review has been scrutinised by the Joint Audit Advisory Committee.

### 12.3 Areas for Action in 2021/22

The governance framework, internal controls and application of the principles have been reviewed during 2020/21 with the following areas highlighted as risks together with the mitigating actions required.

- a) **Business Services Future** – with the Multi-Force Shared Service (MFSS) closing at the end of the current contract, the Constabulary is setting up new systems and processes to replace MFSS. Governance and controls need to be built in to ensure service delivery and financial integrity. (Owner: Assistant Chief Officer)
- b) **Workforce capacity, engagement, wellbeing and development** – 2021/22 will see significant change within the organisation including new systems and processes. It is imperative that these are appropriately resources and managed. (Owner: Change Board)
- c) **Governance** – with the changes to both Commissioner and Chief Constable, the governance arrangements need to reflect their new priorities. The Scheme of Corporate Governance will need to be reviewed and updated accordingly. (Owners: Commissioner and Chief Constable)

## 13. Summary

- 13.1 We propose over the coming year to take steps to address the issues identified above to further enhance the governance arrangements. Additional actions can be taken in-year through the business planning and objective setting processes. We are satisfied that these steps will address the need for improvement as identified in the review of effectiveness and will monitor their implementations and operation as part of the next annual review.

**Signed**

John Dwyer  
Police & Crime Commissioner

Mark Roberts  
Chief Constable

Clare Hodgson  
Director of Finance, OPCC

On behalf of the staff and senior officers of the Office of the Police & Crime Commissioner for Cheshire and Cheshire Constabulary

## GLOSSARY OF TERMS

**Accruals** - The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

**Actuarial Gains and Losses** - For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because (a) events have not coincided with the actuarial assumptions made for the last valuation; or (b) the actuarial assumptions have changed.

**Appropriations** - Amounts transferred to or from revenue or capital reserves.

**Budget** - A statement of the Commissioner's expected level of service and spending over a set period, usually one year.

**Capital Expenditure** - Expenditure on the acquisition of a fixed asset or expenditure which adds value to the life or value of an existing fixed asset.

**Capital Adjustment Account** - This account (formerly reserve) contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation and that required to be charged to revenue to repay the principal elements of external loans. The balance on this account cannot be used to finance future capital expenditure.

**Capital Receipts** - These are proceeds from the sale of capital assets.

**Capital Reserve** - Created to provide an alternative source of financing for capital expenditure, and to ensure some stability in the level of capital programmes that can be financed.

**Chief Constable** – Where the term ‘Chief Constable’ is used within these accounts it refers to the office/role of the Chief Constable rather than a specific person.

**Contribution to Capital Expenditure** - The financing of capital expenditure by a direct contribution from revenue account, rather than by means of a loan or other forms of finance (sometimes referred to as revenue contribution to capital outlay).

**Council Tax** - The means of raising money locally to pay for the Commissioner’s services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

**Creditors** - Amounts owed by the Commissioner for goods and services received by 31 March, but for which payment has not yet been made.

**Current Assets and Liabilities** - Current assets are items which can be readily converted into cash. Current liabilities are items which are due immediately or in the short-term. By convention these items are ordered by reference to the ease that assets can be converted into cash, and the timescale in which the liability falls due.

**Debtors** - Amounts owed to the Commissioner for goods and services provided by 31 March, but for which payments have not yet been received.

**Deferred Capital Receipts** - Amounts representing capital receipts still to be received when disposals have taken place and deferred payments have been agreed.

**Unitary Council’s Collection Fund** - A collection fund is maintained by each unitary council to receive all income raised through the Council Tax. The funds then pay precepts to the Commissioner, Fire Authority and parish councils to meet the cost of services. Central government support (Revenue Support Grant and National Non-domestic Rate) is no longer distributed via the collection fund, but is received by each Commissioner direct.

**Earmarked Reserves** - These reserves represent monies set aside that can only be used for a specific purpose.

**Fair Value** - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Financial Instrument** - A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another.

**General Reserve** - This is the Commissioner's main revenue reserve to which all revenue receipts are credited and from which all revenue liabilities are discharged. The movement shown in the fund represents the excess of expenditure over revenue within the 2012/13 revenue account.

**Income** - Amounts which the Commissioner receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rate.

**Long-Term Borrowing** - Long-term borrowing relates to loans taken out by the Commissioner from the Public Works Loan Board and commercial banks.

**National Non-Domestic Rate** - The government levies a standard rate on all properties and cannot increase it by more than the Retail Price Index. The rates are collected on behalf of the government by district councils and are then redistributed nationally.

**Net Debt** - This comprises cash in hand, cash overdrawn, short term investments and long term borrowing.

**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 Services** – these are services as set out in the CIPFA Service Reporting Code of Practice.

**Precept** - The amount of money the Commissioner has to raise from Council Tax payers (via unitary collection funds) to pay for police services. Each collection fund pays a standard amount per Band D equivalent property.

**Provisions** – Provisions represent sums set aside for liabilities or losses which are certain to arise but owing to their inherent nature cannot be quantified with any certainty. The Commissioner's main provisions relate to insurances and pensions.

**Public Works Loan Board (PWLB)** - A government agency which provides longer term loans to Local Authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Reserves** - There are two types of reserve; those which are available to meet revenue or, in some cases, capital expenditure and those which are not available to finance revenue or capital expenditure. Most revenue reserves are capable of being used to finance revenue or capital expenditure.

**Revenue Expenditure** - Amounts which the Commissioner pays or expects to pay to any source - includes the cost of employees, premises, transport, supplies and services.

**Revenue Support Grant** - General government grant support towards the Commissioner's expenditure.

**Temporary Investments** - This comprises of cash in hand, cash overdrawn and short-term investments which are readily convertible into known amounts of cash. These are deposited with banks or similar institutions under the Treasury Management Strategy.

**Unapplied Capital Grants** - Capital Grants received, but not yet used to finance capital expenditure

# Joint External Audit Plan

**Year ending 31 March 2021**

The Office of Police and Crime Commissioner for  
Cheshire and Chief Constable for Cheshire



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## Your key Grant Thornton team members are:

### Michael Green

Key Audit Partner

T 07824 625589

E michael.green@uk.gt.com

### Liz Luddington

Audit Manager

T 07717 108772

E liz.a.luddington@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Force/OPCC or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Police sector developments

Throughout the 2020/21 financial year, the UK Government has reaffirmed its commitment to delivering the 20,000 officers uplift programme. Whilst commitments to increase officer levels have been well received, challenges remain in ensuring that this investment is able to meet the changing demands on police time and the increasing expectations of the public they serve.

Due to the economic uncertainties brought about by the Covid-19 pandemic, the police sector continues to operate within the constraints of a one year funding settlement. Precept flexibility remains the key source of growth in funding to the sector, which has been utilised by Police and Crime Commissioners nationally.

### Impact of Covid 19 pandemic

The outbreak of the coronavirus (Covid-19) pandemic has had a significant impact on the normal operations of the Force. The Force and the police sector nationally has had to work differently at all levels to be able to enforce ever-changing Covid-19 regulations and deliver business as usual policing.

With short notice, the Chief Constable and OPCC were able to implement remote working across the Force and the Office of the Police and Crime Commissioner. Both have utilised enabling technology to ensure that the organisations have been able to work flexibly to respond to the changing demand on their time. This included adapting to the lockdown measures in place to clear backlogs in operational workloads and changing operational focus as national regulations and laws changed throughout the year.

Financially, the Covid-19 pandemic has created cost pressures and short-term loss of fees and charges revenue. In the short term, policing has been impacted less than other public sector bodies, financially. Income is largely unaffected, given the majority of it is grant funded or raised through taxation, although there has, as noted, been an impact on fees and charges revenue. Costs have also been impacted by increased PPE and overtime, although this has, to an extent, been offset by reductions in crime levels during the early part of the pandemic and through some government Covid-19 related funding. However, the true financial impact of the pandemic is likely to materialise over the medium-term as public finances are squeezed in the post-pandemic environment, and in particular should council tax and business rates collections fall as the economic impact of the pandemic is realised.

The OPCC and Force are now considering how to take forward the benefits from remote working necessitated by the pandemic. This includes further use of flexible working, effective use of office space and reviewing service delivery models to ensure that residents and local communities continue to receive cost effective, efficient quality policing.

## Our response

- We will continue to provide you with sector updates via our Audit Committee updates.
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in this Audit Plan, has been discussed both Chief Finance Officers.
- We will consider your arrangements for managing the impact of the Covid-19 pandemic as part of our Value for Money work.

# Key matters

## Factors

### Finances

The Home Office 2021/22 funding settlement announced additional funding of £703m for local policing, with 45% of this expected to come from increased local taxation (£288m). In setting the 2021/22 budget, the OPCC utilised full precept flexibility, increasing the Band D precept by the full £15 assumed by the Home Office in their planning assumptions. Whilst this represents a significant cash increase to Cheshire, the 2021/22 budget identifies that £1.3m of savings and £9.4m of capital financing will need to be utilised to meet the budget requirement. This is largely driven by expected inflationary pressures and reductions in the local council tax base.

### Accounting and auditing developments

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM) There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Although the implementation of IFRS 16 has been delayed, audited bodies still need to include disclosures in their 2020/21 statements to comply with the requirements of IAS 8. As a minimum, we would expect the OPCC and Chief Constable to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this.

In the prior year the OPCC's valuer reported a material uncertainty regarding the valuations of properties due to the Covid-19 pandemic. In addition, there was a material uncertainty in relation to the valuation of the pension fund's property which impacted both the Force and the OPCC's position. We will monitor the position for the 31 March 2021 valuations.

## Our response

- We will consider your arrangements for managing and reporting your financial resources and assessing your financial resilience as part of our audit in completing our Value for Money work.
- The OPCC's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic and we expect significant uncertainty will continue in 2020/21. We identified a significant risk in regards to the valuation of property, plant and equipment – refer to page 9.
- Where any actions have been agreed in respect of matters identified through previous audit work, either on the financial statements or in respect of work on arrangements to secure VFM, we will assess the progress against previously agreed recommendations.
- Members of the finance team attended our annual final accounts workshop during February, hosted by our highly experienced public sector assurance team as they help you prepare for your 2021 financial statements audit by highlighting potential risk areas and providing you with practical advice
- We will continue to provide you with sector updates via our Audit Committee updates.
- We will liaise with the OPCC's valuer to clarify any potential material uncertainties in 2020-21.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audits of both the Office of the Police and Crime Commissioner for Cheshire ('the OPCC') and the Chief Constable for Cheshire ('the Chief Constable') for those charged with governance. Those charged with governance are the OPCC and the Chief Constable.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of OPCC and Chief Constable. We draw your attention to both of these documents on the PSAA website.

## Scope of our audit

The scope of our audits is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- OPCC's, Chief Constable's and group's financial statements that have been prepared by management with the oversight of those charged with governance (the OPCC and the Chief Constable); and
- Value for Money arrangements in place at each body for securing economy, efficiency and effectiveness in their use of resources.

The audit of the financial statements does not relieve management, the OPCC, or the Chief Constable of their responsibilities. It is the responsibility of the bodies to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the OPCC and the Chief Constable are fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the OPCC and the Chief Constable's business and is risk based.

## Group Audit

The OPCC and Chief Constable are required to prepare group financial statements that consolidate the financial information of the OPCC and Chief Constable.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The risk that the valuation of land and buildings in the accounts is materially misstated.
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.
- The risk of management override of controls.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £4,473k (PY £4,099k) for the group, the OPCC and the Chief Constable, which equates to 2% of the Chief Constable's prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £220k (PY £200k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following areas of focus:

- Arrangements to prepare for the ceasing of the Multi-Force Shared Service (MFSS)

## Audit logistics

Our interim visit took place in April and May and our final visit will take place in June and July. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £42,895 (PY: £39,485) for the OPCC and £18,200 (PY: £20,570) for the Chief Constable, subject to management providing a high quality and materially accurate set of accounts and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
<b>Police and Crime Commissioner for Cheshire</b>	Yes		<ul style="list-style-type: none"> <li>management override of internal controls</li> <li>valuation of land and buildings</li> <li>valuation of net pension fund liability</li> </ul>	Full scope audit performed by Grant Thornton UK LLP
<b>Chief Constable for Cheshire</b>	Yes		<ul style="list-style-type: none"> <li>management override of internal controls</li> <li>valuation of net pension fund liability</li> </ul>	Full scope audit performed by Grant Thornton UK LLP

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>ISA240 revenue and expenditure risk</b>	<b>Chief Constable, OPCC and Group</b>	<p>Under ISA (UK) 240 and PN 10 there is a rebuttable presumed risk that revenue and expenditure may be misstated due to the improper recognition of revenue and expenditure. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue and expenditure recognition.</p> <p>Having considered the risk factors set out in ISA240, PN 10 and the nature of the revenue and expenditure streams of the OPCC and the Chief Constable, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue and expenditure recognition;</li> <li>• opportunities to manipulate revenue and expenditure recognition are very limited;</li> <li>• all revenue received by the Chief Constable comes from the OPCC; and</li> <li>• the culture and ethical frameworks of public sector bodies, including the Chief Constable and Police and Crime Commissioner for Cheshire, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for the Chief Constable, OPCC or Group.</p> <p>We will continue to review and test, on a sample basis, material revenue and expenditure transactions, ensuring that it remains appropriate to rebut the presumed risk of revenue and expenditure recognition.</p>	
<b>Management over-ride of controls</b>	<b>Chief Constable, OPCC and Group</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The OPCC and Chief Constable face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of land and buildings</b>	<b>OPCC and Group</b>	<p>The OPCC and Group revalue their land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£133 million as at 31 March 2020 per group balance sheet) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the OPCC and Group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met</li> <li>• challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the OPCC and Group asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.</li> </ul>
<b>Valuation of the pension fund net liability</b>	<b>Chief Constable and Group</b>	<p>The group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£2.244 million in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the group to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do the OPCC and Chief Constable:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the OPCC and Chief Constable we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of property, plant and equipment
- Depreciation and useful economic lives of assets
- Valuation of police officers pension liability
- Valuation of the local government pension liability
- Fair value estimates and measurement of financial instruments

## The OPCC and Chief Constable's Information systems

In respect of the OPCC and Chief Constable's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the OPCC and Chief Constable uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the OPCC and Chief Constable (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

### Planning enquiries

As part of our planning risk assessment procedures we have included inquiries within our management letters shared with the OPCC and Chief Constable. We would appreciate a prompt response to these enquires in due course.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the OPCC and Chief Constable.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
  - issuing a report in the public interest or written recommendations under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Group, OPCC and Chief Constable's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materialities based on a proportion of the gross expenditure of the group, the OPCC and the Chief Constable for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is £4,396k (PY £4,470k), which equates to 2% of the Chief Constable’s prior year gross expenditure or the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £52k for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Joint Audit Advisory Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the OPCC and Chief Constable any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group, the OPCC and the Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £220k (PY £223k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the OPCC and Chief Constable to assist it in fulfilling its governance responsibilities.

## Prior year gross expenditure

£223.7m Group

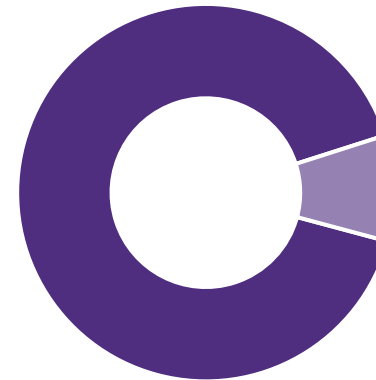
(PY: £305.7m)

£231.4m OPCC

(PY: £218m)

£219.8m CC

(PY: £201m)



■ Prior year gross expenditure

■ Materiality

## Materiality

£4,473k

Group financial statements materiality (PY: £4,548k)

£4,472k

OPCC financial statements materiality (PY: £4,547k)

£4,396k

Chief Constable financial statements materiality (PY: £4,470k)

£220k

Misstatements reported to the OPCC and Chief Constable (PY: £223k)

# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified / unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table [below/overleaf].

## Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



### Multi-Force Shared Services (MFSS)

MFSS is a collaboration between the Cheshire Constabulary, Northamptonshire Police, Nottinghamshire Police and Civil Nuclear Constabulary supported by Technology partners Capgemini. We understand that MFSS will no longer be supported from 2023 and the collaboration is coming to an end in 2022. There are programmes underway to manage the process of rolling down transition as well as putting in place and transitioning to new systems. There are potential risks of significant weakness in respect of these programmes, in respect of onerous costs, people management and systems transfers.

We will:

- Review managements plans and the arrangements made in respect of MFSS and the transition to new systems and identify and actions within those plans; and
- assess how progress against actions are being monitored and the reporting process around these

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

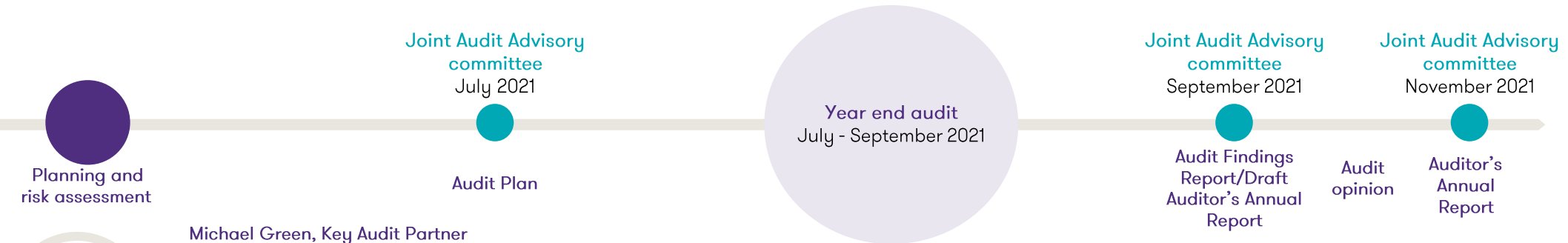
The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team



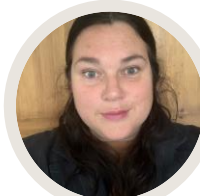
Planning and risk assessment

## Michael Green, Key Audit Partner



Michael will be the main point of contact for the OPCC, Chief Constable and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Michael will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Michael will also sign your audit opinion.

## Liz Luddington, Audit Manager



Liz will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. Liz will be responsible for the delivery of our work on your arrangements in place to secure value for money.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- provide debtor and creditor listings that are the balances outstanding at the year end
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- The OPCC and Chief Constable's experts provide clarity and detail over their work to enable auditors to challenge the accounting and valuation judgements used.
- respond promptly and adequately to audit queries.

# Audit fees

PSAA awarded a contract of audit for the OPCC for Cheshire and the Chief Constable for Cheshire to begin with effect from 2017/18. The scale fee in the contract was £26,045 for the OPCC audit and £11,550 for the Chief Constable. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2020/21 audit.

The 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £1,040 (1.7%). This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISAs issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and will be agreed with the Chief Finance Officer of the OPCC and the Director of Finance for Cheshire Police.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
OPCC Audit	£30,545	£39,485	£42,895
Chief Constable audit	£11,550	£20,570	£18,200
Total audit fees (excluding VAT)	£42,095	£60,055	£61,095

## Assumptions

In setting the above fees, we have assumed that the Force/OPCC will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

	OPCC	Chief Constable
Scale fee published by PSAA	£26,045	£11,550
<i>Ongoing increases to scale fee first identified in 2019/20</i>		
Raising the bar/regulatory factors	£1,600	£900
Enhanced audit procedures for Property, Plant and Equipment	£1,750	£0
Enhanced audit procedures for Pensions	£0	£1,750
Covid-19 impact (non-recurrent)	£5,090	£1,870
Oracle IT support	£2,500	
Migration to Oracle Fusion (non-recurrent)	£2,500	£4,500
<b>Audit fee 2019/20</b>	<b>£39,485</b>	<b>£20,570</b>
<i>New issues for 2020/21</i>		
Additional work on Value for Money (VfM) under new NAO Code	£7,000	£2,000
Increased audit requirements of revised ISAs	£4,000	£2,000
<b>Proposed increase to agreed 2019/20 fee</b>	<b>£11,000</b>	<b>£4,000</b>
<b>Adjust for non-recurrent 19-20</b>	<b>£(7,590)</b>	<b>£(6,370)</b>
<b>Total audit fees (excluding VAT)</b>	<b>£42,895</b>	<b>£18,200</b>

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the OPCC and Chief Constable.

## Other services








No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.










# Appendix 1: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance




The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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# Informing the audit risk assessment for the Chief Constable for Cheshire and the Office of the Police and Crime Commissioner for Cheshire 2020/21

**Name**  
Michael Green  
T 0161 953 6382  
E [Michael.Green@uk.gt.com](mailto:Michael.Green@uk.gt.com)

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Chief Constable for Cheshire and the Office of the Police and Crime Commissioner for Cheshire (the CC and OPCC)'s external auditors and the CC and OPCC's Audit Advisory Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Advisory Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Advisory Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Advisory Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Advisory Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Advisory Committee and supports the Audit Advisory Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the CC and OPCC's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from the CC and OPCC's management. The Audit Advisory Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>Setting the PCC's and CC's budget in alignment with the Police and Crime Plan, and the resulting Council Tax precept.</p> <p>Changes to the level of Police Grant and the impact of the Formula Funding.</p> <p>The progress against the capital programme</p> <p>Changes in the valuations of Land and Building Assets</p> <p>Changes that affect the pensions liability or the pension funding arrangements.</p> <p>Response to Covid pandemic and associated cost/funding issues</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the CC and OPCC? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Accounting policies and the application of proper practices under local government legislation are considered when preparing; for any individually significant transactions, for changes to budgets or key parts of the budgets, such as the capital programme, and as part of the financial statement preparation.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Financial instruments are used in the normal course of funding activities, for example, leases and loans. Generally the PCC and CC are risk adverse and the type of financial instrument used is generally those measured at contract value or at amortised cost. The PCC and CC do not seek to mitigate risk through the use of derivatives but through sound financial planning</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>No</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No, there are on-going claims flowing from the decisions in the McCloud case and the need to provide redress for affected members. These are notified to the actuary and reflected as far as possible in IAS 19 calculations.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the CC and OPCC during the year. Please indicate where they are working on open litigation or contingencies from prior years?	TLT – legal advice on tender process Weightmans – defending litigation DLA – defending litigation

## General Enquiries of Management

Question	Management response
9. Have any of the CC and OPCC's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Link Asset Services re investment and loan portfolios</p> <p>Bruton Knowles for PPE valuations</p> <p>GAD for the Police Pension Scheme IAS19 Valuation</p> <p>Hymans Robertson for the Local Government Pension Scheme IAS19 Valuation</p>

# Fraud

## Issue

### Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Advisory Committee and management. Management, with the oversight of the Audit Advisory Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Advisory Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the CC and OPCC's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Advisory Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Advisory Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Advisory Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the CC and OPCC's management.

# Fraud risk assessment

Question	Management response
<p>1. Have the CC and OPCC assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the CC and OPCC's risk management processes link to financial reporting?</p>	<p>Yes</p> <p>Management has considered the likelihood of control failings that could lead to material misstatement due to misappropriation of assets or suppression of liabilities. Systems have been constructed with checks and balances to ensure that transactions are initiated for proper purposes inline with operating requirements and PCC and CC Plans. Review of internal control of our core systems is part of the Internal Audit Annual Programme and control compliance is considered by officers when preparing the annual review of effectiveness as part of the AGS process. Management has assurance that effective control arrangements are in place.</p> <p>The PCC and CC's risk management processes are designed to ensure they meet it statutory duties and fulfils its corporate objectives. To meet these requirements adequate resources have to be applied to the CC's operations and in turn these resources need to be approved by the Authority through its budget setting process. Management is held to account for budget management and the financial reporting processes ensure that spending against budget is reconciled to spending as reported under the Code.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Non-pay expenditure is at risk of fraud through misappropriation of funds or assets.</p>

## Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Cheshire OPCC and CC as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No</p> <p>The Joint Audit Advisory Committee receives reports from management and have oversight of the Risk Management Framework which includes the risk of fraud where relevant.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the CC and OPCC where fraud is more likely to occur?</p>	<p>No</p> <p>Stores - the value of such fraud is not likely to be material in the context of the financial statements however the PCC and CC have zero tolerance of fraud</p> <p>Stores - as above.</p>
<p>5. What processes do the CC and OPCC have in place to identify and respond to risks of fraud?</p>	<p>The PCC and CC have in place a Code of Conduct for staff relevant to all staff and a Confidential Reporting Policy with related procedures. New staff, Offices, contractors and members have tailored induction programmes.</p> <p>Reporting channels are set out in the policies and procedures which include whistle-blowing arrangements and whistle blower protections.</p> <p>As a Police service provider, the PCC and CC are at the forefront of fraud investigations and have a suite of policies and procedures to assess, conduct and complete fraud investigations, these apply to internal frauds as much as to frauds reported by the general public.</p>

# Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the CC and OPCC including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The internal control process is rated as strong.</p> <p>There is an internal audit process designed to provide assurance over the overall system of control it includes annual review of key elements such as financial controls, cyclical reviews, risk based and reactive reviews.</p> <p>Senior officers review the findings of internal audit reviews and these findings inform the PCC's and CC's assessment.</p> <p>No significant weaknesses have been identified but all recommendations for improvement are accepted and a programme of follow up review is in place.</p> <p>A limited number of people have the access and authorisation rights in Oracle that enable them to amend transaction data however there are mitigating controls in place such as audit trail of actions and restrictions on basic ability to procure/contract.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>Property valuations - these are complex and utilise the work of an expert.</p>

## Fraud risk assessment

Question	Management response
<p>8. How do the CC and OPCC communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The PCC and CC have in place a Code of Conduct for staff relevant to all staff and a Confidential Reporting Policy with related procedures. New staff, Officers, contractors and members have tailored induction programmes.</p> <p>Reporting channels are set out in the policies and procedures which include whistle-blowing arrangements and whistle blower protections.</p> <p>Staff are required to report when they become aware of activities which they reasonably believe to be illegal, improper, unethical or otherwise inconsistent with this Code, they should report the matter, acting in accordance with the Commissioner's Confidential Reporting Procedure.</p> <p>No</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Procurement posts, Police Officers dealing with serious crime</p> <p>The PCC and CC have clear procurement procedures – procurements must be in line with the budget proposals – all expenditure is monitored by budget holders.</p> <p>The CC has specific arrangements to protect police officers from being targets for fraudulent or corrupt activities.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>See above re procurement. The Authority also has in place a comprehensive system of registers of interests, gifts and hospitality that all members and officers must complete. The registers include guidance on what is acceptable and what must be declined, officers and members are encouraged to disclose all including those that are acceptable.</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Advisory Committee? How does the Audit Advisory Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>There is a formal reporting programme to the Joint Audit Advisory Committee. Briefings on all decisions and significant issues are routinely provided to the PCC, Chief Constable and Joint Audit Advisory Committee. Officers make themselves available to go into further detail and invite questions and challenge from the membership.</p> <p>Although relationships with officers are professional and friendly there is a very clear separation of roles and responsibilities and Joint Audit Advisory Committee members avoid being involved in engagements or activities that compromise or could be perceived as compromising that separation.</p> <p>Nothing has arisen during the year.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

# Law and regulations

## Issue

### Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Advisory Committee, is responsible for ensuring that the CC and OPCC's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Advisory Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>Cheshire OPCC and CC have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the CC and OPCC's regulatory environment that may have a significant impact on the Police's financial statements?</p>	<p>Both the CC and PCC have in place a s151 Officer and a Monitoring Officer whose responsibilities include ensuring the that CC and PCC are compliant with relevant laws and regulations.</p> <p>All papers submitted to the Boards and Committees that support the PCC and CC include an assessment of the impact of the matter including its impact on legal aspects of any decision, recommendation or action included there in.</p> <p>No</p>
<p>2. How is the Audit Advisory Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Consideration of the effectiveness of arrangements for compliance with law and regulation form part of the review of effectiveness of internal control undertaken both the PPC and CC when preparing their Annual Governance Statements. Assurance is obtained from reviewing evidence, such as the risk register and actions and mitigations noted there-in and from the assurance provided by the Head of Internal Audit Opinion on the overall system of internal control. The AGS and Internal Audit opinion are both routinely reported to the Joint Audit Advisory Committee for review.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does the CC and OPCC have in place to identify, evaluate and account for litigation or claims?	There is good co-ordination between the work of the s151 officers and the monitoring officers of both the PCC and CC.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

# Related Parties

## Issue

### Matters in relation to Related Parties

The CC and OPCC are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the CC and OPCC;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Police;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the CC and OPCC, or of any entity that is a related party of the CC and OPCC.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the CC and OPCC must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in the CC and OPCC 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and the CC and OPCC</li> <li>whether the CC and OPCC has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	No
<p>2. What controls does the CC and OPCC have in place to identify, account for and disclose related party transactions and relationships?</p>	Both the PCC and the CC have in place a comprehensive system of registers of interests, that they and all officers and staff must complete. This register are reviewed periodically to ensure that all RPs are identified and adequately reported in the financial statements.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	There are robust procurement processes in place that require approvals both in terms of system and through governance that involves Strategic Procurement, Command and OPCC, including the Strategic Procurement Group. All items over £10k referred to Strategic Procurement, all items over £50k go through the Strategic Procurement Group. Signatories are S.151 officers or PCC.
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	There are robust procurement processes in place that require approvals both in terms of system and through governance that involves Strategic Procurement, Command and OPCC, including the Strategic Procurement Group. All items over £10k referred to Strategic Procurement, all items over £50k go through the Strategic Procurement Group. Signatories are S.151 officers or PCC.

# Accounting estimates

## Issue

### Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Advisory Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Advisory Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Property Asset Valuations, Pension Fund/Scheme valuations
2. How does the CC and OPCC's risk management process identify and addresses risks relating to accounting estimates?	Accounting policies reviewed and amended if appropriate to ensure estimates, risks and valuations are identified. Commissioning of professional advisors to support accounting estimates where necessary. Review of draft accounting figures by S151 officers of both CC and OPCC.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Review of professional guidance. Consultation with appointed experts. Where possible, independent verification or review of assumptions.
4. How do management review the outcomes of previous accounting estimates?	Comparison between current/past estimates and actual figures where possible. Challenge to professional experts around variances and assumptions.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No. Change in professional valuer expert due to re-tendering of contract but no change to processes.

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Review of accounting regulations and changes, regular CIPFA professional and technical updates. S151 officer assesses requirements v in house skills to determine specialist knowledge/experts to be engaged.</p>
<p>7. How do the CC and OPCC determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Review of draft accounts includes material assumptions and material variance from previous/anticipated estimate figures. Regular dialogue with external professionals to satisfy ourselves that the methods, assumptions and values used are understandable and acceptable.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Review and challenge of assumptions and variance from previous/anticipated estimate figures. Ensure a working understanding of valuation process.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Review/Challenge by Head of Finance followed by S151 officer (x2) review. Review, Scrutiny and Approval by Joint Audit Advisory Committee.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit Advisory Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Each year the Head of Finance presents an assurance statement to TCWG confirming the robustness of estimates used in the preparation of the annual budgets. This is supplemented by the Treasury Management Strategy that sets out the prudential performance indicators which are affected by the outcome of those budget estimates.</p> <p>For estimates relating to financial reporting, the Joint Audit Advisory Committee receives the accounts before they are authorised for issue at which the Head of Finance and S151 Officers take members through the financial statements highlighting key transactions and balances and any significant points which aid their understanding of how the accounts are made up.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, plant & equipment valuations	Current value defined as 'existing use' by the PCC and CC.	Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be considered in 2020/21.	No	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No, New Valuer expert but no method change.
Estimated remaining useful lives of PPE	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	See left box	Discussion with internal asset team and where applicable Bruton Knowles as the valuer.	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	No
Depreciation and Amortisation	See above	See above	See above	See above	No  161
Impairments	Review of all assets undertaken annually in	See left.	Discussion with internal	N/A.	No.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Financial instruments consist of investments and loans and loan arrangements, measured initially at cost and subsequently at amortised cost using the effective interest method.	Knowledge by the Investment team who manages the investment and loan portfolio in assessing the potential risk in credit losses.	Fund advisers – Link Assets Services.	The portfolio is assessed on an individual borrower for its expected credit losses using: i) Probability of default ii) Loss of given default	No
Accruals	We use standard accruals accounting – accruals are based on expenses incurred that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A.	N/A.	No.
Pension Fund (LGPS) Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial expert Hymans Robertson LLP. These figures are based on making % adjustments to the closing values of assets/liabilities.	The PCC and CC respond to queries raised by the administering body, Cheshire West and Chester Council	The PCC and CC are provided with an actuarial report by Hymans Robertson LLP.	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.  162
<sup>25</sup> Police Pension Scheme	The actuarial gains and losses figures are calculated by the	The PCC and CC respond to queries	The PCC and CC are provided	The nature of these figures forecasting into the future are based upon the best	No.





Office of the Police and Crime Commissioner for  
Cheshire / Cheshire Constabulary  
Internal Audit Plan  
2021/2022

# Contents

1. Executive Summary
2. Transforming Internal Audit
3. Risk Assessment
4. Your Plan On A Page



0151 285 4500



[miaa.admin@miaa.nhs.uk](mailto:miaa.admin@miaa.nhs.uk)



[www.miaa.nhs.uk](http://www.miaa.nhs.uk)



[@MIAANHS](https://twitter.com/MIAANHS)

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Appendix A: Operational Internal Audit Plan 2021/2022

***MIAA Assurance*** - provision of cost effective assurance (governance, risk and control) Insight (advice and best practice) and foresight (supporting clients on up and coming issues).

*These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience.*

# 1 Executive Summary

## Your Risk Assessment

A strong risk assessment underpins the Internal Audit Plan. We have clearly set out the risks which have been prioritised within the audit plan and those which are not.

## Your Internal Audit Plan

Your internal audit service includes core assurances, national and regional risk areas, strategic risks from your Board Assurance Framework and management requests. MIAA insights, including benchmarking, briefings and events will be integral to your plan. **Your fees for 2021/2022 are £32,200.**

## Your Team

Your team will be led by Steve Connor, Engagement Lead and Anne-mare Harrop, Engagement Manager. We can confirm sufficient resources, including specialist expertise have been established to deliver your service.

## Your Audit Team



**Steve Connor**  
*Engagement Lead*  
07768 131785  
Steve.Connor@miaa.nhs.uk



**Anne-marie Harrop**  
*Engagement Manager*  
07920 150313  
Anne-  
marie.harrop@miaa.nhs.uk

## 2 Transforming Internal Audit

### Internal Audit, Assurance and Solution Plans

We have always been quick to respond to changes in our clients operating environment and 2020/2021 saw our teams work flexibly and agilely to deliver your internal audit service.

In 2021/2022 we will take the lessons learned from our response to the COVID-19 pandemic to continue to innovate audit delivery and further utilise analytics and Agile techniques. There are many different approaches to Agile auditing with the emphasis being on flexibility and we'll work with you to implement the techniques that add the most value.



# 3 Risk Assessment

## Your Risk Assessment

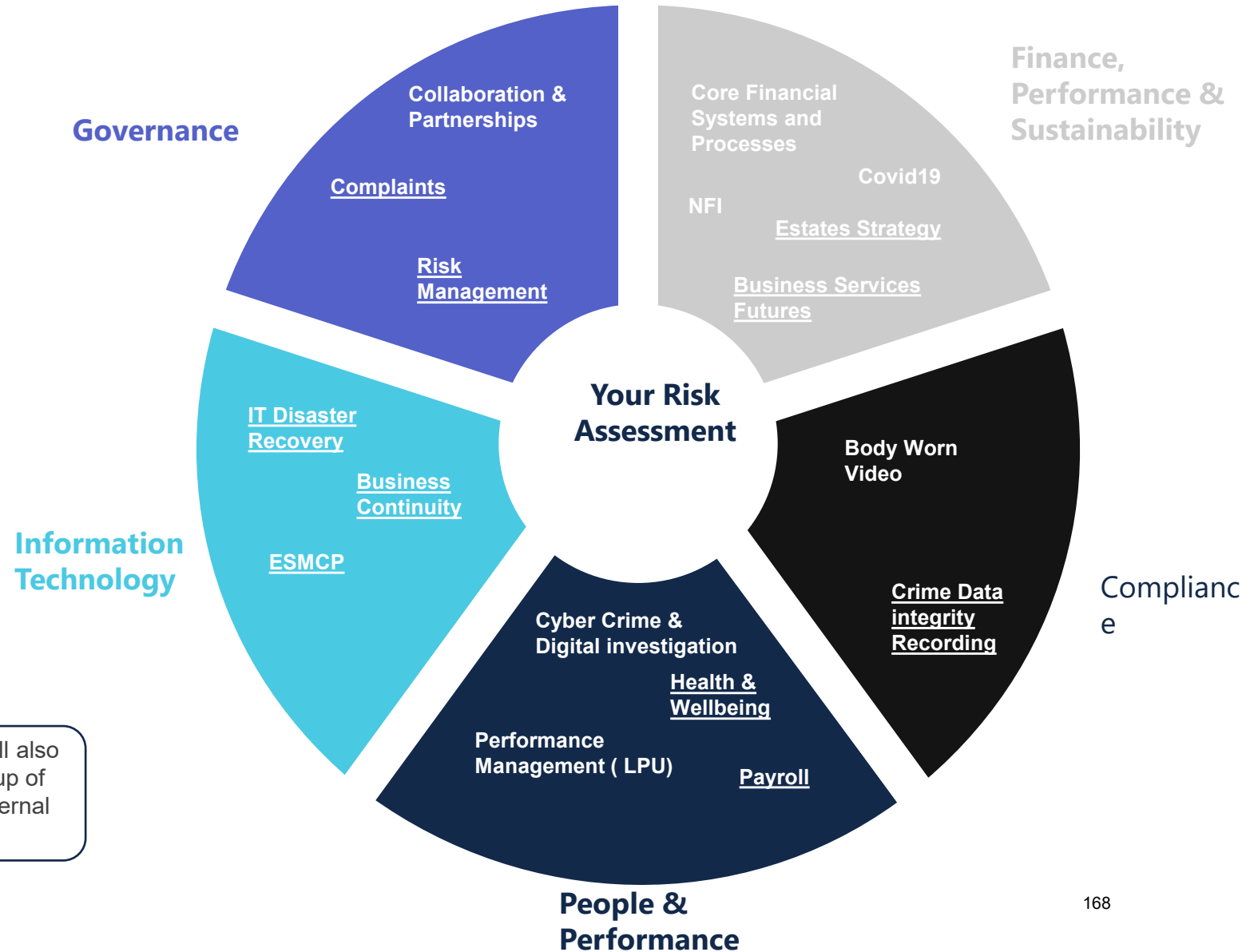
Your internal audit plan is built from a risk assessment which has considered national and local system risks and developments and your local strategic risk assessment.

MIAA are part of the Police Audit Group ( PAG) to gain insight and share learning across audit providers working within the police sector.

**Key**

- Risk areas in white are included in your 2021/2022 Plan
- Risks underlined are currently not priorities in your 2021/2022 Plan

IA coverage will also include follow up of outstanding internal audit actions



# 4 Your plan on a Page

## Planning Approach

- Risk Assessment of the external environment, system and organisation (including the Strategic Risk Register and Police and Crime Plan ).
- Engagement of Senior Management of the OPCC and Constabulary and Audit Advisory Committee to influence the use of MIAA's client risk database to inform planning.
- Coverage of Critical Business Systems to support organisation's objectives through the strategic internal audit plan.
- Provision of sufficient resources and expertise.
- Compliance with Public Sector Internal Audit Standards (PSIAS).

## Your Plan

The outcome of your risk assessment is summarised below:

### Organisational Reviews

Provision of assurances across core and risk based reviews

- Collaboration & Partnerships
- Covid 19 response
- Key Financial Controls
- Estates Strategy
- National Fraud Initiative Data Matches
- Performance Management – Local Policing Units
- Cyber Crime and Digital Investigation
- Body worn video

## Follow Up and Contingency

## Outcomes

**Head of Internal Audit Opinion to inform the AGS**

**Assignment assurance levels**

Recommendations, advice, and guidance to enhance the control environment

Insights through briefings, thought leadership events and benchmarking.

# Appendix A – Operational Internal Audit Plan 21/22

Review & Scope	Rationale	Audit Days	Planned Delivery	Executive Lead
<b>Governance, Risk &amp; Legality</b>				
<b>Collaboration and Partnerships:</b> <i>A rolling programme of reviews to evaluate the effectiveness of systems to govern and performance manage collaboration arrangements, to assure value for money.</i>	Joint Strategic Risk Register	10	Q4	Police & Crime Commissioner / Chief Constable
<b>Finance, Performance &amp; Sustainability</b>				
<b>Key Financial Controls:</b> <i>To provide assurance on the operation of the key financial controls within the organisation.</i>	Mandated Requirement/Joint Strategic Risk Register	12	Q3	Police & Crime Commissioner / Chief Constable
<b>Estates Strategy:</b> <i>To provide assurance that the Estates Strategy is aligned to the strategic objectives and to evaluate the effectiveness of arrangements in place to support any property acquisitions, disposals and ongoing maintenance of the estate.</i>	Police and Crime Plan Assurance	10	Q1	Police & Crime Commissioner / Chief Constable
<b>Covid19:</b> <i>To provide assurance in respect of the Constabulary's response to Covid 19 focusing on governance, risk management, evaluation of what's worked well and lessons learned thus far. We will also consider how the constabulary is building on the new and innovative ways of working introduced during the pandemic to secure improvements and changes for the longer term.</i>	Joint Strategic Risk Register	12	Q1	Police & Crime Commissioner / Chief Constable
<b>National Fraud Initiative (NFI) Data Matching:</b> <i>Evaluation and investigation of the outcome of the NFI data match exercise.</i>	Mandated Requirement	10	Q3	Police & Crime Commissioner / Chief Constable

Review & Scope	Rationale	Audit Days	Planned Delivery	Executive Lead
<b>People &amp; Performance</b>				
<b>Performance Management - Local Policing Units (LPU):</b> <i>A rolling programme of reviews across the eight local policing units to assess performance management against Business Plan objectives and compliance with the key corporate procedures e.g. Financial, HR, Duty of Care and Service Delivery. – Three LPUs in 2021.</i>	Police and Crime Plan Assurance	15	Q2	Police & Crime Commissioner / Chief Constable
<b>Cyber Crime and Digital Investigation:</b> <i>Cybercrime and digital investigations are high on the national and local agenda with cases increasing year on year. This review will evaluate how Cheshire Constabulary are responding to these risks and the plans in place to manage increased caseloads and the workforce demands and skill sets required.</i>	Joint Strategic Risk Register	12	Q2	Police & Crime Commissioner / Chief Constable
<b>Operational Compliance</b>				
<b>Body Worn Video Usage ( Carry Forward 2020/21):</b> <i>Evaluation of compliance in line with the requirements of the Surveillance Camera Code of Practice and Home Office guidance for Body worn video device management.</i>	Police and Crime Plan Assurance	12	Q3	Police & Crime Commissioner / Chief Constable
<b>Follow up &amp; Contingency</b>				
<b>Follow up</b>	Public Sector Internal Audit Standards Requirement	6	Q1 – Q4	Planning, Performance and Risk Manager
<b>Contingency</b>	Public Sector Internal Audit Standards Requirement	1	Q1 – Q4	Chief Constable / Head of Finance, Operations and Governance (OPCC)
<b>Planning &amp; Reporting</b>				
<b>Planning &amp; Management:</b>	Public Sector Internal Audit Standards Requirement	12	Q1 – Q4	Chief Constable / Head of Finance, Operations and

*The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit Committee. A formal 6 month review of the plan will also take place.*

The following risk areas were identified as part of the annual risk assessment (refer above), but are **not currently prioritised** within the Internal Audit Plan coverage.

Risk Area	AF Risk / Score	Rationale
Emergency Services Mobile Communications Programme (ESMCP)	Strategic Risk Register 15	Originally in 3 year audit plan but due to delays to national rollout audit at this time is not appropriate
Crime Recording - Crime Data Integrity (CDI) Compliance	Strategic Risk Register 16	Specialist review covered by HMICFRS
Business Services Futures	Strategic Risk Register 15	Programme Board and project delivery assurance mechanisms in place. Potential for audit support rather than assurance .



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# Internal Audit Follow Up Report (18 June 2021)

Police and Crime Commissioner for Cheshire/ Cheshire Constabulary

# Contents

- 1 Report Distribution
- 2 Introduction
- 3 Summary of Findings

## Appendix A: Risk Classifications

## Acknowledgement and Further Information

### Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

### Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards

## 1 Report Distribution

This report has been compiled and issued solely for the consideration of the intended recipients named below.

Name	Position
Mark Roberts	Chief Constable
Julie Cooke	Deputy Chief Constable
Julie Gill	Assistant Chief Officer
Matt Burton	Assistant Chief Constable
Jenny Simms	Assistant Chief Constable
Clare Hodgson	Director of Finance (OPCC)
Peter Astley	Chief of Staff (OPCC)
Andy Southcott	Director of Commissioning (OPCC)
Wendy Bebbington	Head of Finance
Louise Willis	Planning, Performance & Risk Manager
	Joint Audit Advisory Committee

## 2 Introduction and Background

In making recommendations and agreeing action plans, it is intended that improvements may be made to both internal controls and operational effectiveness. However, in order to verify that the benefits of the recommendations are achieved, it is necessary to subsequently follow up on the implementation of agreed actions, in order to fully assess:

- Whether implementation has occurred or been superseded by further events; and
- Whether the actions have produced the intended effect.

Follow-up is, therefore, a vital aspect of the internal audit process and it is our policy, in accordance with the Internal Audit plan, to revisit previous assignments.

## 3 Summary of Findings

The table below sets out the areas and recommendations which have been reviewed this time and the level of progress which has been made. Our review confirms that good progress has been made in implementing recommendations.

Area	Agreed Recs.	Implemented	Partial	Superseded	Not yet Due	No Action Taken
<b>2019/20 Audits</b>						
Prevention Activities Young People	1	1	0	0	0	0
Area	Agreed Recs.	Implemented	Partial	Superseded	Not yet Due	No Action Taken
<b>2020/21 Audits</b>						
Financial Systems	1	1	0	0	0	0
Community Safety Fund	4	2	2	0	0	0
Payroll	5	5	0	0	0	0
Performance Management LPU	4	4	0	0	0	0
Risk Management	3	3	0	0	0	0
<b>Total</b>	<b>18</b>	<b>16</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>

An update on the ‘partially implemented’ recommendations is noted below.

Area	Report ref.	Agreed Recommendation	Risk Rating (C/H/M/L)	Progress
Community Safety Fund	301CPCC_2021_007	<p>Each CSP should produce at least a 6 monthly, preferably quarterly performance report to the OPCC to update on outcomes and the impact of funded projects. This should also be a standard agenda item at the CSP meetings.</p> <p>To issue an agreed set of measures alongside each grant agreement this year and to ensure recipient is aware of the need to report upon these twice a year. Furthermore, all measures will be recorded in a single spreadsheet to assist in the development of an Annual report.</p> <p><b>Implementation Deadline:</b> 31/3/2021</p>	M	<p>Partially Implemented – Evidence of Cheshire East Reporting received plus evidence of the development of an overarching spreadsheet to detail the outcome measures for each fund approved.</p> <p><b>Revised Implementation Deadline: 31/12/21</b></p>
Community Safety Fund	301CPCC_2021_007	<p>It would be beneficial to develop an annual Commissioning Report focused on the impact and value for money outcomes from the CSF aligned to the commissioner's priorities which could additionally be published on the OPCC website.</p> <p><b>Implementation Deadline:</b> 31/05/2021</p>	M	<p>30/03/21 Annual report is planned but will not be produced until the end of the financial year and post pre PCC election period - need to recommend amending the target on this to end October 2021 in line with presented to police and crime panel at end of September 2021 and released approx. October 2021.</p> <p><b>Revised Implementation Deadline: 31/10/2021</b></p>

Outstanding recommendations will be subject to a further follow up.

## Appendix A: Risk Classifications

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation’s objectives in relation to: <ul style="list-style-type: none"> <li>• the efficient and effective use of resources</li> <li>• the safeguarding of assets</li> <li>• the preparation of reliable financial and operational information</li> <li>• compliance with laws and regulations.</li> </ul>
High	Control weakness that has or could have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> <li>• has a low impact on the achievement of the key system, function or process objectives;</li> <li>• has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

# Internal Audit Progress Report Audit Advisory Committee (July 2021)

Office of the Police and Crime Commissioner for Cheshire / Cheshire  
Constabulary

# Contents

- 1 Introduction
- 2 Key Messages for Audit Advisory Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

## Your Team

Name	Role	Contact Details
Anne-marie Harrop	Engagement Lead	Anne-marie.harrop@miaa.nhs.uk 07920 150313

## Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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## **Public Sector Internal Audit Standards**

Our work was completed in accordance with Public Sector Internal Audit Standards.

## 1 Introduction

This report provides an update to the Audit Advisory Committee in respect of the progress made in against the Internal Audit Plan for 2021/22 and brings to your attention matters relevant to your responsibilities as members of the Audit Advisory Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition a consolidated follow up position is reported on a periodic basis to the Audit Advisory Committee.

This progress report covers the period March 2021 to June 2021

## 2 Executive Summary

Since the last meeting of the Audit Committee, there has been the focus on the following areas:

### 2021/22 Audit Reviews

The following reviews have been finalised:

- Procurement Review  
This was a change to the audit plan approved by the Joint Audit Advisory Committee (JAAC) and reported to the special meeting of the JAAC on 3<sup>rd</sup> March 2021.
- Head of Internal Audit Opinion and Annual report  
An overall Substantial Assurance opinion on the systems of internal control. Full report is provided for the committee.
- National Fraud Initiative  
Data matches have been released and a briefing is attached for information. Further work is scheduled for Sept/ Oct 2021.

The reviews below are currently in progress:

- Collaboration and Partnerships Audit – North West Motorway Policing Governance review (draft report).
- Covid – 19 (fieldwork).
- National Fraud Initiative – Data matches shared and approach for investigation agreed.

	<p>We are developing the approach and plans for the following reviews which are scheduled for Q2 delivery:</p> <ul style="list-style-type: none"> <li>• Performance Management – Local Policing Units.</li> <li>• Cyber Crime and Digital Investigation.</li> </ul>
Follow Up	<p>A summary of the current status of all follow-up activity is included as a separate report, this demonstrates good progress in the implementation of recommendations and strengthened control environment.</p>
Audit Plan Changes	<p>Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p> <ul style="list-style-type: none"> <li>• We received a request to defer the Estates Strategy review until Q4 given the organisational changes.</li> </ul>
Insights	<p><b>Collaborative Masterclass Events</b></p> <ul style="list-style-type: none"> <li>• Digital Transformation at Speed (2<sup>nd</sup> July 2021)</li> <li>• Political Leadership: Learning How Democratic and Participatory Approaches Make a Difference Across Public Services (16<sup>th</sup> September 2021)</li> <li>• The energised workplace: Designing Work So That People Flourish (14th September 2021).</li> </ul>

## Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 21/22:

HOIA Opinion Area	Status	Assurance Level
<b>Core/ Mandated Assurances</b>		
Key Financial Controls	Qtr 4	
National Fraud Initiative	Qtr 3	
<b>Risk Based Assurances</b>		
Collaboration & Partnerships – NW Motorway Policing Governance review	Qtr 1	
Estates Strategy	Qtr 4	
Covid – 19	Qtr 1	
Performance Management – Local Policing Units	Qtr 2	
Cyber Crime and Digital Investigation	Qtr 2	
Body Worn Video Usage ( Carry Forward 2020/ 21 )	Qtr 3	
<b>Follow Up</b>		
Qtr 1	Complete	N/A
Qtr 4	Scheduled Qtr 4	N/A

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

## Appendix B: Performance Indicators

The primary measure of your internal auditor’s performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Each Report	Green	All final reports contain a link to post audit questionnaire.
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	Noted in all final reports
Percentage of recommendations which are implemented	Twice per audit year	Green	Follow Up report provided twice per year.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA’s compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

# Internal Audit Annual Report & Head of Internal Audit Opinion 2020/21

Police and Crime Commissioner and Chief Constable for  
Cheshire

# Contents

- 1 Foreword
- 2 Introduction
- 3 Executive Summary
- 4 Head of Internal Audit Opinion
- 5 Internal Audit Coverage and Outputs
- 6 Areas for consideration - your Annual Governance Statement
- 7 MIAA Quality of Service Indicators

## 1 Foreword

The impact of COVID-19 on all public services has been considerable and for internal auditors it has raised the question of whether they will be able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirements of the Public Sector Internal Audit Standards (PSIAS) for the Head of Internal Audit (HIA) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that you rely on for your annual governance statement.

Whilst the considerable challenges and pressures you have faced this year are fully recognised, the professional and regulatory expectations on public sector organisations to ensure that their internal audit arrangements conform with the PSIAS have not changed. To enable us to do this we have had to work differently this year.

Throughout the year we have tried to keep you fully informed as things have developed culminating in the development of a revised risk assessment and Internal Audit Plan. This plan was designed to be fluid and agile to enable us to respond to your changing requirements, ensure the most effective use of your internal audit resource and meet the requirements in delivering a Head of Internal Audit Opinion.

Due to the actions taken with you during the year we have been able to undertake sufficient work to enable us to provide you with a Head of Internal Audit Opinion.

During 2020/21 MIAA also had an independent External Quality Assessment undertaken by CIPFA which concluded that we fully complied with all aspects of the PSIAS.

We would like to take this opportunity to thank the Joint Audit and Advisory Committee and all the staff at the Office of the Police and Crime Commissioner for Cheshire and Cheshire Constabulary for their ongoing support during the year.

*Steve Connor*

Managing Director, MIAA

March 2021

## 2 Introduction

The purpose of this Head of Internal Audit Opinion is to contribute to the assurances available to the Police and Crime Commissioner and Chief Constable which underpin their assessment of the effectiveness of the organisation’s system of internal control. This Opinion will assist the Police and Crime Commissioner and Chief Constable in the completion of the Annual Governance Statement (AGS), along with considerations of organisational performance, regulatory compliance, partnership working and wider transformation.

This opinion is provided in the context that the Police and Crime Commissioner and Chief Constable like other organisations across the public sector have faced unprecedented challenges due to COVID-19.

## 3 Executive Summary

This annual report provides the 2020/21 Head of Internal Audit Opinion for Police and Crime Commissioner and Chief Constable for Cheshire, together with the planned internal audit coverage and outputs during 2020/21 and MIAA Quality of Service Indicators.

Key Area	Summary
<p><b>Head of Internal Audit Opinion &amp; the Role of Internal Audit During the Pandemic</b></p>	<p>The overall opinion for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 provides <b>Substantial Assurance</b>, that that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.</p> <p>The Internal Audit Standards Advisory Board (IASAB) issued guidance regarding conformance with the Public Sector Internal Audit Standards (PSIAS) during the coronavirus pandemic (May 2020). All our work has continued to be delivered in full compliance with the PSIAS.</p> <p>MIAA adopted a pragmatic approach to the delivery of your Internal Audit Service during 20/21, with the focus on the delivery of your Head of Internal Audit Opinion. This again, was in line with the IASAB guidance.</p> <p>We supported clients through the provision of a range of briefings and updates focused on helping you manage the challenges of COVID-19. We also supported the wider NHS systems across MIAA’s client base / geographies through the redeployment of our staff to maintain the effective delivery of services.</p>
<p><b>Planned Audit Coverage and Outputs</b></p>	<p>The 2020/21 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year.</p> <p>The impact on the organisation of COVID-19 required us to review your internal audit risk assessment and plan for 2020/21 on a regular basis, in liaison with yourselves. As part of this assessment we took account of the following:</p> <ul style="list-style-type: none"> <li>Any revisions to the organisation’s strategic priorities as well as liaising with you to review areas for internal audit focus;</li> </ul>

	<ul style="list-style-type: none"> <li>• Mandated review requirements and audits which from a professional internal audit perspective are pre-requisite to ensuring sufficient coverage for a robust Head of Internal Audit Opinion.</li> </ul> <p>Therefore review coverage has been focused on:</p> <ul style="list-style-type: none"> <li>• The organisation’s Risk Management arrangements;</li> <li>• Core and mandated reviews, including follow up; and</li> <li>• A range of individual risk based assurance reviews.</li> </ul>
<p><b>MIAA Quality of Service Indicators</b></p>	<p>MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA (2020), provides assurance of MIAA’s full compliance with the Public Sector Internal Audit Standards.</p>

## 4 Head of Internal Audit Opinion

### 4.1 Roles and responsibilities

The Chief Constable is responsible for the operational policing, the direction and control of police officers and police staff and the overall governance of the Constabulary. The Police and Crime Commissioner is required to hold the Chief Constable to account for the exercise of those functions and for delivering an efficient and effective policing service to the public.

The Police and Crime Commissioner and Chief Constable are collectively accountable for maintaining sound systems of internal control and for putting in place arrangements for gaining assurance about the effectiveness of those overall systems.

The Annual Governance Statement is an annual statement prepared jointly by the Police and Crime Commissioner and Chief Constable, including:

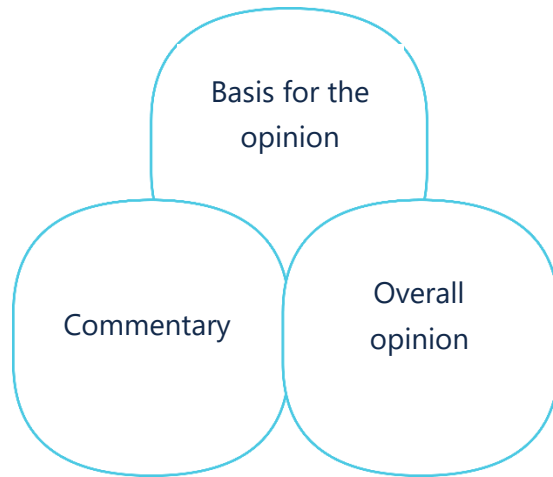
- How the individual responsibilities of the Police and Crime Commissioner and Chief Constable are discharged with regard to maintaining a sound system of internal control and governance that supports the achievement of policies, aims and objectives.
- The purpose of the systems of internal control as evidenced by a description of the risk management and review processes; and
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation’s risk management, control and governance processes (i.e. the organisation’s system of internal control). This is achieved through a risk-based plan of work, agreed with management approved by the Management Board and considered by the Audit Advisory Committee, which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 4.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Strategic Risk Register and Risk Management process. As such, it is one component that the Police and Crime Commissioner and Chief Constable take into account in making its AGS.

#### 4.2 Opinion

Our opinion is set out as follows:



##### 4.2.1 Basis

The basis for forming our opinion is as follows:

#### Basis for the opinion

- 
- 1 An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management’s progress in respect of addressing control weaknesses identified.
- 
- 2 An assessment of the organisation’s response to Internal Audit recommendations, and the extent to which they have been implemented.
-

### 4.2.2 Overall Opinion

Our overall opinion for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation’s objectives, and that controls are consistently applied in all areas reviewed.	
<b>Substantial Assurance</b> , can be given that that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.	✓
Moderate Assurance, can be given that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation’s objectives at risk.	
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation’s objectives at risk.	
No Assurance, can be given that there is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the organisation’s objectives.	

### 4.3.3 Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our opinion covers the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 inclusive, and is underpinned by the work conducted through the risk based internal audit plan.

## Core & Risk Based Reviews Issued

We issued:

One <b>high</b> assurance opinions:	Risk Management
Five <b>substantial</b> assurance opinions:	Key Financial Systems Efficiency Savings ( Carry Forward 19/20 Plan) Payroll Performance Management Local Policing Unit Crime & Disorder Reduction Grants
Zero <b>moderate</b> assurance opinions:	
Zero <b>limited</b> assurance opinions:	
Zero <b>no</b> assurance opinions:	
Two reviews without an assurance rating	National Fraud Initiative Procurement Review

## Follow Up

During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made **good progress** with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.

We have raised **19** recommendations as part of the reviews undertaken during 2020/21. All recommendations raised by MIAA have been accepted by management.

Of these recommendations none were **critical and / or high risk recommendations**.

## MIAA Insights: Thinking Differently During COVID-19



### Wider organisation context

This opinion is provided in the context that the Police and Crime Commissioner for Cheshire and Cheshire Constabulary like other organisations across the public sector are facing a number of challenging issues and wider organisational factors particularly with regards to the ongoing pandemic response.

During the Covid response, there has been an increased collaboration between organisations as they have come together to develop new ways of delivering services safely and to coordinate their responses to the pandemic.

In providing this opinion I can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. I also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.

*Steve Connor*

Managing Director, MIAA  
March 2021

## 5 Internal Audit Coverage and Outputs

The 2020/21 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year.

Of the reviews completed in the year, assurance ratings were given in six cases. Assurance rating were not applicable for two reviews, due to the nature of this work. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Audit Committee Progress Reports throughout the year.

A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
1	Risk Management	High	0	0	0	3	3
2	Key Financial Systems	Substantial	0	0	1	0	1
3	Efficiency Savings ( Carry Forward 19/20 Plan)	Substantial	0	0	2	0	2
4	Payroll	Substantial	0	0	4	1	5
5	Performance Management Local Policing Unit	Substantial	0	0	3	1	4
6	Community Safety Fund	Substantial	0	0	2	2	4
7	Procurement Review	N/A	N/A	N/A	N/A	N/A	N/A
8	National Fraud Initiative	N/A	N/A	N/A	N/A	N/A	N/A
		TOTAL	0	0	12	7	19

All recommendations raised were accepted by management.

We will continue to follow up progress against all recommendations as part of the 2021/22 Internal Audit Plan.

### CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS: *Additional areas where MIAA have provided added value contributions.*

Work with the organisation to prepare for the National Fraud Initiative data matches.

Ongoing discussion with lead Officers, Managers and Audit Advisory Committee Chair and members throughout the year.

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Facilitation of Joint Audit Committee Effectiveness survey and report

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Effective utilisation of internal audit including in year communication, requests for support in respect of the Procurement review and changes to the audit plan in respect of the deferral of Body Worn Camera and North West Motorway Policing reviews.

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Opportunities/ Involvement through MIAA events. Including the Collaborative Masterclass Series and Audit Committee Members Network events.

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## 6 Areas for consideration – your Annual Governance Statement

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant and we have also identified the strategic challenges that should be considered by the Police and Crime Commissioner and the Chief Constable when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Police and Crime Commissioner and Chief Constable reflects more widely on how these should be factored into the AGS. Areas for consideration include:

- Compliance with all relevant laws, standards and regulations.
- HMICFRS inspections and feedback during 2020/21 including any actions taken to address any areas of development.
- Response to Covid19 and the impact of interim governance, risk and management arrangements.
- Organisation performance, including challenges in achieving financial duties, delivery of Priority Based Budgets and service pressures managed in year.
- Wider partnership working risks and challenges.
- Relationship and management of 3rd party providers upon which the Police and Crime Commissioner places reliance, and the provision of assurances from these (including Capita).
- Workforce capacity, engagement, wellbeing and development.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- Senior leadership, including any significant changes to the Senior Leadership Team.

## 7 Ensuring Quality

MIAA’s strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with Public Sector Internal Audit Standards, the quality of our people and outcome measures.

### 7.1 Professional Standards and Accreditations

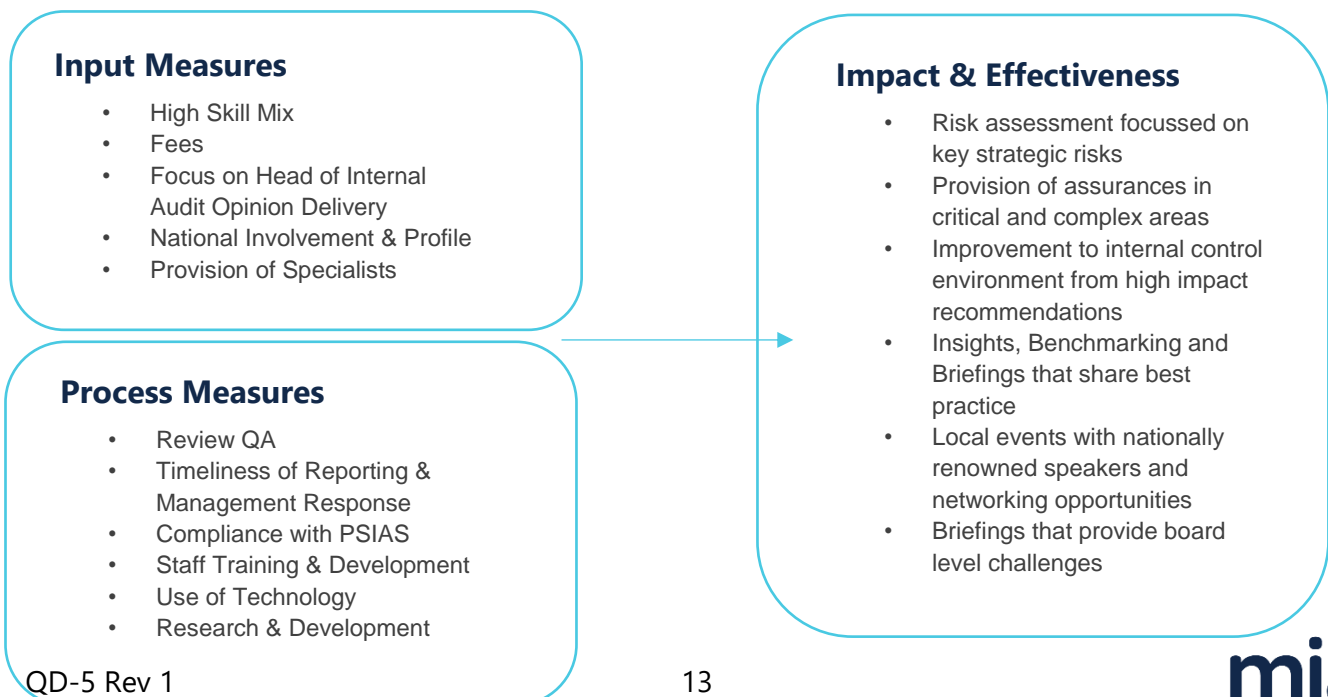
MIAA comply fully with professional best practice, internal audit standards and legal requirements. We assess our compliance with the Public Sector Internal Audit Standards (PSIAS) each year.





7.2 Service delivery and outcome measures

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. The figure below confirms the measures that we believe demonstrate an effective service to you.





Steve Connor

Managing Director

Tel: 07768 131 785

Email: [steve.connor@miaa.nhs.uk](mailto:steve.connor@miaa.nhs.uk)

Anne-marie Harrop

Assistant Director

Tel: 07920 150313

Email: [Anne-marie.harrop@miaa.nhs.uk](mailto:Anne-marie.harrop@miaa.nhs.uk)

# COVID-19 Review

## Draft Terms of Reference

Police and Crime Commissioner and Chief Constable  
for Cheshire

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## 1. Introduction and Background

This review will be conducted in accordance with the requirements of the 2021/22 Internal Audit Plan, as approved by the Audit and Advisory Committee. The pandemic is a global event that has affected everyone and every organisation. The Constabulary have had to continue to provide a service to the public and, like every other public service, have had to do so within the restrictions imposed.

The COVID-19 pandemic has required public services to test their emergency response and business continuity arrangements over a sustained period of time. It is key that decisions made and actions taken have been appropriately documented and follow the governance arrangements in place and that lessons learned as a result of the pandemic response are captured quickly and used to inform the response to future emergency and/or business continuity incidents.

For this review, we will consider what is working well and what is being learned; how the Constabulary is responding to the COVID-19 crisis; and how this may impact governance, key controls and ways of working going forward. We recognise that the pandemic is not over and as such this review relates to the constabulary's response to covid-19 as of April 2021, a year after the start of the pandemic.

## 2. Overall System Risks

Key risks identified in relation to the system under review, and which could affect the achievement of the objectives shown below, include:

- Governance arrangements may not be effective, meaning that senior management do not receive appropriate updates and assurances of decisions made and actions taken during COVID-19;
- The Constabulary have not determined how it will adopt, for the longer term, the new and innovative ways of working introduced during the pandemic, to secure lasting improvements;
- The Constabulary have not made robust and realistic calculations of the extra costs it has faced during the pandemic, and is not monitoring, and supervising appropriately, financial activity associated with COVID-19;
- The service is not monitoring, and supervising appropriately, financial activity associated with COVID-19;
- Lessons learned are not appropriately identified and actioned;
- Appropriate wellbeing and support provisions are not in place for police officers and staff, in regards to the COVID-19 pandemic.

### 3. Objectives

The following sub objectives have been identified:

- There are clear and effective governance arrangements surrounding decision making and action logging in relation to COVID-19;
- The Constabulary has a clear audit trails to support:
  - How decisions were made in response to COVID-19;
  - How actions have been logged and are monitored; and
  - How decisions made and actions taken have been communicated.
- The Constabulary have determined how it will adopt, for the longer term, the new and innovative ways of working introduced during the pandemic, to secure lasting improvements;
- The Constabulary have used their experiences during COVID-19 as a platform for lasting reform and modernisation;
- The Constabulary have received and shared good practice and what worked / lessons learnt have been shared with regional forums;
- The Constabulary have made robust and realistic calculations of the extra costs it has faced during the pandemic, and has monitored, and supervised appropriately, financial activity associated with COVID-19.
- It has monitored and reported how it used extra funding for Covid-19 and that it has mitigated against the financial risks that arose during this period
- Appropriate wellbeing and support provisions are in place for police officers and staff in regards to the COVID-19 pandemic.

## 4. Scope of Work

Our audit will take the form of a review of the key documentation that supports the current decision making and action logging processes in place for COVID-19 and discussions with key stakeholders in relation to the sub-objectives identified.

## 5. Proposed Timescales

	Planned Date
Fieldwork Starts	May 2021
Discussion Document to Client	May 2021
Responses by Client	June 2021
Final Report	June 2021

## 6. Key Contacts and Report Distribution

Name	Title	Report Distribution
Bill Dutton	Chief Superintendent	Draft / Final
Clare Hodgson	Director of Finance (OPCC)	Draft / Final
Peter Astley	Chief of Staff (OPCC)	Draft / Final
Wendy Bebbington	Head of Finance	Draft / Final
Paul Woods	Head of Planning and Performance	Draft / Final
Louise Willis	Strategic Planning and Governance Manager	Draft / Final
Jenny Simms	Assistant Chief Constable	Draft / Final
Julie Gill	Assistant Chief officer	Draft / Final
Peter Astley	Chief of Staff (OPCC)	Draft / Final
Julie Cooke	Deputy Chief Constable	Draft / Final
Mark Roberts	Chief Constable	Final
External Audit		Final


Joint Audit Advisory Committee		Final
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## 7. Your Acceptance

Please do not hesitate to contact MIAA should you have any comments regarding the Terms of Reference (these will be assumed as agreed if MIAA are not informed otherwise).

## 8. MIAA Key Contacts

The key contacts for this review will be;

Name	Charles Black
Title	Principal Auditor
	07554 332410
	<a href="mailto:Charles.blackk@miaa.nhs.uk">Charles.blackk@miaa.nhs.uk</a>

Name	Anne-Marie Harrop
Title	Assistant Director
	07920 150313
	<a href="mailto:Anne-marie.Harrop@miaa.nhs.uk">Anne-marie.Harrop@miaa.nhs.uk</a>

# North West Motorway Policing Group Collaboration Review Final Terms of Reference

Police and Crime Commissioner and Chief Constable  
for Cheshire

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## 1. Introduction and background

The audit plan for 2020/21 included a review in respect of partnership and collaboration governance arrangements. Following discussions with the OPCC, Constabulary and Joint Audit Advisory Committee, we have agreed that the focus of our audit will be on the governance arrangements for the North West Motorway Policing Group collaboration.

The North West Motorway Police Group (NWMPG) provides a regionalised policing service for the Motorways within the Cheshire, Merseyside and Greater Manchester Police areas.

## 2. Overall system risks

Key risks identified in relation to the system under review include:

- Failure to deliver on the shared outcomes and value for money for the local community.
- Financial relationships within the collaboration are not fully documented and legally binding.
- Potential benefit of force participation is not in line with stated aims, objectives and responsibilities and costs and benefits are not tracked.
- A clear exit strategy is not in place.
- Failure to establish a formal agreement to define the collaboration arrangements, financial commitments and roles and responsibilities of all parties.
- Overall processes as documented within the agreement are not operating as designed.
- Failure to receive adequate information and assurance over the effectiveness of the collaboration arrangement.
- Governance arrangements to provide oversight of partnership working are not working effectively.
- Lack of arrangements to identify, manage and report on risks relating to the collaboration arrangements.
- Failure to establish sound governance and robust evaluation criteria against which all decisions to enter into a collaboration agreement / partnership are assessed.

## 3. Objectives

The overall objective of the review is to provide independent assurance in respect of the effectiveness of the governance arrangements in place for the North West Motorway Police Group (NWMPG) collaboration.

#### 4. Proposed timescales

Fieldwork Starts	May 2021
Discussion Document to Client	May 2021
Responses by Client	June 2021
Final Report	June 2021

#### 5. Key contacts and report distribution

Name	Title	Report Distribution
Mark Roberts	Chief Constable	Draft & Final
Julie Cooke	Deputy Chief Constable	Draft & Final
Clare Hodgson	Director of Finance (OPCC)	Draft & Final
Peter Astley	Chief of Staff (OPCC)	Draft & Final
Martin Cleworth	Chief Superintendent	Draft & Final
Jenny Sims	Assistant Chief Constable	Draft & Final
Robert Dickinson	Chief Inspector Roads and Crime	Draft & Final
Jonathan Betts	Superintendent	Draft & Final
Keith Kellett	Inspector	Draft & Final
Chris Green	Chief Officer	Draft & Final
Rob Carden	Chief Officer (Merseyside)	Draft & Final
Nick Bailey	Chief Officer (Greater Manchester)	Draft & Final
Louise Willis	Planning, Performance and Risk Manager	Draft & Final
Joint Audit Advisory Committee		Final


## 6. Data protection and Freedom of Information



All documents acquired or created by us during the course of this assignment remain the property of the client. MIAA are, thus, considered as a data processor rather than a data controller and are not, therefore, directly subject to the requirements of the Data Protection Act. No information relating to this, or any other, assignment will be directly disclosed to a third party by MIAA in response to a subject access request. Any requestor will be advised that they should approach the client. These principles will also be applied in respect of any request for information relating to this, or any other, assignment under the Freedom of Information Act.

## 7. Your acceptance

Please do not hesitate to contact MIAA should you have any comments regarding the Terms of Reference (these will be assumed as agreed if MIAA are not informed otherwise).

## 8. MIAA Key contacts

Name:	Jacquelyn Rutter
Title:	Principal Auditor
	07554 226203
	<a href="mailto:jacquelyn.rutter@miaa.nhs.uk">jacquelyn.rutter@miaa.nhs.uk</a>

Name:	Anne-marie Harrop
Title:	Assistant Director
	07920 150313
	<a href="mailto:anne-marie.harrop@miaa.nhs.uk">anne-marie.harrop@miaa.nhs.uk</a>

**To:** Julie Gill, Assistant Chief Officer (Cheshire Constabulary)  
Clare Hodgson, Director of Finance (Office of the Police and Crime Commissioner)  
Wendy Bebbington, Joint Head of Finance (Cheshire Constabulary and Cheshire Fire and Rescue Service)  
Jerry Faulkner, Principal Accountant (Cheshire Constabulary and Cheshire Fire and Rescue Service)  
Dawn Edwards, Management Accountant  
Louise Willis, Planning , Performance and Risk Manager

**From:** Anne-Marie Harrop, Regional Director  
Simon Davies, Audit Manager  
Jeanette Sharp, Anti-Fraud Officer

**Date:** 13th May 2021

**Re:** National Fraud Initiative (NFI) Update - Release of Matches 2021/22

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## 1 Introduction and Background

The Cabinet Office coordinates the National Fraud Initiative (NFI) through powers under Part 6 of the Local Audit and Accountability Act 2014 to conduct data matching exercises to assist in the prevention and detection of fraud and error. This programme has been in existence now for over 20 years and has successfully identified over £1.69billion of fraud and error within the Public Sector.

The NFI continues to play an important role in protecting the public purse against fraud and is as important as ever with the true cost of fraud, estimated between £20billion and £40billion a year. The task of identifying fraud and error is continuous, to ensure funds and resources are allocated to the many honest deserving families in need.

Included within the Internal Audit Plan for 2021-22 year, agreed by the Joint Audit Advisory Committee, was an allocation of time for the Anti-Fraud Specialist (AFS) to complete the preparatory work and an initial review of the data matches (received 29th January 2021). This will be followed up by a more detailed examination of the matches later in the year.

This 'Briefing Note' provides a summary of data matches received and an understanding of the respective responsibility in respect of the initiative.


## 2 Summary of Data Matches




Participation in the exercise results in a range of data matches being produced (payroll, creditors and procurement) which are designed to target fraud as well as providing assurance on a range of corporate governance issues. In addition, the inclusion of your data will help identify overpayments and uncover fraud at other participating bodies, including NHS and other public sector organisations.

The submission of the organisations data, relating to payroll and creditors, was undertaken between 9th October and 1st December 2020. The Cabinet Office has risk assessed the information and the results listed below were received in January 2021 (payroll and creditors) and February 2021 (payroll to creditors and procurement).


Each data match report has been listed with a linked nominated officer who will be responsible for the investigation of data matches and update on the system. Where a report has been linked to an AFS, this will still require the HR/Finance team at Cheshire Constabulary to provide information to enable investigation.

The Cabinet Office has risk assessed the information and the following results were received.

Report Name	Priority Status	Number of Potential Matches received	Officer Responsibility
52 - Pensions/Pension Gratuity to DWP Deceased	High	15	AFS
53 - Deferred Pensions to DWP deceased	Low	1	AFS
54 - Pensions to Payroll	Low	99	AFS
55 - Pensions to Payroll	Low	6	AFS
58 - Pensions to Injury Benefits	High	7	AFS
66 – Payroll to Payroll between bodies (B) 	High	66	AFS
68.1 – Payroll to Payroll (B) – Phone Number	High	11	AFS
78 – Payroll to Pensions [for information only]	N/A	7	N/A
701 – Duplicate creditors by creditors name	High	3	Finance Team
702 – Duplicate creditors by address details	High	26	Finance Team
703 – Duplicate creditors by bank account number	High	13	Finance Team

Report Name		Priority Status	Number of Potential Matches received	Officer Responsibility
708 – Duplicate records by invoice amount and creditor reference		High	219	Finance Team
711 – Duplicate records by invoice number, amount but different creditor reference & name		High	6	Finance Team
750 – Procurement – Payroll to Companies House Director		High	5	AFS & Finance Team
752 – Procurement – Payroll to Companies House Director		Medium	1	AFS & Finance Team

**Key:**

 Certain reports have a flag (gold key) to note which reports the NFI team considers a priority

(B) indicates a match between different organisations;

### 3 Action Plan – Completion of Matches

The AFS will action and complete all Amberhill matches (if applicable) by the 31<sup>st</sup> March 2021. All payroll matches will be risk assessed and completed during the year in accordance with the profiling of the 2021/2022 Internal Audit work-plan The AFS will liaise with the organisation's payroll/HR teams to confirm the information highlighted within the matches. This will include verifying the employment status of individuals; secondary employment declarations; and sickness absences. The AFS will liaise with the matching authorities to establish any fraud or error.

Creditor matches are to be actioned and completed by the Constabulary Finance team. The AFS will extract the relevant reports from the NFI system to share with the Finance team to investigate and clear matches identified. The AFS will then update the NFI system with the outcomes of investigations completed, following receipt of the updated reports.

A full report outlining the initial progress against the priority matches will be provided to the Assistant Chief Officer, Director of Finance and Head of Finance by the end of the 2021/22 financial year.

### 4 Timetable

Match information is required to be investigated and completed usually within one year of the information becoming available. The key date which is used by the Cabinet Office for reporting purposes is the 31<sup>st</sup> March the following year after the matches

have been released. For this exercise that will be the 31<sup>st</sup> March 2022. It is therefore imperative that all match information has been investigated and closed by this date. Failure to complete by this date could result in both incomplete reporting, and also public reporting of organisations who have not undertaken any form of review.

## JOINT STRATEGIC RISK REGISTER

*The appendix and part two of this report will be considered in private on the grounds that it involves the likely disclosure of exempt information as defined in the Freedom of Information Act 2000 and in accordance with the Section 31 of the Act in relation to Law Enforcement and Section 43 Commercial Interest.*

## PURPOSE OF THE REPORT

1. To provide an update on Cheshire Constabulary's and the Commissioner's Joint Strategic Risk Register.

## BACKGROUND

2. The Joint Strategic Risk Register documents all risks that the Chief Constable and the Police & Crime Commissioner identify as having the potential to prevent the organisation from achieving the strategic objectives as detailed within the Police & Crime Plan.
3. Consultation has been undertaken with risk owners/action owners of existing risks.
4. The Chief Constable and the Planning, Performance & Risk Manager have been consulted.
5. The Joint Strategic Risk Register was last reviewed by Joint Management Board on 7 July 2021 and is detailed in Part Two.
6. The impact assessments/implications/risks are detailed for each risk on the Joint Strategic Risk Register along with action updates in respect of each risk.

## CHANGES/UPDATES FOLLOWING CHIEF OFFICER GROUP

7. The updates were considered at Joint Management Board on 7 July 2021 and are detailed in part two.

## RECOMMENDED:

That the Cheshire Constabulary and Police & Crime Commissioner's Joint Strategic Risk Register, be considered by the Audit Advisory Committee.

MARK ROBERTS  
CHIEF CONSTABLE

## Cheshire Constabulary Service Assurance Plan – 2020/21

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
MIAA	Collaboration and Partnerships – North West Motorway Policing Group	A rolling programme of reviews to evaluate the effectiveness of systems to govern and performance manage collaboration arrangements, to assure value for money.	Q4 10 days	TOR circulated for agreement Jan 2021. This audit was replaced by an urgent piece of assurance work tasked to MIAA in March 2021. The NWMPG Audit will be progressed in Q1 of 2021/22.	Audit Advisory Committee
MIAA	Community Safety Fund	The Police Reform and Social Responsibility Act 2011 enables the Commissioner to award grants to organisations or groups that will support the achievement of community safety priorities in Cheshire. The audit will provide assurance that grants are properly maintained and compliant with grant certification requirements. Suitable budgetary controls are in place and anticipated outcomes are achieved.	Q2 10 days	Draft 'Community Safety Fund' TOR issued 21.08.20 Field work completed in October 2020. Final report issued 3.11.20	Audit Advisory Committee Nov 2020
MIAA	Risk Management	Review the Risk Management arrangements for the organisation. This will include a review of the Risk Management Policies and Strategies in place, the use of risk registers, risk scoring, escalation, use of controls and assurances.	Q4 10 days	TOR drafted and agreed October 2020. Fieldwork due to commence November 2020 Complete - Final report issued 04.12.20	Audit advisory Committee Feb 2021
MIAA	Key Financial Controls	To provide assurance on the operation of the key financial controls within the organisation.	Q3 12 days	Complete - Final report issued 07.12.20	Audit Advisory Committee Feb 2021
MIAA	Payroll	Assessment of the payroll arrangements and the effectiveness of payroll related controls.	Q2 10 days	TOR issued 29.6.20 17.09.20 Draft Payroll report produced and recommendations. Final report issued 3.11.20	Audit Advisory Committee Nov 2020
MIAA	National Fraud Initiative (NFI) Data	Preparations for the NFI data match exercise including data release and staff notification.	Q3	Matches released 28.1.21.	Information

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
	Matching		5 days	Briefing undertaken with relevant personnel re agreed approach. CC have uploaded the data sets required. Matching exercise will take place as part of 21/22 Audit Plan.	Management & Risk Board
MIAA	Performance Management - Local Policing Units (LPU)	A rolling programme of reviews across the eight local policing units to assess performance management against Business Plan objectives and compliance with the key corporate procedures e.g. Financial, HR, Duty of Care and Service Delivery. – Three LPUs in 2020.	Q1 15 days	Draft TOR circulated 26.6.20 for comment. Fieldwork completed in Sept 2020. Draft report issued October 2020. Final report circulated November 2020 and will go to Audit Advisory Committee in February 2021.	Audit Advisory Committee February 2021
MIAA	Body Worn Video Usage	Evaluation of compliance in line with the requirements of the Surveillance Camera Code of Practice and Home Office guidance for Body worn video device management.	Q2 12 days	Meeting planned between MIAA and Supt Ross end Sept/Early Oct 20. Audit delayed until 21/22 Audit Plan due to work ongoing to further embed body worn video.	Audit Advisory Committee
MIAA	Cost Improvement Plans/PBB renamed  Efficiency Savings Audit	To provide assurance that there are robust systems and processes in place to manage the risks and monitor the delivery of the cost improvement, efficiency and change plans.	Q2 10 days	Refreshed TOR entitled Efficiency Savings Audit issued 6.2.20. April 2020: Fieldwork delayed due to COVID 19 Fieldwork progressed in July 2020. Final report circulated.	Audit Advisory Committee November 2020
Information Compliance	Digital Evidence Storage	Commissioned to do some reviews around Digital Evidence Storage in response to issues raised by IT, liaising with Strategic change.	Q4 2019-20	Report submitted to IRG May 19th 2020. Supt Duggan allocating actions.	Information & Risk Management Board
Information Compliance	RRD APP compliance	Review of Force compliance with proposed APP requirements	Q1 2020 - 21	Report presented to IRG May 19th 2020.	Information & Risk Management Board
Information Compliance	Restraining orders	PNC based audit selected to meet PNC commitments and for auditor training purposes	Q2 2020- 21	July 2020 Audit scope agreed, and audit underway.	Information & Risk

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
				Report due Q3. Report circulated 10/12/20 Reported to IRG 14/1/21	Management Board Jan 2021
Information Compliance	PNB – transfer to new process	To provide assurance that physical PNB are centrally stored and information is compliant post implementation of the electronic solution.	Q4 2020-21	July 2020 Timing depends on progress with project.  Interim report presented in Q3. Follow up required post project roll out. Ongoing monitoring of progress. <b>June update:</b> moved to the 21.22 plan to monitor progress and completion	Information & Risk Management Board
Information Compliance	Refresh and complete data flow audit	Refresh mandatory Record of Processing Activities and identify areas of risk or non-compliance. Mandatory requirement under DPA 2018	Q3 2020-21	Five areas not included in the original 2019/20 audit will be prioritised Q4 2020 when staffing and Covid restrictions permits. People Services (made up of 9 departments) started March 2021 <b>June update:</b> moved to the 21.22 plan to monitor progress and completion. People Services now complete. PPD scheduled next.	Information & Risk Management Board
Information Compliance	Family Court Disclosures	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	Q3 2020-21	ToR circulated 13/01/21 Testing started Feb 2021 Final report received June 21 Going to IRG June 21	Information & Risk Management Board
Information Compliance	PPD – domestic violence disclosures	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	Q1 2021-22	Currently scoping phase – scheduled post completion of ROPA and Family Court Disclosure This is a new row added 13/01/21 <b>June update:</b> moved to the 21.22 plan to monitor progress and completion	Information & Risk Management Board

## On-going Regular Monitoring Activity – 2020/21

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	Following a previous review by HMIC this ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	June 2020	Audits of Sexual, Domestic and Violence incidents continue to be subject to FCR audits with additional appropriate reporting to the newly formed Strategic Crime Recording User meeting chaired by the DCC. An audit of Concern for Safety incidents was also undertaken.	Force Performance Meeting  Strategic Crime Recording User Group
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	Following a previous review by HMIC this ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	September 2020	Audits of Sexual, Domestic and Violence incidents continue to be subject to FCR audits with additional other appropriate reporting, based on perceived risk, to the Strategic Crime Recording User meeting chaired by ACC Sims. Audits were undertaken in June, July, August and September 2020 and included additional scrutiny on Concern for Safety, Suspicious Circumstances and ASB incidents.	Force Performance Meeting  Strategic Crime Recording User Group
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	Following a previous review by HMIC this ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	December 2020	Audits of Sexual, Domestic and Violence incidents continue to be subject to FCR audits with regular reporting to, based on perceived risk, to the Strategic Crime Recording User meeting chaired by ACC Sims. Such audits were undertaken in November 2020 and additional audits of ASB and N100 incident reports of rape undertaken in December 2020 – reported to the 'We Care Victim Board' and onward transmission to SCRUM.	Force Performance Meeting  Strategic Crime Recording User Meeting

NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	Following a previous review by HMICFRS this ongoing work will establish that key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	March 2021	Audits of Sexual, Domestic, Violence & ASB incidents continue to be subject to FCR audits with regular reporting to, the Strategic Crime Recording User meeting chaired by ACC Sims. Such audits were undertaken in March 2021	Strategic Crime Recording User Meeting
Information Compliance	PNC Transaction Monitoring (#TE)	PNC Transaction Monitoring is a requirement established by Her Majesty's Inspectorate of Constabulary (HMIC) and the Association of Chief Police Officers (ACPO) to ensure the security and integrity of the Police National Computer System.	Quarterly	PNC Transaction Monitoring (#TE) Ongoing reviews being completed with compliance reported quarterly. Any issues are raised to PSD or Line Manager (as appropriate on an individual basis).	Any issues identified are reported to Line Manager and PSD if required.
Information Compliance	Police National Database (PND) Auditing and Transaction Monitoring	To ensure the security and integrity of this national CONFIDENTIAL system, forces are required to undertake transactional monitoring of Constabulary users. Monthly reports to the PND Governance Group chaired by Director of Intelligence.	Quarterly	Police National Database (PND) Auditing and Transaction Monitoring Ongoing reviews with compliance reported quarterly. Reports are issued to the PND Governance Group which is chaired by the Director of Intelligence.	Reports to the PND Governance Group chaired by Director of Intelligence.
Information Compliance	Driver Validation Service (DVS) Transaction Monitoring	DVS is a browser based system owned by the Driver Vehicle Licensing Authority (DVLA). It provides nominated staff with direct access to DVLA driver records for road traffic offences.	On-going	Ongoing reviews completed, with compliance reported quarterly. Any issues are raised with the Line Manager or PSD (as deemed appropriate on an individual basis). Any breaches are required to be reported to DVLA.	Any issues identified are reported to Line Manager and PSD if required. Breaches are reportable to DVLA.

Information Compliance	Automatic Number Plate Recognition (ANPR) Transaction Monitoring	ANPR data is currently accessed through three systems: Northgate, Cleartone and the National ANPR Service (NAS). National audit guidelines have been issued and a National Auditor appointed, in preparation for all Forces to move to the NAS.	Ongoing	Ongoing reviews completed, any issues are raised with the Line Manager or PSD (as deemed appropriate on an individual basis).	Any issues identified are reported to Line Manager and PSD if required.
Governance Of Collaborations	Qtrly	To review collaborations of which Cheshire Constabulary is a party and check that performance reports have been received and given transparency at the relevant Force/ Regional Meeting.	Ongoing Monthly	<p><b>June 2020 update;</b> Underwater Search unit and Alliance Policing were submitted to COG in May.</p> <p><b>July 2020 update:</b> No collaboration reports went to COG in June.</p> <p><b>August 2020 update;</b> NWROCU and MFSS collaboration reports went to COG in July.</p> <p><b>September 2020 update:</b> NWMPG collaboration report went to Sept COG. No updates are due in October.</p> <p><b>November 2020 update:</b> Under Water Search &amp; Marine Unit and Alliance Policing reports went to COG in November. No reports are due in December 2020.</p> <p><b>February 2021 update:</b> NWROCU report was submitted to February COG.</p>	Chief Officer Group
Taser Downloads	Governance and compliance monitoring	Audit of completion of Taser downloads	Taser's downloaded every 6 weeks, <b>Audited quarterly</b>	<p><b>27/05/2020</b> 100% compliance.</p> <p><b>29/06/2020</b> 100% compliance.</p> <p><b>02/11/2020:</b> 89% compliance. The reduction is due to a number of SPOCs requiring to self-isolate / leave etc so not present to undertake the physical download. I have asked T/CI Parry to explore future SPOC resilience to address this.</p> <p><b>23/11/20:</b> 100% compliant</p> <p><b>29/01/21:</b> 87% compliant. This equates</p>	Procedural Justice Meeting

				to 18 tasers out of 139 operational ones which are overdue. This is because some downloaders were suddenly posted to different roles/locations in force. This has been mitigated by an online downloaders course run last week. It is anticipated this will be 100% compliant within the week.	
Finance - Compliance with GPC Cards Guidance Manual	Annually due June 2020	Dip sample to ensure compliance in the use of GPC Cards guidance against MFSS reports on GPC card use.	Annually	Phil Murphy confirmed that the Head of Finance, Wendy Bebbington has reviewed the annual audit of the GPC card issue and use manual – May 2020.	Information & Risk Management Board

## Cheshire Constabulary Service Assurance Plan – 2021/22

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
MIAA	Collaboration and Partnerships	A rolling programme of reviews to evaluate the effectiveness of systems to govern and performance manage collaboration arrangements, to assure value for money.	Q4 10 days	<b>June 2021 update:</b> ToR has been circulated and field work has commenced.	Audit Advisory Committee
MIAA	Key Financial Controls	To provide assurance on the operation of the key financial controls within the organisation.	Q3 12 days		Audit Advisory Committee
MIAA	Estates Strategy	To provide assurance that the Estates Strategy is aligned to the organisations strategic objectives and to evaluate the effectiveness of arrangements in place to support any property acquisitions, disposals and ongoing maintenance of the estate.	Q3/4 10 days		Audit Advisory Committee
MIAA	Covid19	To provide assurance in respect of the Constabulary's response to Covid 19 focusing on governance, risk management, evaluation of what has worked well and lessons learned thus far. We will also consider how the constabulary is building on the new and innovative ways of working introduced during the pandemic to secure improvements and changes for the longer term.	Q1 12 days	<b>June 2021 update:</b> ToR has been circulated May 21 and field work also commenced in May 21.	Audit Advisory Committee
MIAA	National Fraud Initiative (NFI) Data Matching	Evaluation and investigation of the outcome of the NFI data match exercise.	Q3 10 days	<b>May 2021 update:</b> Match report received. Investigation to be progressed throughout this year.	Information Management & Risk Board
MIAA	Performance Management - Local Policing Units (LPU)	A rolling programme of reviews across the eight local policing units to assess performance management against Business Plan objectives and compliance with the key corporate procedures e.g. Financial, HR, Duty of Care and Service Delivery. Three LPUs in 2021.	Q2 15 days		Audit Advisory Committee
MIAA	Cyber Crime and Digital Investigation	Cybercrime and digital investigations are high on the national and local agenda with cases of cyber crime increasing year on year. This review will evaluate how Cheshire Constabulary are responding to these	Q2 12 days		Audit Advisory Committee

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
		risks and the plans in place to manage increased caseloads and the workforce demands and skill sets required.			
MIAA	Body Worn Video Usage (carry forward 20/21)	Evaluation of compliance in line with the requirements of the Surveillance Camera Code of Practice and Home Office guidance for Body worn video device management.	Q3 12 days		Audit Advisory Committee

## On-going Regular Monitoring Activity – 2021/22

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	This ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	June 2021	Audits of Sexual, Domestic and Violence incidents continue to be subject to FCR audits with regular reporting to, based on perceived risk, to the Strategic Crime Recording User meeting chaired by ACC Sims. Such audits were undertaken in June, together with an additional audit of ASB - Personal which will be reported to the 'We Care Victim Board' and onward transmission to SCRUM.	Force Performance Meeting  Strategic Crime Recording User Group
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	This ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	September 2021		Force Performance Meeting  Strategic Crime Recording User Group
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	This ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	December 2021		Force Performance Meeting  Strategic Crime Recording User Group

NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	This ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	March 2022		Force Performance Meeting  Strategic Crime Recording User Group
Information Compliance	PNC Transaction Monitoring (#TE)	PNC Transaction Monitoring is a requirement established by Her Majesty's Inspectorate of Constabulary (HMIC) and the Association of Chief Police Officers (ACPO) to ensure the security and integrity of the Police National Computer System.	Quarterly	PNC Transaction Monitoring (#TE) Ongoing reviews being completed with compliance reported quarterly. Any issues are raised to PSD or Line Manager (as appropriate on an individual basis).	Any issues identified are reported to Line Manager and PSD if required.
Information Compliance	Police National Database (PND) Auditing and Transaction Monitoring	To ensure the security and integrity of this national CONFIDENTIAL system, forces are required to undertake transactional monitoring of Constabulary users. Monthly reports to the PND Governance Group chaired by Director of Intelligence.	Quarterly	Police National Database (PND) Auditing and Transaction Monitoring Ongoing reviews with compliance reported quarterly. Reports are issued to the PND Governance Group which is chaired by the Director of Intelligence.	Reports to the PND Governance Group chaired by Director of Intelligence.
Information Compliance	Driver Validation Service (DVS) Transaction Monitoring	DVS is a browser based system owned by the Driver Vehicle Licensing Authority (DVLA). It provides nominated staff with direct access to DVLA driver records for road traffic offences.	On-going	Ongoing reviews completed, with compliance reported quarterly. Any issues are raised with the Line Manager or PSD (as deemed appropriate on an individual basis). Any breaches are required to be reported to DVLA.	Any issues identified are reported to Line Manager and PSD if required. Breaches are reportable to DVLA.

Information Compliance	Automatic Number Plate Recognition (ANPR) Transaction Monitoring	ANPR data is currently accessed through three systems: Northgate, Cleartone and the National ANPR Service (NAS). National audit guidelines have been issued and a National Auditor appointed, in preparation for all Forces to move to the NAS.	Ongoing	Ongoing reviews completed, any issues are raised with the Line Manager or PSD (as deemed appropriate on an individual basis).	Any issues identified are reported to Line Manager and PSD if required.
Information Compliance	ICO Data Protection compliance	Audit completed by the Information Commissioners Office	Q2 2021-2022	Force wide audit delivered by the ICO. Scope is Governance and accountability, Data sharing and Training.	Information & Risk Management Board
Information Compliance	RRD compliance	APP expectation to review compliance with RRD process	Q3 2021-2022	Annual review of RRD process to provide assurance.	Information & Risk Management Board
Information Compliance	PNB – transfer to new process (Transferred from 20-21)	To provide assurance that physical PNB are centrally stored and information is compliant post implementation of the electronic solution.	Q4 2021-22	Interim report presented in Q3. Follow up required post project roll out. Ongoing monitoring of progress.	Information & Risk Management Board
Information Compliance	Refresh and complete data flow audit (Transferred from 20-21)	Refresh mandatory Record of Processing Activities and identify areas of risk or non-compliance. Mandatory requirement under DPA 2018	Q2 2021-22	People Services (made up of 9 departments) started March 2021 People Services now complete. PPD scheduled next.	Information & Risk Management Board
Information Compliance	PPD – domestic violence disclosures (Transferred from 20-21)	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	Q3 2021-22	Currently scoping phase – scheduled post completion of ROPA and Family Court Disclosure	Information & Risk Management Board

Governance Of Collaborations	Qtrly	To review collaborations of which Cheshire Constabulary is a party and check that performance reports have been received and given transparency at the relevant Force/ Regional Meeting.	Ongoing Monthly	<p><b>April 2021 update:</b> A report on NWMPG was submitted to SCT in March and reports on Alliance Policing &amp; NWUWSU are due at SCT in April.</p> <p><b>May 2021 update:</b> No collaboration updates due in May.</p> <p><b>June 2021 update:</b> No collaboration reports due in June to SCT. The NWROCU report is due to go to SCT in July 21.</p>	Chief Officer Group
Taser Downloads	Governance and compliance monitoring	Audit of completion of Taser downloads	Taser's downloaded every 6 weeks, <b>Audited quarterly</b>	<p><b>Audited on 14/06/21</b> - 94% compliance. 12 overdue for a download out of a total of 198.</p> <p><b>Audited on 12/07/21</b> – 99.5% compliant, only 1 taser device overdue from a total of 197 in service.</p>	Procedural Justice Meeting
Finance - Compliance with GPC Cards Guidance Manual	Annually due June 2021	Dip sample to ensure compliance in the use of GPC Cards guidance against MFSS reports on GPC card use.	Annually	<b>June 2021 update:</b> Dip sample completed in June 2021, awaiting approval from Head of Finance.	Information & Risk Management Board

## Overview of topics to be covered during the period July 2021-July 2022

Part 1 Items	Jul-21	Sep-21	Dec-21	Feb-22	Jul-22
Minutes of Joint Audit Advisory Committee	✓	✓	✓	✓	✓
Matters Arising from Previous JAAC Meetings	✓	✓	✓	✓	✓
Briefing from Police and Crime Commission & Chief Constable	✓	✓	✓	✓	✓
JAAC Annual Report			✓		
Single Point of contact roles	✓				✓
External Audit: Audit Findings Report		✓			
External Audit Plan	✓				✓
Informing the Audit Risk Assessment	✓				✓
External Audit Progress Report				✓	
External Audit VFM Report			✓		
Annual Accounts	Draft	Final			Draft
Annual Governance Statement	Draft	Final			Draft
External Audit Letter of Representation			✓		
Internal Audit Annual Plan	Final			Draft	Final
Internal Audit Progress Reports	✓	✓	✓	✓	✓
Internal Audit Follow Up Report	✓	✓		✓	
Head of Internal Audit Opinion	✓				✓
Internal Audit Final Reports		✓	✓	✓	✓
NFI Data Matching	✓				
Internal Audit Terms of Reference	✓	✓	✓	✓	✓
Management response to implement agreed actions following Internal Audit Recommendations		✓	✓	✓	✓
Value for Money profiles		✓			✓
Service Assurance Plan	✓	✓	✓	✓	✓
2021/22 Budget & Medium Term Financial Strategy				✓	
Part 2 Items	Jul-21	Sep-21	Dec-21	Feb-22	Jul-22
Minutes of Joint Audit Advisory Committee	✓	✓	✓	✓	✓
Matters Arising from Previous JAAC Meetings	✓	✓	✓	✓	✓
Joint Strategic Risk Register	✓	✓	✓	✓	✓
Risk Register Future Proposals	✓				

Updates on Business Services Futures Programme	✓	✓	✓	✓	✓
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