

JOINT AUDIT ADVISORY COMMITTEE



Date: Thursday, 28th July 2022

Time: 13:00

Venue: Virtual/CR7, Cheshire Constabulary Headquarters, Clemonds Hey, Winsford, CW7 2UA

Any member of the public who wishes to observe this meeting is asked to register their interest by midday on Tuesday, 26th July 2022 via email to pcc@cheshire.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

Part 1 - Public Items – For Information/Discussion	Contact	Report Page
1. Minutes of the Joint Audit Advisory Committee <i>To approve the minutes of the Joint Audit Advisory Committee held on 2nd March 2022.</i>	<i>P Bearpark</i>	3
2. Action Log <i>To consider the attached action log update</i>	<i>P Bearpark</i>	9
3. Police & Crime Commissioner and Chief Constable Update	<i>J Dwyer/J Gill</i>	-
4. Informing the Audit Risk Assessment <i>To consider the attached report by the External Auditor</i>	<i>L Luddington</i>	10
5. Internal Audit <i>To consider the attached reports from the Internal Auditor.</i> (a) Internal Audit Follow Up Report (b) Estates Strategy Review Final Report (c) Performance Management Review Final Report	<i>C Black</i>	39
6. HMICFRS Value for Money Profiles <i>To consider the attached report from the Chief Constable.</i>	<i>P Woods</i>	76
7. Service Assurance Plan <i>To consider the attached report by the Chief Constable.</i>	<i>L Willis</i>	86
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Part 1 - Public Items – For Advice

9. External Audit Plan <i>To advise upon the attached report from the External Auditor.</i>	<i>L Luddington</i>	94
10. Head of Internal Audit Opinion and Annual Report <i>To advise upon the attached report from the Internal Auditor</i>	<i>C Black</i>	122
11. Statement of Accounts - DRAFT <i>To advise upon the attached report from the Head of Finance and the OPCC Chief Finance Officer.</i>	<i>W Bebbington C Hodgson</i>	134
12. Annual Governance Statement – DRAFT <i>To advise upon the attached report from the Head of Finance and the OPCC Chief Finance Officer.</i>	<i>W Bebbington C Hodgson</i>	241
13. Forward Plan <i>To agree the attached forward plan</i>	<i>P Bearpark</i>	255
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For further information about this Agenda, please contact Clare Hodgson on 01606 364000.

Joint Audit Advisory Committee



Minutes of the Joint Audit Advisory Committee Meeting 2nd March 2022 – Part 1

Present: Phil Bearpark [Chair]
David Gilbert [Vice Chair]
Jean Gleave [JAAC Member]
Tony Snape [JAAC Member]

Office of the Police & Crime Commissioner

John Dwyer, Police & Crime Commissioner
David McNeillage, Deputy Police & Crime Commissioner
Damon Taylor, Chief Executive
Clare Hodgson, OPCC Chief Finance Officer

Cheshire Constabulary

Mark Roberts, Chief Constable
Wendy Bebbington, Head of Finance
David Bryan, Head of Legal Services
Louise Willis, Planning, Performance and Risk Manager
Tina Roberts, Programme Manager [part attendance]
Dawn Edwards, Management Accountant

Internal Audit

Anne-Marie Harrop, Assistant Director (Mersey Internal Audit Agency)

External Audit

Michael Green, Director (Grant Thornton)
Liz Luddington (Grant Thornton)

Apologies: Julie Gill, Assistant Chief Officer

Part 1 - Public Items

1. Minutes of the Joint Audit Advisory Committee

1.1 The Minutes of the Joint Audit Advisory Committee held on 1st December 2021 were approved by the Committee.

2. The Police and Crime Commissioner Update

2.1 **The Commissioner** gave an overview to the Committee as follows: -

2.2 2022/23 budget priorities were developed jointly with the Constabulary using a comprehensive Priority Based Budgeting process. The budget was approved at the Joint Management Board on 26th January 2022 and the precept was reviewed and accepted by the Police and Crime Panel on 4th February 2022. The precept was increased by £10 per annum for a band D property, an increase of 4.4% which is lower than the rate of inflation.

- 2.3 There was an enhanced consultation with Cheshire public in 2021/22 through the Autumn survey, which received almost 19,000 responses from Cheshire residents. With regards to the question in this survey around precept levels, over 87% of respondents supported a rise above standstill with the most popular response being an increase of 20p per week above standstill. The public consultation specifically on the precept increase and policing priorities closed on 25th January 2022. A total number of 3,738 responses (the largest ever response to a precept consultation by a Cheshire PCC) were received, with 70% supportive of a precept increase of up to 83p per month (over 12 months) on band D precept. With this budget Cheshire will have the highest number of police officers in modern times and additional resources have been allocated to further improve 999 and 101 response call times.
- 2.4 **Jean Gleave** asked if the consultation went out locally. **The Commissioner** confirmed this was the case and that in the main this was a very good consultation; in fact it was the biggest consultation we have ever undertaken. As a lot of the public do not understand the role of the PCC, I wanted to ensure they are aware of what this role encompasses, this consultation assisted greatly in doing this.
- 2.5 The budget allocates resources to meet local policing needs, Police and Crime Plan priorities, the Beating Crime Plan and increased frontline resources. Resources are allocated to priority areas such as child sexual abuse and exploitation, violence against women and girls (including domestic abuse and sexual violence) and modern slavery, which typically take place behind closed doors and can have long term physical and psychological effects on victims and survivors. The Chief Constable and I are committed to providing the best service to support these vulnerable victims of crime and bring the perpetrators to justice.
- 2.6 **The Commissioner** confirmed that the Constabulary will be implementing 'GoodSAM' software within the Force Control Centre. This is expected to 'go live' this month. This product allows FCC staff to send an SMS text message to a 999/101 caller, when the caller clicks the link in the text message, it immediately transmits the GPS location of the caller onto the FCC operator's map and streams live video and audio from their phone.
- 2.7 **The Chair** asked if there are any plans to roll out GoodSAM. **The Commissioner** confirmed that this service can be used by anybody whenever they feel vulnerable, even if this is in their own homes. Although initially set up for women, this can be used for men, women and children. There is a further bid running at the moment which will provide more funds to enhance the offering which will hopefully eventually be rolled out across the country.
- 2.8 Additional resources are also being allocated to the Economic Crime Unit. Economic, cyber and online crime affects all of society, harming people, businesses, and government. As the amount of time people spend online increases, the opportunities for criminals multiply. Together, fraud and cybercrime represent over 50% of crime.
- 2.9 Tackling county lines drugs dealing gangs and the exploitation, violence, and misery they bring to Cheshire are also a priority. The county lines gangs are exploiting an increasing number of children across Cheshire, and we want to do everything we can to stop offenders from being able to carry out their criminality in our communities. The exploitation of children and young people by county lines gangs is a growing concern and something that many people across the Constabulary are working to tackle. Significant investment has been made in Intelligence and Serious and Organised Crime Unit to ensure every effort is made to find and bring to justice those who blight our communities. This budget will ensure that the Chief Constable has the resources needed to help Cheshire residents feel safe. The result will be the ability to make improvements, to take on increasingly complex demands, and meet the priorities set out in the police and crime plan following consultation with the residents of Cheshire.

3. **Louise Willis and The Chief Constable** gave an overview for the Constabulary.
- 3.1 **Chief Officer Team** - No change, Bill Dutton is still acting T/ACC.
- 3.2 **HMICFRS – PEEL Inspection** – Inspectors have been conducting “in force” fieldwork since July 2021. On 23rd February 2022, Cheshire Constabulary’s Chief Officers delivered the strategic roundtable presentation to HMI Andy Cooke. An inspection team have been on site since 28th February and will be here until 9th March 2022 to conclude the inspection fieldwork the PEEL inspection cycle. The report is due to be published in July 2022.
- 3.3 **National Child Protection Inspection Programme** – The inspection took place in January 2022. The first draft of the inspection report is due in early April 2022. The constabulary has enacted a delivery plan to address issues raised during the inspection. The ACC (Crime) is chairing a weekly gold group to ensure that improvements continue to be made.
- 3.4 **Covid Pandemic** – This is being managed via a Gold Command Structure led by T/ACC Dutton. Despite the latest national lifting of restrictions and legal requirement to isolate an instruction has been given to the force to continue to isolate if testing positive for 5 days or until 2 consecutive days of negative tests.
- 3.5 **Training Courses** – Training has been launched for over 400 officers in Neighbourhood Policing. This is a brand new course set up to cover three of the main areas of Neighbourhood Policing.
- 3.6 **Operation Yellow Card [Rolled out across the force from 27/01/2022]** – Cheshire Police Officers are now issuing yellow cards to anyone suspected of committing criminal activity in the county with a clear message attached – You are not welcome here! If the person is stopped again in a similar area, and officers suspect they be up to no good, then a second yellow card will be issued. Following on from this a range of options are open to officers e.g. dispersal notices and civil orders. This operation is for people from outside the county who are not believed to have a legitimate reason for being in the area.
- 3.7 **Storm Eunice** – When escalated to an amber warning an enhanced high wind contingency plan with additional staffing was put in place on 17th February to coincide with peak times. Between 13:00 and 17:00 on 128th February the force received 176 x 999 calls. 116 of these were taken in the two hours at the height of the winds between 14:00 and 16:00 with an average answering time of 6.5 seconds. In total the force received over 340 emergency and non-emergency calls in 4 hours.
- 3.8 **Operation Paddington** – The latest Operation was conducted on 10/11th February at Poplars 2000 services (M6 at Lymm). This was a success with at least 68 foreign registered vehicles encountered. Positive action was taken in a number of cases resulting in 40 fixed penalties totalling £8,650, **The Chief Constable** said that Lymm is a prime location as this is where drivers from down south are reaching their limit of their driving hours at this point.
- 3.9 **The Chief Constable** confirmed that the removal of Police help desks is about reinvesting resource and is not a cost cutting measure.
- 3.10 **Tony Snape** asked about the number of new police officers. **The Chief Constable** confirmed that there are 200 new officers at the moment and as well as quantity we are getting high quality officers. **The Commissioner** stated that there were a further 22 Special Constables sworn in last week which adds to keeping the county safe and the increases the visibility of officers. The current figure of 2,347 officers is the highest figure this county has had since 1974.

4. External Audit:
AUDIT PROGRESS REPORT SECTOR UPDATE

- 4.1 **Liz Luddington** went through the audit progress report sector update. It was noted by Liz that the links were not working correctly, and she confirmed that she will resend all the links to the Committee.

Action [P1-006]: The report links will be circulated again as they were not opening correctly – Liz Luddington

David Gilbert queried the dates on page 15 of the report. **Liz Luddington** confirmed these are in line with the most up-to-date information available and that the Auditor's Annual Report will be available for the JAAC meeting on 30th November as this is only a day earlier than the meeting in 2021.

- 4.2 **Phil Bearpark** queried if the financial dates will ever go back to the original dates? **Wendy Bebbington** advised that only 9% of authorities achieved the deadline of audited accounts by the end of September so the date is unlikely to be going back, and we will have the extended timetable for some time. However, if there are changes and updated information is received from the Government, we will tweak the dates, but at the moment the current dates will stand. Plans are in place to keep to the end of May, which is a good discipline to try and be ready for auditors to enable a good thorough audit is undertaken. **Liz Luddington** advised that they should have good resource in place at Grant Thornton due to a lot of new recruits who are undertaking training at the moment.

5. Internal Audit:

Anne-Marie Harrop gave an update in relation to the internal audit as follows: -

a) Internal Audit Progress Report

On track to deliver the 2021/22 audit plan.

b) Financial Systems Final Report

Core systems have been looked at and no recommendations have been made. This is a high level of assurance and a great achievement. **David Gilbert** referred to Page 44 and commented that there is a regular issue flagged up regarding journals and queried why the Constabulary are content to live with this? **Anne-Marie Harrop** explained that the journal dates are built into Oracle. **Wendy Bebbington** stated that in an ideal world you would have them approved by management before they are issued, however, currently there is not have a system that can do this, therefore, every month the journals are printed and checked by management and if any issues are found we can reverse this on Oracle. The ability to do journals is highly restricted and only the people in finance can review these journals. Our new business services system may resolve this issue and we are looking at this at the moment. Therefore, things may change in the future and if so, this will be confirmed to the Committee.

There was a discussion around the high assurance on the IA financial systems work, **Jean Gleave** asked if IA were comfortable with this, given limitations on scope. **Anne-Marie Harrop** stated that based on budget and sample sizes, she was happy with this rating.

c) NFI Briefing

Dawn Edwards, Management Accountant, gave an update and briefing to the Committee in relation to NFI, summarising the document and the work carried out. This briefing is carried out every two years and data sets are produced from payroll etc. **David Gilbert** queried the Procurement - payroll to Companies House matches on page 50 of the pack and asked whether employees had to declare any Directorship when they join the Constabulary? **Clare Hodgson** confirmed that this is done and that there is a register kept where declaration is made of any business interests.

It was noted that this was a good result and thanks were offered to Dawn and MIAA for the work carried out.

d] Draft Internal Audit Plan 2022- 2023

Anne-Marie Harrop talked through the plan with the Committee.

e] Estates Strategy Terms of Reference

The Estates Strategy audit is about to start. Tony Snape will be included in draft and final report circulation.

Action [P1-011]: Tony Snape to be included in draft and final report circulation – Anne-Marie Harrop.

f] LPU Performance Management Terms of Reference

The LPU Performance Management audit is about to start.

6. Service Assurance Plan

- 6.1 Continue to do audits around the crime data and security. Timescales have slipped slightly but work is being carried out.
Taser downloads – work is being done around this. **David Gilbert** said that it was really good to hear the update about the tasers and is really useful. He feels this demonstrates good practice as you have an idea of work that is going on within the audit committee, Well Done Louise!

7. Joint Strategic Risk Register

- 7.1 It was noted that the Strategic Risk Register will be discussed in Part 2 of the meeting.

8. 2022/23 Budget and Medium-Term Financial Strategy (MTFS)

- 8.1 **Wendy Bebbington** said that one of the key items gone through was the pay award and the inflation factors. This is being monitored as we go through the year. There is a 3% contingency in place for pay awards in 22/23. 3% is felt to be a realistic figure as local government pay award last year was 1.75% whilst police officers received 0% increase last year.
- 8.2 The Capital Strategy is now included within the MTFS.
- 8.3 It has been ensured that all the finances match and are complimentary to what has gone on in other areas. We have financial stability and delivery stability.
Reserves have been boosted slightly. There are no limits on the amount of reserves we should hold, however, if large amounts of money are held it is 'dead' money and if too little held this brings potential risk, so our reserves are set up at 3% of the net revenue budget in line with best practice.

9. Review of Joint Audit Advisory Committee Terms of Reference

- 9.1 **Clare Hodgson** said that the JAAC Committee had previously asked to add this item to the agenda as the TOR's were last reviewed in 2020. At the moment CIPFA are undertaking a review of Police Audit Committees, therefore, it would make more sense to wait until they have released their review to look at our TOR's but did confirm that we are in line with the most recent guidelines at the moment. **The Chair** asked if there were any timescales on this being completed, **Clare Hodgson** advised not at this time but she will ask the question and give feedback when this is available.

Action [P1-008]: Date of the end of CIPFA review to be checked – Clare Hodgson

10. Joint Audit Advisory Committee Forward Plan Review

10.1 Plan reviewed by the Committee, no questions, or comments at this time.

10.2 **Liz Luddington** asked if we could move the External Audit Letter of Representation letter from December JAAC agenda to September.

Action [P1-009]: Audit Letter of Representation letter needs moving from December to September – Clare Hodgson

11. Any Other Business

11.1 **David Gilbert** asked for a date for the JAAC members to have a private meeting with the external auditors before the July meeting. **Phil Bearpark** agreed a meeting will be set up prior to the July JAAC meeting with the external auditors and then a further meeting arranged with the JAAC members for the internal auditors before the September.

Action [P1-010]: Pre-meetings to be set up in July and September before the JAAC meetings with external and internal auditors respectively – Phil Bearpark

Duration of meeting: The meeting commenced at 13:00 and finished at 15:00.

**2021/22 Action Log
Update – Part 1 - Active
Actions**

**Joint Audit Advisory
Committee**



Date of Meeting	Action Number	Action Details	Responsible for Action?	Status	Notes
28/09/2021	001	HMICFRS Value for Money Profiles 2021	Paul Woods	Complete	<p>December update - Paul Woods confirmed that an email had been sent in to HMICFRS to obtain some clarity, however, no reply so far, he will therefore chase this up.</p> <p>March update – These have now been received and a summary briefing is being prepared. This will go onto the agenda for the July JAAC meeting.</p>
01/12/2021	005	It was agreed by the Committee that the JAAC Annual Report would go to a future Joint Management Board to note.	Clare Hodgson	Complete	<p>March update - Request has been added to JMB forward plan and this will go to the next available JMB meeting</p> <p>June Update - The report went to JMB on 6th April 2022</p>
02/03/2022	006	Links will be circulated from the Audit Progress Report Sector update as they were not working in the report that was issued.	Liz Luddington	Complete	June Update - Links circulated by email on 2nd March 2022
02/03/2022	008	Date of the CIPFA review to of Police Audit Committees to be checked and JAAC advised appropriately once available.	Clare Hodgson	Ongoing	June Update - CIPFA issued the general guidance in June however the police specific paper has been delayed and we have been advised this will be out at the end of Summer 2022. Terms of Reference have been scheduled for the November meeting. If the guidance is available earlier this will be brought forward to September
02/03/2022	009	External Audit Letter of Representation to be moved from December agenda to September 2022 agenda.	Clare Hodgson	Complete	June Update - This has been moved in the forward plan.
02/03/2022	010	Pre-meetings to be set up in July and September before the JAAC meetings between JAAC members and external and internal auditors respectively.	Phil Bearpark	Ongoing	June Update - Meetings are scheduled prior to the July JAAC meeting
02/03/2022	011	Tony Snape to be included in draft and final report circulation.	Anne-Marie Harrop	Complete	June Update - Tony Snape was included in the report circulation

Informing the audit risk assessment for Chief Constable for Cheshire and the Office of the Police and Crime Commissioner for Cheshire 2021/22

Name
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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 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 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 Joint 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 Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Joint 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 Joint Audit Advisory Committee and supports the Joint 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,
- Going Concern, 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 Joint 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 2021/22?</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? If so, what are they?</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? If so, please explain</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? If so, what are they?</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? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	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 DWF – defending litigation Capsticks - legal advice on tender process and commercial conveyancing

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? If so, please provide further details	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>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes and none to report

Fraud

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 the Chief Constable and the Commissioner who need to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of their oversight, the Chief Constable and Commissioner 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 those charged with governance 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 Chief Constable and the Commissioner oversee the above processes. We are also required to make inquiries of Chief Constable and the Commissioner 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. Has 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 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>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the CC and OPCC as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>No</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</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>Both the Commissioner and Chief Constable attend the Joint Audit Advisory Committee and therefore as TCWG, included in receiving audit reports etc.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</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>6. 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. This is managed through Professional Standards Department.</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>7. How do you assess the overall control environment for the CC and OPCC, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <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)? If so, please provide details</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>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Property valuations - these are complex and utilise the work of an expert. Work is undertaken to validate the valuations where possible.</p>

Fraud risk assessment

Question	Management response
<p>9. How does 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? Have any significant issues been reported? If so, please provide details</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 significant issues have been reported</p>
<p>10. 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 and organised 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. Contracts are signed by either the PCC or ACO in line with financial regulations.</p> <p>The CC has specific arrangements to protect police officers from being targets for fraudulent or corrupt activities.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</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 Constabulary 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. This is managed by Professional Standards.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Joint Audit Advisory Committee?</p> <p>How does the Joint Audit Advisory Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Arrangements are in place for any fraud, issues and risks to be reported to the JAAC by the OPCC or CC s151 Officers. To date this mechanism has not been required.</p> <p>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>13. 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>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

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 Joint 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 Joint Audit Advisory Committee as to whether the body is in compliance with laws and regulations. Where we become aware 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>What arrangements does the CC and OPCC 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 CC and OPCC'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 Joint 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 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</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 reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

Related Parties

Matters in relation to Related Parties

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

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by the CC and OPCC;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the the CC and OPCC;
- 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 the CC and OPCC, or of any body 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's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and the CC and OPCC • whether the CC and OPCC has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	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.

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for policing bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the CC and OPCC will no longer continue?	Cheshire Constabulary was ratified as a specified police force under the Police Act 1996 with the PCC role created under Police Reform and Social Responsibility Act 2011. whether it be Cheshire Constabulary or a subsequent reorganised service, there will still be a police service that will be funded and operational. Budgets, MTFS and all strategies are approved on that basis.
2. Are management aware of any factors which may mean for the CC and OPCC that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None
3. With regard to the statutory services currently provided by the CC and OPCC, does the CC and OPCC expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the CC and OPCC to cease to exist?	None currently. However, the PCC & CC are open to collaboration opportunities as and when they arise should they enhance service provision and provide value for money.
4. Are management satisfied that the financial reporting framework permits the CC and OPCC to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	We are satisfied that the accounts can be prepared on a 'going concern' basis in terms of both governance and financial sustainability and that the accounts will provide a faithful representation as a result.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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 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 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 address 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 does 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 2021/22 and, if so, what was the reason for these?	None.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does 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 with in house skills to determine specialist knowledge/experts to be engaged.</p>
<p>7. How does 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 does 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"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Review/challenge by Head of Finance followed by S151 officer (x2) review. Review and advice to CC and PCC by Joint Audit Advisory Committee.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any 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)? If so, what are they?	No.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Rigorous tender process ensures that appointed professional experts have sufficient qualification, capacity, knowledge and experience to undertake valuations and provide reasonable estimates as requested. Regular professional updates and seminars for members of the finance team ensure current technical knowledge, robust review and where appropriate challenge of Accounting Estimates provided by experts. Ongoing S151 Officer review of arrangements and estimates to ensure fit for purpose and reasonable.
12. How is the Joint Audit Advisory Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Each year the OPCC S.151 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.	Yes	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion.	No.
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 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

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?
Impairments	Review of all assets undertaken annually in line with the accounting policy	See left.	Discussion with internal asset team as appropriate.	N/A.	No.
Measurement of Financial Instruments	Financial instruments consist of investments/loans and loan arrangements, measured initially at cost and then 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 any accruals are highlighted and actioned in year.	N/A.	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?
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.
Police Pension Scheme	The actuarial gains and losses figures are calculated by the actuarial expert GAD. These figures are based on making % adjustments to the closing values of assets/liabilities.	The PCC and CC respond to queries raised by XPS as administrators of the scheme.	The PCC and CC are provided with an actuarial report by GAD.	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.



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Internal Audit Follow Up Report (June 2022)

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
Chris Armitt	Deputy Chief Constable
Julie Gill	Assistant Chief Officer
John Dwyer	Police and Crime Commissioner
David McNeilage	Deputy Police and Crime Commissioner
Clare Hodgson	Chief Finance Officer (OPCC)
Damon Taylor	Chief Executive (OPCC)
Bill Dutton	Assistant Chief Constable
Una Jennings	Assistant Chief Constable
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.

Audit Report	Total No. of Recs to be followed up	Implemented	Partial				Not Implemented				Superseded/ Not Accepted				Not Yet Followed Up				Comments
			C	H	M	L	C	H	M	L	C	H	M	L	C	H	M	L	
2020/21																			
Community Safety Fund	4	4																	Complete
2021/22																			
North West Motorway Policing Group Collaboration Review	5	3			2														<p>Rec 1: Medium Risk Recommendation: Collaboration Agreement</p> <p>June 22 Update: Section 22 Agreement drafted and awaiting legal review and sign off</p> <p>Rec 1 - Revised Date 30th September 2022</p> <p>Rec 3: Medium Risk Recommendation: Performance Monitoring</p> <p>June 22 Update: Ongoing piece of work and now have access to Power Bi. Performance dashboard being explored. Recruiting Data Analyst to support.</p> <p>Rec 3: Revised Date 31st December 2022</p>
Cyber Crime	5	5																	Complete
Covid – 19	1	1																	Complete

Audit Report	Total No. of Recs to be followed up	Implemented	Partial				Not Implemented				Superseded/ Not Accepted				Not Yet Followed Up				Comments
			C	H	M	L	C	H	M	L	C	H	M	L	C	H	M	L	
Body Worn Video	7											1				4	2	Not due until end June 2022	
Estates	1															1		Not due until Nov 2022	
Performance LPU	3															2	1	Not due Until Dec 2022	

Appendix A: Risk Classifications

Risk Rating	Assessment Rationale
Critical	<p>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:</p> <ul style="list-style-type: none">• the efficient and effective use of resources• the safeguarding of assets• the preparation of reliable financial and operational information• compliance with laws and regulations.
High	<p>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.</p>
Medium	<p>Control weakness that:</p> <ul style="list-style-type: none">• has a low impact on the achievement of the key system, function or process objectives;• has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	<p>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.</p>

Estates Strategy Review Assignment Report 2021/22 (Final)

Police and Crime Commissioner and Chief Constable for Cheshire

Report Ref: 301CPCC_2122_003

Date of Issue: May 2022

Contents

- 1 Executive Summary
- 2 Engagement Objectives and Scope
- 3 Detailed Findings and Recommendations

Appendix A: Assurance Definitions and Risk Classifications

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.




Key Dates

Report Stage	Date
Discussion Document Issued	25/04/2022
Discussion Meeting	27/04/2022
Final Draft Report Issued	13/05/2022
Client Approval Received	25/05/2022
Final Report Issued	26/05/2022

Report Distribution

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Mark Roberts	Chief Constable
Chris Armitt	Deputy Chief Constable
Julie Gill	Assistant Chief Officer
Steve McGlade	Head of Estates and Facilities
Louise Willis	Planning, Performance and Risk Manager
John Dwyer	Police and Crime Commissioner
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David McNeilage	Deputy Police and Crime Commissioner
Damon Taylor	Chief Executive (OPCC)
Audit Advisory Committee	

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Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review. This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Audit Manager. To discuss any other issues then please contact the Director. MIAA would be grateful if you could complete a short survey using the link below to provide us with valuable feedback to support us in continuing to provide the best service to you.

https://www.surveymonkey.com/r/MIAA_Client_Feedback_Survey

1 Executive Summary

1.1 Objective

This Estates Strategy audit was conducted in accordance with the requirements of the 2021/22 Internal Audit Plan, as approved by the Joint Audit Advisory Committee.

A well thought-out Estates Strategy is essential to the provision of safe, secure, high-quality buildings capable of supporting current and future policing service needs. An Estate Strategy cannot be developed in isolation but should be an integral part of business planning.

In October 2021, at Joint Management Board the Police and Crime Commissioner for Cheshire and the Chief Constable approved The Estates Strategy 2021 – 2031. The Estates Strategy sets out how the Commissioner and the Chief Constable will work to ensure Cheshire has fit for purpose facilities which are required to deliver effective operational policing, are connected to communities and which house support functions suitable to serve the public.

1.2 Opinion

Substantial Assurance	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
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1.3 Key Findings

The following provides a summary of the key themes.

Sub Objective	Key Themes
Estates Strategy	<p>Areas of good practice:</p> <p>The Constabulary has developed an Estates Strategy that was approved by the Joint Management Board (JMB) in October 2021.</p> <p>The strategy aligns to the Police and Crime Plan as the four key principles of the strategy are based on the principles and objectives of the Police and Crime Plan 2021-2024</p> <p>The Estates Strategy acknowledges and documents that it cannot exist in isolation as there are impacts on workforce reform, customer contact, responsiveness, and financial planning. This strategy has been developed and is intrinsically linked to other strategies namely:</p> <ul style="list-style-type: none">- I.T strategy

Sub Objective	Key Themes
	<ul style="list-style-type: none"> - Fleet Strategy - Environmental Strategy <p>Our review confirmed that these strategies were all approved by the JMB in 2021 and all form part of the Constabulary's capital programme which is consistently reviewed at JMB.</p> <p>The strategy confirms objectives for 2021-2022 as the following:</p> <ul style="list-style-type: none"> - Complete estates strategy (2021 – 2031) – Completed - Consult public on principles of Estate Strategy - Completed - Develop brief and commence business plans for Phase 1 of the estate strategy (Northern area) - Ongoing - Finalise options for potential redevelopment at Wilmslow Police Station – Ongoing <p>At the time of the review (April 2022) the Constabulary had achieved two of these objectives. The Estates Strategy is in place and the first objective of the strategy (Wilmslow Police Station redevelopment) has gone through a full public consultation. This was reviewed by the Senior Command Team and by the Joint Management Board in November 2021.</p> <p>The northern area deployment hub and the Wilmslow Police Station redevelopment are still ongoing. Discussions with the Head of Estates confirmed that groups are set up to discuss progress and high-level options for the development of the business plans of Phase 1 however no papers have not yet been prepared.</p> <p>The strategy states that it's phase 1 objectives should be achieved within 2021-2022, however the Strategy was only agreed in October 2021 and therefore understandably two objectives are ongoing at the end of the 2021-2022 financial year. The Constabulary have implemented an Estates Strategy Governance Board to oversee the implementation of the strategy and its phases. The Board maintain an action plan detailing the ongoing phases and minutes of the Board</p>

Sub Objective	Key Themes
	<p>clearly detail the progress and current situation regarding each objective.</p>
Roles & Responsibilities	<p>Areas of good practice:</p> <p>Responsibility for the overall estate, maintenance and implementation of the Estate Strategy is with the Head of Estates, and the Estates department.</p> <p>The Chief Constable's Scheme of Financial Delegation outlines key financial responsibilities and limits including:</p> <ul style="list-style-type: none"> - Ordering and requisitions of estate items, - Authorisation of payments, - Maintenance of buildings including security, - Annual Valuations of property <p>Areas for improvement</p> <p>The Constabulary should consider implementing an Estates Policy which would define responsibilities and accountability within the Constabulary for the delivery of the Estates Strategy and promoting partnership working with other departments and stakeholders in the Constabulary. The Estates Strategy gives the vision, the key principles of the estates and the realisation of the long-term benefits. However an Estates Policy would outline:</p> <ul style="list-style-type: none"> - Roles and Responsibilities of all stakeholders - Performance Indicators including adherence to statutory requirements; - Business Continuity Plans; - Procedures for Acquisitions and Disposal of Estates; - How the Constabulary will manage performance in sustainability including the impact on the environment from the Constabulary's premises and service delivery; - How the Constabulary will ensure that all buildings comply with relevant legislation with regard to accessibility, and health and safety.

Sub Objective	Key Themes
	<ul style="list-style-type: none"> - Risk Management including monitoring of the strategy's implementation and any slippage in timelines. (Medium Risk – Recommendation 2)
Monitoring and Governance	<p>Areas of good practice:</p> <p>The Strategy notes that all elements will be subject to a rigorous governance process, initially through the Constabulary Senior Command Team for operational efficiency and effectiveness and through the JMB for overall approval. Our review confirmed that this process has been followed within first phase of the estates strategy implementation.</p> <p>A Medium-Term Financial Plan (MTFP) has been prepared and approved by the JMB in December 2021 which incorporates the anticipated spend required to develop the first phases of the strategy.</p> <p>Within the MTFP, the estates forms part of the long term capital investment programme and how this will be funded from 2022 – 2027. This was presented to the JMB in December 2021.</p> <p>The current strategy recognises that planned changes to the estate's footprint require additional capital financing. The indicative costs of Phase 1 and 1a of the strategy have been included in this overarching Capital Programme.</p> <p>Discussions with the Head of Estates confirmed that future phases will be subject to further review and will be included in future versions of this strategy as appropriate.</p> <p>Our review confirmed that Estates management and related finances are well documented and reviewed within the Capital Programme and Medium-Term Financial Strategy. They also form part of the quarterly financial review with the latest (Third Quarter Review) confirming:</p> <ul style="list-style-type: none"> - £500k has been set aside into a new Estates Strategy Reserve in recognition of an approaching period of transition as the newly approved Estates Strategy is delivered.

Sub Objective	Key Themes
	<ul style="list-style-type: none"> - Estates related projects totalling £450k have been re-assessed and removed from the programme to align with the newly approved Estates Strategy; - General Estates Property Upgrades (£60k) – Plans are now developed to utilise this budget allocation to provide enhanced office accommodation and furniture throughout the refurbished northern area. <p>Discussions with the Head of Estates confirmed that any further proposals regarding Estates and delivery will require a business case prepared on an individual basis to go through Senior Command Team and then JMB governance processes for approval.</p> <p>Review of the JMB Reports throughout 2021-22 confirmed that estates features as a regular part of updates and discussion at the meetings. The most recent meeting (January 2022) discussed a report seeking approval to spend the £50k started within the 2021-22 Estates Capital Bid Program. The expenditure will supply and install eight Electric Vehicle Charging Points at Blacon Police Station (Chester Local Policing Unit).</p>

1.4 Recommendation Summary

The table below summarises the prioritisation of recommendations in respect of this review.

Critical	High	Medium	Low	Total
0	0	1	0	1

2 Engagement Objectives (Terms of Reference)

2.1 Objective

The overall objective of the review is to confirm whether the organisation has an Estates Strategy which is aligned to the strategic objectives and the Police and Crime Plan 2021-2024. The review will also evaluate the effectiveness of governance arrangements in place to support ongoing delivery of the strategy including any property acquisitions, disposals and maintenance of the estate.

Sub Objective	Risk
An approved Estates Strategy is in place which is aligned to the Police and Crime Plan and other relevant strategies within the Constabulary.	Lack of overarching direction and strategy for the estate aligned to objectives and plans leads to ad hoc and siloed decision making.
Roles and responsibilities in relation to the Estates Strategy have been formally defined and communicated.	Accountability and responsibility for delivery is unclear and not widely understood.
Governance arrangements are in place to ensure value for money and the delivery of the Estates Strategy adheres to guidance and statutory requirements. Including any property acquisitions, disposals and ongoing maintenance of the estate.	Lack of assurance in respect of Estates Strategy delivery, performance and compliance.

2.2 Approach

The following approach was adopted to enable us to evaluate potential risks, issues with controls and recommend improvements:

Discussions with key members of staff to ascertain the nature of the systems in operation

Desktop review of existing policies, procedures, local guidelines to confirm that they are up to date and communication across the Constabulary

3 Detailed Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

1. Estates Policy

Risk Rating: Medium

Control design / Operating effectiveness

Key Finding – The Constabulary should consider implementing an Estates Policy which would define responsibilities and accountability within the Constabulary for the delivery of the estates strategy and promoting partnership working with other departments and stakeholders in the Constabulary.

Specific Risk – Issues affecting the delivery of the Estate strategy within specific areas across the Constabulary may not be identified and resolved on a timely basis.

Recommendation – The Estates Strategy sets out the vision, the key principles of the estates and the realisation of the long-term benefits. However, an Estates Policy should outline:

- Roles and Responsibilities of all stakeholders.
 - Performance Indicators including adherence to statutory requirements.
 - Business Continuity Plans.
 - Procedures for Acquisitions and Disposal of Estates.
 - How the Constabulary will manage performance in sustainability including the impact on the environment from the Constabulary’s premises and service delivery.
 - How the Constabulary will ensure that all buildings comply with relevant legislation with regard to accessibility, and health and safety.
 - Risk Management including monitoring of the strategy’s implementation and any slippage in timelines.
-

Management Response – We note the recommendation and will work to provide the information in support of the agreed and adopted Estates Strategy 2021 -2031.

Responsible Officer – Head of Estate and Facilities

Implementation Date – November 2022

Follow-up

A follow-up exercise will be undertaken during the next 12 months to evaluate progress made in respect of issues raised. This will include obtaining documentary evidence to demonstrate that actions agreed as part of this review have been implemented.

Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	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 aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	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 system objectives.

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"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
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"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
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.

Performance Management Review Assignment Report 2021/22 (Final)

Police and Crime Commissioner and Chief Constable for Cheshire

Report Ref: 301CPCC_2122_007

Date of Issue: June 2022

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- 1 Executive Summary
- 2 Engagement Objectives and Scope
- 3 Detailed Findings and Recommendations

[Appendix A: Assurance Definitions and Risk Classifications](#)

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Key Dates

Report Stage	Date
Discussion Document Issued	May 2022
Discussion Meeting	May 2022
Final Draft Report Issued	June 2022
Client Approval Received	June 2022
Final Report Issued	June 2022

Report Distribution

Name	Title
Bill Dutton	Assistant Chief Constable
Gareth Wrigley	Superintendent Chester LPU
Gary Smith	Superintendent Runcorn LPU
Gareth Wrigley	Superintendent Ellesmere Port LPU
Peter Crowcroft	Superintendent Congleton LPU
Mike Ankers	Chief Inspector Chester LPU
Brian Green	Chief Inspector Ellesmere Port LPU
Claire Jesson	Chief Inspector Congleton LPU
Paul Woods	Head of Performance and Planning
Wendy Bebbington	Head of Finance
Louise Willis	Planning, Performance and Risk Manager
Mark Roberts	Chief Constable
Julie Gill	Assistant Chief Officer
John Dwyer	Police and Crime Commissioner
David McNeilage	Deputy Police and Crime Commissioner
Clare Hodgson	Chief Finance Officer (OPCC)
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Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review. This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Audit Manager. To discuss any other issues then please contact the Director. MIAA would be grateful if you could complete a short survey using the link below to provide us with valuable feedback to support us in continuing to provide the best service to you.

https://www.surveymonkey.com/r/MIAA_Client_Feedback_Survey

1 Executive Summary

1.1 Objective

The overall objective of the audit was to evaluate the systems in place within the Constabulary's LPU's Performance Management regime and the adoption of the 'raising the bar' principles to ensure the delivery of the objectives outlined within the Police and Crime Plan. This audit considered the key performance metrics reported together with the capture, accuracy, validation, and availability of data along with the current systems in place to support effective challenge and scrutiny of performance and reporting.

In addition, our review evaluated the effectiveness of arrangements for utilisation of the SARA approach to problem solving and sharing of good practice.

As part of the three-year audit plan MIAA have introduced a rolling programme of LPU audits to assess performance management against strategic objectives.

During this review, we covered the following LPUs;

- Ellesmere Port
- Chester
- Runcorn
- Congleton

1.2 Opinion

Substantial Assurance	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
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1.3 Key Findings

Overall, the review identified that controls and processes for performance management were operating effectively, however the controls in place may need review going forward to maximise efficiencies within the Performance Management Framework.

'Raising the bar' clearly states its objectives and the performance hierarchy for which the flow of information will move between. Our review has found this to be operating effectively with all performance meetings in line with the raising the bar objectives and can clearly evidence the information that is being reviewed and discussed. Key issues facing the Constabulary including domestic abuse and vulnerability form the basis of discussion and actions are noted and evidenced within the monitoring packs to ensure follow up is clear and actioned.

However, it was clear from discussions that due to the number of performance meetings now in place, this has impacted on workload and time committed to other areas and therefore the Constabulary should review attendance throughout the performance meeting hierarchy to ensure all areas of the

Constabulary receive relevant information but do not face multiple meetings receiving the same information.

The problem-solving portal will be a key element going forward to maximise performance and the Constabulary has evidenced improvements in the use of the portal and the quality of information that is being recorded. Our review confirmed that a template is now in place for all staff to use when completing an entry to the portal and monthly audits are in place by the problem-solving team to ensure this quality is upheld.

The problem-solving team use an 8-month deadline for records to be closed and our review highlighted 8 records across the 4 LPUs where these dated back to September 2020. Discussions also confirmed that there has been a culture in the past of quantitative rather than qualitative data and comparisons were made across the areas. This led to staff completing entries to increase their numbers on the portal which may have been defeating the object.

The following provides a summary of the key themes.

Sub Objective	Key Themes
Roles and Responsibilities	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li data-bbox="592 1003 1428 1615">• The Constabulary manages performance through the new “Raising the Bar” performance framework which includes a suite of key performance indicators that are monitored throughout the governance structure. This was implemented in summer 2021 and replaced the previous Performance Management Framework. Raising the bar monitors performance through regular meetings including performance and talent conversations, area performance meetings, quarterly performance meetings, a monthly force performance day and the OPCC scrutiny meetings. These meetings allow the Constabulary to assess progress towards their KPIs and identified priorities, and to highlight problems that need to be solved. This structure and hierarchy are clearly laid out within the raising the bar document, which is widely accessible to staff through the intranet. <li data-bbox="592 1630 1428 1942">• Discussions with Superintendents of each area highlighted that the raising the bar document had been clearly communicated when it was released in 2021. It was also discussed and confirmed that the raising the bar document was a key driving force for the performance meetings throughout the constabulary and it was clear that the performance meeting structure put in place was being followed and completed accordingly.

Sub Objective	Key Themes
	<ul style="list-style-type: none"> • The raising the bar document clearly outlines roles and responsibilities of each tier of the performance meeting structure. Our review of meeting documentation and monitoring packs confirmed that those chairing the meetings examine performance and seek an understanding for significant variations in the levels of performance indicators. It is also clear what is the expected outcomes of each meeting and where this is fed into within the framework. • Through discussions with key staff, it was clear that roles and responsibilities within the performance meetings were well known, and officers knew their input and could clearly evidence up to date monitoring packs which are reviewed on a quarterly basis by a Chief Officer.
<p>Accurate Reporting and recording within Performance meetings and these are aligned to the Police and Crime Plan priorities and the 'raising the bar' strategic objectives;</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • Substantial processes are in place to ensure accurate information is reported within all tiers of the performance structure. Our review on a sample of area performance meetings, quarterly performance meetings, and force performance day confirmed that information presented was fed back to each other meeting where appropriate. For example, each area monthly performance meeting is held 2 days after each monthly force performance days to allow any key issues, good practice, and data driven decisions to be fed back to each area. • All areas have a monthly performance meeting chaired by the area's Superintendent and attended by the area's Chief Inspectors. Our review confirmed that these meeting consider a range of information to support them in improving how their area contributes to the achievement of the Constabulary's priorities and strategic objectives. It was evidenced within the LPUs monitoring performance packs that relevant comments and actions were documented and followed up within each monthly meeting. These are then reviewed by a Chief Officer as part of the quarterly performance review. • On a monthly basis the force performance day will monitor the month's performance against a sample of the key performance indicators. Our review highlighted that each meeting focuses in depth on one priority area from the 'Plan on a Page'. Those responsible for performance

Sub Objective

Key Themes

within each area give an account of the underlying reasons for the levels of the performance indicators and explain how they are exploring this or mitigating the risks. Our review confirmed that the key issues and messages within the force performance days were fed into the area performance meetings, and this well documented within the area performance monitoring packs.

- On a quarterly basis, quarterly performance reviews will take place throughout the Constabulary with each department and will be chaired by the relevant Chief Officer. The Assistant Chief Constable chairs the meetings for the Local Policing and Uniform Operations Department.
- It was clearly evidenced during our review that these meetings consider in more detail the performance of the area and packs are developed to monitor and action these areas. The quarterly reviews also involve visits to key police stations, interviews with staff and a meeting of the area's leadership team. Our review also confirmed that the outcome of these reviews are fed into the area performance meetings.
- Our review of the most recent OPCC scrutiny meeting in January 2022 confirmed that a summary performance report and crime and policing performance measures were discussed and scrutinised. Key issues that were identified and discussed within the force performance hierarchy were analysed by the OPCC.

Areas for improvement

- Our review confirmed that the structure in place does allow for the information to flow from force performance day to area performance meetings and the quarterly performance meetings, however it was clear through discussions with senior staff within the LPU's that the multiple performance meetings (area performance meetings and force performance day) is time consuming and can result in staff attending multiple meetings whilst receiving the same information at each monthly meeting.
(Low Risk – Recommendation 3)
- Discussions with staff within the LPU's confirmed that performance and talent conversations within the performance hierarchy are top heavy regarding

Sub Objective	Key Themes
	<p>performance and can result in repeating messages and key issues from previous performance meetings. It was also not clear where performance and talent conversations fell into the performance meeting framework.</p> <ul style="list-style-type: none"> • This may be causing the ‘talent’ element to be less focussed on. The Constabulary should ensure that performance and talent conversations are updated to align with the strategic objectives of raising the bar to ensure information flows ‘up and down’ the hierarchy rather than just ‘down’. It should also ensure large amounts of performance messages do not diminish the time allowed for career development and appraisal. (Low Risk – Recommendation 2)
<p>Processes are in place to record and take action to mitigate existing and emerging risks using the problem-solving model SARA within local policing.</p>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • Our review confirmed that the problem-solving site and POP (Problem Orientated Policing) sites are on the intranet and from the POPs site you can access the SARA/POPs portal that has all of the documented problem-solving examples stored. • Our review confirmed that the Constabulary currently has 495 total records within the portal. 326 of these have been closed and include mitigations and solutions to the problems that had occurred. Testing on a sample of these confirmed that all entries had the appropriate completed documentation and was accessible through the portal. • In order for an entry to be formally closed, the dedicated problem-solving teams review the documentation and ensure all elements of the document is completed. • Monthly audits are completed by the problem-solving teams which review the currently open entries within the portal. Our review confirmed that at the time of testing, 169 of these (34%) were currently open. • We tested a sample of live entries and were assured that a ‘SARA/POP on a page’ form had been completed and was live in the system. • In January 2022, the pop on a page form was amended and updated regarding the Response and Assessment phases of the problem-solving template. This was to

Sub Objective

Key Themes

ensure alignment with guidance from the College of Policing regarding problem solving.

- Discussions with the Inspector who leads on the problem-solving portal confirmed that a problem-solving training package had been delivered virtually to specialist units and also held a Virtual POP conference in December 2021 which gave an overview of each phase of the POP/SARA model and highlights best practice.
- 'A Guide to problem solving' was published in January 2022 which is accessible to all staff. This document explains all elements of the SARA model and how to record and monitor problem solving entries within the portal.

Areas for improvement:

- Discussions with staff within the LPU's and the problem-solving team highlighted that there has been a culture of encouraging quantitative data rather than qualitative data regarding POP/SARA entries. It was also highlighted that previously, the number of entries were compared within performance meetings across areas rather than ensuring the quality of data input. This has led to entries being created 'for the sake of it' rather than focussing on the quality of the input and the reasoning behind it.
- The problem-solving team should include their monthly audits within the performance KPIs or ensure updates are included within the performance meeting hierarchy and The Constabulary should continue to drive towards qualitative data rather than quantitative.
- Discussions with the problem-solving lead highlighted that any records that are over 8 months would be picked up by the problem-solving team within their audits and triggers a query to the record owner for a follow up. Our review confirmed that 8 entries across the 4 LPU's, (1 – Chester, 2- Ellesmere Port, 2 – Runcorn, 3 – Congleton) were entered between September and October 2020. The Constabulary should ensure that these are completed in a timely manner to avoid them becoming out of date or be superseded. **(Medium Risk – Recommendation 1)**

1.4 Recommendation Summary

The table below summarises the prioritisation of recommendations in respect of this review.

Critical	High	Medium	Low	Total
0	0	1	2	3

2 Engagement Objectives and Scope (Terms of Reference)

2.1 Objective

The overall objective of the audit is to evaluate the systems in place within the Constabulary's LPU's performance management regime and the adoption of the 'raising the bar' principles to ensure the delivery of the objectives outlined within the Police and Crime Plan. This will consider the key performance metrics reported together with the capture, accuracy, validation and availability of data along with the current systems in place to support effective challenge and scrutiny of performance and reporting.

In addition, our review will evaluate the effectiveness of arrangements within local policing for utilisation of the SARA approach to problem solving and sharing of good practice.

Sub Objective	Risk
Quarterly Performance Reviews (QPR) and Area Performance meetings (APR) are aligned to the Police and Crime Plan 2021 – 2024 priorities and the 'raising the bar' strategic objectives;	The Performance Management Framework is not consistently applied or in place.
Accurate recording and reporting within the QPRs and APRs.	Inaccurate recording and reporting of information.
Roles and responsibilities in relation to accountability and the Performance Management Framework have been formally defined and communicated,	Accountability and responsibility for the Performance Management Framework is unclear and not widely understood,
Processes are in place to record and take action to mitigate existing and emerging risks using the problem-solving model SARA within local policing.	Failure to share best practice and apply appropriate problem-solving techniques within local policing.

2.2 Approach

- As part of our work, we will interview key officers to ascertain the nature of the systems in operation and their views on the effectiveness of arrangements.
- We will perform a desktop evaluation of the framework, policies, procedures and mechanisms for performance reporting and monitoring.

3 Detailed Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

1) Problem Solving Portal Follow Up / Quality Audit

Risk Rating: Medium

Operating effectiveness

Key Finding – Discussions with the problem-solving lead highlighted that any records that are over 8 months would be picked up by the problem-solving team within their audits and triggers a query to the record owner for a follow up. Our review confirmed that 6 entries across the 3 LPUs, (1 – Chester, 2 – Runcorn, 3 – Congleton) were entered in September 2020 (18 months ago at the time of the review). The Constabulary should ensure that these are completed in a timely manner to avoid them becoming out of date or be superseded.

Discussions with staff within the LPUs and the problem-solving team highlighted that there has been a culture of encouraging quantitative data rather than qualitative data regarding POP/SARA entries. It was also highlighted that previously, the number of entries were compared within performance meetings across areas rather than ensuring the quality of data input. This has led to entries being created 'for the sake of it' rather than focussing on the quality of the input and the reasoning behind it.

Specific Risk – Records within the problem-solving portal may become out of date before they are closed and may be superseded and may provide solutions to out-of-date problems.

Recommendation – The Constabulary should ensure that entries these are completed and closed in a timely manner to avoid them becoming out of date or be superseded.

The Constabulary should continue to drive towards qualitative data rather than quantitative. It was highlighted that in the past, entries were created for the sake of it to ensure their numbers matched other areas.

Management Response - Problem solving initiatives can be open longer than 8 months. For more challenging problems this is normal, but they should be reviewed at the 8 month point by problem solving teams in case they have lost momentum or need closing. Constabulary will review all POPs and SARAs over 8 months old.

Responsible Officer – Problem Solving Tactical lead

Implementation Date – September 2022

2) Performance and Talent Conversations

Risk Rating: Low

Operating effectiveness

Key Finding – Discussions with staff within the LPUs confirmed that performance and talent conversations within the performance hierarchy are top heavy regarding performance and can result in repeating messages and key issues from previous performance meetings. It was also not clear where performance and talent conversations fell into the Performance Meeting Framework. This may be causing the ‘talent’ element to be less focussed on. It should ensure large amounts of performance messages do not diminish the time allowed for career development and appraisal.

Specific Risk – Performance and talent conversations may not be capturing the ‘talent side’ of conversations and may not be feeding into the strategic objectives of the constabulary.

Recommendation - The Constabulary should ensure that performance and talent conversations are updated to align with the strategic objectives of raising the bar to ensure information flows ‘up and down’ the hierarchy rather than just ‘down’. It should also ensure large amounts of performance messages do not diminish the time allowed for career development and appraisal.

Management Response - Performance and talent conversations are about individual performance against their role and expectations of them in the role, and the development of their own professional competency / talent including progression. They are thematically or strategically owned by HR in terms of policy / format but done across the business. Whereas the Performance Management Framework is about organisational, or team performance, and the business results we are trying to achieve. These should complement what is being asked of individuals in their performance and talent conversation, otherwise we’d be prioritising their individual efforts and contributions away from the areas of the business we want to develop but they shouldn’t wholly duplicate. However, we will look to provide advice, guidance, and ensure there is an emphasis on talent management and individual objectives for improving professional and personal skills.

Responsible Officer – Chief Superintendent – Local Policing

Implementation Date – December 2022

3) Meeting Attendance Efficiencies

Risk Rating: Low

Operating effectiveness

Key Finding – Our review confirmed that the structure in place does allow for the information to flow from force performance day to area performance meetings and the quarterly performance meetings, however it was clear through discussions with senior staff within the LPUs that the multiple performance meetings is time consuming and can result in staff attending multiple meetings whilst receiving the same information at each monthly meeting.

Specific Risk – Officers may be attending multiple meetings and receiving the same information which may mean considerable amount of time attending performance meetings each month.

Recommendation – The Constabulary should review their performance management structure and its attendees to ensure that officers are not attending multiple meetings when receiving the same information.

Management Response - Consistency and repeatedly focusing on the key priorities is deliberate, and done to achieve a sustainable performance improvement, in key areas. The repetition is welcomed as it leads to habits being formed and enhanced familiarity with the most significant areas for performance improvement. However, we are currently updating the Raising the Bar document and this includes looking at meeting structures and attendance. If performance concerns have been fully and sustainably addressed and understood, they can be removed to monitoring and less repetition is required. Repetition ceases when performance has improved.

Responsible Officer – Head of Performance and Planning

Implementation Date – July 2022

Follow-up

A follow-up exercise will be undertaken during 2022 to evaluate progress made in respect of issues raised. This will include obtaining documentary evidence to demonstrate that actions agreed as part of this review have been implemented.

Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	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 aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	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 system objectives.

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"> • the efficient and effective use of resources • the safeguarding of assets • the preparation of reliable financial and operational information • compliance with laws and regulations.
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"> • has a low impact on the achievement of the key system, function or process objectives; • has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
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.

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.



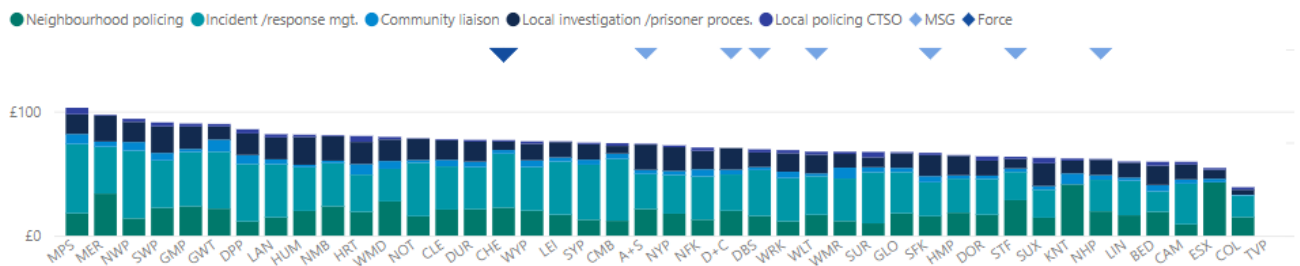
HMIC Value For Money – Financial Headlines

Since 2009 HMICFRS have published Value For Money profiles. In recent years this has been made available in the form of a ‘dashboard’ on the HMIC website. The 2021 profile was recently made available and it contains a range of information to compare forces.

This summary focuses on the financial information contained within the profiles. It provides commentary on the Constabulary’s position in key areas of service provision compared to other forces nationally.

1. Local Policing

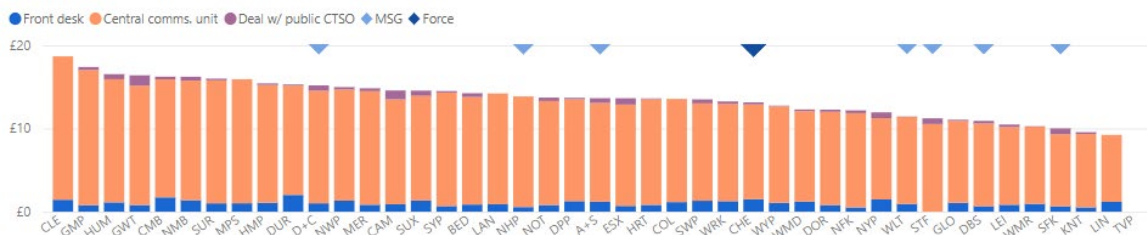
This category includes neighbourhood policing, incident response and local investigation. Cheshire is shown as having the 16th highest spend per population and highest out of 8 forces in its most similar group. This is a positive reflection on the Constabulary’s commitment to local policing and investment in this area.



The investment in each local policing Area is illustrated in **Appendix 1**, with a comparison between September 2021 and 2022.

2. Dealing with the Public

This category includes budgets associated with helpdesks and call centres. Cheshire is shown as having the 15th lowest spend per population and 4th out of 8 forces in its Most Similar Group

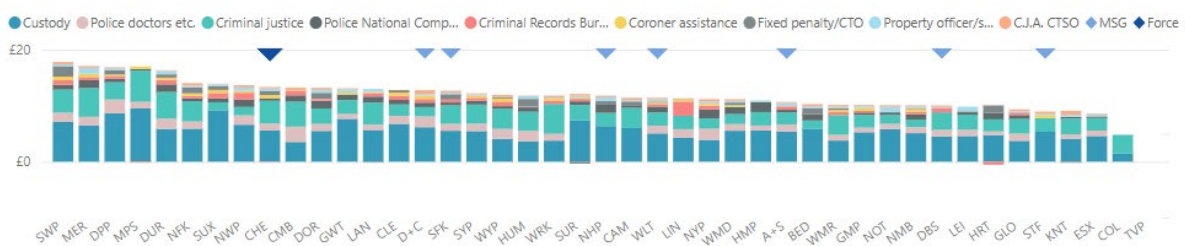


A review of the Helpdesk functions and volumes was undertaken in consultation with key stakeholders. Through the PBB process increased investment has been made in the Force Control Centre to strengthen the Constabulary's position in this priority area.

This has resulted in an uplift of 20 call management (FCC) staff and an additional 15 occurrence management (OMU) staff.

3. Criminal Justice

This category includes a range of functions within criminal justice and also includes custody. Cheshire is shown as having the 9th highest spend per population and highest in its most similar group of forces.



This is a current area for development given the relative high spend and requires further review of management in this business area to provide reassurance that the force is as effective and efficient as it can be within Criminal Justice and Custody.

4. Road Policing

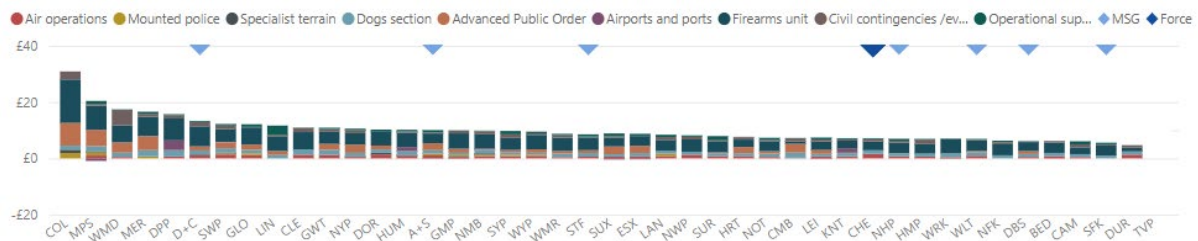
Cheshire is shown as having the 18th highest spend per population and 3rd highest in its most similar group of forces.



Making Cheshire Road's Safer is one of the Police and Crime Commissioner's six key priorities. Cheshire has an extensive motorway network and class 'A' roads, over nearly a thousand square miles - of which two-thirds is classified as rural.

5. Operational Support

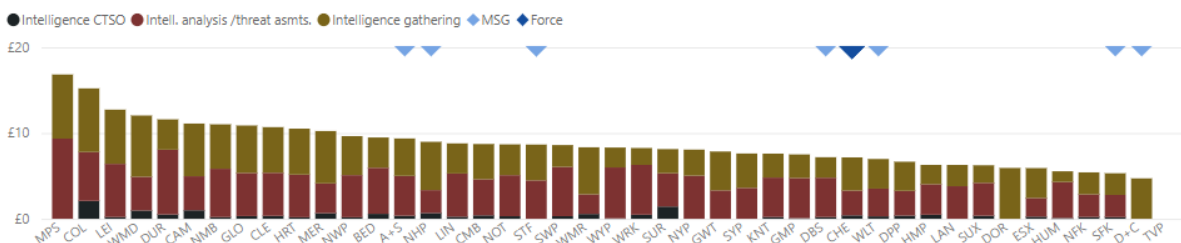
This category includes operational support, events / civil contingencies, firearms units, dog units etc. Cheshire is shown as having the 11th lowest spend per population and 4th out of 8 forces in its most similar group.



This is an area for review for the force to satisfy itself that this level of investment is commensurate with the risk and threats within Cheshire. However, the force does meet the requirement for its contribution to the Strategic Policing requirement (SPR). Further investment in public order training is in progress this year to ensure operational resilience in supporting our requirement of 6 PSUs for national mobilisations, although the number of trained officers to support this has already been achieved.

6. Intelligence

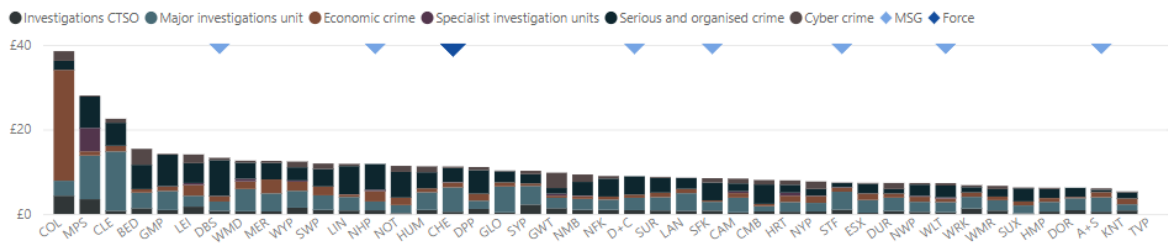
Cheshire is shown as having the 12th lowest spend per population and 5th out of 8 forces in its most similar group.



Through PBB, an increase in investment of approximately £725k (over a 25% increase) will increase research and analytical capability in this area through an uplift of an additional 4 Analysts and 9 Researchers to support strategic analysis, Serious Organised Crime (SOC) and general operational work.

7. Investigations

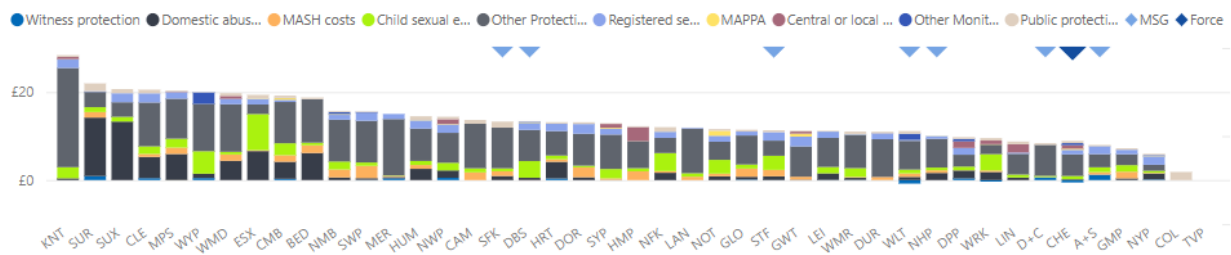
This category includes a range of specialist investigation teams including Major Investigations, Economic Crime and Serious and Organised Crime. Cheshire is shown as having the 16th highest spend per population and 3rd out of 8 in its most similar group of forces.



Investment in this area is proportionate in comparison to other forces. The capacity and capability within the Major Investigation Team (MIT) allows flexibility to support local investigations where appropriate and the Serious Organised Crime Unit (SOCU) has consistently demonstrated its effectiveness in tackling high harm criminality in disrupting county lines and organised crime groups.

8. Public Protection

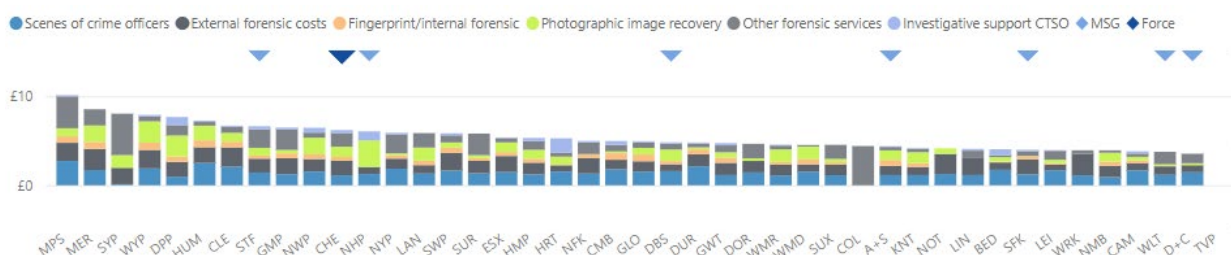
This category includes a range of specialist teams focusing on offences such as domestic abuse, child sexual exploitation and Multi Agency Public Protection Arrangements. Cheshire is shown as having the 5th lowest spend per population and 7th out of 8 in its most similar group.



It is recognised that the investment in this area has historically been low and is being addressed through the restructure of the Public Protection functions and investment in the Online Child Abuse Investigation Team (OCAIT) – which has expanded significantly through PBB from a team of 10 detectives and staff to 46 in total.

9. Investigative Support

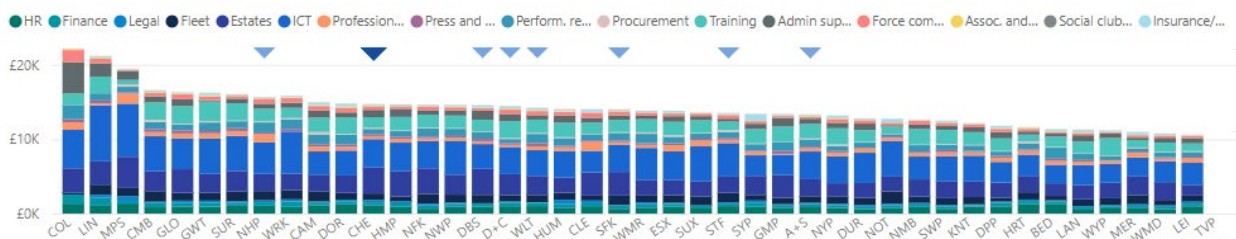
This category predominantly includes forensic investigative support such as scenes of crime officers, fingerprint analysis and other internal or external forensic budgets. Cheshire is shown as having the 11th highest spend per population and 2nd out of 8 in its most similar group.



This is relatively high level of investment and would benefit from further scoping to further understand the return on this investment and value for money.

10. Support Functions

This category includes business and corporate support functions and infrastructure. Further detail on some of the key functions is shown in further tables below. Cheshire is shown as having the 12th highest spend per population and 1st out of 8 in its most similar group.



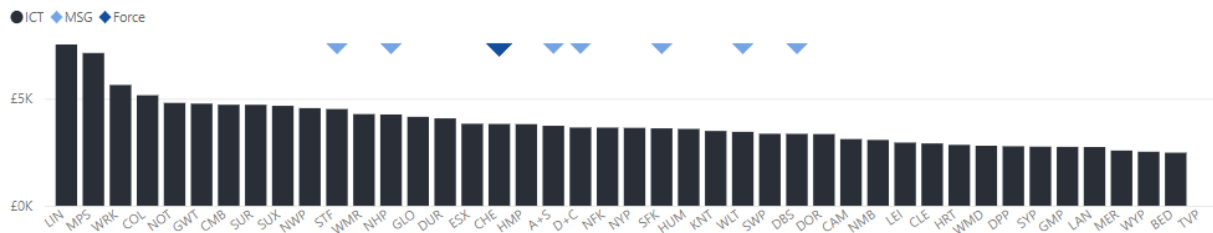
The force operated a Multi-Force Shared Services Model until the start of the current financial year, when support services returned to home forces. Some collaboration arrangements remain in place with Cheshire Fire & Rescue Service.

It is worth noting within the wider umbrella of support functions, overall 88% of additional resources will be in front-line roles directly aimed at delivering on our priorities to the public (shown in blue in the chart below). The remaining 12% (shown in orange) are predominately in HR & Training to enable recruitment to take place and ensure the highest level of training is provided together with IT Services who enable and support the use of technology:



11. Information Technology

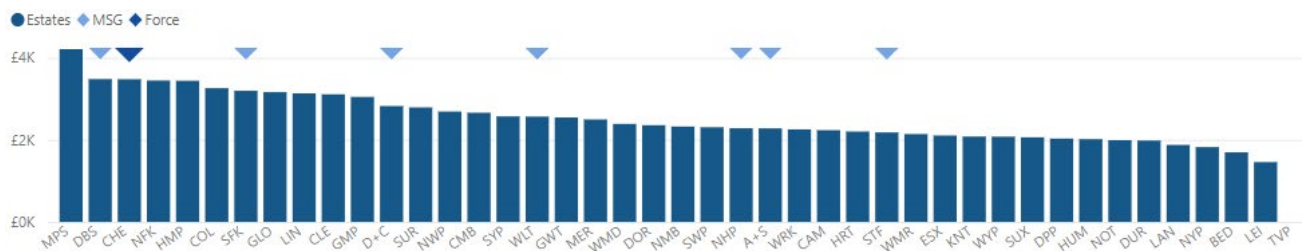
This section includes the total budget allocated to for local and national IT systems as well as the budget associated with the IT services support function. Cheshire is shown as having the 17th highest spend per total force staff and 3rd out of 8 forces in its most similar group.



Investment in this area is relatively high, however it is supported by strong performance in service provision and a high standard of equipment and systems e.g. tablets/phones for all operational staff, enhanced ANPR capabilities, implementation of new systems including facial recognition such as National Law Enforcement Data Service (NLEDS) and GoodSam.

12. Estates

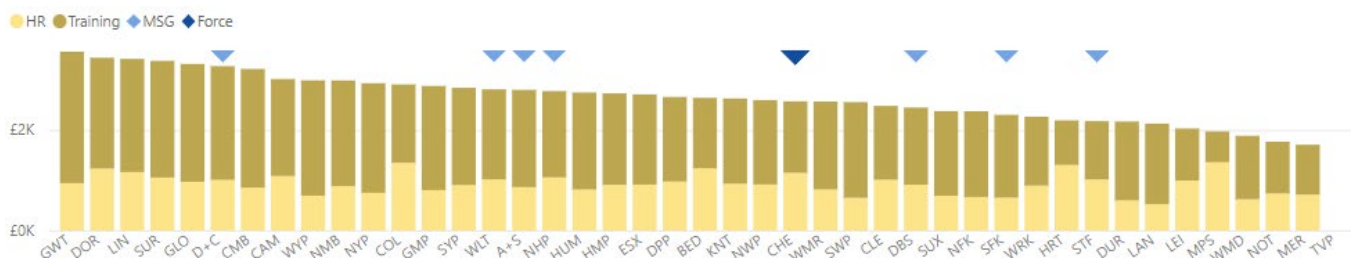
This section includes the total budget allocated for the estate as well as the cost of the Estates and Facilities support function. Cheshire is shown as having the 3rd highest spend per total force staff and 2nd out of 8 forces in its most similar group.



This includes the costs of the HQ PFI for which the Force receives additional grant. The force is committed to an Estates strategy that is fit for operational policing and the sale of high value land on which Wilmslow police station is located (whilst retaining a smaller new build on site) and the establishment of a new Northern Response base which will release outdated estate in the Warrington and Halton areas.

13. HR & Training

Cheshire is shown as having the 18th lowest spend per total force staff and 5th out of 8 forces in its most similar group.

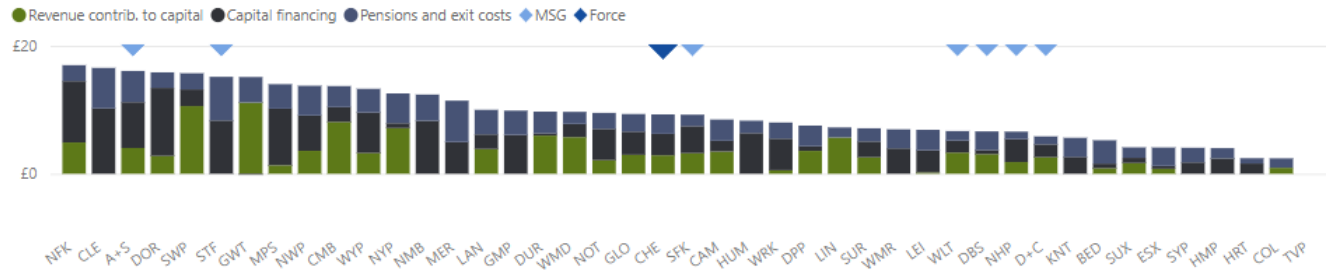


The HR function also includes elements of shared services with Cheshire Fire & Rescue Service and previously parts of which were incorporated into Multi-Force Shared Services

until 2022/23. Through PBB investment has been made in an additional 3 HR Business Partner Posts to support frontline policing.

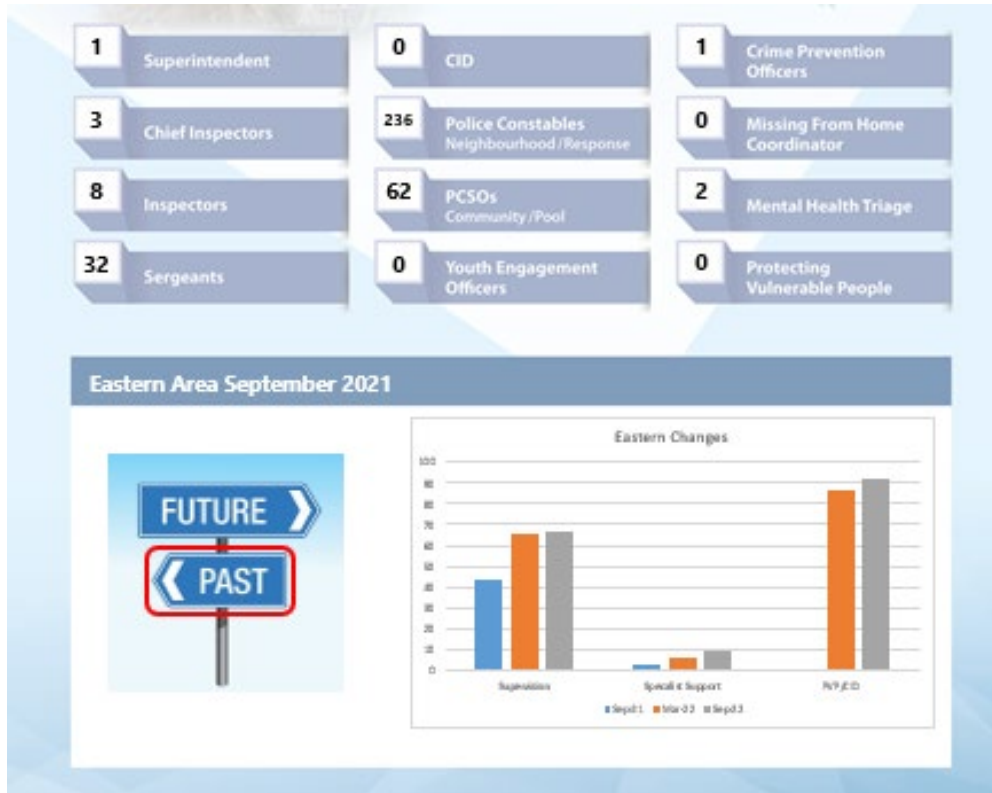
14. Central Costs

The category includes revenue contributions to capital, capital financing and any pension costs. Cheshire is shown as having the 21st highest spend per population and 3rd out of 8 forces in its most similar group and is therefore not an outlier in this particular area.



Appendix 1 – Investment by Areas (September 21 v September 22)

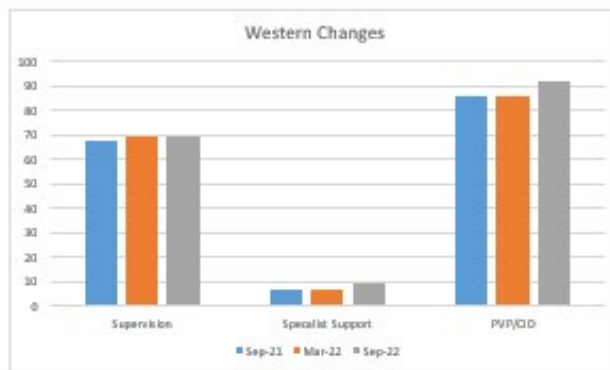
East:



West:

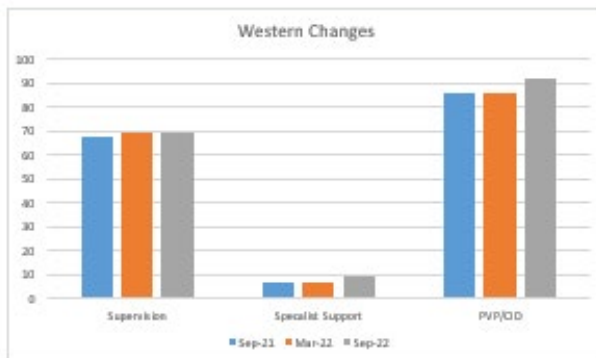
1 Superintendent	69 CID	1 Crime Prevention Officers
4 Chief Inspectors	234 Police Constables Neighbourhood / Response	1 Missing From Home Coordinator
11 Inspectors	59 PCSOs Community / Pool	2 Mental Health Triage
52 Sergeants	3 Youth Engagement Officers	17 Protecting Vulnerable People

Western Area September 2021



1 Superintendent	71 CID	2 Crime Prevention Officers
4 Chief Inspectors	242 Police Constables Neighbourhood / Response	1 Missing From Home Coordinator
12 Inspectors	48 PCSOs Community / Pool	3 Mental Health Triage
52 Sergeants	3 Youth Engagement Officers	21 Protecting Vulnerable People

Western Area September 2022

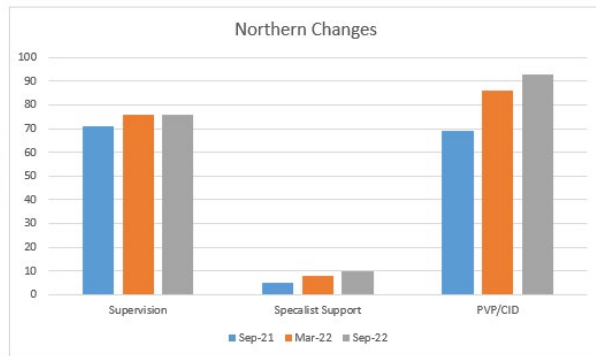


North:

2 Superintendent	69 CID	0 Crime Prevention Officers
4 Chief Inspectors	237 Police Constables Neighbourhood /Response	0 Missing From Home Coordinator
11 Inspectors	62 PCSOs Community /Pool	2 Mental Health Triage
54 Sergeants	3 Youth Engagement Officers	0 Protecting Vulnerable People

Northern Area September 2021

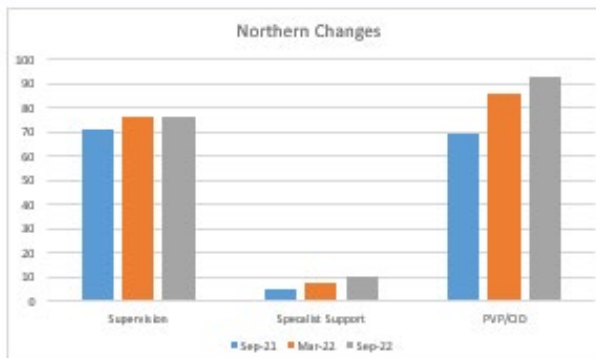
BEFORE



2 Superintendent	72 CID	2 Crime Prevention Officers
4 Chief Inspectors	243 Police Constables Neighbourhood /Response	2 Missing From Home Coordinator
12 Inspectors	50 PCSOs Community /Pool	3 Mental Health Triage
58 Sergeants	3 Youth Engagement Officers	21 Protecting Vulnerable People

Northern Area September 2022

+
12 AIT Staff



Cheshire Constabulary Service Assurance Plan – 2022/23

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
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.	Transferred from Q4 21/22 (15 days)	April 2022: Internal Audit aiming to have draft report out by the end of April. May 2022: Draft report circulated and management responses returned. June 2022: Final report circulated.	Joint Audit Advisory Committee July 2022
MIAA	Vetting	To evaluate the efficiency and effectiveness of the vetting function against the Authorised Professional Practice (APP)	Q1 12 days	June 2022: Final TOR has been circulated & fieldwork has commenced.	Joint Audit Advisory Committee
MIAA	Key Financial Controls	To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	Q4 12 days		Joint Audit Advisory Committee
MIAA	Business Services Futures	Audit days are allocated to support the BSF programme and evaluation of control environment, process maps and data transfer	Q1-3 9 days	June 2022: Not started yet	Joint Audit Advisory Committee
MIAA	Blue Light Commercial Procurement	To evaluate the effectiveness of procurement arrangements via Blue Light Commercial.	Q2 12 days		Joint Audit Advisory Committee
MIAA	Property/Evidence Management	To provide assurance that Cheshire Constabulary is dealing professionally with all evidence and property, safeguarding its integrity to support the prevention and detection of crime.	Q1 12 days	30 June 2022: Draft TOR circulated, Final report due August 22.	Joint Audit Advisory Committee
MIAA	Digital Investigation	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.	Q2 12 days		Joint Audit Advisory Committee
MIAA	Cyber – Organisational	The National Cyber Security Centre Cyber (NCSC), in recognising the strategic importance of cyber security published a toolkit for board assurance.	Q3 12 days	July 2022: Meeting arranged August 2022 to develop TOR.	Joint Audit Advisory Committee

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
	Controls	This review will evaluate the effectiveness of the current cyber control framework arrangements in place. Against that framework .			

On-going Regular Monitoring Activity – 2022/23

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 2022	Audits of Sexual, Domestic and Violence incidents continue to be subject to FCR audits based on perceived risk and regularly reporting the Force performance Day and to the Strategic Crime Recording User meeting chaired by Ch Supt Ross. Such audits were undertaken in April 2022, together with an additional audit of ASB. An audit of Vulnerable Victim crime is currently being undertaken.	Force Performance Day 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 2022		Force Performance Day 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 2022		Force Performance Day 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 2023		Force Performance Day 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	<p>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).</p> <table border="1"> <thead> <tr> <th></th> <th>Sample</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Q1 (Apr-June 22)*</td> <td>649</td> <td>94%</td> </tr> <tr> <td>Q2 (Jul-Sept 22)</td> <td></td> <td></td> </tr> <tr> <td>Q3 (Oct-Dec 22)</td> <td></td> <td></td> </tr> <tr> <td>Q4 (Jan-Mar 23)</td> <td></td> <td></td> </tr> </tbody> </table> <p>* % compliant with process</p>		Sample	%	Q1 (Apr-June 22)*	649	94%	Q2 (Jul-Sept 22)			Q3 (Oct-Dec 22)			Q4 (Jan-Mar 23)			Any issues identified are reported to Line Manager and PSD if required.
	Sample	%																		
Q1 (Apr-June 22)*	649	94%																		
Q2 (Jul-Sept 22)																				
Q3 (Oct-Dec 22)																				
Q4 (Jan-Mar 23)																				
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.	Ongoing	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	Child Abuse Indecent Images (CAID) transaction monitoring.	Transaction monitoring to commence in 2022 – this is a new process and will continue to develop. It is a requirement to audit to ensure compliance and integrity with national policy and codes of connection.	Ongoing	Transaction monitoring is pending subject to a minor IT service request.	Any issues identified will be reported to Line Manager and PSD if required.
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.	Transferred from Q4 2021-22 COMPLETE	April 2022: Ongoing monitoring of progress confirms legacy PNB's continue to be submitted. Formal report to TPTT and IRG to follow. July 2022: Formal report to be completed by CI Jez Taylor, all Info Compliance complete.	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	Transferred from Q4 2021-22 COMPLETE	April 2022: The majority have been refreshed and completion is expected in time for the ICO audit follow up in June 2022. July 2022: Allowing for some minor post ICO actions in progress	Information & Risk Management Board

				(completion pending), the audit is complete and has been signed off by the ICO.	
Information Compliance	PPD – domestic violence disclosures (Transferred from 20-21)	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	Transferred from Q4 2022	February 2022: Due to the prioritisation of ICO Data Protection audit actions this audit has been delayed until later in 2022.	Information & Risk Management Board
Information Compliance	Firearms Licensing - Optional	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	Q3 2022	Post ICO to be scoped to determine benefits/risk of auditing, need to determine the status following changes in process and Niche module.	Information & Risk Management Board
Information Compliance	Security - Optional	To determine compliance in Physical security risk, and data protection and records management.	Q3 2022	Post ICO – to liaise with the Chief Information Security Officer	Information & Risk Management Board
Information Compliance	Security review	To determine compliance in Physical security risk, and data protection and records management.	COMPLETE	July 2022: In June a test review was conducted on one police station to determine compliance a report was submitted to IRG and will be a contributory factor to determine necessity for full review.	Information & Risk Management Board
Taser Downloads	Governance and compliance monitoring	Audit of completion of Taser downloads	Tasers downloaded every 8 weeks (Feb, April, June, Aug, Oct, Dec) Audited quarterly	April 2022: Audit completed June 2022: Audit completed	Procedural Justice Meeting

Finance - Compliance with GPC Cards Guidance Manual	Annually due September 2022	Dip sample to ensure compliance in the use of GPC Cards guidance against MFSS reports on GPC card use.	Annually		Information & Risk Management Board
Planning, Performance & Risk Management	Policy & Procedure Monitoring	<p>Cheshire Constabulary's Policy & Procedures are published when the National Guidelines laid down by College of Policing – Authorised Professional Practice (APP) do not have adequate detail, specifically in respect of Cheshire local practices.</p> <p>It is important that these Policies & Procedures are kept up to date and reviewed on a regular basis.</p>	Ongoing	Ongoing regular monitoring and reviews, any overdue policies or procedures or issues are raised directly with the Policy Owner, Author and Business Area Leads.	Status reported at Information & Risk Governance Board twice yearly (April & September, or more frequently should there be any concerns).

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 the Constabulary Strategic Risk Register.

BACKGROUND

2. The Strategic Risk Register documents all risks that the Chief Constable and Police & Crime Commissioner identify as having the potential to prevent the Constabulary & OPCC 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 Risk Register dated June 2022 was agreed at Joint Management Board on 6 July 2022. The Risk Register is detailed in Part Two.
5. The impact assessments/implications/risks are detailed for each risk on the Strategic Risk Register along with action updates in respect of each risk.

RECOMMENDED:

That the Strategic Risk Register, be considered by the Joint Audit Advisory Committee.

MARK ROBERTS
CHIEF CONSTABLE

Joint External Audit Plan

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

Year ending 31 March 2022
Cheshire

July 2022



Contents



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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 Police and Crime Commissioner and CC 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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Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Key matters

Factors

OPCC & CC developments

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. However, the Minister for Crime and Policing's statement in December 2021 announcing an additional £1.1 billion funding for police. This, combined with the precept flexibility of £10 for Band D which Cheshire Police have opted for, represents an increase to PCC funding in cash terms of 5.8% on top of the 2021/22 police funding settlement.

We have continued to hold regular meetings with the senior finance team at the OPCC & CC. During these meetings we discuss a range of key issues regarding the OPCC & CC's general developments, current and projected financial performance, governance issues and regulatory oversight. The draft revenue outturn for 2021/22 is in line with budget with a £0.2m underspend. The approved capital programme for the year was £11.4m but spend was £6.7m due to unavoidable external factors such as supply chains or contractor availability.

Recovery from Covid 19 pandemic

There are ongoing economic uncertainties brought about by the Covid 19 pandemic, as the public sector continues to operate within the constraints of a one year funding settlement. The government has provided a range of financial support packages throughout the pandemic. This has included additional funding to support the deficit on the collection fund, the cost of services or offset other income losses.

The Covid 19 pandemic has been well managed by the OPCC & CC and they have adapted working and governance arrangements to maintain their robust processes and our assessment is that the OPCC & CC has developed a good understanding of its financial and wider governance risks during the pandemic and, despite future financial uncertainty about medium term government funding, is well placed to address post Covid 19 challenges.

Changes in IT systems

The Business Services future project is managing Cheshire Police's transition of IT systems from the MFSS collaboration to stand alone IT systems. Some of the systems have already transferred during 2021/22 and other systems including the general ledger are scheduled to transition in 2022/23. If unsuccessful this transfer could pose a significant reputational risk and therefore we have raised a potential risk in respect of Value for Money.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work has been discussed and agreed with management.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will consider progress against previously agreed recommendations.
- We have identified significant risks in regards to management override of control, valuation of land and buildings and valuation of the net pension liability – refer to pages 10 & 11.
- Our IT auditors will review the Group's process for planning to ensure the data migration will be complete and accurate.

Key matters (continued)

Factors

Accounting and auditing developments

DLUHC asked CIPFA to consider changes to the Code to help alleviate delays to publication of audited financial statements. In response CIPFA LASAAC issued an exceptional consultation which explored two possible changes that may be made as an update to the 2021/22 code and to the 2022/23 code. CIPFA LASAAC preliminary decision was published on 17 March 2022 which highlighted the following:

- not to progress any of the proposals around pausing formal valuation of assets; and
- to pursue the proposal on deferring IFRS 16, but note that this is the Board's preliminary decision, subject to the other steps in the governance process. These include consideration and review by the FRAB, and further formal approval processes at CIPFA via PFMB and at LASAAC.

Our response

- We will continue to provide you with sector updates via our progress meeting and Authority updates.

Introduction and headlines

Purpose

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

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 agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit 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, CC and group's financial statements that have been prepared by management with the oversight of those charged with governance (the OPCC and the CC); and we consider whether there are sufficient arrangements in place at each body for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the OPCC and the CC of your responsibilities. It is the responsibility of the OPCC and the CC 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 CC are fulfilling these responsibilities.

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

Significant risks

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

- Management override of controls;
- Valuation of Land & Buildings; and
- Valuation of Pension Fund Net Liability

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

Materiality

We have determined planning materiality to be £5,208k (PY £4,473) for the group, which equates to 2% of the OPCC's gross expenditure on provision of services for the year based on the 2021/22 draft accounts. 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 £260k (PY £220k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness:

- Business services future programme, specifically the transfer of the General Ledger.

Audit logistics

Our interim visit took place in March and April 2022 and our final visit will take place in July -September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit is £44,895 (PY: £42,895) for the OPCC and £18,200 (PY: £18,200) for the CC, subject to the bodies delivering a good set of financial statements 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
Police and Crime Commissioner for Cheshire	Yes		<ul style="list-style-type: none"> management override of internal controls valuation of land and buildings valuation of net pension fund liability 	Full scope audit performed by Grant Thornton UK LLP
Chief Constable for Cheshire	Yes		<ul style="list-style-type: none"> management override of internal controls valuation of net pension fund liability 	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
International Standard of Auditing (ISA) 240 and Practice Note (PN) 10 revenue/expenditure risk	Chief Constable, OPCC and Group	Under ISA 240 (UK) 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. The 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>Having considered the risk factors set out in ISA 240, PN 10, and the nature of the revenue and expenditure streams at the OPCC & CC, 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"> • there is little incentive to manipulate revenue and expenditure recognition. • opportunities to manipulate revenue and expenditure recognition are very limited as approximately 94% of the OPCC & CC's gross income is from taxation or government grants, and a significant proportion of expenditure is easily verifiable. • the culture and ethical frameworks of local authorities, including Cheshire Police, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Cheshire Police.</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>

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Chief Constable, OPCC and Group	<p>Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The OPCC & CC faces 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"> • evaluate the design effectiveness of management controls over journals. • analyse the journals listing and determine the criteria for selecting high risk unusual journals. • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	OPCC and Group	<p>The OPCC revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the OPCC financial statements is not materially different from the current or fair value at the financial statements date, the OPCC requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, in particular any large or unusual assets or where there have been movements in valuations outside our expectations, as well as testing a sample of those within our expectations. This is one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • evaluate the competence, capabilities and objectivity of the valuation expert. • 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. • discuss with the valuer the basis on which the valuations were carried out. • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the OPCCs asset register. • Evaluate the assumptions made for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Chief Constable, OPCC and Group	<p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent a significant estimate in the financial statements.</p> <p>The Police Pension Fund's pension fund liability as reflected in the balance sheet and notes to the accounts also represents a significant estimate in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty being sensitive to small adjustments in the key assumptions used.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the OPCC & CC's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the OPCC & CC's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the OPCC & CC's pension fund valuation; • assess the accuracy and completeness of the information provided by the OPCC & CC to the actuary to estimate the liability; • 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; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report; • agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and • 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 Cheshire Pension Fund financial statements. • test the data provided to the actuary of the Police Pension Fund.

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 Report.

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. We identified one recommendation in our 2020/21 audit in relation to the OPCC & CC's estimation process for the valuation of land and buildings.

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 the CC:

- 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 audits for the year ended 31 March 2022.

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

- Valuations of land and buildings
- Depreciation
- Year end provisions and accruals
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The OPCC and the CC's Information systems

In respect of the OPCC and the CC'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 bodies use 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 bodies (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 made enquiries of management through our Informing the Audit Risk Assessment document as a separate exercise. This document will also be presented to the JAAC meeting to confirm that the PCC & CC, as Those Charged with Governance, considers the responses to be consistent with their understanding.

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 Reports and Annual Governance Statements 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 the CC.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statements 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 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the OPCC or the CC 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; and
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audits.

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.

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 materiality based on a proportion of the gross expenditure of the group, the OPCC and the CC for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materiality's, which is £5,208k (PY £4,396k*), which equates to 2% of the OPCC's draft 2021/22 gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £60k 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 OPCC and the CC

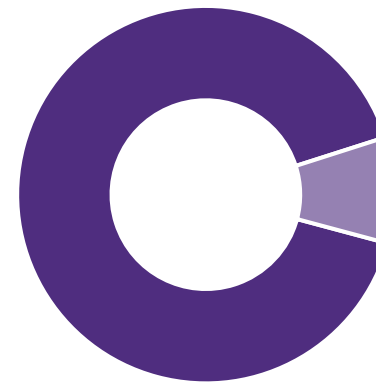
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the OPCC and the CC any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 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 CC, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £260k (PY £220k).

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

*Last year's materiality was calculated using the prior year's gross expenditure on cost of services, this year's calculation uses gross expenditure on provision of services, hence the increase from last year.

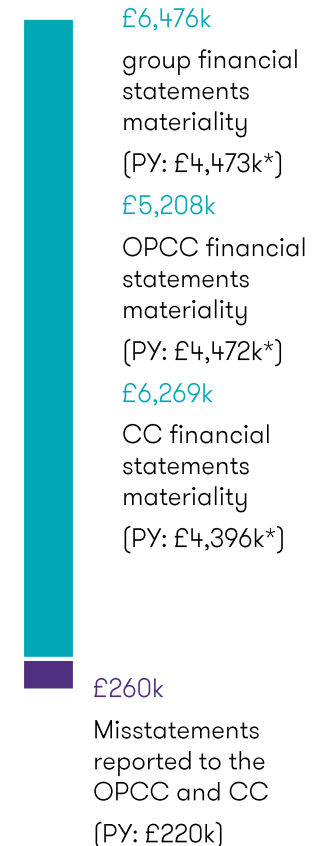
Draft gross operating costs on provision of services

£323.8m group
(PY: £223.7m*)
£260.4m OPCC
(PY: £231.4M*)
£313.4m CC
(PY: £219.8M*)



- Prior year gross operating costs
- Materiality

Materiality



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle	Financial reporting	<p>A review of the IT General Controls related to security management, development and maintenance and technology infrastructure will be carried out by our internal IT specialists team for the 2021/22 financial year. A detailed review was undertaken in the prior year.</p> <p>We will review any changes identified in key controls from the prior year and assess the impact of any changes on the planned audit approach.</p> <p>We will also follow up on any recommendations made in the prior year in relation to IT general controls to assess whether these have been actioned by management.</p>

In addition, due to the significant planned changes shortly after the period, specifically the new system implementation additional audit procedures will be completed to assess if any additional risks are identified.

IT system	Event	Relevant risks	Planned IT audit procedures
Unit 4	New system implementation	Post migration data completeness and accuracy; system functionality operating to design.	<ul style="list-style-type: none"> Obtain an understanding of the process planned for new system implementation Once new system is implemented, audit of data migration activity and results

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued its guidance for auditors in April 2020. The Code requires 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 is a potential risk of reputation damage if the transition is not successful.

We will:

- Review managements plans and the arrangements made in respect of MFSS and the transition to new systems and identify any 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

JAAC Meeting
28 July 2022


Audit Plan


Year end audit
July – September 2022

JAAC Meeting
29 September 2022


Audit Findings
Report/Audit
Opinion

JAAC Meeting
30 November 2022


Auditor's
Annual
Report



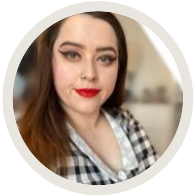
Michael Green, Key Audit Partner

Michael has overall responsibility for the audit and the opinions, for ensuring the quality of our audit work and for ensuring we provide you with the best service possible.



Liz Luddington, Audit Manager

Liz is responsible for the technical and logistical aspects of the audit. She will be the first point of contact for your Treasurer and the finance team.



Chelsey Taylor, Audit In-charge

Chelsey is the day to day contact for finance staff and is responsible for the day to day supervision of the audit team. She will regularly engage with the finance team during our visits to ensure there are no surprises arising from our work.

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 Reports and the Annual Governance Statements
- 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 financial statements, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audits
- respond promptly and adequately to audit queries.

Audit fees

PSAA awarded a contract of audit for Cheshire Police. The fee agreed in the contract was £29,045 for the OPCC and £11,550 for the CC. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

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 detailed on pages 12 and 13 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures

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 2021/22 is currently being considered given ongoing financial reporting and economic developments. We will discuss the proposed fee with management over the coming months and communicate this to Those Charged with Governance within the Audit Findings Report.

	Actual Fee 2020/21	Proposed fee 2021/22
OPCC Audit	£42,895	£44,895
CC Audit	£18,200	£18,200
Total audit fees (excluding VAT)	£61,095	£63,095

Assumptions

In setting the above fees, we have assumed that the OPCC and CC will:

- prepare a good quality set of financial statements, supported by comprehensive and well-presented working papers which are ready at the start of the audits
- 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

	CC	PCC
Scale fee published by PSAA	£11,550	£29,045
<i>Ongoing increases to scale fee first identified in 2019/20 and 2020/21</i>		
Raising the bar/regulatory factors	£1,125	£500
Enhanced audit procedures for Property, Plant and Equipment	£-	£650
Enhanced audit procedures for Pensions	£1,925	£-
Additional work on Value for Money	£2,000	£7,000
ISA 540	£600	£1,200
<i>Journals testing</i>	£1,000	£2,000
<i>Oracle IT support</i>	£-	£2,500
Final 2020/21 fee	£18,200	£42,895
Adjustments for 2021-22 – IT fee I(enhanced requirements)	£-	£2,000
Total audit fees (excluding VAT)	£18,200	£44,895

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 Authority'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 Authority.

Other services

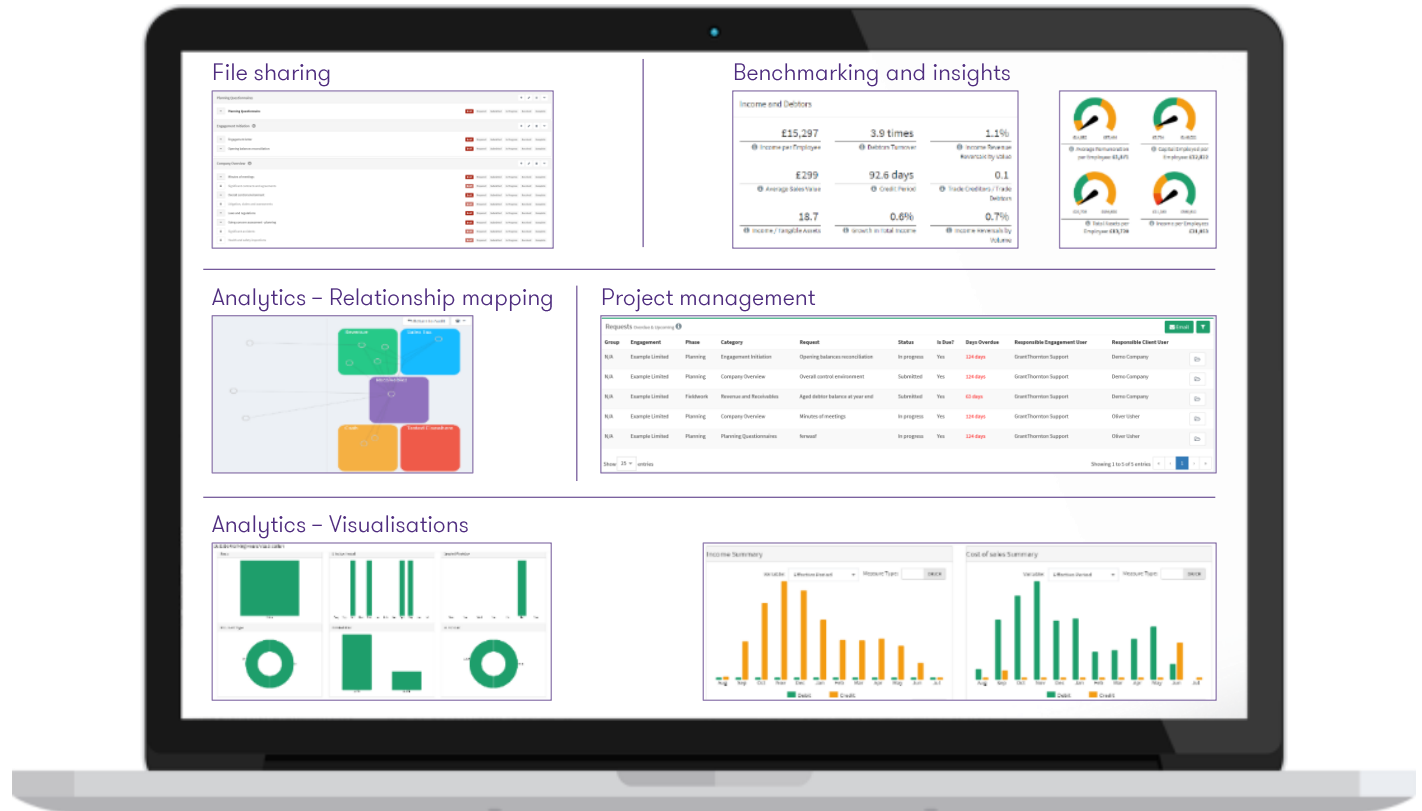
No other services provided by Grant Thornton were identified.

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.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the **Group** statement of accounts, which resulted in 3 recommendations being reported in our 2020/21 Audit Findings Report. As part of our risk assessment we have considered the impact of unadjusted prior period errors and have not identified any impact on the current year audit in respect of that adjustment. We are pleased to report that management are implementing our recommendations and hopefully will be able to confirm they have been fully implemented during our audit.

Auditors Assessment	Issue and risk previously communicated	Management update on actions taken to address the issue
TBC	Our work on Property Plant & Equipment identified that management were not complying with their accounting policy and were not updating the useful economic lives of assets as per the valuers report and as a result the depreciation charge was too high in both 2020/21 and 2019/20. The amount is not material but is noted in Appendix C as it is over triviality. It should be noted this has no impact on the general fund as depreciation is adjusted out but individual unusable reserves are not correctly stated.	Appropriate processes have been built into the year-end process for 2021/22 and therefore this should not be an issue for this year-end.
TBC	As part of our additions testing in our work on Property Plant & Equipment, our sample identified assets that had been capitalised at the year-end which had not been received by the year-end. The actual error was £42k so not above our triviality but when extrapolated over the whole additions amount is over triviality so included within Appendix C.	Appropriate processes have been built into the year-end process for 2021/22 and therefore this should not be an issue for this year-end.
TBC	Our sample testing identified two instances of items where the accruals basis of accounting had not been used and an appropriate year-end prepayment or accrual hadn't been calculated. The financial reporting framework requires that accruals accounting is adopted. The errors were found in our debtors sample and our operating expenditure sample. One of which led to a trivial £51k error and another trivial £1k error, hence they are not included in Appendix C.	Management have stated that appropriate processes have been built into the year-end process for 2021/22 and therefore this should not be an issue for this year-end.

Appendix 2: Progress against prior year VfM recommendations

We made two improvement recommendations as part of our Value for Money audit, as presented to the JAAC Meeting in our Auditors Annual Report in December.

We are pleased to report that management are looking at the best ways to implement our recommendations, and acknowledge some of them will take a while to implement.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	<p>Integrated reporting is a key component of good governance. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) emphasises “the need for integration in both reporting and organisational performance and makes explicit reference to Integrated reporting. With the growing demands on public services, public sector entities are compelled to identify new and better ways of doing business and convince their stakeholders of how they will continue to achieve their objectives and targets</p> <p>We recommended that Cheshire Police look at integrating financial performance reporting with service delivery performance reporting. One way to achieve this could be to require reports to have a financial input from Finance Business Partners before they can be agreed.</p>	<p>Finance data is now being brought into the force performance meetings and is started to be integrated into the performance network. Management are satisfied that it is progressing well.</p>
In progress	<p>From discussions with management we understand that the proposed transition to the new financial ledger which was proposed for 1 April 2022 will now be delayed. This could present difficulties and challenges for the finance department in both internal and external demands. We recommended the PCC and Chief Constable ensure ongoing monitoring of the outcome of the arrangements to transfer services out of MFSS to ensure it meets the proposed timelines or where these need to change controls put in place for the associated implications.</p>	<p>The transition from MFSS is ongoing and the governance is robust with a programme board reporting to Change Board and others. There is also a lead member from the Joint Audit Advisory Committee who receives regular updates and then report to the meetings. All designs go through the Design Authority together with any change requests being subject to controls.</p>



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Police and Crime Commissioner and Chief Constable for
Cheshire

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- 2 2021/22 Internal Audit Service Delivery
- 3 Executive Summary
- 4 Head of Internal Audit Opinion
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- 6 Areas for consideration - your Annual Governance Statement
- 7 MIAA Quality of Service Indicators

1 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 has continued to faced unprecedented challenges due to COVID-19.

2 2021/22 Internal Audit Service Delivery

COVID-19 has continued to impact all public services, however, our response during 2020/21 and the need to work differently has provided a strong basis for the delivery of planned work in 2021/22. We have continued to act as a critical friend throughout the pandemic providing key assurances across a range of areas.

We would like to take this opportunity to thank the Joint Audit Advisory Committee and all the staff at the Constabulary for their ongoing support during the year.

3 Executive Summary

This annual report provides the 2021/22 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 2021/22 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	The overall opinion for the period 1 st April 2021 to 31 st March 2022 provides Substantial Assurance , that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.
Planned Audit Coverage and Outputs	<p>The 2021/22 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. Coverage has been focused on:</p> <ul style="list-style-type: none">• Core and mandated reviews, including follow up; and• A range of individual risk based assurance reviews. <p><i>Please include the summary text in the table above when referring to the Head of Internal Audit Opinion in your Annual Governance Statement.</i></p>
MIAA Quality of Service Indicators	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.

4 Head of Internal Audit Opinion

4.1 Roles and responsibilities

The Chief Constable is responsible for 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 (AGS) is an annual statement prepared jointly by the Police and Crime Commissioner and Chief Constable, including:

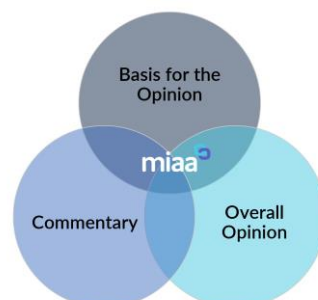
- How the individual responsibilities of the Police and Crime Commissioner and Chief Constable are discharged with regard to maintaining a sound system of internal control and governance that supports the achievement of policies, aims and objectives.
- The purpose of the systems of internal control as 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, considered by the Joint Audit Advisory Committee and approved by the Joint Management Board 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 Risk Management Framework. As such, it is one component that the Police and Crime Commissioner and Chief Constable takes 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:

1	An understanding of the design and operation of the Risk Management Framework and supporting processes.
2	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.
3	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 1st April 2021 to 31st March 2022 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.	
Substantial Assurance , 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. 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 1st April 2021 to 31st March 2022 inclusive, and is underpinned by the work conducted through the risk based internal audit plan.

4.3.1 Core & Risk Based Reviews Issued

We issued:

One high assurance opinions:	Financial Systems
Five substantial assurance opinions:	Collaboration & Partnerships – NW Motorway Policing Governance review Covid – 19 Body Worn Video Usage (Carry Forward 2020/ 21) Performance Management – Local Policing Units Estates Strategy
One moderate assurance opinions:	Cyber Crime
Zero limited assurance opinions:	
Zero no assurance opinions:	

4.3.2 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 22 recommendations as part of the reviews undertaken during 2021/22. Of these recommendations: none were **critical** and **one** was a **high risk recommendation** in relation to the reviews of Cyber Crime.

4.3.3. 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, resourcing and staffing pressures and the changing nature of crime.

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 2022

Louise Cobain
Assurance Director, MIAA
March 2022

5 Internal Audit Coverage and Outputs

The 2021/22 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. 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 Joint Audit Advisory 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	Financial Systems	High	0	0	0	0	0
2	Collaboration & Partnerships – NW Motorway Policing Governance review	Substantial	0	0	5	0	5
3	Covid – 19	Substantial	0	0	1	0	1
4	Body Worn Video Usage (Carry Forward 2020/ 21)	Substantial	0	0	5	2	7
5	Performance Management – Local Policing Units	Substantial	0	0	1	2	3
6	Estates Strategy	Substantial	0	0	1	0	1
7	Cyber Crime	Moderate	0	1	3	1	5
		TOTAL	0	1	16	5	22

We will continue to follow up progress against all recommendations as part of the 2022/23 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 and deliver the National Fraud Initiative data matches

Ongoing discussion with lead Officers, Managers and Joint Audit Advisory Committee Chair and members throughout the year.

Effective utilisation of internal audit including in year communication, review and changes to timing of delivery of the audit plan reviews.

Opportunities/ Involvement through MIAA events. Including the Collaborative Masterclass Series and Audit Committee Members Network events.

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.

We have identified a number of other 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 organisation 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 2021/22 including any actions taken to address any areas of development.
- Response to Covid19 and the impact of associated 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 and Constabulary place reliance, and the provision of assurances from these.
- 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

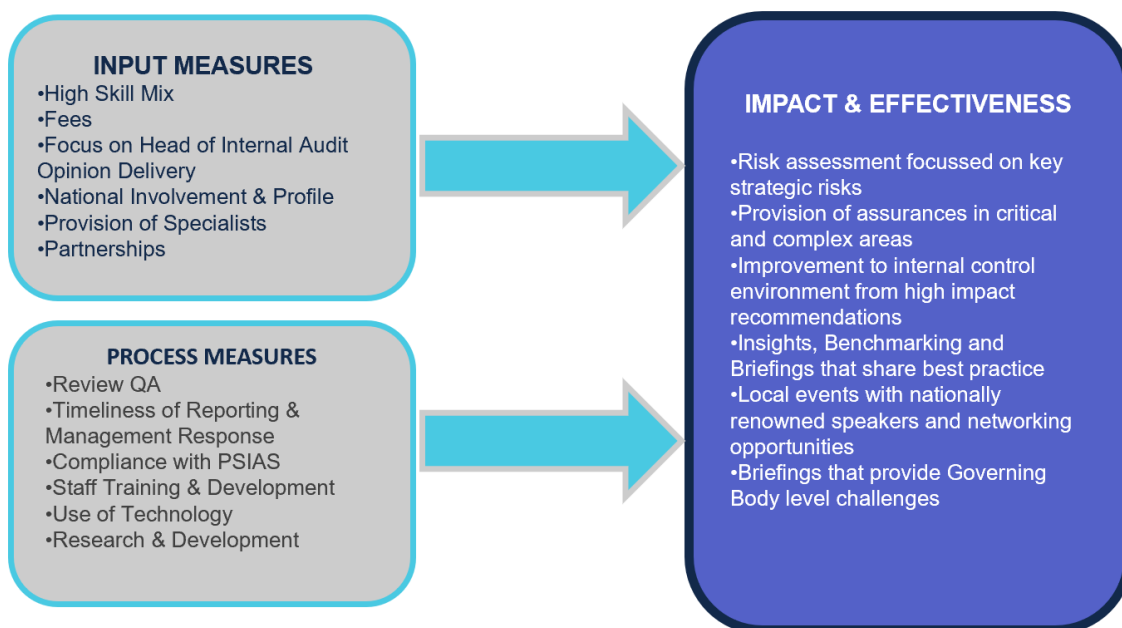
MIAA comply fully with professional best practice, internal audit standards and legal requirements. We assess our compliance with the Public Sector Internal Audit Standards (PSIAS) each year.





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.



MIAA regularly report on input and process KPIs as part of our Progress reports, and the impact and effectiveness measures can be assessed through the HOIA Opinion.

Steve Connor

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**POLICE & CRIME COMMISSIONER
FOR CHESHIRE AND GROUP
STATEMENT OF ACCOUNTS
2021/22**

STATEMENT OF ACCOUNTS 2021/22

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NARRATIVE REPORT

Introduction

Welcome to the 2021/22 Statement of Accounts for Cheshire Police.

On 31 January 2021 the previous Commissioner set a gross revenue budget of £242.2m (net £207.8m) funded by government grants and the police share of council tax (known as the precept). He also approved a programme of capital investment totalling £9.4m for 2021/22. In May 2021 Police and Crime Commissioner (PCC) elections took place and John Dwyer was duly elected as the new Cheshire PCC.

Following his election the new Commissioner launched his Police and Crime Plan for 2021-24, setting out his priorities for policing, crime and community safety in the county for his term in office. In addition to outlining the Commissioner's wider vision, the Plan sets out the strategic direction for Cheshire Constabulary and how the Commissioner will hold the Chief Constable to account in delivering on the public's priorities.

The six key priorities for policing and crime in Cheshire outlined in the Plan are:

- Prevent and tackle crime
- Make Cheshire's roads safer
- Deliver justice for victims of crime
- Protect vulnerable and at-risk people
- Improve public confidence in policing
- Modernise our police service

This budget provided funding to support the delivery of this Police and Crime Plan together with meeting the obligations of the national Strategic Policing Requirement. Further details of 2021/22 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 £70.4m 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 £74.9m for 2021/22. This is explained further in note 33 to these accounts. Without these accounting entries, the overall outturn position shows an underspend of £0.2m (0.1% 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 £2,468m as at 31 March 2022 (£2,489m 31 March 2021).

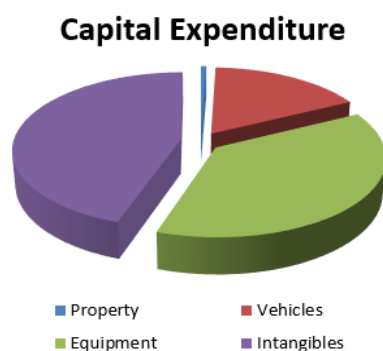
The final Primary Statement is the Cashflow Statement. This shows the changes in cash and cash equivalents of the Commissioner during the financial year. The statement shows how the Commissioner generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount 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 2022

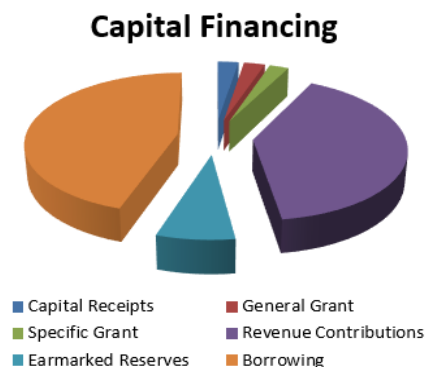
Capital Expenditure and Financing

In 2021/22 capital investment in new technology, fleet replacement, estate management and equipment was identified in the approved Budget Report which required funding of £9.4m. 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>	£000	
Property	42	0.6%
Vehicles	1,137	17.0%
Equipment	2,519	37.6%
Intangibles	3,007	44.8%
	<u>6,705</u>	100.0%



<u>Capital Financing</u>	£000	
Capital Receipts	170	2.5%
General Grant	173	2.5%
Specific Grant	157	2.3%
Revenue Contributions	2,706	40.4%
Earmarked Reserves	482	7.2%
Borrowing	3,017	45.0%
Total	<u>6,705</u>	100.0%



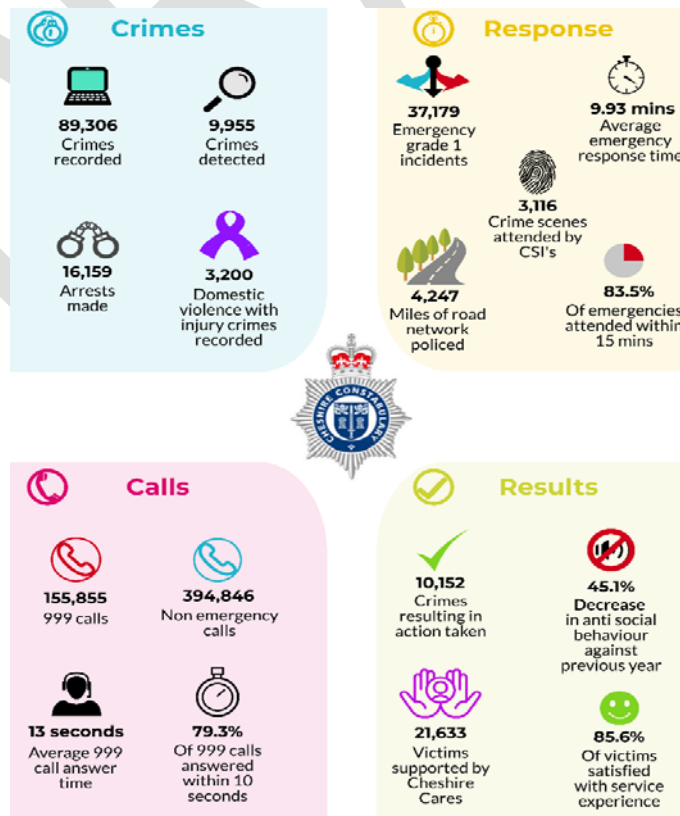
Financial Performance

2021/22 has been another challenging year with the ongoing welcome priority of recruiting additional officers as part of the national uplift programme. This was achieved despite the continuing adverse impact of the coronavirus pandemic, which has again affected the delivery of some projects and plans. The 2021/22 outturn shows an underspend of £0.2m after taking into account £1.5m of approved carry-forward commitments into 2022/23. 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 2022 – please see Commissioner’s website.

	Full Year Budget	Outturn Actual	Carry Forwards	Total Outturn	Outturn Variance	
	£000	£000	£000	£000	£000	%
Police Pay	112,235	112,732	0	112,732	497	0%
Overtime	3,519	3,857	0	3,857	338	10%
Contact, Response & Resolution	11,469	10,515	0	10,515	(954)	(8%)
Crime	10,961	10,593	6	10,599	(362)	(3%)
Neighbourhoods	8,246	7,933	0	7,933	(313)	(4%)
Public Protection	6,197	5,797	61	5,858	(339)	(5%)
Centrally Delivered Services	6,033	5,707	275	5,982	(51)	(1%)
Business Services	39,845	38,779	753	39,532	(313)	(1%)
Collaborations	11,654	11,147	83	11,230	(424)	(4%)
Contingency	29	0	0	0	(29)	(100%)
Covid Surge Funding Projects	65	34	31	65	0	0%
Corporate Costs	(4,821)	(3,075)	0	(3,075)	1,746	(36%)
Total Constabulary Costs	205,432	204,018	1,209	205,227	(205)	(0%)
Office of the Police & Crime Commissioner	1,100	1,097	0	1,097	(3)	(0%)
Commissioning	1,293	1,007	286	1,293	0	0%
OPCC Total	2,393	2,104	286	2,390	(3)	(0%)
Total Service Costs	207,825	206,122	1,495	207,617	(208)	(0%)

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.

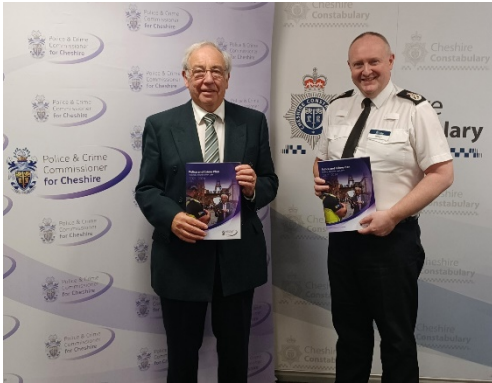


Policing in Cheshire 2021/22

Review of 2021/22

John Dwyer takes office as Police and Crime Commissioner for Cheshire

Mr Dwyer was declared as the county's Police and Crime Commissioner following the elections on Thursday 6 May 2021. He has taken on the role for the next three years. The term of office is normally four years but it has been reduced to three after the elections were postponed from May 2020 due to the coronavirus pandemic.

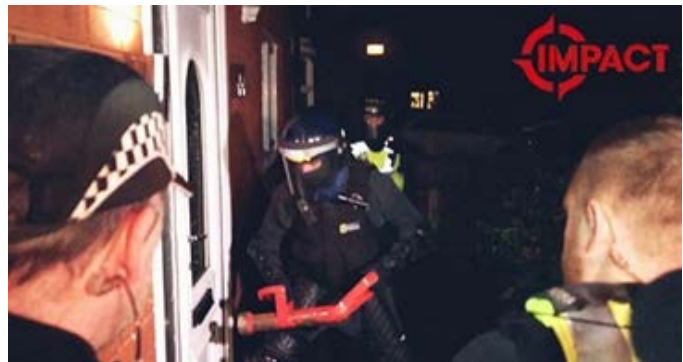


He previously held the same post between 2012 and 2016, in which time he oversaw 'outstanding' approval ratings for Cheshire Constabulary. Prior to this, he retired as Assistant Chief Constable (ACC) in Cheshire after a 30 year career which started in Nottinghamshire, followed by a transfer to the West Midlands as a Chief Inspector and finally to Cheshire as ACC. John's role will be to be the voice of local people in policing and he will do this by holding the Chief Constable to account, setting the police budget and commissioning services for victims of crime and to prevent crime. He said: "I am honoured that Cheshire residents have put their trust in me to be the next Police and Crime Commissioner and I'm excited to return to the role.

Serious and organised crime is now 'everybody's business'

Our new Serious and Organised Crime Strategy has been launched to enable the force to more effectively tackle those who cause the most harm to our communities and to make the people of Cheshire safer. The whole system approach to tackling serious and organised crime (SOC) makes it 'everybody's business'. The strategy contains key deliverables and actions for Local Policing Units, as well as our Serious and Organised Crime Unit (SOCU) and Proactive teams, to implement. This enables the force to deal with the full range of SOC threats.

Chief Constable Mark Roberts said: "Serious and organised crime is one of the most serious threats facing Cheshire. Individuals and networks involved in it are amongst the most capable and resilient adversaries that we face. Criminals persistently erode our economy and our communities by exploiting children and ruthlessly targeting the most vulnerable, ruining lives and blighting communities. Serious and organised criminals may often think they are free to act with impunity against our children, our businesses and our way of life. They believe that they can use violence, intimidation and coercion to stay above the law. Our single whole system approach to tackling serious and organised crime outlines clear actions we will undertake to ensure that we relentlessly 'pursue, protect, prevent and prepare' in order to make Cheshire a hostile environment for serious and organised criminality in all its forms and bring offenders to justice."



The Police and Crime Commissioner for Cheshire, John Dwyer, added:

"In the Police and Crime Plan, tackling and disrupting serious and organised crime is a key strand in the preventing and tackling crime priority. Cheshire has a strong track record in tackling serious and organised crime – 30 organised crime groups were disrupted last year alone. The SOC Strategy will help in continuing to work on this success. The launch of this strategy makes it clear that Cheshire is a hostile place for criminals and anyone who exploits the vulnerable for their own personal gain will be caught in our county. By all working together and implementing this strategy, we can reduce the risk to vulnerable people and protect our communities from hardened criminals."

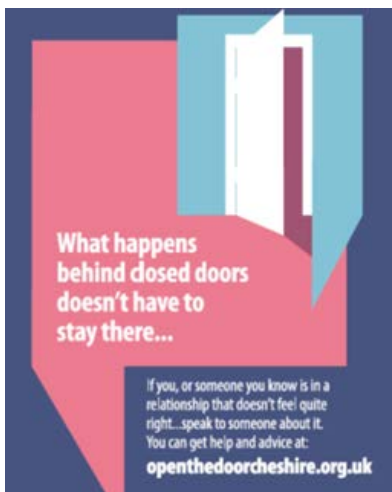
If you have information relating to serious and organised crime taking place in your community please contact Crimestoppers anonymously on 0800 555 111 or Cheshire Police by calling 101.

Protecting and defending young children

An operation aimed at protecting and defending young and vulnerable children has taken place across Cheshire. Operation Guardians targeted and deterred predators, educated youngsters on signs of exploitation and staying safe online as well as providing reassurance and encouragement to report criminal behaviour. It saw the Constabulary's online child abuse investigation team conduct an online undercover operation – working alongside the North West Regional Organised Crime Unit and National Crime Agency – and using the force's new digital mobile forensics van to instantly check offenders' devices. Other activity included officers proactively visiting vulnerable children who repeatedly go missing to better understand underlying issues and triggers in order to prevent further occurrences.



John Dwyer, Police and Crime Commissioner for Cheshire said: "A key priority in my Police and Crime Plan is to protect vulnerable and at-risk people, and children who are targeted by online predators are among the most vulnerable in our society. That's why I was keen to ensure that our Online Child Abuse Investigation Team received more funding and it has more than quadrupled in size as a result."



Domestic abuse has no place in any home in Cheshire

Domestic abuse is not just physical violence, if you are threatened, made to dress or look a certain way, have no say over your day to day activity or are constantly criticised it is still abuse. ACC Jennings said: "Residents may see extra patrols out and about across the county and I would urge anyone with any concerns to speak to their local officers. Domestic abuse is not normal and it is not OK, it is not a matter of course in any relationship. We also understand that every case is different and must be treated as such. If you are in an abusive relationship, or suffering at the hands of family or carers, it is not your fault and you do not have to stand for it. I would urge anyone who is affected by domestic abuse to seek support and report any concerns to us to help and bring offenders to justice."

Anyone with any concerns regarding domestic abuse can call 101 or report online via:

<https://www.cheshire.police.uk/ro/report/domestic-abuse/a1/report-domestic-abuse/>

We know not all victims of domestic abuse want to speak to police, and advice can also be sought from Open the Door via www.openthedoorcheshire.org.uk

Improved response times help tackle crime in Cheshire

Residents from across the county have been benefiting from better police response times. The improvement was applauded by Police and Crime Commissioner for Cheshire, John Dwyer, after a recent meeting where he held the Constabulary to account for their performance on a range of issues. On 27 January 2022 a Public Scrutiny Board meeting was held, which saw the Commissioner addressing Cheshire Police's performance with the Chief Constable and senior officers from the Constabulary. These included crime recording, solve rates, and recruitment, as well as the service being received by the communities in the county.



John Dwyer, Police and Crime Commissioner for Cheshire, said: "Improving public confidence in policing is a key aim of my Police and Crime Plan. I want people to have confidence in contacting the police, so I am extremely pleased with the improving response times in Cheshire. The fact that both of these figures are going up simultaneously demonstrates that the Constabulary is using its resources effectively and efficiently, making Cheshire a safer place for those who live, work and visit here. I know the Constabulary is working hard to improve these figures even more."

Coronavirus (Covid-19)

2021/22 started with national pandemic related lockdown restrictions still in place and the continuing worldwide disruption has again had an impact both operationally and on the actual outturn expenditure, which necessitates carry forward of some commitments into 2022/23.

The Coronavirus situation brought about an unprecedented public health emergency. During this major incident, policing was at the forefront of ensuring that the public follow the rules and stay safe. This 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 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 were however, incurred during 2020/21 and to assist, additional funding was provided by Central Government for some of this additional expenditure – specifically around PPE, additional cleaning, creating Covid-19 secure buildings and overtime relating to Covid-19 restrictions compliance patrols. The Constabulary also received income loss compensation funding during 2020/21, relating to the loss of income in respect of specific services where all of the associated costs were not able to be fully reduced – for example speed awareness courses. No further pandemic related funding has been received during 2021/22.

In terms of Council Tax funding, the Commissioner's 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 2022. The coronavirus pandemic has had an impact on collection performance, whereas in previous years there has often been a relatively healthy overall surplus, there were deficits totalling £223k built into the 2021/22 budget and while grants were provided for some of the income loss, some remained to be funded locally. There is a further estimated deficit position of £34k built into the approved 2022/23 budget. The 2021/22 outturn position showed an improvement over the budgeted estimate for all four authorities with an actual surplus of £147k.

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 provided valuations in line with their professional guidance. 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.

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 2022 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 2021/22 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.

Future Developments

In January 2022, the Commissioner set a gross revenue budget for 2022/23 of £255.3m (net £228.6m), together with a capital investment programme of £12.6m.

Our people are key to delivering our mission of *'Delivering even safer communities for the whole of Cheshire'* and prioritising where our resources are placed was a major consideration within the budget setting process. The approved 2022/23 budget will see 120 more officers recruited bringing the total to 2,347. In addition, with the support of the public and the Commissioner, the precept will also fund the addition of a further 82 staff roles – 63 in frontline areas and the remaining providing the additional support required.

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, Chief Finance Officer, 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, Chief Finance Officer, 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 November 2022

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 2022 and of the expenditure and income for the year ended 31 March 2022.

Clare Hodgson

Chief Finance Officer, Office of the Police & Crime Commissioner

xx November 2022

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

Report on the Audit of the Financial Statements

Opinion on financial statements

To Follow

DRAFT

Report on the Audit of the Financial Statements

Opinion on financial statements

To Follow

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To Follow

DRAFT

EXPENDITURE AND FUNDING ANALYSIS NOTE 2021/22 (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	116,589	0	116,589	16,247	132,835
Contact, Response & Resolution	10,515	0	10,515	2,255	12,769
Crime	10,599	6	10,593	1,826	14,420
Neighbourhoods	7,933	0	7,933	1,125	9,057
Public Protection	5,858	61	5,797	1,353	7,150
Centrally Delivered Services	5,982	275	5,707	893	6,601
Business Services	39,532	1,783	37,749	5,279	43,027
Collaborations	11,230	856	10,374	1,513	11,887
Corporate Costs	(5,865)	3,011	(8,876)	(1,435)	(10,311)
Office of the Police & Crime Commissioner	1,097	0	1,097	149	1,246
Office of the Police & Crime Commissioner - Commissioning	1,293	286	1,007	0	1,007
Actuarial Pension Costs – McCloud Judgement	0	0	0	0	0
Net Cost of Services	204,763	6,278	198,485	29,204	227,689
Other Income & Expenditure	0	0	0	149	149
Financing & Investment Income & Expenditure	2,855	0	2,855	51,974	54,829
Taxation & Non Specific Grant Income	(207,825)	203	(208,028)	(4,256)	(212,284)
(Surplus) or Deficit	(208)	6,481	(6,688)	77,071	70,383
Opening General Fund			(21,534)		
Less/Plus (Surplus) Deficit on General Fund in Year			(6,688)		
Closing General Fund at 31 March			(28,222)		

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 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
Contact, Response & Resolution (b)	10,864	37	10,827	156	10,984
Crime (b)	8,946	65	8,881	115	8,997
Neighbourhoods (b)	7,103	100	7,003	76	7,079
Public Protection (b)	6,157	109	6,048	103	6,151
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
Net Cost of Services	191,859	5,028	186,831	15,656	202,486
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)
(Surplus) or Deficit	(839)	5,928	(6,767)	64,913	58,146
Opening General Fund			(14,767)		
Less/Plus (Surplus) Deficit on General Fund in Year			(6,767)		
Closing General Fund at 31 March			(21,534)		

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. (b) Contact, Response & Resolution, Crime, Neighbourhoods and Public Protection reorganised in 2021/22, 2020/21 figures restated to reflect the new structure – previously Local Policing £18,063k net; Investigations £15,148k net

COMPREHENSIVE INCOME and EXPENDITURE STATEMENT (Group)

2020/21			2021/22			Notes	
£000	£000	£000		£000	£000	£000	
Expenditure	Income	Net	<u>Police Services (b):</u>	Expenditure	Income	Net	
114,894	(2,824)	112,070	Police Pay	135,945	(3,110)	132,835	
15,305	(4,321)	10,984	Contact, Response & Resolution (a)	18,866	(6,096)	12,769	
11,315	(2,318)	8,997	Crime (a)	15,282	(2,862)	12,420	
7,470	(391)	7,079	Neighbourhoods (a)	9,410	(353)	9,057	
10,132	(3,981)	6,151	Public Protection (a)	11,324	(4,173)	7,150	
5,783	(755)	5,027	Centrally Delivered Services	7,475	(874)	6,601	
41,028	(7,024)	34,004	Business Services	49,737	(6,710)	43,027	
11,332	(786)	10,546	Collaborations	12,660	(773)	11,887	
662	(10,678)	(10,016)	Corporate Costs	465	(10,775)	(10,311)	
682	0	682	Office of Police & Crime Commissioner	1,246	0	1,246	
4,199	(3,127)	1,072	Office of Police & Crime Commissioner - Commissioning	6,435	(5,429)	1,007	
15,890	0	15,890	Actuarial Pension Costs – McCloud Judgement	0	0	0	33
238,693	(36,206)	202,486	Cost of Services	268,845	(41,155)	227,689	9
		43	Other Operating Expenditure & Income			149	9
		53,472	Financing & Investment Income & Expenditure			54,829	9
		<u>(197,856)</u>	Taxation & Non-Specific Grant Income			<u>(212,284)</u>	9
		58,146	Deficit / (Surplus) on Provision of Services			70,383	9
		5,809	(Surplus)/Deficit on revaluation of fixed assets			(19,256)	
		0	(Surplus)/Deficit on revaluation of "available for sale" assets			0	
		283,429	Actuarial (gains)/losses on pension assets/ liabilities			(72,669)	33
		<u>289,238</u>	Other Comprehensive Income and Expenditure			<u>(91,925)</u>	
		<u>347,383</u>	Total Comprehensive Income and Expenditure			<u>(21,542)</u>	

(a) Contact, Response & Resolution, Crime, Neighbourhoods and Public Protection reorganised in 2021/22, 2020/21 figures restated to reflect the new structure – previously Local Policing £18,063k net; Investigations £15,148k net. (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 6 in the Narrative Report where you can see as an example 'police pay' cash spend including overtime is £116,589k (£110,899k 2020/21).

MOVEMENT IN RESERVES STATEMENT (Group)

2021/22	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2021	21,534	856	22,391	(2,511,713)	(2,489,322)
Total Comprehensive Expenditure and Income	(70,383)	0	(70,383)	91,925	21,542
Adjustments between accounting basis & funding basis under regulations – see Note 15	77,071	(170)	76,901	(76,901)	0
Increase/(Decrease) in year	6,688	(170)	6,518	15,024	21,542
Balances at 31 March 2022	28,222	686	28,909	(2,496,689)	(2,467,780)
2020/21	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2020	14,767	2,526	17,293	(2,159,232)	(2,141,939)
Total Comprehensive Expenditure and Income	(58,146)	0	(58,146)	(289,238)	(347,383)
Adjustments between accounting basis & funding basis under regulations – see Note 15	64,913	(1,670)	63,243	(63,243)	0
Increase/(Decrease) in year	6,767	(1,670)	5,098	(352,481)	347,383
Balances at 31 March 2021	21,534	856	22,391	(2,511,713)	(2,489,322)

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

BALANCE SHEET AS AT 31 MARCH 2022 (Group)

31 March 2021 £000		31 March 2022 £000	£000	Notes
121,562	Property, Plant & Equipment	135,372		17
1,336	Intangible Assets	3,349		18
1,159	Long Term Debtors	949		22
<u>124,057</u>	Long Term Assets		139,670	
933	Stock	609		
16,979	Short Term Debtors	23,485		23
23,080	Cash and Cash Equivalents	27,472		24
0	Assets (held for sale)	0		25
<u>40,992</u>	Current Assets		51,566	
0	Short Term Borrowing	(99)		22
(24,888)	Short Term Creditors	(26,038)		26
<u>(24,888)</u>	Current Liabilities		(26,137)	
(17,380)	Long Term Creditors	(16,223)		29
(538)	Provisions	(489)		27
(27,873)	Long Term Borrowing	(30,274)		22
(2,583,692)	Other Long Term Liabilities	(2,585,892)		33
<u>(2,629,483)</u>	Long Term Liabilities		(2,632,878)	
<u>(2,489,322)</u>	Net Assets		<u>(2,467,780)</u>	
	Represented By:			
22,391	Usable Reserves		28,909	16
(2,511,713)	Unusable Reserves		(2,496,689)	30
<u>(2,489,322)</u>	Total Reserves		<u>(2,467,780)</u>	

These accounts replace the unaudited accounts that were issued on xx July 2022

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

Date: xx November 2022

CASHFLOW STATEMENT (Group)

31 March 2021 £000		31 March 2022 £000	Notes
58,146	Net (surplus) or deficit on the provision of services	70,383	
	Adjust net (surplus) or deficit on the provision of services for non-cash movement:		
(11,210)	Depreciation	(9,990)	
(56,348)	Pensions - actuarial movement	(74,865)	
246	Movement in Creditors	(3,004)	
(5,377)	Movement in Debtors	6,045	
429	Movement of Stock	(45)	
(2,505)	Other non-cash items	1,722	
0	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		
<u>(16,619)</u>	Net cash flow from operating activities	<u>(9,754)</u>	
4,606	Investing Activities	6,705	31
1,068	Financing Activities	(1,343)	31
<u>(10,945)</u>	Net (increase) or decrease in cash and cash equivalents	<u>(4,392)</u>	
(12,135)	Cash and cash equivalents at the beginning of the reporting period	(23,080)	24
(23,080)	Cash and cash equivalents at the end of the reporting period	(27,472)	24
<u>(10,945)</u>	Net (increase) or decrease in cash and cash equivalents	<u>(4,392)</u>	

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.

2020/21 £000	FUND ACCOUNT	2021/22 £000
	Contributions Receivable from:	
(24,036)	Employer at 31% of pensionable pay	(24,881)
(1,218)	Early Retirements	(723)
(10,464)	From current employees	(10,882)
(35,718)		(36,486)
0	Transfers in from other Police & Crime Commissioners	
(499)	Transfers in from other pension schemes	(119)
(36,217)		(36,605)
	Benefits Payable:	
50,860	Pensions	51,934
10,500	Commutations and lump sum retirement benefits	10,887
288	Lump sum death benefits	194
	Payments to and on account of leavers	
0	Transfers out to other schemes	10
36	Refunds of contributions	68
	Other Payments	
0	Pension Admin and Interest Charges	0
61,684		63,093
25,467	Net amount payable for the year	26,488
(25,467)	Additional contribution from the Commissioner ¹	(26,488)
Nil	Net balance on fund in year	Nil
	NET ASSET STATEMENT	
0	Unpaid Pensions Due	0
0	Amount Owing to General Fund	0
0		0

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

EXPENDITURE AND FUNDING ANALYSIS NOTE 2021/22 (Police & Crime Commissioner)

	2021/22		
	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
<u>Police Services</u>			
Police Pay	(3,110)	0	(3,110)
Contact, Response & Resolution	(6,096)	0	(6,096)
Crime	(2,862)	0	(2,862)
Neighbourhoods	(353)	0	(353)
Public Protection	(4,173)	0	(4,173)
Centrally Delivered Services	(874)	0	(874)
Business Services	(6,710)	0	(6,710)
Collaborations	(773)	0	(773)
Corporate Costs	(11,103)	0	(11,103)
Office of the Police & Crime Commissioner	1,097	149	1,246
Office of the Police & Crime Commissioner - Commissioning	1,007	0	1,007
	(33,950)	149	(33,802)
Funding to Cheshire Constabulary	232,435	7,575	240,010
Net Cost of Services	198,485	7,723	206,208
Other Income & Expenditure	0	149	149
Financing & Investment Income & Expenditure	2,855	21	2,876
Taxation & Non Specific Grant Income	(208,028)	(4,256)	(212,284)
(Surplus) or Deficit	(6,688)	3,637	(3,051)
Opening General Fund	(21,534)		
Less/Plus (Surplus) Deficit on General Fund in Year	(6,688)		
Closing General Fund at 31 March	(28,222)		

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 2020/21 (Police & Crime Commissioner)

	2020/21		Net Expenditure Comprehensive Income and Expenditure Statement £000
	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	
Police Services			
Police Pay	(2,824)	0	(2,824)
Contact, Response & Resolution (a)	(4,321)	0	(4,321)
Crime (a)	(2,318)	0	(2,318)
Neighbourhoods (a)	(391)	0	(391)
Public Protection (a)	(3,981)	0	(3,981)
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
	(31,377)	7	(31,370)
Funding to Cheshire Constabulary	218,208	8,798	227,006
Net Cost of Services	186,831	8,805	195,636
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)
(Surplus) or Deficit	(6,767)	7,518	751
Opening General Fund	(14,767)		
Less/Plus (Surplus) Deficit on General Fund in Year	(6,767)		
Closing General Fund at 31 March	(21,534)		

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.

(a) Contact, Response & Resolution, Crime, Neighbourhoods and Public Protection reorganised in 2021/22, 2020/21 figures restated to reflect the new structure – previously Local Policing £(4,713)k net; Investigations £(6,298)k net

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

2020/21			2021/22			Notes
£000	£000	£000	£000	£000	£000	
Expenditure	Income	Net	Expenditure	Income	Net	
<u>Police Services:</u>						
0	(2,824)	(2,824)	0	(3,110)	(3,110)	
0	(4,321)	(4,321)	0	(6,096)	(6,096)	
0	(2,318)	(2,318)	0	(2,862)	(2,862)	
0	(391)	(391)	0	(353)	(353)	
0	(3,981)	(3,981)	0	(4,173)	(4,173)	
0	(755)	(755)	0	(874)	(874)	
0	(7,024)	(7,024)	0	(6,710)	(6,710)	
0	(786)	(786)	0	(773)	(773)	
11,164	(21,888)	(10,724)	9,662	(20,765)	(11,103)	
682	0	682	1,246	0	1,246	
4,199	(3,127)	1,072	6,435	(5,429)	1,007	
16,046	(47,416)	(31,370)	17,344	(51,145)	(33,802)	
227,006		227,006	240,010		240,010	
		195,636			206,208	
		43			149	9
		2,928			2,876	9
		(197,856)			(212,284)	9
		751			(3,051)	
		5,809			(19,256)	
		0			0	
		645			(487)	
		6,454			(19,743)	
		7,205			(22,794)	

(a) Contact, Response & Resolution, Crime, Neighbourhoods and Public Protection reorganised in 2021/22, 2020/21 figures restated to reflect the new structure – previously Local Policing £(4,713)k net; Investigations £(6,298)k net

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

2021/22	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2021	21,534	856	22,391	74,148	96,539
Total Comprehensive Expenditure and Income	3,051	0	3,051	19,743	22,794
Adjustments between accounting basis & funding basis under regulations	3,637	(170)	3,467	(3,467)	0
Increase/(Decrease) in year	6,688	(170)	6,518	16,276	22,794
Balances at 31 March 2022	28,222	686	28,909	90,424	119,333

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

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

BALANCE SHEET AS AT 31 MARCH 2022 (Police & Crime Commissioner for Cheshire)

31 March 2021 £000		31 March 2022 £000		Notes
		£000	£000	
121,562	Property, Plant & Equipment	135,372		17
1,336	Intangible Assets	3,349		18
1,159	Long Term Debtors	949		22
<u>124,057</u>	Long Term Assets		139,670	
933	Stock	609		
16,979	Short Term Debtors	23,485		23
23,080	Cash and Cash Equivalents	27,472		24
0	Assets (held for sale)	0		25
<u>40,992</u>	Current Assets		51,566	
0	Short Term Borrowing	(99)		22
(20,109)	Short Term Creditors	(22,341)		
<u>(20,109)</u>	Current Liabilities		(22,440)	
(17,380)	Long Term Creditors	(16,223)		
(538)	Provisions	(489)		27
(27,873)	Long Term Borrowing	(30,274)		22
(2,611)	Other Long Term Liabilities	(2,477)		
<u>(48,402)</u>	Long Term Liabilities		(49,463)	
<u>96,538</u>	Net Assets		119,333	
	Represented By:			
22,391	Usable Reserves		28,909	16
74,147	Unusable Reserves		90,424	30
<u>96,538</u>	Total Reserves		119,333	

These accounts replace the unaudited accounts that were issued on xx July 2022.

Clare Hodgson, Chief Finance Officer, Office of the Police & Crime Commissioner
Date: xx November 2022

CASHFLOW STATEMENT (Police & Crime Commissioner for Cheshire)

31 March 2021 £000		31 March 2022 £000	Notes
751	Net (surplus) or deficit on the provision of services	(3,051)	
	Adjust net (surplus) or deficit on the provision of services for non-cash movement:		
(11,210)	Depreciation	(9,990)	
1,046	Pensions - actuarial movement	(1,430)	
246	Movement in Creditors	(3,004)	
(5,377)	Movement in Debtors	6,045	
429	Movement of Stock	(45)	
(2,505)	Other non-cash items	1,722	
0	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		
<u>(16,619)</u>	Net cash flow from operating activities	<u>(9,753)</u>	
4,606	Investing Activities	6,705	31
1,068	Financing Activities	(1,343)	31
<u>(10,945)</u>	Net (increase) or decrease in cash and cash equivalents	<u>(4,392)</u>	
(12,135)	Cash and cash equivalents at the beginning of the reporting period	(23,080)	24
(23,080)	Cash and cash equivalents at the end of the reporting period	(27,472)	24
<u>(10,945)</u>	Net (increase) or decrease in cash and cash equivalents	<u>(4,392)</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 2021/22 financial year and the position at 31 March 2022. 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 2021/22, 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 relevant service heading in the Comprehensive Income and Expenditure Statement.
- 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 (FVOCI)

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 (FVPL)

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 which 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 2021/22 (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 2021/22 and 2022/23 financial statements in respect of accounting changes that are introduced in the 2022/23 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 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 2022.

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 2022, 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.	Each 5% change in the value of Land & Buildings assets would have an impact of £6.3m on their Net Book Value at 31st March 2022. 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 £1.968m 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 £55.775m 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 2021/22	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Police Pay	5,104	11,697	(554)	16,247
Contact, Response & Resolution	708	1,623	(77)	2,255
Crime	574	1,315	(62)	1,826
Neighbourhoods	353	810	(38)	1,125
Public Protection	425	974	(46)	1,353
Centrally Delivered Services	281	643	(30)	893
Business Services	865	4,633	(220)	5,279
Collaborations	475	1,089	(52)	1,513
Corporate Costs	(1,435)	0	0	(1,435)
OPCC	47	107	(5)	149
OPCC – Commissioning	0	0	0	0
Actuarial Pension costs - McCloud Judgement	0	0	0	0
Net cost of services	7,398	22,891	(1,085)	29,204
Other Operating Income & Expenditure	149	0	0	149
Financing & Invest. Income & Expenditure	0	51,974	0	51,974
Taxation & Non-Specific Grant Income	(3,517)	0	(739)	(4,256)
Difference between GF surplus/ deficit and CIES surplus/ deficit	4,030	74,865	(1,824)	77,071

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
Contact, Response & Resolution (a)	777	(699)	78	156
Crime (a)	574	(517)	58	115
Neighbourhoods (a)	379	(341)	38	76
Public Protection (a)	514	(463)	52	103
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
Net cost of services	8,732	5,797	1,126	15,656
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)
Difference between GF surplus/ deficit and CIES surplus/ deficit	6,081	56,348	2,484	64,913

(a) Contact, Response & Resolution, Crime, Neighbourhoods and Public Protection reorganised in 2021/22, 2020/21 figures restated to reflect the new structure – previously Local Policing £232k total; Investigations £219k total.

8. Material items of income and expenditure

There are no material items of income and expenditure to report for 2021/22.

9. Expenditure and Income Analysed By Nature

Subjective Analysis of Expenditure

	2021/22	2020/21
	£000	£000
Employees - Police Pay and Allowances	122,844	117,112
- Civilian Pay and Allowances	59,639	55,274
- Other Pay and Allowances	3,088	3,064
Premises	8,839	8,193
Transport	3,574	2,958
Supplies & Services	25,222	20,633
Third Party Payments	13,842	13,315
IAS19 Pension costs	22,891	5,797
Depreciation and Amortisation of Assets	9,990	11,221
Movement in Accumulated Absences Reserve	(1,085)	1,126
Total Service Expenditure	268,845	238,693
Service Income (<i>see below</i>)	(41,155)	(36,206)
Net Cost of Service	227,689	202,486
(Profit)/Loss on Disposal of Assets	149	43
Interest Payable and Similar Charges	2,915	2,977
Interest and Investment Income	(60)	(55)
IAS19 Pension Net Interest Cost	51,974	50,551
Net Operating Expenditure	282,667	256,002
Police Grant	(71,378)	(66,803)
Formula Funding	(50,837)	(48,165)
Precept on Council Tax Collection Funds	(86,349)	(79,294)
PFI Grant - interest element	(1,924)	(2,007)
Covid Pressures Grant	0	(872)
Council Tax Collection Fund related grants	(1,340)	(300)
Capital Grants	(173)	(206)
Capital Contributions	(283)	(210)
Deficit / (Surplus) on Provision of Services	70,383	58,146
Subjective Analysis of Service income		
Fees & Charges	5,656	3,229
Sales	191	91
Reimbursements:		
Casualty Reduction Partnership, Hypothecated Fines	1,048	622
Secondments	13	32
Private Finance Initiative reimbursements	227	232
Asset Recovery	149	132
Other Reimbursements	4,922	4,641
Grants:		
Private Finance Initiative	5,306	5,222
Localisation of Council Tax Grant	8,256	8,256
Pensions Uplift grant	2,108	2,108
Counter Terrorism	870	848
Victims and Restorative Justice Grant	1,947	1,628
National Officer Uplift Grant	1,627	2,528
Covid-19 service specific grants	0	1,528
Major Investigation Grants	1,600	953
Commissioning Grants	2,630	729
Other Grants	723	640
Other Income:		
Mutual Aid	1,146	30
External Agency Funding	2,244	2,354
Proceeds of Crime Act	492	403
Total Service Income	41,155	36,206

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).

Other Operating Expenditure (Group)	2021/22 £000	2020/21 £000
(Profit)/Loss on Sale of Fixed Assets	149	43
Home Office Top Up Grant – Police Pensions	(26,488)	(25,467)
Police & Crime Commissioner contribution to Pension Account	26,488	25,467
Total	149	43
Other Operating Expenditure (Police & Crime Commissioner)	2021/22 £000	2020/21 £000
(Profit)/Loss on Sale of Fixed Assets	149	43
Income for fair use of assets	(9,990)	(11,210)
Home Office Top Up Grant – Police Pensions	(26,488)	(25,467)
Police & Crime Commissioner contribution to Pension Account	26,488	25,467
Total	(9,841)	(11,167)
Financing and Investment Income and Expenditure (Group)	2021/22 £000	2020/21 £000
Interest and Investment Income	(60)	(55)
Interest Payable and Similar Charges	2,915	2,977
Pension Net Interest	51,974	50,551
Total	54,829	53,472
Financing and Investment Income and Expenditure (PCC)	2021/22 £000	2020/21 £000
Interest and Investment Income	(60)	(55)
Interest Payable and Similar Charges	2,915	2,977
Pension Net Interest	21	7
Total	2,876	2,929
Taxation and Non-Specific Grant Income (Group & PCC)	2021/22 £000	2020/21 £000
Police Grant	(71,378)	(66,803)
DCLG Funding	(50,836)	(48,165)
Precept on Council Tax Collection Funds	(85,832)	(79,996)
Movement on Collection Fund Debtors/Creditors	(517)	702
PFI Grant – Interest Element	(1,924)	(2,007)
Capital Grants and Contributions	(456)	(416)
Covid Pressures Grant	0	(872)
Council Tax Collection Fund related grants	(1,340)	(300)
Total	(212,284)	(197,856)

10. Members' Allowances & Expenses

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

	2021/22 £000	2020/21 £000
Basic Allowances	12	13
Expenses	0	0
Total	12	13

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	
	2021/22	2020/21
£50,000 - £54,999	0	0
£55,000 - £59,999	0	0
£60,000 - £64,999	1	0
£65,000 - £69,999	1	0
£70,000 - £74,999	1	0
£75,000 - £79,999	0	2
£80,000 - £84,999	0	0
£85,000 - £89,999	0	1

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

2021/22	Salary incl. Fees & Allowances £	Severance £	Benefits in Kind £	Total Remuneration excl. Pension Contributions 2021/22 £	Pension Contributions £	Total Remuneration incl. Pension contributions 2021/22 £
Post title						
Chief of Staff ¹	32,605	42,210	0	74,815	197,436	272,251
Police & Crime Commissioner ²	67,657	0	0	67,657	13,396	81,053
Chief Finance Officer ³	60,760	0	0	60,760	12,030	72,790
Chief Executive ⁴	37,641	0	0	37,641	7,205	44,847
Deputy Police & Crime Commissioner ⁵	35,063	0	0	35,063	6,942	42,005
Police & Crime Commissioner ⁶	8,843	0	0	8,843	1,751	10,594

¹ Left July 2021, ² Started May 2021, ³ Reduction in hours August 2021, ⁴ Started November 2021, ⁵ Started July 2021, ⁶ Left May 2021.

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

¹ Left in November 2020, ² Started in November 2020

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

2021/22 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 ¹	149,636	0	0	0	149,636	45,471	195,107

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

2021/22 Post Title	Salaries, Fees and Allowances	Bonuses	Severance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
Assistant Chief Constable	119,801	0	0	0	119,801	28,442	148,243
Assistant Chief Officer	111,573	0	0	0	111,573	21,497	133,070
Chief Superintendent	99,395	0	0	0	99,395	28,442	127,837
Assistant Chief Constable ²	92,374	0	0	4,314	96,688	28,017	124,704
Chief Superintendent	95,816	0	0	0	95,816	27,406	123,222
Chief Superintendent	93,346	0	0	0	93,346	28,442	121,788
Chief Superintendent	92,988	0	0	0	92,988	28,442	121,430
Chief Superintendent	91,792	0	0	0	91,792	27,406	119,198
Chief Superintendent	92,185	0	0	0	92,185	26,436	118,621
Deputy Chief Constable ³	76,915	0	0	0	76,915	22,621	99,536
Head of Legal Services	81,819	0	0	0	81,819	16,200	98,019
Head of IT	76,650	0	0	0	76,650	15,177	91,827
Head of People Services	76,650	0	0	0	76,650	15,177	91,827
Head of Planning and Performance	76,650	0	0	0	76,650	15,177	91,827
Head of Strategic Change	76,650	0	0	0	76,650	15,177	91,827
Head of Estates	76,650	0	0	0	76,650	15,177	91,827
Head of Finance	76,650	0	0	0	76,650	15,177	91,827
Deputy Chief Constable ⁴	76,099	0	0	3,258	79,357	0	79,357
Head of Forensics	61,443	0	0	0	61,443	12,166	73,609
Head of Fleet	57,273	0	0	0	57,273	11,340	68,613
Head of Procurement	51,855	0	0	0	51,855	10,267	62,123
Head of Corporate Communications ⁵	43,648	0	0	0	43,648	8,642	52,290
Chief Constable ⁶	16,661	0	0	0	16,661	5,047	21,708
Assistant Chief Constable ⁷	8,800	0	0	2,877	11,677	2,370	14,047

¹ Started May 2021, ² Left January 2022, ³ Left October 2021, ⁴ Started September 2021, ⁵ Started September 2021, ⁶ Retired April 2021, and ⁷ Started February 2022

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

2020/21	Salaries, Fees and Allowances	Bonuses	Severance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
Post Title							
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	Salaries, Fees and Allowances	Bonuses	Severance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
Post Title							
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	110,550 ¹	0	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 ²	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 – £16,620 remuneration for temporary additional responsibilities is included in salaries, fees and allowances, ² Chief Supt retired January 2021

Remuneration Band	Number of Employees		
	2021/22	2020/21	2019/20
£50,000 - £54,999	247	149	110
£55,000 - £59,999	122	80	88
£60,000 - £64,999	55	39	19
£65,000 - £69,999	9	8	1
£70,000 - £74,999	10	10	14
£75,000 - £79,999	10	3	2
£80,000 - £84,999	5	5	5
£85,000 - £89,999	3	4	4
£90,000 - £94,999	5	4	0
£95,000 - £99,999	1	0	0
£100,000 - £104,999	0	0	1
£105,000 - £109,999	0	0	1
£110,000 - £114,999	1	2	0
£115,000 - £119,999	1	1	0
£120,000 - £124,999	0	0	1
£125,000 - £129,999	0	0	0
£130,000 - £134,999	0	1	1
£135,000 - £139,999	0	0	0
£140,000 - £144,999	0	0	0
£145,000 - £149,999	1	0	0
£150,000 - £154,999	0	0	0
£155,000 - £159,999	0	0	0
£160,000 - £164,999	0	1	1
£165,000 - £169,999	0	0	0
Total	470	307	248

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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£nil - £40,000	0	6	2	0	2	6	£6,217	£25,144
£40,001 - £60,000	0	0	0	0	0	0	0	£0
£60,001 - £150,000	0	0	0	0	0	0	0	£0
£150,000+	0	0	1	0	1	0	£228,967	£0
Total	0	6	3	0	3	6	£247,540	£25,144

Further information on the above is included in Note 33.

12. External Audit Costs

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

	2021/22 £000	2020/21 £000
Police and Crime Commissioner	45	43
Chief Constable	18	18
Total Fees payable to the Grant Thornton LLP with regard to external audit services carried out by the appointed Auditor	63	61

Included in 2021/22 above are £23k of additional fees recommended but not yet paid at 31 March 2022.

13. Partnerships & Operational Collaborations

The Commissioner worked with a number of partners during 2021/22. 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; Covert Operations 1- 3 and Police Officer Uplift (new 2021/22). 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, Regional Business Support and Ops 3 part funded by Home Office Grant. The amount reflected in Cheshire's accounts 2021/22 is £1.5m (£1.4m in 2020/21).

Multi-Force Shared Services (MFSS)

This collaboration commenced in April 2012 between Northamptonshire Police and Cheshire Constabulary. Nottinghamshire Police joined 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. 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 created a programme to manage the transition which will run from 2020/21 until November 2022. Partners have been charged their 2021/22 budget for both the operating, force specific and termination business areas (approved by SSJOC December 2021) and £0.8m has been allocated to an earmarked reserve held on Cheshire's balance sheet on behalf of MFSS to support 2022/23 commitments. The total cost of MFSS was £7.2m (£7.8m in 2020/21) with Cheshire's share of costs amounting to £2.4m (£2.6m in 2020/21).

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 2021/22, 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 (£0.9m in 2020/21) and apportioned based on each Commissioner's police grant allocation. Cheshire's contribution amounted to £0.1m (£0.1m in 2020/21).

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. In October 2019, Chief Officers agreed to continue the Regional Commercial Vehicle Unit (RCVU) as 'business as usual' and funded by Police to maintain a regional capacity and capability. The interim solution for 2021/22 reported the constables 'attached' to the unit would remain part of their home force roads policing department, whilst the Sgt post would be funded partly by Highways Grant (Apr-Jun 2021) and the remainder a third by each partner forces. A business case was submitted and approved to formally establish the RCVU as a part of the North West Motorway Police Group 2022/23. It was agreed for 2021/22 Cheshire charged the collaboration expenditure of £0.9m (£0.8m in 2020/21) with Cheshire's contribution amounting to £0.3m (£0.2m in 2020/21).

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 5 Police Officers and 6 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 2 police staff, under a separate budget with the lead force being Lancashire Constabulary. For 2021/22, the total cost of NW Armed Policing Collaboration was £0.6m (£0.6m in 2020/21). This collaboration is apportioned based on each Commissioner's police grant. Cheshire's Contribution amounted to £0.08m (£0.08m in 2020/21).

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 2021/22, Cheshire charged expenditure on the provision of police officers, police staff, equipment, vehicles and transport to the collaboration amounting to £4.1m (£3.8m in 2020/21). There is a reported £0.23m underspend for 2021/22 which the Strategic Armed Policing Group (SAPG) approved to be transferred to the earmarked reserve. The total cost of the Alliance was £7.2m (£6.9m in 2020/21) and apportioned based on each Commissioner's police grant allocation. Cheshire's contribution amounted to £3.9m (£3.8m in 2020/21).

Cheshire and North Wales (NWP) Police Dog Alliance

The Cheshire and NWP Dogs 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 £0.01m underspend for 2021/22 which the Strategic Armed Policing Group (SAPG) approved to be transferred to the earmarked reserve. For 2021/22 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 £1.4m (£1.3m in 2020/21). The total cost of the Cheshire and North Wales Dog Pilot was £2.2m (£2.1m in 2020/21) and apportioned based on each force agreed share. Cheshire's contribution amounted to £1.4m (£1.4m in 2020/21).

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 2021/22 costs of £0.47m 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 which 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 2021/22 was £0.05m (£0.08m in 2020/21) and Cheshire's contribution amounted to £0.01m (£0.01m in 2020/21).

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 2021/22 was £0.07m (£0.06m 2020/21) and Cheshire's share of costs amounting to £0.01m (£0.01m 2020/21).

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 and 2 police staff with the overall expenditure being met by those forces. The Police and Crime Commissioner for Lancashire is the lead force. For 2021/22 the total cost of NW Regional Chronicle Collaboration was £0.18m (£0.15m in 2020/21) with Cheshire's share of costs amounting to £0.02m (£0.02m in 2020/21).

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 2021/22 the total cost of the Regional ESN collaboration was £0.4m (£0.4m in 2020/21) with Cheshire's share of the costs amounting to £0.05m (£0.04m in 2020/21).

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 9 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 2021/22 the total cost of the Operational Assurance was £0.5m (£0.7m in 2020/21) 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 2021/22 the total cost of the NW Regional ACC lead was £0.18m (£0.17m in 2020/21) shared equally between the NW police forces of which Cheshire's share of costs amounting to £0.03m (£0.03m in 2020/21).

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 2021/22 the total cost of the West Coast Collaboration was £0.9m (£0.7m in 2020/21) 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 £0.25m (£0.18m in 2020/21).

COLLABORATION / PARTNERSHIP	2021/22 Spend	Cheshire Contribution	%
North West Regional Organised Crime Unit (NWROCU)			
Regional Confidential Unit	£2.66m	£0.277m	10.42
Regional Intelligence Unit	£0.20m	£0.021m	10.42
Operational Security (OPSY)	£0.05m	£0.009m	17.31
Regional Organised Crime Unit	£3.26m	£0.340m	10.42
Regional Technical Surveillance - Revenue	£3.67m	£0.372m	10.42/8.7
Regional Prison Intelligence	£0.76m	£0.080m	10.42
Business Support	£0.70m	£0.072m	10.42
Covert Operations 1	£1.89m	0	0
Covert Operations 2	£1.56m	£0.131m	8.36
Covert Operations 3	£0.89m	£0.058m	6.47
UPLIFT Year 1	£0.77m	£0.075m	9.76
Pooled	£0.15m	£0.016m	10.42
Premises	£0.33m	£0.034m	10.42
TOTAL NWROCU 2021/22	£16.89m	£1.484m	
Multi Force Shared Services – Main Budget	£5.73m	£1.920m	33.47
Multi Force Shared Services – Force Specific	£1.46m	£0.455m	FIXED
TOTAL MULTI FORCE SHARED SERVICES 2021/22	£7.19m	£2.375m	
NW Regional Underwater Search Unit	£0.89m	£0.093m	10.51
NW Regional Motorway Policing Group (NWMPPG)	£0.85m	£0.256m	29.94 (excl RVCU) 33.33 (RVCU only)
NW Armed Policing Collaboration	£0.63m	£0.080m	12.70
Cheshire & North Wales Armed Policing Alliance	£7.17m	£3.915m	54.60
Cheshire & North Wales Dog Pilot	£2.16m	£1.449m	67.02
Cheshire Road Safety Group	£0.47m	0	0
NW Strategic Roads ANPR	£0.05m	£0.006m	11.00 (Infrastructure) and 20.00 (Oracle)
NW Disaster Victim Coordinator	£0.07m	£0.012m	16.67
NW Regional Chronicle Collaboration	£0.18m	£0.020m	10.59
Regional Emergency Services Network	£0.41m	£0.046m	11.39
Regional Emergency Services Network – Operational Assurance Grant	£0.34m	0	0
Regional Emergency Services Network – Operational Assurance Evaluation Grant	£0.14m	0	0
NW Regional ACC Lead	£0.18m	£0.030m	16.67
SPOC Telecoms Collaboration (NEW 2021/22)	£0.32m	£0.177m	54.6
West Coast Collaboration – Project Team	£0.27m	£0.066m	24.36
West Coast Collaboration – BAU Team	£0.65m	£0.183m	28.15
TOTAL 2021/22	£38.86m	£10.192m	

14. Grant Income

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

	2021/22	2020/21
	£000	£000
<u>Credited to Taxation & Non-Specific Grant Income</u>		
Police Grant (Home Office)	71,378	66,803
DCLG Funding	50,837	48,165
PFI Grant – Interest Element	1,924	2,007
Council Tax Collection Fund related grants	1,340	300
Covid-19 Pressures Grant	0	872
<u>Capital Grants</u>		
General Capital Grant (Home Office)	173	173
Miscellaneous Capital Grants (Home Office)	100	33
Miscellaneous Capital Contributions (Partner Forces)	183	210
Total	125,935	118,563
<u>Credited to Other Operating Expenditure</u>		
Police Pension Grant (Home Office)	26,488	25,467
Total	26,488	25,467
<u>Credited to Services</u>		
Local Council Tax Freeze Grant	8,256	8,256
Private Finance Initiative	5,306	5,222
Pensions Uplift Grant	2,108	2,108
Counter Terrorism	870	848
PCC Victim Services, RJ and Sexual/Domestic Violence	1,947	1,628
National Officer Uplift grant	1,627	2,528
Covid-19 service specific grants	0	1,528
Major Investigation Grants	1,600	953
Commissioning Grants	2,630	729
Other Grants	723	640
Total	25,067	24,440

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:

Grants Received in Advance (Revenue Grants)	2021/22	2020/21
	£000	£000
Emergency Services Network	(585)	(685)
Automatic Number Plate Recognition Phase 1&2	(61)	(61)
Safety of Women at Night Fund	(103)	0
Total	(749)	(746)

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
2021/22	£000	£000	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account						
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i>						
Depreciation	(9,990)			(9,990)	9,990	0
Revaluation Gain/(Loss)						
<i>Insertion of items not debited or credited to the CIES</i>						
Statutory Provision for repayment of debt	2,592			2,592	(2,592)	0
Capital Grant Applied		273		273	(273)	0
Revenue Contribution to Capital Reserve	2,000	(2,000)		0		0
Earmarked Reserves Applied		3,244		3,244	(3,244)	0
Adjustments Primarily involving the Capital Grants Unapplied Account						
General Capital Grant	173	(173)		0		0
Specific Capital Grants/Contributions	283	(283)		0		0
Adjustments Primarily involving the Capital Receipts Reserve						
(Gain)/Loss on Sale of Assets	(149)			(149)	149	0
Capital Receipts Applied			170	170	(170)	0
Adjustments Primarily involving the Pensions Reserve						
Current Service Costs	(86,340)			(86,340)	86,340	0
Employers Contributions under IAS19	63,656			63,656	(63,656)	0
Past Service Costs	(207)			(207)	207	0
Curtailments						0
Pensions – Interest less Return on Assets	(51,974)			(51,974)	51,974	0
Collection Fund Adjustment Account	739			739	(739)	0
Accumulated Absences Account	1,085			1,085	(1,085)	0
Total	(78,132)	1,061	170	(76,901)	76,901	0

	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
Adjustments Primarily Involving the Capital Adjustment Account						
<i>Reversal of items debited or credited to the Comprehensive Income & 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
Adjustments Primarily involving the Capital Grants Unapplied Account						
General Capital Grant	206	(206)		0	0	0
Specific Capital Grants/Contributions	210	(210)		0	0	0
Adjustments Primarily involving the Capital Receipts Reserve						
(Gain)/Loss on Sale of Assets	(43)		(0)	(43)	43	0
Capital Receipts Applied			1,670	1,670	(1,670)	0
Adjustments Primarily involving the Pensions Reserve						
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
Total	(65,089)	176	1,670	(63,243)	63,243	0

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 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance as at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance as at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Revenue Reserves							
General Fund	5,773	0	0	5,773	0	0	5,773
Medium Term Financial Strategy	2,651	0	912	3,563	(461)	150	3,252
Carry Forward	1,803	(1,803)	2,812	2,812	(2,562)	3,624	3,874
Underwater Search Unit	971	(108)	0	863	(13)	0	850
Local Resilience Forum	145	(3)	178	320	(115)	184	389
Redundancy	783	0	0	783	(237)	0	546
Multi Force Shared Service	0	0	348	348	(348)	776	776
Armed Police Alliance	321	0	155	476	0	233	709
Dog Alliance	206	0	143	349	0	11	360
National Blue Light Procurement	136	0	17	153	0	16	169
POCA Reserve	437	0	19	456	0	125	581
Hardship Loan Reserve	50	0	0	50	0	0	50
N. West Armed Police Collaboration Reserve	0	0	25	25	17	0	42
Major Investigations Reserve	0	(30)	953	923	0	96	1,019
Pay and Pensions Reserve	830	0	0	830	0	56	886
Council Tax Deficit Reserve	0	0	300	300	0	1,315	1,615
Estates Strategy Reserve	0	0	0	0	0	500	500
Road Safety Initiatives Reserve	0	0	0	0	0	970	970
Total Revenue Reserves	14,106	(1,944)	5,862	18,024	(3,719)	8,056	22,361
Revenue Reserves for Capital Purposes							
Revenue Reserve for Capital Expenditure	177	(2,258)	4,036	1,955	(3,004)	4,100	3,051
ESN Reserve	485	0	1,070	1,555	0	1,255	2,810
IT Reimbursement	0	(226)	226	0	(227)	227	0
Total Rev. Reserves for Capital Purposes	662	(2,484)	5,333	3,510	(3,231)	5,581	5,861
Capital Reserves							
Capital Receipts Reserve	2,526	(1,670)	0	856	(170)	0	686
Unapplied Capital Grants	0	(206)	206	0	(273)	273	0
Total Capital Reserves	2,526	(1,876)	206	856	(443)	273	686
Total Usable Reserves	17,294	(6,303)	11,402	22,391	(7,393)	13,910	28,909

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 £6.5m increase in reserves during 2021/22 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.

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.

Estates Strategy Reserve - This reserve holds funds to support transitional costs resulting from implementation of the Estates Strategy approved in 2021.

Road Safety Initiatives Reserve - This reserve holds funds set aside to enable the commissioning of projects in line with this objective.

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).

2021/22	Property	Vehicles	Equipment	Assets Under Construction	Total
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000
At 1 April 2021	110,887	15,682	31,504	0	158,073
Additions	42	1,137	2,519	0	3,698
Revaluations	15,262	0	0	0	15,262
Disposals	0	(1,634)	(5,140)	0	(6,774)
Reclassifications	0	0	0	0	0
At 31 March 2022	126,191	15,184	28,883	0	170,258
<u>Depreciation</u>					
At 1 April 2021	(114)	(10,581)	(25,816)	0	(36,511)
Charge in year	(4,061)	(1,954)	(2,980)	0	(8,995)
Disposals	0	1,489	5,137	0	6,626
Revaluations	3,994	0	0	0	3,994
Reclassifications	0	0	0	0	0
At 31 March 2022	(181)	(11,045)	(23,660)	0	(34,886)
Net Book Value at 1 April 2021	110,773	5,101	5,688	0	121,562
Net Book Value at 31 March 2022	126,010	4,139	5,223	0	135,372

Included in the above assets are £315k (NBV) of vehicles and equipment held by Cheshire Constabulary on behalf of the Underwater Search Unit collaboration, together with £452k (NBV) of vehicles for the Firearms Alliance collaboration. Details of these two collaborations can be found in Note 13.

2020/21	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

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 the life of the property as estimated by the valuer.
- Plant and Equipment – straight-line allocation over 3 to 20 years.

Significant commitments under capital contracts

At 31 March 2022, the Commissioner has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £5m. Similar commitments at 31 March 2021 were £0.8m. The major commitments are:

- Fleet Vehicles – £2.9m
- Business Services Futures IT Project – £1.3m

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 31st March 2021 by Bruton Knowles. A desktop revaluation exercise has been undertaken at 31st March 2022 by Martin Wilson BSc (Hons) MRICS who was awarded the Certificate in Asset Valuation by CIPFA in March 2017 and Tony Milton 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.

This Asset Valuation has been provided in accordance with the RICS Valuation – Global Standards that came into effect on the 31st January 2022, 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.

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 as advised by a suitably qualified officer.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.0m charged to revenue in 2021/22 has been allocated across the CIES heading.

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

	2021/22	2020/21
	£000	£000
<u>Carrying Amount</u>		
Balance at start of year	11,684	12,682
Additions	3,007	124
Disposals	(1,086)	(1,122)
Balance at end of year	<u>13,605</u>	<u>11,684</u>
<u>Amortisation</u>		
Balance at start of year	(10,348)	(10,789)
Charge for the year	(995)	(681)
Disposals	1,086	1,122
Balance at end of year	<u>(10,257)</u>	<u>(10,348)</u>
Net Book Value at 1 April	<u>1,336</u>	<u>1,893</u>
Net Book Value at 31 March	<u>3,349</u>	<u>1,336</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.

	2021/22	2020/21
	£000	£000
Opening capital financing requirement	46,268	48,514
<u>Capital Expenditure in year:</u>		
Property	42	125
Plant (e.g. vehicles)	1,137	2,320
Equipment	2,519	2,038
Intangibles	3,007	124
	6,705	4,607
<u>Less: Capital Financing</u>		
Capital Grants	273	205
Capital Receipts	170	1,670
Contribution from reserves	240	231
Revenue and Other contributions	3,004	2,258
Total Capital Financing	3,688	4,364
Less: Sums Set Aside from Revenue		
Revenue Provision for Repayment of Debt	2,592	2,489
Early Repayment of Debt		0
	2,592	2,489
Closing capital financing requirement	46,693	46,268
<u>Explanation of movement in year:</u>	2021/22	2020/21
	£000	£000
Decrease in underlying need to borrow (supported by Government direct funding)	(1,445)	(1,355)
Decrease in underlying need to borrow (not supported by Government direct funding)	1,870	(890)
Increase/(Decrease) in Capital Financing Requirement	425	(2,246)

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 2021/22 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 2021/22.

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 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
<u>Cash and Cash Equivalents</u>				
Imprest and cash	0	0	27,472	23,080
Total cash and cash equivalents	0	0	27,472	23,080
<u>Debtors</u>				
Debtors at Amortised Cost	949	1,159	7,206	6,040
Items not classed as Financial Instruments	0	0	16,279	10,939
Total Debtors	949	1,159	23,485	16,979
<u>Borrowings</u>				
Financial Liabilities	30,274	27,873	99	0
Total included in borrowings	30,274	27,873	99	0
<u>Creditors</u>				
Financial Liabilities	0	0	14,096	14,801
Items not classed as Financial Instruments	750	746	11,942	10,087
Total Creditors	750	746	26,038	24,888
<u>Other Long-term Liabilities</u>				
PFI & Finance Leases	16,223	17,380	1,157	1,067
Total other long term liabilities	16,223	17,380	1,157	1,067

Fair Values of Assets and Liabilities

Financial assets and liabilities represented by debtors at amortised cost 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 2022, using bid prices where applicable.

All financial liabilities and financial assets represented by debtors at amortised cost 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 2022		31 March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Financial Liabilities</u>				
Borrowings	30,373	35,016	27,873	36,486
Creditors	14,096	14,096	14,801	14,801
PFI & Finance Leases	16,223	25,970	17,380	26,282
	60,692	75,082	60,053	77,569
<u>Financial Assets</u>				
Cash and Cash Equivalents	27,472	27,472	23,080	23,080
Loans and Receivables	8,155	8,155	7,195	7,195
	35,627	35,627	30,275	30,275

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 2022) 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 26 January 2021 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 2021/22 was approved by the Commissioner on 26 January 2021 and is available on the Commissioner's website.

As at 31 March 2022 the Commissioner had £28.7m of deposits with Major UK Banks (£10.4m) and Money Market Funds (£18.3m). 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 2021/22 was £0.1m (£0.1m in 2020/21).

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

	31 March 2022 £000	31 March 2021 £000
Current (0-30 days)	859	341
1 Month	80	51
2 Months +	289	256
Total	1,228	648

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 2022. The overall value has increased by £2.5m due to a new £2.5m maturity loan taken in September 2021. No loans have been repaid during 2021/22. All existing loans are maturity loans with the first repayment due in March 2023.

	31 March 2022 £000	31 March 2021 £000
Analysis of loans by type		
• Public Works Loans Board (PWLB)	24,373	21,873
• Money Market	6,000	6,000
Total Outstanding	30,373	27,873

Analysis of loans by maturity		
• Less than 1 year	99	0
• Between 1 and 2 years	2,356	99
• Between 2 and 5 years	1,029	3,385
• Between 5 and 10 years	0	0
• More than 10 years	26,889	24,389
Total Outstanding	30,373	27,873

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

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.

Premiums and Discounts on Early Repayment of Debt

The Commissioner did not make any early repayment of debt in 2021/22.

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.

	31 March 2022 £000	31 March 2021 £000	31 March 2020 £000
Central Government Bodies	12,111	6,970	8,323
Other Local Authorities	5,686	4,724	8,469
NHS Bodies	5	19	2
Council Tax Collection Fund* ¹	3,644	3,450	6,957
Other entities and individuals	2,174	1,946	1,886
LESS: Provision for Credit Losses	(135)	(130)	(108)
Total	23,485	16,979	25,529

*¹ At 31 March 2020, an impairment allowance for doubtful Council Tax Collection Fund debtors of £3,712k is shown as part of the creditor balance (note 26). From 31 March 2021 the Council Tax Collection Fund debtor balance is shown net of this impairment allowance.

24. Cash and Cash Equivalents

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

	31 March 2022 £000	31 March 2021 £000	31 March 2020 £000
Cash held	32	32	32
Operational Current Accounts	(1,308)	(1,316)	(1,068)
Short-term deposits	28,748	24,364	13,171
Total	27,472	23,080	12,135

In addition to the above, the Commissioner held £1.341m (£1.322m 2020/21) of funds as follows:

Police Property Act – At the 31 March 2022, the Commissioner held £0.141m (£0.127m in 2020/21) 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 2022, the Commissioner held £1.200m (£1.195m in 2020/21) 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.

	31 March 2022 £000	31 March 2021 £000	31 March 2020 £000
Balance at the start of year	0	0	210
Assets newly classified as held for sale			
• Property, Plant & Equipment	0	0	0
• Other Assets	0	0	0
Revaluations gains / (losses)	0	0	0
Impairment losses	0	0	0
Assets sold	0	0	(210)
Balance at the end of year	0	0	0

26. Analysis of Creditors

Analysis of short-term creditors is shown below.

	31 March 2022 £000	31 March 2021 £000	31 March 2020 £000
Central Government Bodies	(5,254)	(4,697)	(4,183)
Other Local Authorities	(4,933)	(4,651)	(4,583)
NHS Bodies	(326)	(106)	(170)
Council Tax Collection Fund ^{*1}	(3,497)	(4,041)	(6,190)
Other entities and individuals	(12,028)	(11,393)	(10,903)
Total	(26,038)	(24,888)	(26,030)

^{*1} At 31 March 2020, an impairment allowance for doubtful Council Tax Collection Fund debtors of £3,712k is shown as part of the creditor balance. From 31 March 2021 the Council Tax Collection Fund debtor balance (Note 23) is shown net of this impairment allowance.

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 2021-22 with the estimated value of outstanding claims being £0.394m. In addition a number of small ad-hoc provisions are held at 31 March 2022 and these will be reviewed during 2022/23.

	2021/22	2020/21
	£000	£000
<u>Allard Claims Provision</u>		
Balance at 1 April	394	395
Use of provision in the year	0	(1)
Balance at 31 March	394	394
<u>Small ad-hoc provisions</u>		
Balance at 31 March	94	144
Total provisions at 31 March	488	538

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.

	2021/22	2020/21
	£000	£000
Not later than one year	3,114	3,151
Later than one year, not later than five years	12,611	12,574
Later than five years	20,593	23,743
Total	36,318	39,468

Operating Leases

The Commissioner rents properties and equipment, mostly on short term leases, which are accounted for as operating leases. The rentals payable in 2021/22 and 2020/21 were £0.44m and £0.24m respectively. The Commissioner was committed at 31 March 2022 to making payments of £1.27m under operating leases as follows:

	Property	Equipment	Total
	£000	£000	£000
Not later than one year	207	115	322
Later than one year, not later than five years	432	363	795
Later than five years	143	11	154
Total	782	489	1,271

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 (2021/22) 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 2021/22 are detailed below:

	Land £000	Property £000	Equipment £000	Total £000
Gross Book Value on 1 April 2021	2,961	30,415	403	33,779
Additions	0	0	0	0
Revaluations	272	7,477	0	7,749
Gross Book Value on 31 March 2022	3,233	37,892	403	41,528
Depreciation on 1 April 2021	0	0	(381)	(381)
Charge for the year	0	(2,535)	(22)	(2,556)
Revaluation	0	2,535	0	2,535
Depreciation on 31 March 2022	0	0	(403)	(403)
Net Book Value on 1 April 2021	2,961	30,415	22	33,398
Net Book Value on 31 March 2022	3,233	37,892	0	41,125

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 2021/22 equated to £1.157m. The current liability at 31 March 2022 is £16.223m.

	31 March 2022 £000	31 March 2021 £000	31 March 2020 £000
PFI Liability			
Balance at 1 April	17,380	18,447	19,441
Movement in year	(1,157)	(1,067)	(993)
Balance at 31 March	16,223	17,380	18,447

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	1,897	1,217	4,980
2 to 5 years	7,469	6,462	6,149	20,080
6 to 10 years	9,340	6,826	8,857	25,023
11 to 15 years	2,955	4,909	0	7,864
Total due	21,630	20,094	16,223	57,947

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.

	2021/22 £000	2020/21 £000	2019/20 £000
Balance at 1 April	(58,659)	(66,929)	(61,288)
Movement in year	(16,200)	8,270	(5,641)
Balance at 31 March	(74,859)	(58,659)	(66,929)

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.

	2021/22 £000	2020/21 £000	2019/20 £000
Balance at 1 April	(17,973)	(19,923)	(22,848)
Depreciation & Amortisation	9,990	11,210	11,449
Revaluation losses and write down	(3,056)	(2,451)	(2,539)
Impact of disposals/sale of assets	149	43	229
Capital Financing – see Note 20	(3,687)	(4,364)	(3,877)
Minimum Revenue Provision/Debt Repayment	(2,592)	(2,489)	(2,337)
Balance at 31 March	(17,169)	(17,973)	(19,923)

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.

	2021/22 £000	2020/21 £000	2019/20 £000
Balance at 1 April	2,582,946	2,243,169	2,452,422
Movement in year	2,196	339,777	(209,253)
Balance at 31 March	2,585,142	2,582,946	2,243,169

* Note: The Police and Crime Commissioner's element of the IAS19 Pension reserve is £1.727m in 2021/22 (£1.865m 2020/21)

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.

	2021/22 £000	2020/21 £000	2019/20 £000
Balance at 1 April	592	(766)	(1,046)
Movement in year	(739)	1,358	280
Balance at 31 March	(147)	592	(766)

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.

	2021/22 £000	2020/21 £000	2019/20 £000
Balance at 1 April	4,807	3,680	3,030
Movement in year	(1,085)	1,127	650
Balance at 31 March	3,722	4,807	3,680

* Note: The Police and Crime Commissioner's element of the Accumulated Absences reserve is £25k (£28k in 2020/21)

	2021/22 £000	2020/21 £000	2019/20 £000
Total All Unusable Reserves	2,496,689	2,511,713	2,159,232

* Note: The Police and Crime Commissioner's element of total Unusable Reserves is £90.4m in 2021/22 (£74.1m 2020/21)

31. Notes to the Cashflow Statement

The cashflow include the following items:

Other Operating Expenditure	2021/22 £000	2020/21 £000
Interest received	(60)	(55)
Interest paid	2,915	2,977
Total	2,855	2,921

Investing Activities	2021/22 £000	2020/21 £000
Purchase of Property, Plant & Equipment & Intangible Assets	6,705	4,606
Proceeds from sale of assets	0	0
Total	6,705	4,606

Financing Activities	2021/22 £000	2020/21 £000
Cash receipts of short and long-term borrowing	(2,500)	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,157	1,068
Repayment of short and long-term borrowing	0	0
Total	(1,343)	1,068

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 3 employees in 2021/22 incurring liabilities of £0.235m (£0.025m In 2020/21). 2 of these redundancies result from the termination of the multi force shared service arrangement and also, in 2021/22 a new Police and Crime Commissioner was elected and following a review of his office the Chief of Staff was made redundant.

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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<i>Cost of Services:</i>												
• Current Service Costs	(24,940)	(14,812)	(2,740)	(6,470)	(340)	(220)	(56,920)	(44,890)	(1,400)	(1,240)	(86,340)	(67,632)
• Past Service Costs	(207)	0	0	0	0	0	0	0	0	0	(207)	0
• Settlements & Curtailments	0	0	0	0	0	0	0	0	0	0	0	0
<i>Financing and Investment Income & Expenditure:</i>												
• Net Interest Expense	(2,644)	(861)	(40,830)	(42,980)	(2,130)	(1,570)	(5,360)	(4,120)	(1,010)	(1,020)	(51,974)	(50,551)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	(27,791)	(15,673)	(43,570)	(49,450)	(2,470)	(1,790)	(62,280)	(49,010)	(2,410)	(2,260)	(138,521)	(118,183)
<i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>												
• Return on plan assets (not included in net interest expense)	17,892	40,601	0	0	0	0	0	0	0	0	17,892	40,601
• Actuarial Gains and Losses arising from changes in demographic assumptions	2,730	(7,045)	0	0	0	0	0	0	0	0	2,730	(7,045)
• Actuarial Gains and Losses arising from changes in financial assumptions	41,036	(117,008)	2,880	(142,680)	4,670	(33,090)	3,400	(22,390)	1,120	(4,980)	53,106	(320,148)
• Other	(1,059)	3,163	0	0	0	0	0	0	0	0	(1,059)	3,163
<i>Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>	60,599	(80,289)	2,880	(142,680)	4,670	(33,090)	3,400	(22,390)	1,120	(4,980)	72,669	(283,429)

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	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
<ul style="list-style-type: none"> Reversal of net charges made to the Surplus and Deficit for the Provision of Services for post-employment benefits in accordance with the Code 	27,791	15,673	43,570	49,450	2,470	1,790	62,280	49,010	2,410	2,260	138,521	118,183
Actual expenditure met from council tax through the General Fund												
<ul style="list-style-type: none"> Employer's contributions payable to the scheme 	9,906	9,145	60,260	57,460	20	(30)	(8,710)	(7,050)	2,180	2,310	63,656	61,835

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	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Present value of defined benefit obligation	(453,572)	(463,961)	(2,050,740)	(2,070,310)	(102,520)	(104,740)	(303,180)	(235,590)	(49,950)	(50,840)	(2,959,962)	(2,925,441)
Fair value of plan assets	374,821	342,496	0	0	0	0	0	0	0	0	374,821	342,496
Sub-total	(78,751)	(121,465)	(2,050,740)	(2,070,310)	(102,520)	(104,740)	(303,180)	(235,590)	(49,950)	(50,840)	(2,585,141)	(2,582,945)
Other movements in the liability	0	0	0	0	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	(78,751)	(121,465)	(2,050,740)	(2,070,310)	(102,520)	(104,740)	(303,180)	(235,590)	(49,950)	(50,840)	(2,585,141)	(2,582,945)

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

	Local Government Pension Scheme	
	2021/22	2020/21
	£000	£000
Opening fair value of scheme assets	342,496	288,533
Interest income	7,091	6,708
Re-measurement gain/(loss)		
▫ The return on plan assets, excluding the amount included in the net interest expense	17,892	40,601
▫ Other	0	0
The effect of changes in foreign exchange rates	0	0
Contributions from employer	9,906	9,145
Contributions from employees	3,196	2,997
Benefits paid	(5,760)	(5,488)
Other	0	0
Closing fair value of scheme assets	374,821	342,496

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			
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Opening balance at 1 April	(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)
Current service cost	(24,940)	(14,812)	(2,740)	(6,470)	(340)	(220)	(56,920)	(44,890)	(1,400)	(1,240)	(86,340)	(67,632)
Interest cost	(9,735)	(7,569)	(40,830)	(42,980)	(2,130)	(1,570)	(5,360)	(4,120)	(1,010)	(1,020)	(59,065)	(57,259)
Contribution from scheme participants	(3,196)	(2,997)	(790)	(1,430)	(90)	(50)	(10,120)	(9,450)	0	0	(14,196)	(13,927)
Re-measurement gains/(losses)												
▫ Actuarial gains/losses arising from changes in demographic assumptions	2,730	(7,045)	0	0	0	0	0	0	0	0	2,730	(7,045)
▫ Actuarial gains/losses arising from changes in financial assumptions	41,036	(117,008)	2,880	(142,680)	4,670	(33,090)	3,400	(22,390)	1,120	(4,980)	53,106	(320,148)
▫ Other	(1,059)	3,163	0	0	0	0	0	0	0	0	(1,059)	3,163
Past service costs	(207)	0	0	0	0	0	0	0	0	0	(207)	0
Losses/(gains) on curtailment	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities assumed on entity combinations	0	0	0	0	0	0	0	0	0	0	0	0
Benefits paid	5,760	5,488	61,050	58,890	110	20	1,410	2,400	2,180	2,310	70,510	69,108
Liabilities extinguished on settlements	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance at 31 March	(453,572)	(463,961)	(2,050,740)	(2,070,310)	(102,520)	(104,740)	(303,180)	(235,590)	(49,950)	(50,840)	(2,959,962)	(2,925,441)

Local Government Pensions Scheme assets comprised:

	Fair value of scheme assets	
	2021/22 £000	2020/21 £000
Cash and cash equivalents	22,235	15,303
Equity instruments: <i>by industry type</i>		
• Consumer	5,607	5,574
• Manufacturing	4,683	6,678
• Energy and utilities	271	286
• Financial institutions	2,503	3,487
• Health and care	2,216	2,479
• Information technology	20,216	25,184
• Other	2,979	2,301
Sub-total equity	38,475	45,989
Bonds: <i>by sector</i>		
• Corporate	0	0
• Government	0	0
• Other	0	0
Sub-total bonds	0	0
Property: <i>by type</i>		
• United Kingdom	26,057	24,391
• Overseas	433	435
Sub-total property	26,490	24,826
Private equity:		
• All	18,623	11,642
Sub-total private equity	18,623	11,642
Other investment funds:		
• Equities	77,275	65,302
• Bonds	155,576	144,590
• Hedge Fund	21,929	21,112
• Infrastructure	45	0
• Other	14,173	13,732
Sub-total other investment funds	268,998	244,736
Derivatives:		
• All	0	0
Total Assets	374,821	342,496

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 and Ukraine War impact and assumptions

The IAS19 balance sheet total is based on financial market values and future market expectation indicators as at 31 March 2022 to comply with the accounting standard. The financial assumptions used reflect the impact of Covid-19 and the Ukraine war on the market at 31 March 2022.

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. 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. The effect of the Ukraine war on the accounting position is quite small. In the immediate aftermath of the invasion, there was a significant fall in the Fund's asset values. However, over the remainder of March 2022, the Fund's assets will have broadly recovered to similar levels to before the invasion. Bond yields and inflation expectations have also followed market movements, which were shaped by all global events including the war in Ukraine, and will therefore affect the value placed on the obligations.

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. From 2021/22 the current service cost allows for the higher expected cost of accrual under McCloud.

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. Claims for financial losses are currently stayed as consideration is given to the HM Treasury consultation response. As at 31 March 2022, 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	
	2021/22 %	2020/21 %	2021/22 %	2020/21 %
<u>Mortality assumptions:</u>				
Longevity at 65 (police), 65 (LGPS) for current pensioners:				
Men	21.2	21.4	22.1	22.0
Women	23.8	24.0	23.8	23.7
Longevity at 65 (police), 65 (LGPS) for future pensioners:				
Men	22.1	22.4	23.8	23.7
Women	25.5	25.7	25.4	25.3
<u>Other assumptions:</u>				
Rate of Inflation – RPI / CPI	3.55/3.15	3.3/2.8	3.0	2.4
Rate of increase in salaries – Long Term/Short Term	3.85	3.5	4.75	4.15
Rate of increase in pensions	3.15	2.8	3.0	2.4
Rate of CARE revaluation	-	-	4.25	3.65
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	2.75	2.05	2.65	2.00

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	12.3	55,775	8.5	178,000	15.5	16,000	15.5	47,000	8.0	4,000
0.5% increase in salary increase	1.5	6,885	1.0	17,000	7.5	8,000	0	0	0.5	0
0.5% increase in pension increase	10.7	48,475	7.5	158,000	10	10,000	17.5	53,000	7.5	4,000
1 year increase in life expectancy	3-5	13,607 - 22,679	3.5	70,000	3	3,000	3.0	9,000	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 2022/23, 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 2022

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 Chief Finance Officer as responsible financial officer of the Commissioner on xx July 2022 and released for audit purposes.

DRAFT

ANNUAL GOVERNANCE STATEMENT 2021/22

AGS to be added

AGS to be added

DRAFT

AGS to be added

AGS to be added

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AGS to be added

AGS to be added

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AGS to be added

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

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ANNUAL GOVERNANCE STATEMENT 2021/22

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 (AGS) is a requirement under the Accounts and Audit Regulations (England) 2015 and ensures that a reliable system of internal controls can be demonstrated. The AGS meets the requirements of Regulation 6 (1) (b) of the Accounts and Audit (England and Wales) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. The AGS also demonstrates the Police and Crime Commissioner and Chief Constables' commitment to the principles of good governance as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) Delivering Good Governance in Local Government Framework 2016 where applicable to policing bodies.
- 1.5 In March 2022, CIPFA published an advisory note setting out key messages surrounding recent governance failures identified in statutory and non-statutory reviews and public interest reports. While Cheshire has not been part of these reviews or reports, there are lessons to be learned for all organisations that take governance seriously. One key message relates to the AGS - this is a key document for any organisation, and when completed correctly and with rigour, it can be used to identify failings of governance and provide an opportunity internally to improve and thereby reduce risk. It should normally be approved at the same time or no later than the statement of accounts and should be regarded as a vital tool by those charged with governance and the leadership team.
- 1.6 The AGS is and always has been, a key corporate document in Cheshire, which provides an accurate representation of the corporate governance arrangements and controls in place that have supported the delivery of organisational objectives during the year. The AGS provides information about where arrangements have been effective and notes where any improvements are required.

1.7 The governance framework detailed below has been in place for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

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](#)). These documents have all been reviewed and updated during 2021/22.

- Code 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 in both decision-making and accountability. Within the Constabulary, there is an independent governance framework, which covers both operational and business decision

making with the SLT Business Meeting, being the primary decision-making body for the Constabulary.

- 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 and provide assurance to the Commissioner and Chief Constable according to good governance principles and proper practices.
- 2.5 The Covid-19 pandemic continued to have an effect on governance procedures during 2021/22 as face-to-face meetings were not always possible. The organisation's procedures had already been adapted to take account of the requirement for virtual meetings, remote working and electronic signature of documents during 2021/21 and in line with the Coronavirus Act 2020. Whilst face-to-face meetings are now possible as restrictions have been relaxed, the organisation continues to make use of more flexible working arrangements and virtual meetings alongside more traditional working methods and the governance procedures cover these eventualities to ensure adequate control is maintained throughout.
- 2.6 Economic and market forces are still recovering from the effects of covid-19 and the impact is likely to continue for some time with businesses and the public sector experiencing issues around staffing resources and the supply of some goods and services. The Covid infection rate is monitored, and the organisation's gold group will be stood up should this be necessary, with actions being taken to support officers and staff and to ensure service continuity.

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
 - Reserves Strategy – which details the reserves held, their intended usage and the strategy for ensuring the funds are maintained at an appropriate level.
- 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 2021/22 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 (2019).

- 3.4 CIPFA published 'The Financial Management Code' (FM Code) in 2019. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code, for the first time, sets the standards of financial management for local authorities including police. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium and long-term finances of a local authority;
 - manage financial resilience to meet unforeseen demands on services; and
 - manage unexpected shocks in their financial circumstances.
- 3.5 Each organisation designated to apply the FM Code must demonstrate that the requirements of the code are being satisfied. Demonstrating compliance with the FM Code is a collective responsibility of the Commissioner, Chief Constable, their respective chief finance officers (CFO) and their professional colleagues in the leadership team. Both CFOs are professionally qualified and are members of their respective leadership teams. Senior finance and leadership representatives sit on all key decision-making boards (e.g. Change Board and Programme Board).
- 3.6 The documents within the governance framework within which the Constabulary and OPCC operate are updated regularly to ensure that controls and procedures satisfy the requirements of the code and demonstrate good governance. The framework was reviewed and updated by the Constabulary and OPCC statutory officers during 2021/22 and the revised documents were signed off at Joint Management Board. Controls are reviewed by external audit as part of their work on the Statement of Accounts and also by Internal Audit in line with their annual audit plan.
- 3.7 A whistle blowing policy is in place which is managed and investigated by the Professional Standards Department (PSD). This policy is currently under review and will be updated shortly. The force has a corruption and control strategy which is formulated by a local and regional corruption threat assessment. PSD also approve and record business interests and ensure compliance with the gifts and hospitality policy.
- 3.8 Further assurance is provided by 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 keep people safe and reduce crime. This review has now been completed and results will be published in due course.

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 affect 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 PSD 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 The Policing and Crime Act 2017 and supporting regulations made significant changes to the complaints and disciplinary systems that took effect from 01 February 2020. They introduced a number of changes designed to achieve a more customer-focused complaints system. Local accountability was enhanced through changes to the role of local policing bodies (Police & Crime Commissioners) which now have a statutory responsibility to hold their Chief Constable to account for the performance of the complaints system locally and for ensuring there are appropriate processes in place for dealing with conduct and death or serious injury (DSI) matters.
- 5.5 In addition, all local policing bodies now have certain duties in relation to the handling of complaints, some of which are mandatory and now a statutory responsibility. For example, from 01 February 2020, the Police & Crime Commissioner became a relevant review body (RRB) for complaints (recorded on or after 01 February 2020) and assumed responsibility for determining whether the outcome of a complaint was reasonable and proportionate. This change aimed to increase independence and transparency, particularly at a local level.
- 5.6 It should be noted that depending on the circumstances of the initial complaint, the Independent Office for Police Conduct (IOPC) may be the relevant review body. The determination in relation to the relevant review body will be made by the Professional Standards Department.
- 5.7 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 2021/22.

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

- 6.1 Public views 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 In setting the Police and Crime Plan, the Commissioner stated 'Cheshire residents' views have been paramount in developing this Plan. Whether you've spoken to me face-to-face, written to me via email or letter or taken part in a consultation, your views have been considered as I developed the Plan's priorities to ensure they reflect yours.' The full plan is available on the Commissioner's website ([Police and Crime Plan](#)).

- 6.3 In November and December 2021 the Commissioner carried out the largest ever consultation on policing in Cheshire, with a survey sent to every household in the county and nearly 19,000 people sharing their view on policing and crime in their community.
- 6.4 As part of the budget and precept setting process, the Commissioner undertakes public consultation on his proposed council tax precept increase on an annual basis. The budget and precept proposals are also subject to scrutiny by the independent Police and Crime Panel on behalf of the public. Councillor members of the panel represent all local authorities across Cheshire.
- 6.5 In January 2022, the consultation on the Commissioner's precept proposal had the highest number of responses of any precept consultation and residents backed the proposal with 70% in support. During this consultation period, the Commissioner held more in-person 'consultation roadshows' around the county than had been held before.
- 6.6 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 80% of victims of crime are satisfied with the overall level of service.
- 6.7 As of 2021, the Constabulary also runs a 'residents voice' campaign to gather views of the public on local policing and priorities. This is an innovative online satisfaction tool, which allows the public to complete a short online survey giving their views on crime, anti-social behaviour and policing within their local community. Officers and PCSOs provide members of the public with a 'QR code' which is scannable on a mobile device and takes the resident straight to the survey. The data obtained is then uploaded onto the Power Bi platform where it can be filtered, analysed and understood on a street by street or community basis. This powerful tool allows officers to canvass and respond to needs particular to a specific area. During 2021/22 there were over 10,000 responses provided from across the Force area which were used to inform local operational priorities.
- 6.8 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 which were still held virtually was enabled through the use of technology. All public 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 considered 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. Scenario planning is completed to highlight financial risks to key budget assumptions and ensure the authority understands the impact on its future

financial stability of any strategic, operational and financial challenges it might face. Financial risks such as inflationary pressures or changes to Police Uplift Programme funding are also considered in the MTFS and in the organisation's strategic risk register.

- 7.3 Alongside this overarching document are the more detailed Capital Strategy and Reserves Strategy. All of these financial strategies are directly linked to the Estates, Fleet and IT strategies which are reviewed and signed off at JMB meetings. All strategies are published on the PCC website.
- 7.4 Clear reference is made to achieving value for money (VFM) in the annual budget and relevant strategic documents and the Constabulary and OPCC have a clear and consistent understanding of VFM and how this is measured and monitored. Annual reports on VFM which consider the HMICFRS VFM indicators are reviewed by the JAAC and senior leadership.
- 7.5 Prudential indicators are set in line with the CIPFA Prudential Code, and these are included in the Annual Treasury Management Strategy. They are monitored by the s151 officers and reported to JMB in the Treasury Management Update report which is available on the PCC's website.
- 7.6 An Asset Management Strategy and Plan are in place and are reviewed and updated regularly. The plan aims to ensure that the authority's property, plant and equipment contribute effectively to service delivery and the achievement of key objectives.
- 7.7 The Ethical Procurement Strategy sets out the authority's position with regards to social value and ethical procurement. The strategy outlines the ethical responsibilities and core objectives of the Commissioner and the Chief Constable in relation to their supply chain and in regards to human rights (including modern slavery), social value, equality and diversity, environment and sustainability and fraud, corruption and bribery.
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-i-do/holding-the-chief-constable-to-account/performance.

8.3 HMICFRS produce Value for Money profiles, which are available via their website. These profiles benchmark 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.

8.4 Key risks to financial sustainability are highlighted in the annual budget and MTFS. These are also reported in the strategic risk register which is reviewed regularly at SLT and JMB. The latest strategic risk register is also considered at each JAAC meeting. Throughout the year, revenue and capital monitoring reports are prepared and reviewed at SLT and JMB. These reports highlight potential issues and suggest appropriate remedial actions.

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 90 new officers during 2021/22, 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. Police officer numbers in Cheshire are now at their highest level in modern times and are higher than pre-austerity levels. Cheshire has fully met their national Police Officer Uplift target for both 2020/21 and 2021/22 and are on track to meet their 2022/23 target despite national recruitment issues, partially caused by Covid-19. Officer numbers are subject to scrutiny on a regular basis and returns are submitted to the Home Office quarterly.

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. Risks provide a forward look at upcoming issues such as the Formula Funding Review as well as reflecting the current situation and are regularly reviewed and updated. All areas of operational, governance and financial risk are reflected in the register and there are sections for Constabulary risks, OPCC risks and joint risks.
- 10.2 During 2021/22, the JAAC provided independent assurance to those charged with governance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes within the Constabulary and OPCC.
- 10.3 The review and subsequent update/amendment to the risk register 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.
- 10.4 In response to Covid-19, 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 regular Gold meetings were held during the pandemic to ensure up to date information was shared quickly and effectively.
- 10.5 The Constabulary has a comprehensive performance management framework in place known as 'Raising the Bar'. This includes a suite of key performance indicators which ensure delivery of the objectives set out in the Police and Crime Plan and other key local and national priorities. The framework utilises the SARA approach to problem solving and sharing of good practice.
- 10.6 Performance against this framework is monitored through regular 1-2-1 meetings, Area Performance Meetings Quarterly Performance Meetings and a monthly Force Performance Day. These meetings highlight any problems which need to be solved, these are then entered into the problem-solving site on the intranet. Monthly audits are performed by the problem-solving team to review mitigations which are still open on the site.
- 10.7 Performance 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.
- 10.8 Cashflow, short and long-term borrowing, investments and the use of reserves and balances are monitored by both s.151 officers and are reported to the Commissioner and Chief Constable in Treasury Management updates at Joint Management Board.
- 10.9 Processes are in place to ensure Officers and staff are aware of the threat of cyber crime and can recognise potential cyber security threats and take appropriate action. Plans are in

place to ensure this information is kept continuously up-to-date and is disseminated across the organisation.

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

11.1 All key joint decisions are taken collectively by the Constabulary's Senior Leadership Team and the Joint Management Board. The Joint Management Board is where decisions are made, and Scrutiny Board is where the Commissioner holds the Chief Constable to account. Both meetings publish papers in advance of their meetings and the meetings themselves are open to the public. All key PCC decisions of significant public interest are published on the PCC's website.

11.2 The Police and Crime Panel (PCP), which is a statutory body, 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 2021/22 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 Principal Governance and Compliance Officer to ensure that organisational independence is maintained.

11.5 Assurance on the effectiveness of governance and controls is also provided the Joint Audit Advisory Committee. The organisation's governance and controls are subject to review from bodies such as HMICFRS, External Audit and Internal Audit and reviews of the framework are undertaken by Joint Management Board. The governance framework and internal and external audit opinions are published on the PCC's website.

11.6 The authority has a good track record of early close-down and external audit sign off and was one of less than 10% of local authorities (including policing bodies) which received external audit sign off by the 2020/21 deadline.

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 is subject to challenge by the Commissioner's S.151 Officer and Chief Executive, the Constabulary S.151 Officer and Monitoring Officer.

- 12.2 The Constabulary report quarterly on their performance against key national priorities and advise on areas of focus for the forthcoming quarter. This information is shared publicly on the OPCC website.
- 12.3 External assurance in terms of accountability is provided by both Internal and External Audit, HMICFRS reviews and partner forces reviews of collaborations. Assurance is also provided by volunteers including Independent Custody Visitors (ICVs) who make unannounced visits to police stations to check on the rights, wellbeing and treatment of detainees, the Independent Advisory Group (IAG) which advises on all aspects of equality and diversity and the Community Cohesion Group (CCG) which reviews policies and procedures and provides advice on ways to improve service delivery to all communities.
- 12.4 All audit reports are presented to the Joint Audit Advisory Committee and published on the websites. Public notices in relation to the accounts are also published on the websites in line with statutory requirements. Outstanding actions from relevant reviews are reported to each JAAC meeting in the Service Assurance Plan and follow up reports from internal and external audit also go to JAAC meetings.
- 12.5 Procurement savings are tracked internally through the Strategic Procurement Group and are reported to Blue Light Commercial on a quarterly basis. Cashable savings are reviewed during the annual Priority Based Budget (PBB) process and removed from the annual revenue budget.
- 12.6 **Report on Areas for Action during 2021/22**
Within the 2020/21 Annual Governance Statement, the review of effectiveness identified three areas where further action was required. The following re-visits the actions which have satisfactorily addressed the issues raised and reports on the outcomes in 2021/22.

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)

UPDATE: Cheshire took control of running its own transactional services from April 2022 and transferred the final elements away from Oracle and onto the new suite of systems in July 2022. This was a phased process covering April 2021 (recruitment), November 2021 (training and learning management), June 2022 (DMS) and July 2022 (payroll, HR, Finance, Logistics). All transactions are now being run successfully away from the CapGemini and Oracle contracts, and the MFSS has been disbanded, with a small team in place to finalise the data transfers and safe removal in line with the contractual obligations. Liabilities relating to any staffing or contractual costs have either been mitigated or agreed inside the Section 22 cost sharing arrangements with partner forces, and Cheshire's share of these is in line with the partnership agreement. There are no excess costs falling on the Constabulary as a result of these changes, and any contractual threat resulting from delayed transfer from the systems has been avoided.

The systems are running well, and a period of consolidation is now underway to develop and integrate these systems to maximise efficiency going forwards (Phase 2). This will deliver enhanced performance and value for money and advance the digital and efficiency agenda for the Constabulary, and the management of the systems sits within our own IT, HR and Finance departments in line with all other IT systems.

Governance controls, internal control, risk and security environment have all been reviewed as part of this, and business continuity and integrity are kept under review, in line with force policies.

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 resourced and managed. (Owner: Deputy Chief Constable)

UPDATE: In 2021 Cheshire Constabulary have or are in the process of onboarding or enhancing 4 major systems. During 2021 the Department on-boarded OLEEO to replace the recruitment system which was used nationally by a number of other police forces and provided more automated reporting for the Police Uplift Programme. This system is now fully embedded within the force and currently due to introduce the second phase of more enhanced reporting capability.

During 2022 the force enhanced its capability reporting through the on-boarding of further Chronicle modules over and above the firearms modules previously used by the force. This ensures that the force now has one main system to record all training.

The Force is also working towards on-boarding Unit 4 for July 2022 which will replace the current Oracle HR system. As part of this work the department have completed full end to end reviews of the workflows across the main HR process of starters, leavers and movers as well as pay, position and organisation hierarchy.

Phase 2 of the systems development will be completed post July 2022 to optimise the integrations across all 4 systems to provide more automation from a capacity and capability perspective.

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)

UPDATE: The Scheme of Corporate Governance was reviewed and the revised Scheme was approved at Joint Management Board in September 2021. This is available on the OPCC website.

12.7 Areas for Action in 2022/23

The governance framework, internal controls and application of the principles have been reviewed during 2021/22 with the following areas highlighted as risks together with the mitigating actions required.

- a) **Business Services Phase 2** - Consolidate and integrate new business services systems and processes to maximise efficiencies and use of resources over the next 12 months (Owner: Assistant Chief Officer)

- b) HMICFRS Inspection Reports – the Constabulary should ensure that there is effective governance and controls in place to respond to any ‘Areas for Improvement’ identified by Her Majesties Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) as part of its Inspection programme (Owner: Deputy Chief Constable)

13. Summary

13.1 We are satisfied that the governance framework and arrangements in place during 2021/22 and up to the date the accounts were signed are adequate and fit for purpose. The arrangements are subject to independent review and assurance from various sources as noted in paragraphs 12.3.

13.2 We propose over the coming year to take steps to address the issues identified in paragraph 12.7 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
Chief Finance Officer, OPCC

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

Overview of topics to be covered during the period July 2022-March 2022

Part 1 Items	Jul-22	Sep-22	Nov-22	Feb-22
Minutes of Joint Audit Advisory Committee	✓	✓	✓	✓
Matters Arising from Previous JAAC Meetings	✓	✓	✓	✓
Briefing from Police and Crime Commissioner & Chief Constable	✓	✓	✓	✓
JAAC Annual Report			✓	
Single Point of contact roles for 2023/24				✓
External Audit Findings Report		✓		
External Audit Plan	✓			
Informing the Audit Risk Assessment	✓			
External Audit Progress Report				✓
External Audit VFM Report			✓	
Annual Accounts	Draft	Final		
Annual Governance Statement	Draft	Final		
External Audit Letter of Representation		✓		
Internal Audit Annual Plan				Draft
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 (Tor)	✓	✓	✓	✓
Value for Money profiles	✓			
Service Assurance Plan	✓	✓	✓	✓
JAAC Terms of Reference Review			✓	
2022/23 Budget & Medium Term Financial Strategy				✓
Part 2 Items	Jul-22	Sep-22	Nov-22	Feb-22
Minutes of Joint Audit Advisory Committee	✓	✓	✓	✓
Matters Arising from Previous JAAC Meetings	✓	✓	✓	✓
Strategic Risk Register	✓	✓	✓	✓
Internal Audit ToR/Reports	✓	✓	✓	✓
Updates on Business Services Futures Programme	✓	✓	✓	✓