

JOINT AUDIT ADVISORY COMMITTEE



Date: Thursday, 27th September 2023

Time: 13:00

Venue: OPCC Meeting Room, Cheshire Constabulary HQ, 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 Monday, 25th September 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

	Contact	Report Page
1. Minutes of the Joint Audit Advisory Committee <i>To approve the minutes of the Joint Audit Advisory Committee held on 26th July 2023.</i>	P Bearpark	3
2. Action Log <i>To consider the attached action log update.</i>	P Bearpark	6
3. Police & Crime Commissioner and Chief Constable Update	D McNeilage/J Gill	V

Part 1 - Public Items – For Advice

4. Statement of Accounts including Annual Governance Statement - FINAL <i>To advise upon the report from the Head of Finance and the OPCC Chief Finance Officer.</i>	W Bebbington/ C Hodgson	7
5. External Audit Findings Report <i>To advise upon the report from the External Auditor.</i>	L Luddington	117
6. External Audit Letter of Representation <i>To advise upon the report from the External Auditor.</i>	L Luddington	168
7. JAAC Forward Plan Review <i>To agree the attached forward plan.</i>	P Bearpark	175

Part 1 - Public Items – For Information/Discussion

8. Internal Audit <i>To consider the attached reports from the Internal Auditor.</i> (a) Data Protection Audit Approved Terms of Reference (b) HR/Payroll Audit Draft Terms of Reference	A Harrop	176
9. Service Assurance Plan <i>To consider the attached report by the Chief Constable.</i>	L Willis	189
10. Any Other Business	P Bearpark	V

Part 2 - Private Items

The following matters will be considered in private as they involve the likely disclosure of exempt information as defined in the Freedom of Information Act 2000, in accordance with the section indicated below: -

Item	Section
Action Log	(31) Law Enforcement
Internal Audit: Terms of Reference and Reports	(31) Law Enforcement
Joint Strategic Risk Register	(31) Law Enforcement

- | | | |
|--|-------------------|---|
| 11. Minutes of the Joint Audit Advisory Committee
<i>To approve the minutes of the Joint Audit Advisory Committee held on 26th July 2023.</i> | <i>P Bearpark</i> | - |
| 12. Action Log
<i>To consider the attached action log update</i> | <i>P Bearpark</i> | - |
| 13. Cyber Security Update
<i>Verbal update from the Head of I.T. and Information Security</i> | <i>S Rogers</i> | - |
| 14. PSD Vetting Update (National Officer Misconduct Issues)
<i>To consider the attached update.</i> | <i>J Gill</i> | - |

Part 2 - Private Items – For Advice

- | | | |
|--|-----------------|---|
| 15. Strategic Risk Register
<i>To consider the attached Draft report by Chief Constable.</i> | <i>L Willis</i> | - |
|--|-----------------|---|

Part 2 - Private Items - For Information/Discussion

- | | | |
|--|-----------------|---|
| 16. Internal Audit
<i>To consider the attached reports from the Internal Auditor</i>

(a) Use of Force Audit Final Report
(b) Firearms Licensing Audit Final Report
(c) Stop and Search Audit Draft Terms of Reference
(d) Internal Audit Progress Report | <i>A Harrop</i> | - |
| 17. SPOC Discussion on Fraud Controls | <i>J Gleave</i> | - |

For further information about this Agenda, please contact Clare Hodgson on 01606 364000.

Minutes of the Joint Audit Advisory Committee Meeting 26th July 2023 – Part 1

Attendees:

Joint Audit Advisory Committee

Phil Bearpark, JAAC Chair

Elaine Smith, JAAC Member

Jean Gleave, JAAC Member

Paul Birtles, JAAC Member

Office of the Police & Crime Commissioner

Damon Taylor, Chief Executive

Clare Hodgson, Chief Finance Officer

Cheshire Constabulary

Mark Roberts, Chief Constable

Wendy Bebbington, Head of Finance

Louise Willis, Planning, Performance & Risk Mgr.

Julie Gill, Assistant Chief Officer [part]

David Bryan, Head of Legal Services

Internal Audit

Anne-Marie Harrop, Regional Assurance Director (MIAA) Charles Black, Principal Auditor (MIAA)

External Audit

Liz Luddington, Senior Manager, Audit (GT)

Chelsey Taylor, Audit (GT)

Apologies:

John Dwyer, Police & Crime Commissioner

Michael Green, Director - Grant Thornton

David McNeilage, DPCC

Vellore Karthikeyan, JAAC Member

Part 1 - Public Items

1. Minutes of the Joint Audit Advisory Committee

The Minutes of the Joint Audit Advisory Committee held on 1st March 2023 were approved.

2. Action Log – Reviewed by The Chair

Action log updates were approved.

3. Chief Constable and Chief Executive Update

Chief Executive

The Chief Executive formally welcomed the new committee members and reported the following:-

- A positive end of year report resulted in the Commissioner extending the Chief Constable's and other members of the senior team's contracts.
- There has been £3 million secured in the last quarter for various projects by the OPCC, this equates that for every pound spent on the running cost of the office, £7.60 is raised.
- Planning permission has been granted for the new police station in Wilmslow.
- The Commissioner has published his first quarterly review which has received positive feedback.
- The Commissioner Awards were held on 6th July, this was a very well received event.
- There was a Young Drivers event held in May 2023, which was very successful.

Chief Constable

The Chief Constable stated that since he arrived in April 2021, he has carried out a full revamp of the senior team. The results have shown extremely positive across all areas.

Performance

- 999 call handling was at the lower end of performance at one stage; however, this is now 4th in the country. Police are also getting to the public much more quickly for grade 2 incidents.
 - There has been a significant uplift of officers making the number larger than ever before. These officers are inexperienced at the moment, however, with the relevant support and experience being shared with them they will become fully trained.
- The Chair** asked if there was a good level of candidate at the recruitment stage. The **Chief Constable** confirmed that there is.
- The force has achieved the highest charge rate for sexual assaults. There is also an excellent wrap around service for victims in place.
 - There has been a significant effort placed into policing child neglect. So far training for over 500 staff has taken place.

Challenges

- *Budget - People and Wages.* It will be challenging to maintain the level of staffing within the force with the budget constraints. Funding could be lost if we do not maintain the agreed officer uplift figure.

Part 1 - Public Items – For Advice

4. Head of Internal Audit Opinion and Annual Report

Anne-Marie Harrop gave an overview of the report.

Jean Gleave asked if the Internal Auditors felt that any areas of the report should be included in the AGS. **Anne-Marie Harrop** said that IA did not have any concerns about omissions. The Committee also asked Anne Marie how Cheshire performance compared to peers. While she couldn't comment specifically on the performance of others, she said that Cheshire's overall rating of Substantial is very good and it would be incredibly hard to receive a high rating.

5. Statement of Accounts – DRAFT

Wendy Bebbington gave an overview of the accounts and covered all the key points. There are no fundamental changes since last year's accounts in relation to the layout.

This document is the current draft that external audit are going over at the moment, they may be amended when they have completed their review. The deadline is the end of September and a final set of accounts will be available for the PCC and CC to sign off then.

A number of comments and questions were raised by **Paul Birtles** around the draft accounts. These were addressed by **Wendy Bebbington and Clare Hodgson**.

ACTION: Presentational amendments agreed at the meeting to be made in the final Statement of Accounts – Wendy Bebbington.

Jean Gleave raised the following in relation to the statement of accounts:

- Page 27 of the report was found to be very useful.
- Reserves. A question was put to the external auditor regarding if they had any concerns around the reserves. **Liz Luddington** said that these will be addressed during the audit work.

Clare Hodgson confirmed that, as s151 officer she had no concerns over the reserve levels and these met the target level that were set internally.

The Chair reiterated that the way the report is structured is really good.

6. Annual Governance Statement - DRAFT

Clare Hodgson presented the statement and explained that the AGS was part of the Statement of Accounts on the website. Thanks were given to Jean Gleave who has acted as SPOC in this area.

The Chair commented that this document is very clear and has improved over the last two years. The Committee asked whether a separate link could be included on the website to the AGS as a standalone document.

ACTION: A link to the AGS is to be put on a separate page on the website – Clare Hodgson

7. External Audit Plan

Liz Luddington commented on the very positive position the Constabulary are in and presented the external audit plan, commenting on any priority areas within the audit findings.

The Chair commented on the report and the audit resource, stating it was powerful to see the progress that had been made.

8. Forward Plan

The forward plan was discussed and **The Chair** asked if there were any questions around the document.

Jean Gleave asked about the Grant Thornton document 'Informing the Audit Risk Assessment' which was included in the July 2022 meeting. **Liz Luddington** said she can circulate this outside the meeting. The Committee commented that it would be useful if all Internal Audit items and External Audit items can be grouped together on the forward plan.

ACTION: Informing the Audit Risk Assessment document to be circulated - Liz Luddington.

ACTION: MIAA and GT actions to be grouped together on the forward plan – Clare Hodgson

9. JAAC Single Point of Contact Roles

Suggestions were made for potential single point of contact roles for JAAC members for 2023/24. JAAC members will discuss these and agree them prior to the next meeting. It was agreed during the meeting that Jean Gleave would be the SPOC for Fraud.

ACTION: Discuss and agree JAAC SPOC roles – Phil Bearpark, Clare Hodgson and Julie Gill.

Part 1 - Public Items – For Information

10. Internal Audit

Charles Black gave an overview of the internal audit documents. He wanted it noted that Wendy Bebbington and the team deserved to be credited for receiving the score of high assurance in the financial audit report.

The Chair gave credit to the internal auditors for the standard of the report.

The Committee raised a question regarding aged debt numbers. It was explained that this was a timing issue.

11. Service Assurance Plan

Louise Willis reported on the Service Assurance Plan. No issues were raised.

12. Any Other Business

The Chair asked about the disclosure of any conflicts of interest by JAAC members and how are these declared. **Clare Hodgson** explained that this would normally be covered at the start of the meeting. The Committee asked that formal declarations of interest should be made on an annual basis.

ACTION: Declaration of interest form for members to be circulated annually – Clare Hodgson

The Chair requested that next year's meeting dates be arranged as soon as possible.

ACTION: 2024 JAAC meeting dates to be arranged – Lez Cowen

Date of Meeting	Action Number	Action Details	Responsible for Action?	Status	Notes
30/11/2022	025	Link between Operational and Financial Performance to be reported as green at 2022/23 external audit	s151 Officers	Ongoing	February Update - Operational performance linked to financial investments made as part of Q3 financial monitoring report which went to Joint Management Board. Action not due to be closed until completion of external audit on 2022/23 accounts. March Update - Will remain open until the completion of the external audit on 2022/23 statement of accounts.
01/03/2023	028	Fraud discussion to be added to the Forward Plan.	Clare Hodgson	Propose Closure	September Update - Fraud discussion is on the agenda for September JAAC
26/07/2023	031	Presentational amendments agreed at the meeting to be made in the final Statement of Accounts	Wendy Bebbington	Propose Closure	September Update - Proposed amendments are incorporated into the final Statement of Accounts
26/07/2023	032	A link is to be put on the web to the Annual Governance Statement	Clare Hodgson	Propose Closure	September Update - Link is now included on OPCC website
26/07/2023	033	The 'Informing the Audit Risk Assessment' document is to be circulated.	Liz Luddington	Propose Closure	September Update - Document was circulated by email
26/07/2023	034	MIAA and GT actions to be grouped together on the Forward Plan.	Clare Hodgson	Propose Closure	September Update - Papers are grouped together on the forward plan
26/07/2023	035	Discuss and agree JAAC SPOC roles.	Phil Bearpark/Clare Hodgson/Julie Gill	Propose Closure	September Update - Discussion took place on 16th August
26/07/2023	036	Declaration of interest form for members to be circulated annually.	Clare Hodgson	Propose Closure	September Update - Form will be circulated by email to JAAC members prior to the September meeting for return annually
23/07/2023	037	2024 JAAC meeting dates to be arranged.	Lez Cowen	Ongoing	September Update - February and May dates are arranged. We are still awaiting confirmation of Mazars details and also audit deadlines for 24/25. Dates will be scheduled for September 2024, November 2024 and February 2025.



POLICE & CRIME COMMISSIONER FOR CHESHIRE AND GROUP STATEMENT OF ACCOUNTS 2022/23

STATEMENT OF ACCOUNTS 2022/23

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NARRATIVE REPORT

Introduction

Welcome to the 2022/23 Statement of Accounts for Cheshire Police.

On 26 January 2022, the Commissioner set a gross revenue budget of £255.3m (net £228.6m) funded by government grants and the police share of council tax (known as the precept). He also approved a programme of capital investment totalling £12.6m.

One of the Commissioner's key responsibilities is to set out the public's priorities for policing alongside the strategic priorities for Cheshire Constabulary during his term in office. Based on feedback received from the public, the Plan sets out the Commissioner's vision for policing, crime and community safety in Cheshire, as well as setting out how he will hold the Chief Constable to account to ensure that our police service delivers on these priorities.

The six key priorities for policing and crime in Cheshire from now until 2024 are to:

- 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 2022/23 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 £79.1m in the Group Accounts. This deficit is due to including within this statement a number of accounting entries that are not cash based and are explained in more detail within the Expenditure and Funding Analysis note. The most significant of these accounting entries relates to recognising the actuarial cost of pensions in the year which totals around £74.6m for 2022/23. This is explained further in note 33 to these accounts. Without these accounting entries, the overall outturn position shows an underspend of £0.15m (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 £1,624m as at 31 March 2023 (£2,468m 31 March 2022).

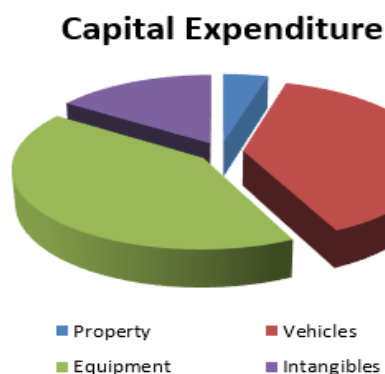
The final Primary Statement is the Cashflow Statement. This shows the changes in cash and cash equivalents of the Commissioner during the financial year. The statement shows how the Commissioner generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount 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 2023

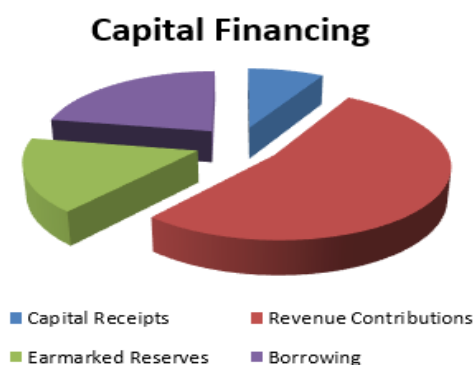
Capital Expenditure and Financing

In 2022/23 capital investment in new technology, fleet replacement, estate management and equipment was identified in the approved Budget Report which required funding of £12.6m. The programme was reviewed, amended and changes approved throughout the year as necessary with the year-end position shown below together with details of how this was funded.

<u>Capital Expenditure</u>	£000	
Property	374	4.4%
Vehicles	3,310	38.6%
Equipment	3,562	41.4%
Intangibles	1,336	15.6%
Total	8,582	100.0%



<u>Capital Financing</u>	£000	
Capital Receipts	711	8.3%
Revenue Contributions	4,553	53.1%
Earmarked Reserves	1,409	16.4%
Borrowing	1,909	22.2%
Total	8,582	100.0%



Financial Performance

The 2022/23 outturn shows an underspend of £148k after taking into account £1.169m of approved carry-forward commitments into 2023/24. During the year, the Constabulary recruited an additional 120 officers as part of the Police Uplift Programme and received the full grant allocation accordingly. 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 on 5 July 2023 – please see Commissioner’s website.

	Full Year Budget	Outturn Actual	Carry Forwards	Total Outturn	Outturn Variance	
	£000	£000	£000	£000	£000	%
Police Pay	121,583	120,169	0	120,169	(1,414)	(1%)
Overtime	3,378	4,212	0	4,212	834	25%
Contact, Response & Resolution	13,153	13,231	0	13,231	78	1%
Crime	9,328	8,942	29	8,971	(357)	(4%)
Neighbourhoods	7,666	7,661	73	7,734	68	1%
Public Protection	7,605	7,668	0	7,668	63	1%
Centrally Delivered Services	6,689	6,715	187	6,902	213	3%
Business Services	44,202	44,525	181	44,706	504	1%
Collaborations	10,843	10,783	234	11,017	174	2%
Corporate Costs	2,058	1,767	0	1,767	(291)	(14%)
Total Constabulary Costs	226,505	225,673	704	226,377	(128)	(0%)
Office of the Police & Crime Commissioner	939	895	24	919	(20)	(2%)
Commissioning	1,134	693	441	1,134	0	0%
OPCC Total	2,073	1,588	465	2,053	(20)	(1%)
Total Service Costs	228,578	227,261	1,169	228,430	(148)	(0%)

Review of 2022/23

As part of the 2022/23 budget, a number of investments were made to meet operational demands and pressures. One of the main investments related to the Force Control Centre which is the first touch point for most when contacting the police. Significant funding was invested in this area to increase the available resources and improve retention. In addition, further investments were made into operational policing including Prevention and Early Intervention, Police Uplift Programme, Serious and Organised Crime and Intelligence. The following demonstrates the impact these additional resources have provided on response and outcomes that protect the most vulnerable and provide justice to victims of crime during 2022.

Cheshire Constabulary - 2022 Performance Data

Response



6 minutes & 28 seconds
average time to answer non-emergency calls compared to over 9 mins on the previous year

2021	2022	
79%	89%	of 999 emergency calls answered in 10 seconds
85%	90%	of emergency incidents attended within 15 minutes
77%	83%	of prompt incidents attended within 60 minutes

Safeguarding



£1.5million - largest ever single amount for Safer Streets funding to further improve our VAWG approach

Crime and Incidents

8000
DA arrests in 2022
Up by 80% on the previous year

20,000
Arrests made in 2022
Up by 34% on the previous year
Overall action taken rate: 10.8% (2021) up to 17.3% (2022)

7½ mins
- the average time to attend Grade 1 incidents
The number of DA offences charged has increased by 30%

Investment in technology and problem solving



Facial Recognition has led to...

82 Charges
13 Community Resolutions

Consistent hit rate helping us solve crimes
Only force with OIFR

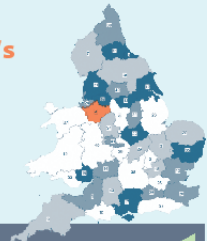


Rolled out new **Motorola Airwave** radios to all officers and PCSOs



GoodSAM instant video capability allows FCC operators to send a link via a text message to 999/101 callers.

Cheshire Constabulary's performance compared nationally with 42 other forces



Outcomes

This data relates to the 12 months to the end of October 2022.

- Highest charge rate for overall crime in the country**
- Highest charge rate for sexual offences**
- Highest charge rate for violence with injury**
- 4th highest charge rate for burglary**
- 3rd highest charge rate for vehicle offences**

Over the past year there have been a huge number of successful operations, campaigns and great results across the county. In December, Cheshire Constabulary launched its Christmas campaign 'the choice is yours' focusing energies and efforts in tackling the behaviour of perpetrators and supporting women and girls across the county. We have had a number of significant cross-borders operations under Operation Crossbow, tackling county lines and cross border criminality with neighbouring forces and agencies and both Cheshire Constabulary and the Police and Crime Commissioner for Cheshire have launched a number of initiatives under Safer Streets, including the introduction of Safety buses that allow officers to directly help and support those who may need assistance whilst out and about in our towns and cities.

Safety buses, a new app and educational programmes in every secondary school are just some of the things provided following the latest successful bid of £1.5m to the Safer Streets Fund. John Dwyer, Police and Crime Commissioner for Cheshire said:

"I'm delighted that we've secured yet more funding for making Cheshire's streets even safer. Everyone deserves to feel safe walking our streets, especially at night, and this new money will enable the police to work with local communities and organisations to better protect people."



The safety of women and girls is rightly a national key priority and one which is fully supported across Cheshire. We will continue to listen and learn, working with survivors, the public and other police forces to improve the way we tackle violence, abuse and intimidation against women and girls. We are consulting experts, practitioners and other agencies in this area to make sure our strategy is as strong as it can be and delivers the service that our communities deserve. Crimes predominantly affecting women and girls, such as sexual violence, domestic abuse, stalking, harassment and forced marriage, have a long-lasting impact not only on those directly affected but their families and communities and cannot be underestimated.

Arresting those responsible for violence, abuse and intimidation against women and girls is a key priority for us as a police force and the force want to reassure all victims that they will be listened to and supported when reporting incidents of rape and sexual assaults. Those responsible for these crimes will be dealt with by our officers and we will do everything we can to support cases through the courts, continuing with our commitment to keep women, girls and the public of Cheshire safe.



Another key priority within the Police and Crime Plan is Road Safety. The aims of this are to ensure we educate road users; raise awareness of what causes collisions; reduce speeding; and tackle dangerous and inconsiderate driving. Investment in average speed cameras; noise camera trials; and school road safety initiatives including parking buddies are a few of the activities undertaken in 2022/23.

John Dwyer, Police and Crime Commissioner for Cheshire said:

“In Cheshire we have a dedicated Roads and Crime Unit who work hard to keep the county’s roads safe, with their work being showcased recently on Channel 5’s Motorway Cops.”



Officers from the Roads and Crime Unit continually patrol in marked and unmarked cars, and on police motorbikes, pursuing those committing the Fatal 5 - the five main contributory factors that cause serious road traffic collisions: careless driving, using a mobile phone, not wearing a seatbelt, speeding, and drink and drug driving.

Future Developments

In January 2023, the Commissioner set a gross revenue budget for 2023/24 of £266.5m (net £236.8m), together with a capital investment programme of £8.13m. The budget maintains investment in key areas to protect the public and reinforce recent improvements made by the Constabulary.



The force now has its highest ever number of officers, and call waiting times and incident response times for both emergencies and non-emergencies have fallen significantly. In addition, we are arresting more criminals and have the highest charge rate for crime in the country.

The budget set by Commissioner John Dwyer is designed to ensure that this level of service is maintained and public confidence in policing improves.

Between the Tuesdays of 3 January and 24 January 2023, the Commissioner carried out a survey on people's policing priorities for the next year. Over 4,000 residents – the largest ever response – gave their views on issues in their community and their top priorities for policing, including tackling anti-social behaviour (ASB), focusing on road safety and maintaining record high police officer numbers.

Mr Dwyer said:

"I want to thank everyone for their feedback on next year's budget. It's vital that I hear from the public, about the service they expect, and from the Constabulary, so that I know what support is required through the budget to deliver on people's priorities. The key issues highlighted in the survey mirror those set out in the Police and Crime Plan, where I outline how we will tackle ASB, make Cheshire's roads safer and maintain our police officer numbers at their highest ever level. "This budget will help us to achieve all of these goals."

Chief Constable Mark Roberts said:

"Approving the policing budget for the coming year is key in ensuring that we have the right resources to keep the communities of Cheshire safe. I would like to thank all those who took the time to complete the survey and let us know their views on both the precept and the policing priorities for their respective areas. We appreciate the hardships that households are now facing, so it was pleasing to see this level of support. I will continue to work closely with the Police and Crime Commissioner to ensure that we deliver the priorities set out in the Police and Crime Plan, prevent and tackle crime and provide the best possible service for victims."

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. Online access is via <https://www.cheshire-pcc.gov.uk/contact/get-in-touch>.

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, Office of the Police & Crime Commissioner.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

I approve this Statement of Accounts.

John Dwyer

Police & Crime Commissioner for Cheshire

XX September 2023

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 2023 and of the expenditure and income for the year ended 31 March 2023.

Clare Hodgson

Chief Finance Officer, Office of the Police & Crime Commissioner

XX September 2023

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

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EXPENDITURE AND FUNDING ANALYSIS NOTE 2022/23 (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	124,381	0	124,381	8,136	132,517
Contact, Response & Resolution	13,231	0	13,231	1,197	14,428
Crime	8,971	29	8,942	896	9,839
Neighbourhoods	7,734	73	7,661	501	8,162
Public Protection	7,668	0	7,668	748	8,415
Centrally Delivered Services	6,902	187	6,716	468	7,184
Business Services	44,706	181	44,526	2,111	46,637
Collaborations	11,017	(341)	11,358	679	12,037
Corporate Costs	(347)	(804)	456	(1,736)	(1,280)
Office of the Police & Crime Commissioner	919	24	895	57	952
Office of the Police & Crime Commissioner - Commissioning	1,134	441	693	0	693
Actuarial Pension Costs – McCloud Judgement	0	0	0	0	0
Net Cost of Services	226,316	(210)	226,526	13,057	239,584
Other Income & Expenditure	0	0	0	130	130
Financing & Investment Income & Expenditure	2,113	0	2,113	68,672	70,785
Taxation & Non Specific Grant Income	(228,578)	(3,580)	(224,998)	(6,395)	(231,393)
(Surplus) or Deficit	(148)	(3,790)	3,641	75,464	79,105
Opening General Fund			(28,222)		
Less/Plus (Surplus) Deficit on General Fund in Year			3,641		
Closing General Fund at 31 March			(24,581)		

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 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	12,420
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.

COMPREHENSIVE INCOME and EXPENDITURE STATEMENT (Group)

2021/22			2022/23			Notes	
£000	£000	£000		£000	£000	£000	
Expenditure	Income	Net	<u>Police Services (a):</u>	Expenditure	Income	Net	
135,945	(3,110)	132,835	Police Pay	137,290	(4,773)	132,517	
18,866	(6,096)	12,769	Contact, Response & Resolution	20,207	(5,779)	14,428	
15,282	(2,862)	12,420	Crime	15,110	(5,271)	9,839	
9,410	(353)	9,057	Neighbourhoods	8,458	(296)	8,162	
11,324	(4,173)	7,150	Public Protection	12,615	(4,200)	8,415	
7,475	(874)	6,601	Centrally Delivered Services	7,908	(724)	7,184	
49,737	(6,710)	43,027	Business Services	53,068	(6,431)	46,637	
12,660	(773)	11,887	Collaborations	12,437	(399)	12,037	
465	(10,775)	(10,311)	Corporate Costs	832	(2,112)	(1,280)	
1,246	0	1,246	Office of Police & Crime Commissioner	952	0	952	
6,435	(5,429)	1,007	Office of Police & Crime Commissioner - Commissioning	5,573	(4,880)	693	
0	0	0	Actuarial Pension Costs – McCloud Judgement	0	0	0	33
268,845	(41,155)	227,689	Cost of Services	274,449	(34,865)	239,584	9
		149	Other Operating Expenditure & Income			130	9
		54,829	Financing & Investment Income & Expenditure			70,785	9
		(212,284)	Taxation & Non-Specific Grant Income			(231,393)	9
		70,383	Deficit / (Surplus) on Provision of Services			79,105	9
		(19,256)	(Surplus)/Deficit on revaluation of fixed assets			(8,392)	<u>17</u>
		0	(Surplus)/Deficit on revaluation of "available for sale" assets			0	
		(72,669)	Actuarial (gains)/losses on pension assets/ liabilities			(873,308)	33
		(91,925)	Other Comprehensive Income and Expenditure			(881,700)	
		(21,542)	Total Comprehensive Income and Expenditure			(802,595)	

(a) The above expenditure and income shown against services such as 'police pay' are calculated in accordance with proper accounting practices and include several items that are not cash related. For example, the above includes depreciation which represents the indicative value of the assets consumed in year but for which no cash has been spent. These are explained in detail within the Expenditure and Funding Analysis note. However, the actual expenditure in cash terms is shown in the table at the top of page 5 in the Narrative Report where you can see as an example 'police pay' cash spend including overtime is £124,381k (£116,589k 2021/22).

MOVEMENT IN RESERVES STATEMENT (Group)

2022/23	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2022	28,222	686	28,909	(2,496,689)	(2,467,780)
Total Comprehensive Expenditure and Income	(79,105)	0	(79,105)	881,700	802,595
Adjustments between accounting basis & funding basis under regulations – see Note 15	75,464	(686)	74,777	(74,777)	0
Increase/(Decrease) in year	(3,641)	(686)	(4,328)	806,923	802,595
Balances at 31 March 2023	24,581	0	24,581	(1,689,766)	(1,665,186)
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)

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

BALANCE SHEET AS AT 31 MARCH 2023 (Group)

31 March 2022 £000		31 March 2023		Notes
		£000	£000	
135,372	Property, Plant & Equipment	141,543		17
3,349	Intangible Assets	4,071		18
949	Long Term Debtors	738		
<u>139,670</u>	Long Term Assets		146,352	
609	Stock	733		
23,485	Short Term Debtors	24,656		23
27,472	Cash and Cash Equivalents	21,354		24
0	Assets (held for sale)	0		25
<u>51,566</u>	Current Assets		46,743	
(99)	Short Term Borrowing	(2,356)		22
(26,038)	Short Term Creditors	(25,352)		26
<u>(26,137)</u>	Current Liabilities		(27,708)	
(16,223)	Long Term Creditors	(15,006)		29
(489)	Provisions	(489)		27
(30,274)	Long Term Borrowing	(27,918)		22
(2,585,892)	Other Long Term Liabilities	(1,787,159)		33
<u>(2,632,878)</u>	Long Term Liabilities		(1,830,572)	
<u>(2,467,780)</u>	Net Liabilities		(1,665,185)	
	Represented By:			
28,909	Usable Reserves		24,581	16
(2,496,689)	Unusable Reserves		(1,689,766)	30
<u>(2,467,780)</u>	Total Reserves		(1,665,185)	

These unaudited accounts were issued on 9 June 2023

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

Date: XX September 2023

CASHFLOW STATEMENT (Group)

31 March 2022 £000		31 March 2023 £000	Notes
70,383	Net (surplus) or deficit on the provision of services	79,105	
	Adjust net (surplus) or deficit on the provision of services for non-cash movement:		
(9,990)	Depreciation	(9,927)	
(74,865)	Pensions - actuarial movement	(74,606)	
(3,004)	Movement in Creditors	641	
6,045	Movement in Debtors	721	
(45)	Movement of Stock	125	
1,722	Other non-cash items	185	
0	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	0	
(9,754)	Net cash flow from operating activities	(3,755)	
6,705	Investing Activities	8,558	31
(1,343)	Financing Activities	1,316	31
(4,392)	Net (increase) or decrease in cash and cash equivalents	6,118	
(23,080)	Cash and cash equivalents at the beginning of the reporting period	(27,472)	24
(27,472)	Cash and cash equivalents at the end of the reporting period	(21,354)	24
(4,392)	Net (increase) or decrease in cash and cash equivalents	6,118	

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.

2021/22 £000	FUND ACCOUNT	2022/23 £000
	Contributions Receivable from:	
(24,881)	Employer at 31% of pensionable pay	(27,191)
(723)	Early Retirements	(1,116)
(10,882)	From current employees	(11,658)
(36,486)		(39,965)
	Transfers in from other Police & Crime Commissioners	
(119)	Transfers in from other pension schemes	(355)
(36,605)		(40,320)
	Benefits Payable:	
51,934	Pensions	54,345
10,887	Commutations and lump sum retirement benefits	12,825
194	Lump sum death benefits	0
	Payments to and on account of leavers	
10	Transfers out to other schemes	6
68	Refunds of contributions	49
	Other Payments	
0	Pension Admin and Interest Charges	0
63,093		67,225
26,488	Net amount payable for the year	26,905
(26,488)	Additional contribution from the Commissioner ¹	(26,905)
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 2022/23

(Police & Crime Commissioner)

	2022/23		
	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Police Services			
Police Pay	(4,773)	0	(4,773)
Contact, Response & Resolution	(5,779)	0	(5,779)
Crime	(5,271)	0	(5,271)
Neighbourhoods	(296)	0	(296)
Public Protection	(4,200)	0	(4,200)
Centrally Delivered Services	(724)	0	(724)
Business Services	(6,431)	0	(6,431)
Collaborations	(399)	0	(399)
Corporate Costs	(2,560)	0	(2,560)
Office of the Police & Crime Commissioner	895	56	952
Office of the Police & Crime Commissioner - Commissioning	693	0	693
	(28,845)	56	(28,789)
Funding to Cheshire Constabulary	255,371	7,358	262,729
Net Cost of Services	226,526	7,414	233,941
Other Income & Expenditure	0	130	130
Financing & Investment Income & Expenditure	2,113	19	2,132
Taxation & Non Specific Grant Income	(224,998)	(6,395)	(231,393)
(Surplus) or Deficit	3,641	1,169	4,810
Opening General Fund	(28,222)		
Less/Plus (Surplus) Deficit on General Fund in Year	3,641		
Closing General Fund at 31 March	(24,581)		

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 2021/22

(Police & Crime Commissioner)

	2021/22		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	(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)
	(6,688)	3,637	(3,051)
(Surplus) or Deficit			
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.

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

2021/22			2022/23			Notes
£000	£000	£000	£000	£000	£000	
Expenditure	Income	Net	Expenditure	Income	Net	
<u>Police Services:</u>						
0	(3,110)	(3,110)		(4,773)	(4,773)	
0	(6,096)	(6,096)		(5,779)	(5,779)	
0	(2,862)	(2,862)		(5,271)	(5,271)	
0	(353)	(353)		(296)	(296)	
0	(4,173)	(4,173)		(4,200)	(4,200)	
0	(874)	(874)		(724)	(724)	
0	(6,710)	(6,710)		(6,431)	(6,431)	
0	(773)	(773)		(399)	(399)	
9,662	(20,765)	(11,103)	9,479	(12,039)	(2,560)	
1,246	0	1,246	952	0	952	
6,435	(5,429)	1,007	5,573	(4,880)	693	
17,344	(51,145)	(33,802)	16,003	(44,792)	(28,789)	
240,010	=	240,010	262,730	=	262,730	
		206,208			233,941	
		149			130	9
		2,876			2,132	9
		(212,284)			(231,393)	9
		(3,051)			4,810	
		(19,256)			(8,392)	<u>17</u>
		0			0	
		(487)			<u>760</u>	
		(19,743)			(7,632)	
		(22,794)			(2,822)	

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

2022/23	General Fund (incl. earmarked) Reserve £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1 April 2022	28,222	686	28,909	90,424	119,333
Total Comprehensive Expenditure and Income	(4,810)		(4,810)	10,586	5,776
Adjustments between accounting basis & funding basis under regulations	1,169	(686)	482	(482)	0
Increase/(Decrease) in year	(3,641)	(686)	(4,328)	10,104	5,776
Balances at 31 March 2023	24,581	0	24,581	100,527	125,108

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

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

BALANCE SHEET AS AT 31 MARCH 2023 (Police & Crime Commissioner for Cheshire)

31 March 2022 £000		31 March 2023		Notes
		£000	£000	
135,372	Property, Plant & Equipment	141,543		17
3,349	Intangible Assets	4,071		18
949	Long Term Debtors	738		
139,670	Long Term Assets		146,352	
609	Stock	733		
23,485	Short Term Debtors	24,656		23
27,472	Cash and Cash Equivalents	21,354		24
0	Assets (held for sale)	0		25
51,566	Current Assets		46,743	
(99)	Short Term Borrowing	(2,356)		22
(22,341)	Short Term Creditors	(21,499)		
(22,440)	Current Liabilities		(23,855)	
(16,223)	Long Term Creditors	(15,006)		29
(489)	Provisions	(489)		27
(30,274)	Long Term Borrowing	(27,918)		22
(2,477)	Other Long Term Liabilities	(719)		
(49,463)	Long Term Liabilities		(44,132)	
119,333	Net Assets		125,108	
	Represented By:			
28,909	Usable Reserves		24,581	16
90,424	Unusable Reserves		100,527	
119,333	Total Reserves		125,108	

These unaudited accounts were issued on 9 June 2023.

Clare Hodgson, Chief Finance Officer, Office of the Police & Crime Commissioner
Date: XX September 2023

CASHFLOW STATEMENT

(Police & Crime Commissioner for Cheshire)

31 March 2022 £000		31 March 2023 £000	Notes
(3,051)	Net (surplus) or deficit on the provision of services	4,810	
	Adjust net (surplus) or deficit on the provision of services for non-cash movement:		
(9,990)	Depreciation	(9,927)	
(1,430)	Pensions - actuarial movement	(311)	
(3,004)	Movement in Creditors	641	
6,045	Movement in Debtors	721	
(45)	Movement of Stock	125	
1,722	Other non-cash items	185	
0	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	0	
(9,753)	Net cash flow from operating activities	(3,755)	
6,705	Investing Activities	8,558	31
(1,343)	Financing Activities	1,316	31
(4,392)	Net (increase) or decrease in cash and cash equivalents	6,118	
(23,080)	Cash and cash equivalents at the beginning of the reporting period	(27,472)	24
(27,472)	Cash and cash equivalents at the end of the reporting period	(21,354)	24
(4,392)	Net (increase) or decrease in cash and cash equivalents	6,118	

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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 2022/23 financial year and the position at 31 March 2023. 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 2022/23, 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 His 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 2022/23 (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 2022/23 and 2023/24 financial statements in respect of accounting changes that are introduced in the 2023/24 Code (i.e., that are relevant to the requirements of paragraph 3.3.4.3) are:

- Definition of Accounting Estimates (Amendments to IAS 8), issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.
- [IFRS16 Lease Accounting was due to be adopted in 2022/23 but has been deferred until 2024/25.](#)

The above changes have no impact on these accounts but will be reviewed during 2023/24 and any amendments required will be clearly shown in the 2023/24 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 2023.

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 2023, 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 £6.5m on their Net Book Value at 31st March 2023. 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 £1.796m 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 £34.015m 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 2022/23	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Police Pay	5,044	3,016	76	8,136
Contact, Response & Resolution	742	444	11	1,197
Crime	556	332	8	896
Neighbourhoods	310	186	5	501
Public Protection	464	277	7	748
Centrally Delivered Services	290	174	4	468
Business Services	847	1,233	31	2,111
Collaborations	421	252	6	679
Corporate Costs	(1,736)	0	0	(1,736)
OPCC	36	20	1	57
OPCC – Commissioning	0	0	0	0
Actuarial Pension costs - McCloud Judgement	0	0	0	0
Net cost of services	6,974	5,934	149	13,057
Other Operating Income & Expenditure	130	0	0	130
Financing & Invest. Income & Expenditure	0	68,672	0	68,672
Taxation & Non-Specific Grant Income	(5,963)	0	(432)	(6,395)
Difference between GF surplus/ deficit and CIES surplus/ deficit	1,141	74,606	(283)	75,464

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

8. Material items of income and expenditure

There are no material items of income and expenditure to report for 2022/23.

9. Expenditure and Income Analysed by Nature

Subjective Analysis of Expenditure	2022/23	2021/22
	£000	£000
Employees - Police Pay and Allowances	132,780	122,844
- Civilian Pay and Allowances	67,502	59,639
- Other Pay and Allowances	3,469	3,088
Premises	9,061	8,839
Transport	4,848	3,574
Supplies & Services	26,112	25,222
Third Party Payments	14,667	13,842
IAS19 Pension costs	5,934	22,891
Depreciation and Amortisation of Assets	9,927	9,990
Movement in Accumulated Absences Reserve	149	(1,085)
Total Service Expenditure	274,449	268,845
Service Income (<i>see below</i>)	(34,865)	(41,155)
Net Cost of Service	239,584	227,689
(Profit)/Loss on Disposal of Assets	130	149
Interest Payable and Similar Charges	2,879	2,915
Interest and Investment Income	(766)	(60)
IAS19 Pension Net Interest Cost	68,672	51,974
Net Operating Expenditure	310,498	282,667
Police Grant	(75,287)	(71,378)
Formula Funding	(53,851)	(50,837)
Precept on Council Tax Collection Funds	(91,617)	(86,349)
Legacy Council Tax Grants – see below*	(8,256)	0
PFI Grant - interest element	(1,867)	(1,924)
Council Tax Collection Fund related grants	0	(1,340)
Capital Grants	0	(173)
Capital Contributions	(515)	(283)
Deficit / (Surplus) on Provision of Services	79,105	70,383
Subjective Analysis of Service income		
Fees & Charges	5,775	5,656
Sales	157	191
Reimbursements:		
Casualty Reduction Partnership, Hypothecated Fines	1,117	1,048
Secondments	11	13
Private Finance Initiative reimbursements	252	227
Asset Recovery	145	149
Other Reimbursements	3,743	4,922
Grants:		
Private Finance Initiative	5,362	5,306
Legacy Council Tax Grants – see above*	0	8,256
Pensions Uplift grant	2,108	2,108
Counter Terrorism	1,758	870
Victims and Restorative Justice Grant	2,249	1,947
National Officer Uplift Grant	2,031	1,627
Police Pay Award Grant	1,053	0
Major Investigation Grants	2,755	1,600
Commissioning Grants	1,874	2,630
Other Grants	1,017	723
Other Income:		
Mutual Aid	979	1,146
External Agency Funding	1,936	2,244
Proceeds of Crime Act	542	492
Total Service Income	34,865	41,155

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 & PCC)	2022/23 £000	2021/22 £000
(Profit)/Loss on Sale of Fixed Assets	130	149
Home Office Top Up Grant – Police Pensions	(26,905)	(26,488)
Police & Crime Commissioner contribution to Pension Account	26,905	26,488
Total	130	149

Financing and Investment Income and Expenditure (Group)	2022/23 £000	2021/22 £000
Interest and Investment Income	(766)	(60)
Interest Payable and Similar Charges	2,879	2,915
Pension Net Interest	68,672	51,974
Total	70,785	54,829

Financing and Investment Income and Expenditure (PCC)	2022/23 £000	2021/22 £000
Interest and Investment Income	(766)	(60)
Interest Payable and Similar Charges	2,879	2,915
Pension Net Interest	19	21
Total	2,132	2,876

Taxation and Non-Specific Grant Income (Group & PCC)	2022/23 £000	2021/22 £000
Police Grant	(75,287)	(71,378)
DCLG Funding	(53,851)	(50,836)
Precept on Council Tax Collection Funds	(91,219)	(85,832)
Movement on Collection Fund Debtors/Creditors	(398)	(517)
Legacy Council Tax Grants	(8,256)	0
PFI Grant – Interest Element	(1,867)	(1,924)
Capital Grants and Contributions	(515)	(456)
Council Tax Collection Fund related grants	0	(1,340)
Total	(231,393)	(212,284)

10. Members' Allowances & Expenses

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

	2022/23 £000	2021/22 £000
Basic Allowances	11	12
Expenses	0	0
Total	11	12

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	
	2022/23	2021/22
£50,000 - £54,999	4	0
£55,000 - £59,999	0	0
£60,000 - £64,999	0	1
£65,000 - £69,999	0	1
£70,000 - £74,999	0	1
£75,000 - £79,999	1	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	1	0
Total	6	3

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

2022/23	Salary incl. Fees & Allowances £	Severance £	Benefits in Kind £	Total Remuneration excl. Pension Contributions 2022/23 £	Pension Contributions £	Total Remuneration incl. Pension contributions 2022/23 £
Post title						
Chief Executive	93,979	0	0	93,979	18,014	111,993
Police & Crime Commissioner	78,242	0	0	78,242	15,492	93,734
Chief Finance Officer	53,505	0	0	53,505	10,594	64,099
Principal Governance & Compliance Officer	51,883	0	0	51,883	9,800	61,683
Deputy Police & Crime Commissioner	51,000	0	0	51,000	10,098	61,098
Principal Scrutiny & Planning Officer	50,471	0	0	50,471	9,993	60,464
Principal Commissioning & Partnerships Officer	49,780	0	0	49,780	9,406	59,186

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
Director of Operations ⁶	13,685	0	0	13,685	2,710	16,395
Police & Crime Commissioner ⁷	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 June 2021, ⁷ Left May 2021.

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

2022/23	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	160,957	0	0	0	160,957	48,919	209,876

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

2022/23	Salaries, Fees and Allowances	Bonuses	Severance	Benefits in Kind	Total Remuneration excluding Pension Contributions	Employers Pension Contribution	Total Remuneration including Pension Contributions
Post Title							
Assistant Chief Constable ¹	123,430	0	0	0	123,430	37,333	160,763
Assistant Chief Constable	110,857	0	0	6,600	117,457	34,366	151,822
Assistant Chief Constable	109,673	0	0	5,007	114,680	33,766	148,446
Deputy Chief Constable	135,386	0	0	7,110	142,496	0	142,496
Assistant Chief Officer	113,856	0	0	0	113,856	21,949	135,805
Chief Superintendent	99,686	0	0	0	99,686	30,238	129,924
Chief Superintendent	94,646	0	0	0	94,646	28,786	123,432
Chief Superintendent	94,510	0	0	0	94,510	28,631	123,141
Chief Superintendent	89,889	0	0	0	89,889	27,194	117,083
Chief Superintendent	89,487	0	0	0	89,487	27,049	116,536
Chief Superintendent ²	85,025	0	0	0	85,025	25,991	111,016
Head of Legal Services	91,143	0	0	0	91,143	18,046	109,189
Head of People Services	85,383	0	0	0	85,383	16,906	102,289
Head of IT	85,383	0	0	0	85,383	16,906	102,289
Head of Finance	85,383	0	0	0	85,383	16,906	102,289
Head of Estates	80,343	0	0	0	80,343	15,837	96,180
Head of Strategic Change	79,983	0	0	0	79,983	15,837	95,820
Head of Planning & Performance	79,983	0	0	0	79,983	15,837	95,820
Head of Comms & Engagement	78,261	0	0	0	78,261	15,496	93,757
Head of Fleet	64,246	0	0	0	64,246	12,721	76,966
Head of Forensics	62,776	0	0	0	62,776	12,430	75,206
Head of Procurement	53,049	0	0	0	53,049	10,504	63,553
Chief Superintendent ³	34,755	0	0	0	34,755	10,223	44,979

¹Seconded Out for Force from Jan 2023, ² Retired March 2023, ³ Retired August 2022

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

Remuneration Band	Number of Employees		
	2022/23	2021/22	2020/21
£50,000 - £54,999	311	247	149
£55,000 - £59,999	158	122	80
£60,000 - £64,999	83	55	39
£65,000 - £69,999	18	9	8
£70,000 - £74,999	11	10	10
£75,000 - £79,999	10	10	3
£80,000 - £84,999	7	5	5
£85,000 - £89,999	7	3	4
£90,000 - £94,999	3	5	4
£95,000 - £99,999	2	1	0
£100,000 - £104,999	0	0	0
£105,000 - £109,999	1	0	0
£110,000 - £114,999	2	1	2
£115,000 - £119,999	0	1	1
£120,000 - £124,999	1	0	0
£125,000 - £129,999	0	0	0
£130,000 - £134,999	0	0	1
£135,000 - £139,999	1	0	0
£140,000 - £144,999	0	0	0
£145,000 - £149,999	0	1	0
£150,000 - £154,999	0	0	0
£155,000 - £159,999	0	0	0
£160,000 - £164,999	1	0	1
£165,000 - £169,999	0	0	0
Total	616	470	307

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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£nil - £40,000	0	0	14	2	14	2	£295,662	£6,217
£40,001 - £60,000	0	0	5	0	5	0	£237,596	£0
£60,001 - £150,000	0	0	3	0	3	0	£259,021	£0
£150,000+	0	0	0	1	0	1	£0	£228,967
Total	0	0	22	3	22	3	£792,279	£235,184

Further information on the above is included in Note 33.

12. External Audit Costs

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

	2022/23 £000	2021/22 £000
Police and Crime Commissioner	47	45
Chief Constable	21	18
Total Fees payable to the Grant Thornton LLP with regard to external audit services carried out by the appointed Auditor	68	63

Included in 2022/23 above are £23k of additional fees recommended but not yet paid at 31 March 2023.

13. Partnerships & Operational Collaborations

The Commissioner worked with a number of partners during 2022/23. 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).

Northwest 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 1 and 2. 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 2022/23 overall is £2m (£1.5m in 2021/22).

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 costs are based on headcount and are allocated as Cheshire (33.47%), Northamptonshire (22.12%), Nottinghamshire (31.04%) and CNC (13.37%) as agreed by the MFSS Board. 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 ran from 2020/21 until November 2022. Partners have been charged for costs for quarter 1-3 2022/23 and the redundancy costs (£0.5m) have been met from the earmarked reserve with outstanding agency costs. The earmarked reserve has a closing balance of £0.2m which will be returned to partner forces once confirmation that there will be no further costs to be incurred for this collaboration. The revised earmarked reserve balance will be held on Cheshire's balance sheet and returned to partners in a timely manner. The total cost of MFSS was £2.3m (£7.2m in 2021/22) with Cheshire's share of costs amounting to £0.8m (£2.4m in 2021/22).

Northwest Police Underwater Search and Marine Unit

The Northwest 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 five of the six constituent police forces with the overall expenditure being met by those forces. For 2022/23, 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 £1.1m (£0.9m in 2021/22) and apportioned based on each Commissioner's police grant allocation. Cheshire's contribution amounted to £0.1m (£0.1m in 2021/22).

Northwest Motorway Policing Group

The Northwest Motorway Policing Group 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 2022/23 reported the constables 'attached' to the unit would remain part of their home force roads policing department, whilst the Sergeant post would be funded by each partner force. A business case was submitted and approved to formally establish the RCVU as a part of the Northwest Motorway Police Group 2022/23. It was agreed for the 2022/23 Cheshire charged the collaboration expenditure of £1.0m (£0.9m in 2021/22) with Cheshire's contribution amounting to £0.3m (£0.3m in 2021/22).

Northwest Armed Policing Collaboration

The NW Armed Policing Collaboration has been operating as a five force collaboration since 2018 and obtained a full College of Policing (CoP) Firearms Training Licence in 2019, under which it currently operates all its activity (North Wales, Cheshire, GMP, Cumbria, Merseyside). The collaboration team comprises of 3 Police Officers and 10 Support Staff who deliver this regional training and interoperability function. The Superintendent also ran the independent Chronicle Collaboration until March 31st, 2023, when this ownership passed to Cumbria as a lead force. In addition, the Collaboration support the operational interoperability and governance of the Northwest regional armed policing. For 2022/23, the total cost of NW Armed Policing Collaboration was £0.7m (£0.6m in 2021/22). This collaboration is apportioned based on each Commissioner's police grant. Cheshire's Contribution amounted to £0.09m (£0.08m in 2021/22).

Cheshire and North Wales Police Alliance

The Cheshire and NWP Alliance provide armed officers and dog handlers to both Cheshire and North Wales in a fully integrated joint force team since 2014 (dogs joined in 2016). It is both an armed policing and dog 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 2022/23, Cheshire charged expenditure on the provision of police officers, police staff, equipment, vehicles, and transport to the collaboration amounting to £6.2m (£5.5m in 2021/22). The total cost of the Alliance was £9.6m (£9.4m in 2021/22) and apportioned based on each Commissioner's police grant allocation. Cheshire's contribution amounted to £5.5m (£5.3m in 2021/22).

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 and Rescue Service 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 2022/23 costs of £0.454m were incurred which were fully reimbursed by the Group.

Northwest Strategic Roads Automatic Number Plate Recognition

This collaboration commenced in 2008 between the forces of Cheshire, Cumbria, Lancashire with Merseyside, with 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. However, NWP left the collaboration in 2020 and a formal S22 agreement was published for the remaining partners in 2023. The collaboration has strong links to the Northwest Motorway Policing Group as Automatic Number Plate Recognition (ANPR) is identified as an effective method of providing protective services across the region's strategic road network. Bids secured funding amounting to £1.8m has enabled the ANPR infrastructure to be developed and supported over the last 12 years. The total cost of the collaboration in 2022/23 was £0.06m (£0.05m in 2021/22) and Cheshire's contribution amounted to £0.01m (£0.01m in 2021/22).

Northwest Regional Disaster Victim Co-ordinator

At the Northwest NPCC on 12 April 2018, the Chief Constables of the six 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 six Forces. The Police and Crime Commissioner for Lancashire is the lead force. The total cost of the collaboration in 2022/23 was £0.07m (£0.07m 2021/22) and Cheshire's share of costs amounting to £0.01m (£0.01m 2021/22).

Northwest Regional Chronicle Collaboration

Chronicle is a software system utilised to provide every police force (outside of the Met police) their training records, accreditation evidence, operational data and operational records for the training and use of firearms. In addition to this it provides capability for every other training module and these modules can be bought independently or as a full Chronicle module system by forces. Within the Northwest this collaboration, previously attached to the NW Armed Policing Collaboration, works across all six NW forces, and has a central team who manage the central function. The cost in 2022/23 was shared partially between all six forces as per the police precept (for the manager and one staff member plus IT costs) and between five forces (excluding GMP) for the remaining staff member. Throughout 2022/23, the team included a Police Sergeant and two staff. Cheshire hold the full Chronicle suite and have their own team within Cheshire supporting the day-to-day function. For 2022/23 the total cost of NW Regional Chronicle Collaboration was £0.19m (£0.18m in 2021/22) with Cheshire's share of costs amounting to £0.02m (£0.02m in 2021/22).

Regional Emergency Services Network (ESN)

The Emergency Services Mobile Communication Programme was a nationally coordinated programme which would see a fundamental change to how each force and emergency service partner would receive critical voice and mobile broadband as part of a national Emergency Service Network for the UK. The Northwest was going to be the first region to transition, as such it was imperative to have a coordinated approach to the implementation of ESN. A NW ESN Programme structure was implemented with the agreement and support of all Northwest Police Forces. It was staffed by one Chief Superintendent from Cheshire and four police staff (two Cheshire, one Merseyside and one Cumbria) with the overall expenditure being met by Cheshire, Merseyside, Greater Manchester, Cumbria, and Lancashire Police forces on the agreed basis.

In mid 2022/23 it was agreed to decommission the collaboration due to the delays nationally. Processes were put in place regarding staffing, equipment and Joint Oversight Committee approved each stage of the closure of the collaboration. The staff redundancy costs were met by all partners in the collaboration. For 2022/23 the total cost of the Regional ESN collaboration was £0.4m (£0.4m in 2021/22) with Cheshire's share of the costs amounting to £0.05m (£0.05m in 2021/22).

In July 2023, the ESN Programme (ESMCP) entered a phase of testing called Operational Assurance which was divided into two key parts – Operational Validation (technical and functional testing) and Operational Evaluation (scripted testing in operational scenarios). The Northwest Police region (Cumbria, Cheshire, GMP, Merseyside & Lancashire) alongside the Southwest were selected to be one of two Police regions to undertake the testing on behalf of UK Policing. The costs were funded by a Home Office grant that the Assurance Partner Manager was responsible for managing, monitoring, and reporting to the Home Office and regional NW ESN Programme Board on a quarterly basis. During 2022/23, notice was given due the decommissioning of the NW ESN Collaboration and both HO grants ceased on 31 March 2023. For 2022/23 the total cost of the Operational Assurance was £0.5m (£0.5m in 2021/22) funded by HO 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, NW UWSU and ANPR. For 2022/23 the total cost of the NW Regional ACC lead was £0.2m (£0.2m in 2021/22) shared equally between the NW police forces of which Cheshire's share of costs amounting to £0.03m (£0.03m in 2021/22).

Telecomms SPOC Collaboration (New 2021/22)

The Telecomm SPOC collaboration Section 22 agreement between North Wales Police and Cheshire Constabulary is for a 24/7 telecommunications single point of contact service for the acquisition of communications data under the Investigatory Powers Act 2016 with North Wales Police as Lead Force. On the 1 October 2021 the Telecommunications SPOC Collaboration progressed to phase three with the setting up of a single unit across the respective forces with parity on the grades prior to moving to a 24/7 provision during the course of Financial Year 2022/23. North Wales Police are the lead force and are holding a total of £116k in reserves on behalf of the collaboration. For 2022/23 the total cost of the Telecomms SPOC collaboration was £0.8m (£0.3m in 2021/22) with Cheshire's share of the costs amounting to £0.4m (£0.2m in 2021/22).

West Coast Collaboration (WCC) BAU, Project Team and AMASS

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. In 2022/23 costs include the BAU and project teams, automation costs (AMASS) and the decision to upgrade the Niche Infrastructure. The Police and Crime Commissioner for Merseyside is the lead force. For 2022/23 the total cost of the West Coast Collaboration was £2.1m (£0.9m in 2021/22) of which the project team and Niche Infrastructure costs are shared between four partners (Cheshire, Merseyside, North Wales, and Dyfed Powys) and the BAU team and AMASS costs shared between three partners (Cheshire, Merseyside, and North Wales). Cheshire's share of costs is £0.55m (£0.25m in 2021/22).

COLLABORATION / PARTNERSHIP	2022/23 Spend	Cheshire Contribution	%
Northwest Regional Organised Crime Unit (NWROCU)			
Regional Confidential Unit	£2.81m	£0.293m	10.42
Regional Intelligence Unit	£0.27m	£0.029m	10.42
Operational Security (OPSY)	£0.04m	£0.007m	17.31
Regional Organised Crime Unit	£3.77m	£0.393m	10.42
Regional Technical Surveillance	£3.58m	£0.363m	10.42/8.70
Regional Prison Intelligence	£0.86m	£0.090m	10.42
Business Support	£0.78m	£0.081m	10.42
Covert Operations 1	£2.02m	£0.000m	0
Covert Operations 2	£1.53m	£0.134m	8.78
Covert Operations 3	£0.82m	£0.059m	7.20
Uplift Year 1	£2.96m	£0.288m	9.76
Uplift Year 2	£1.93m	£0.181m	9.38
Pooled	£0.35m	£0.036m	10.42
Premises	£0.20m	£0.021m	10.42
TOTAL NWROCU 2022/23	£21.92m	£1.975m	
West Coast Collaboration – Project Team	£0.33m	£0.082m	24.74
West Coast Collaboration – BAU	£0.79m	£0.225m	28.66
West Coast Collaboration – AMASS	£0.06m	£0.017m	30.30
West Coast Collaboration – Infrastructure Upgrade	£0.94m	£0.228m	24.36
TOTAL WEST COAST COLLABORATION 2022/23	£2.12m	£0.552m	
Multi Force Shared Services – Operational	£1.62m	£0.544m	33.47
Multi Force Shared Services – Force Specific	£0.63m	£0.210m	FIXED
TOTAL MULTI FORCE SHARED SERVICES 2022/23	£2.25m	£0.754m	
NW Regional Underwater Search Unit	£1.09m	£0.116m	10.59
NW Regional Motorway Policing Group	£1.02m	£0.308m	29.94
NW Armed Policing Collaboration	£0.72m	£0.092m	12.81
Cheshire & North Wales Alliance	£9.55m	£5.458m	57.48
Cheshire Road Safety Group	£0.45m	0	0
NW Strategic Roads ANPR	£0.06m	£0.007m	11.39
NW Disaster Victim Co-Ordinator	£0.07m	£0.012m	16.67
NW Regional Chronicle Collaboration	£0.19m	£0.023m	10.57
Regional Emergency Services Network	£0.43m	£0.049m	11.39
Regional Emergency Services Network – Operational Assurance Grant	£0.22m	0	0
Regional Emergency Services Network – Operational Assurance Evaluation Grant	£0.26m	0	0
NW Regional ACC Lead	£0.19m	£0.032m	16.67
SPOC Telecoms Collaboration	£0.79m	£0.431m	54.60
TOTAL 2022/23	£15.04m	£6.528m	

14. Grant Income

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

	2022/23	2021/22
	£000	£000
<u>Credited to Taxation & Non-Specific Grant Income</u>		
Police Grant (Home Office)	75,287	71,378
DCLG Funding	53,851	50,837
Legacy Council Tax Grants – see below*	8,256	0
PFI Grant – Interest Element	1,868	1,924
Council Tax Collection Fund related grants	0	1,340
<u>Capital Grants</u>		
General Capital Grant (Home Office)	0	173
Miscellaneous Capital Grants (Home Office)	0	100
Miscellaneous Capital Contributions (Partner Forces)	515	183
Total	139,777	125,935
<u>Credited to Other Operating Expenditure</u>		
Police Pension Grant (Home Office)	26,905	26,488
Total	26,905	26,488
<u>Credited to Services</u>		
Legacy Council Tax Grants – see above*	0	8,256
Private Finance Initiative	5,362	5,306
Pensions Uplift Grant	2,108	2,108
Counter Terrorism	1,758	870
PCC Victim Services, RJ and Sexual/Domestic Violence	2,249	1,947
National Officer Uplift grant	2,031	1,627
Home Office - Pay Award	1,053	0
Major Investigation Grants	2,755	1,600
Commissioning Grants	1,874	2,630
Other Grants	1,017	723
Total	20,207	25,067

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)	2022/23	2021/22
	£000	£000
Emergency Services Network	(585)	(585)
Automatic Number Plate Recognition Phase 1&2	(57)	(61)
Safety of Women at Night Fund	(77)	(103)
Total	(719)	(749)

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
2022/23	£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	(9,927)			(9,927)	9,927	(0)
Revaluation Gain/(Loss)	0			0	0	0
<i>Insertion of items not debited or credited to the CIES</i>						
Statutory Provision for repayment of debt	2,953			2,953	(2,953)	0
Capital Grant Applied	0	0		0	0	0
Revenue Contribution to Capital Reserve	2,500	(2,500)		0	0	0
Earmarked Reserves Applied		5,963		5,963	(5,963)	0
Adjustments Primarily involving the Capital Grants Unapplied Account						
General Capital Grant	0	0		0		0
Specific Capital Grants/Contributions	515	(515)		0		0
Adjustments Primarily involving the Capital Receipts Reserve						
(Gain)/Loss on Sale of Assets	(130)		(24)	(154)	154	0
Capital Receipts Applied			711	711	(711)	0
Adjustments Primarily involving the Pensions Reserve						
Current Service Costs	(74,505)			(74,505)	74,505	0
Employers Contributions under IAS19	67,648			67,648	(67,648)	0
Past Service Costs	(342)			(342)	342	0
Curtailments	1,265			1,265	(1,265)	0
Pensions – Interest less Return on Assets	(68,672)			(68,672)	68,672	0
Collection Fund Adjustment Account	432			432	(432)	0
Accumulated Absences Account	(149)			(149)	149	0
Total	(78,412)	2,948	686	(74,777)	74,777	0

	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)						0
<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

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 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance as at 31 March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance as at 31 March 2023
	£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	3,563	(461)	150	3,252	0	148	3,400
Carry Forward	2,812	(2,562)	3,624	3,874	(3,524)	1,169	1,519
Underwater Search Unit	863	(13)	0	850	0	254	1,104
Local Resilience Forum	320	(115)	184	389	(28)	98	459
Redundancy	783	(237)	0	546	(79)	0	467
Multi Force Shared Service	348	(348)	776	776	(549)	0	227
Armed Police Alliance	476	0	233	709	(304)	407	812
Dog Alliance	349	0	11	360	(360)	0	0
National Blue Light Procurement	153	0	16	169	(148)	0	21
POCA Reserve	456	0	125	581	(150)	3	434
Hardship Loan Reserve	50	0	0	50	0	0	50
N. West Armed Police Collaboration Reserve	25	17	0	42	(11)	0	31
Major Investigations Reserve	923	0	96	1,019	0	208	1,227
Pay and Pensions Reserve	830	0	56	886	(153)	0	733
Council Tax Deficit Reserve	300	0	1,315	1,615	(35)	0	1,580
Estates Strategy Reserve	0	0	500	500	0	0	500
Road Safety Initiatives Reserve	0	0	970	970	(404)	0	566
Community Safety Reserve	0	0	0	0	0	228	228
Total Revenue Reserves	18,024	(3,719)	8,056	22,361	(5,744)	2,515	19,132
Revenue Reserves for Capital Purposes							
Revenue Reserve for Capital Expenditure	1,955	(3,004)	4,100	3,051	(4,550)	3,858	2,358
ESN Reserve	1,555	0	1,255	2,810	(652)	932	3,090
IT Reimbursement	0	(227)	227	0	(252)	252	0
Total Rev. Reserves for Capital Purposes	3,510	(3,231)	5,581	5,861	(5,455)	5,043	5,448
Capital Reserves							
Capital Receipts Reserve	856	(170)	0	686	(711)	24	0
Unapplied Capital Grants	0	(273)	273	0	0	0	0
Total Capital Reserves	856	(443)	273	686	(711)	24	0
Total Usable Reserves	22,391	(7,393)	13,910	28,909	(11,909)	7,582	24,581

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 £4.3m reduction in reserves during 2022/23 reflecting the decisions made by the Commissioner to utilise funding towards a number of in progress commitments and 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. Decisions on collaboration reserves are agreed by the Joint Oversight Committee which includes all partner forces.

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 estates 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 residual 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 fund expenditure in support of 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.

Community Safety Reserve - This reserve was created to provide a funding pot for multi-year projects which require funding to be drawn down to leverage grant bids in the year in which grant expenditure is incurred and claimed and to facilitate community safety related innovative activity.

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).

2022/23	Property	Vehicles	Equipment	Assets Under Construction	Total
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000
At 1 April 2022	126,191	15,184	28,883	0	170,258
Additions	281	3,309	3,607	48	7,246
Revaluations	3,287	0	0	0	3,287
Disposals	0	(1,596)	(8,270)	0	(9,866)
Reclassifications	0	0	0	0	0
At 31 March 2023	129,759	16,897	24,220	48	170,925
<u>Depreciation</u>					
At 1 April 2022	(181)	(11,045)	(23,660)	0	(34,886)
Charge in year	(5,152)	(1,977)	(2,184)	0	(9,313)
Disposals	0	1,459	8,253	0	9,712
Revaluations	5,105	0	0	0	5,105
Reclassifications	0	0	0	0	0
At 31 March 2023	(228)	(11,564)	(17,592)	0	(29,382)
Net Book Value at 1 April 2022	126,010	4,139	5,223	0	135,372
Net Book Value at 31 March 2023	129,533	5,333	6,628	48	141,543

Included in the above assets are £247k (NBV) of vehicles and equipment held by Cheshire Constabulary on behalf of the Underwater Search Unit collaboration, together with £580k (NBV) of vehicles for the Firearms Alliance collaboration. Details of these two collaborations can be found in Note 13.

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

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 2023, 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 £2m. Similar commitments at 31 March 2022 were £5.0m. The major commitments are:

- Fleet Vehicles – £1.6m

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 2023 by Martin Wilson BSc (Hons) MRICS who was awarded the Certificate in Asset Valuation by CIPFA in March 2017. 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 31 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 £0.6m charged to revenue in 2022/23 has been allocated across the CIES heading.

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

	2022/23	2021/22
<u>Carrying Amount</u>	£000	£000
Balance at start of year	13,605	11,684
Additions	1,336	3,007
Disposals	(6,791)	(1,086)
Balance at end of year	<u>8,150</u>	<u>13,605</u>
<u>Amortisation</u>		
Balance at start of year	(10,257)	(10,348)
Charge for the year	(614)	(995)
Disposals	6,791	1,086
Balance at end of year	<u>(4,079)</u>	<u>(10,257)</u>
Net Book Value at 1 April	<u>3,349</u>	1,336
Net Book Value at 31 March	<u>4,071</u>	<u>3,349</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.

	2022/23	2021/22
	£000	£000
Opening capital financing requirement	46,693	46,268
<u>Capital Expenditure in year:</u>		
Property	3,2974	42
Plant (e.g., vehicles)	3,31040	1,137
Equipment	3,607562	2,519
Intangibles	1,336	3,007
	8,582	6,705
<u>Less: Capital Financing</u>		
Capital Grants	0	273
Capital Receipts	711	170
Contribution from reserves	1,409	240
Revenue and Other contributions	4,553	3,004
Total Capital Financing	6,674	3,688
<u>Less: Sums Set Aside from Revenue</u>		
Revenue Provision for Repayment of Debt	2,953	2,592
Early Repayment of Debt	0	0
	2,953	2,592
Closing capital financing requirement	45,650	46,693
<u>Explanation of movement in year:</u>	2022/23	2021/22
	£000	£000
Decrease in underlying need to borrow (supported by Government direct funding)	(1,504)	(1,445)
Increase in underlying need to borrow (not supported by Government direct funding)	460	1,870
Increase/(Decrease) in Capital Financing Requirement	(1,044)	425

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 2022/23 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 2022/23.

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 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
<u>Cash and Cash Equivalents</u>				
Imprest and cash	0	0	21,354	27,472
Total cash and cash equivalents	0	0	21,354	27,472
<u>Debtors</u>				
Debtors at Amortised Cost	738	949	8,222	7,206
Items not classed as Financial Instruments	0	0	16,434	16,279
Total Debtors	738	949	24,656	23,485
<u>Borrowings</u>				
Financial Liabilities	27,918	30,274	2,356	99
Total included in borrowings	27,918	30,274	2,356	99
<u>Creditors</u>				
Financial Liabilities	0	0	11,955	14,096
Items not classed as Financial Instruments	723	750	13,397	11,942
Total Creditors	723	750	25,352	26,038
<u>Other Long-term Liabilities</u>				
PFI & Finance Leases	13,642	15,006	1,364	1,217
Total other long term liabilities	13,642	15,006	1,364	1,217

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 2023, 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 2023		31 March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Financial Liabilities</u>				
Borrowings	30,274	23,556	30,373	35,016
Creditors	11,955	11,955	14,096	14,096
PFI & Finance Leases	15,006	18,400	16,223	25,970
	57,235	53,911	60,692	75,082
<u>Financial Assets</u>				
Cash and Cash Equivalents	21,354	21,354	27,472	27,472
Loans and Receivables	8,960	8,960	8,155	8,155
	30,314	30,314	35,627	35,627

The fair value of the liabilities is lower than the carrying amount because the Commissioner's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional future profit (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below 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 2022 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 2022/23 was approved by the Commissioner on 26 January 2022 and is available on the Commissioner's website.

As at 31 March 2023 the Commissioner had £22.9m of deposits with Major UK Banks (£10.1m), Money Market Funds (£7.8m) and the UK Government (£5m). 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 2022/23 was £0.1m (£0.1m in 2021/22).

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 2023 £000	31 March 2022 £000
Current (0-30 days)	1,399	859
1 Month	40	80
2 Months +	282	289
Total	1,721	1,228

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 2023. The overall value has reduced by £0.1m due to the repayment of a loan in March 2023. No new loans have been taken during 2022/23. All existing loans are maturity loans with the first repayment due in September 2023.

	31 March 2023 £000	31 March 2022 £000
Analysis of loans by type		
• Public Works Loans Board (PWLB)	24,274	24,373
• Money Market	6,000	6,000
Total Outstanding	30,274	30,373

Analysis of loans by maturity		
• Less than 1 year	2,356	99
• Between 1 and 2 years	1,029	2,356
• Between 2 and 5 years	0	1,029
• Between 5 and 10 years	0	0
• More than 10 years	26,889	26,889
Total Outstanding	30,274	30,373

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 2022/23.

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 2023 £000	31 March 2022 £000	31 March 2021 £000
Central Government Bodies	8,004	12,111	6,970
Other Local Authorities	5,878	5,686	4,724
NHS Bodies	68	5	19
Council Tax Collection Fund	3,845	3,644	3,450
Other entities and individuals	6,952	2,174	1,946
LESS: Provision for Credit Losses	(91)	(135)	(130)
Total	24,656	23,485	16,979

24. Cash and Cash Equivalents

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

	31 March 2023 £000	31 March 2022 £000	31 March 2021 £000
Cash held	26	32	32
Operational Current Accounts	(1,592)	(1,308)	(1,316)
Short-term deposits	22,920	28,748	24,364
Total	21,354	27,472	23,080

In addition to the above, the Commissioner held £1.603m (£1.341m 2021/22) of funds as follows:

Police Property Act – At the 31 March 2023, the Commissioner held £0.193m (£0.141m in 2021/22) 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 2023, the Commissioner held £1.410m (£1.200m in 2021/22) 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 2023 £000	31 March 2022 £000	31 March 2021 £000
Balance at the start of year	0	0	0
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	0
Balance at the end of year	0	0	0

26. Analysis of Creditors

Analysis of short-term creditors is shown below.

	31 March 2023 £000	31 March 2022 £000	31 March 2021 £000
Central Government Bodies	(4,424)	(5,254)	(4,697)
Other Local Authorities	(3,860)	(4,933)	(4,651)
NHS Bodies	(688)	(326)	(106)
Council Tax Collection Fund	(3,265)	(3,497)	(4,041)
Other entities and individuals	(13,115)	(12,028)	(11,393)
Total	(25,352)	(26,038)	(24,888)

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 2022-23 with the estimated value of outstanding claims being £0.394m. In addition a number of small ad-hoc provisions are held at 31 March 2023 and these will be reviewed during 2022/23.

	2022/23 £000	2021/22 £000
<u>Allard Claims Provision</u>		
Balance at 1 April	394	394
Use of provision in the year	0	0
Balance at 31 March	394	394
<u>Small ad-hoc provisions</u>		
Balance at 31 March – No movement in year	94	94
Total provisions at 31 March	488	488

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.

	2022/23	2021/22
	£000	£000
Not later than one year	3,159	3,114
Later than one year, not later than five years	12,541	12,611
Later than five years	17,504	20,593
Total	33,204	36,318

Operating Leases

The Commissioner rents properties and equipment, mostly on short term leases, which are accounted for as operating leases. The rentals payable in 2022/23 and 2021/22 were £0.40m and £0.44m respectively. The Commissioner was committed at 31 March 2023 to making payments of £1.03m under operating leases as follows:

	Property	Equipment	Total
	£000	£000	£000
Not later than one year	239	114	353
Later than one year, not later than five years	329	227	556
Later than five years	122	0	122
Total	690	340	1,030

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 £7.2m (2022/23) 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 2022/23 are detailed below:

	Land £000	Property £000	Equipment £000	Total £000
Gross Book Value on 1 April 2022	3,233	37,892	403	41,528
Additions	0	149	0	149
Revaluations	(207)	(786)	0	(992)
Gross Book Value on 31 March 2023	3,026	37,255	403	40,685
Depreciation on 1 April 2022	0	0	(403)	(403)
Charge for the year	0	(3,458)	0	(3,458)
Revaluation	0	3,458	0	3,458
Depreciation on 31 March 2023	0	0	(403)	(403)
Net Book Value on 1 April 2022	3,233	37,892	0	41,125
Net Book Value on 31 March 2023	3,026	37,255	0	40,281

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 2022/23 equated to £1.217m. The current liability at 31 March 2023 is £15.006m.

	31 March 2023 £000	31 March 2022 £000	31 March 2021 £000
PFI Liability			
Balance at 1 April	16,223	17,380	18,447
Movement in year	(1,217)	(1,157)	(1,067)
Balance at 31 March	15,006	16,223	17,380

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	1,871	1,796	1,364	5,030
2 to 5 years	7,469	5,949	6,592	20,009
6 to 10 years	9,334	8,615	7,050	25,000
11 to 15 years	1,089	1,839	0	2,927
Total due	19,763	18,197	15,006	52,967

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.

	2022/23	2021/22	2020/21
	£000	£000	£000
Balance at 1 April	(74,859)	(58,659)	(66,929)
Movement in year	(4,967)	(16,200)	8,270
Balance at 31 March	(79,826)	(74,859)	(58,659)

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.

	2022/23	2021/22	2020/21
	£000	£000	£000
Balance at 1 April	(17,169)	(17,973)	(19,923)
Depreciation & Amortisation	9,927	9,990	11,210
Revaluation losses and write down	(3,425)	(3,056)	(2,451)
Impact of disposals/sale of assets	154	149	43
Capital Financing – see Note 19	(6,674)	(3,687)	(4,364)
Minimum Revenue Provision/Debt Repayment	(2,953)	(2,592)	(2,489)
Balance at 31 March	(20,140)	(17,169)	(17,973)

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.

	2022/23	2021/22	2020/21
	£000	£000	£000
Balance at 1 April	2,585,142	2,582,946	2,243,169
Movement in year	<u>(798,702)</u>	2,196	339,777
Balance at 31 March	<u>1,786,440</u>	2,585,142	2,582,946

* Note: The Police and Crime Commissioner's element of the IAS19 Pension reserve is £0m in 2022/23 (£1.727m 2021/22)

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.

	2022/23	2021/22	2020/21
	£000	£000	£000
Balance at 1 April	(147)	592	(766)
Movement in year	(432)	(739)	1,358
Balance at 31 March	<u>(579)</u>	<u>(147)</u>	592

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.

	2022/23	2021/22	2020/21
	£000	£000	£000
Balance at 1 April	3,722	4,807	3,680
Movement in year	149	(1,085)	1,127
Balance at 31 March	<u>3,871</u>	<u>3,722</u>	<u>4,807</u>

* Note: The Police and Crime Commissioner's element of the Accumulated Absences reserve is £18k (£25k in 2021/22)

	2022/23	2021/22	2020/21
	£000	£000	£000
Total All Unusable Reserves	<u>1,689,765</u>	2,496,689	2,511,713

* Note: The Police and Crime Commissioner's element of total Unusable Reserves is £100.5m in 2022/23 (£90.4m 2021/22)

31. Notes to the Cashflow Statement

The cashflow include the following items:

	2022/23	2021/22
	£000	£000
Other Operating Expenditure		
Interest received	(766)	(60)
Interest paid	2,879	2,915
Total	2,113	2,855
Investing Activities		
	£000	£000
Purchase of Property, Plant & Equipment & Intangible Assets	8,582	6,705
Proceeds from sale of assets	(24)	0
Total	8,558	6,705
Financing Activities		
	£000	£000
Cash receipts of short and long-term borrowing	0	(2,500)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,217	1,157
Repayment of short and long-term borrowing	99	0
Total	1,316	(1,343)

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 22 employees in 2022/23 incurring liabilities of £0.792m (£0.235m in 2021/22). 15 of these redundancies result from the termination of the Multi Force Shared Service arrangement funded by all partners; 5 relate to the termination of a government project (with associated costs being met by central government); and 2 relate to service efficiency and improvements.

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 #1		Police Pension Scheme (1987)		Police Pension Scheme (2006)		Police Pension Scheme (2015)		Police Injury Awards Scheme		TOTAL	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<i>Cost of Services:</i>												
• Current Service Costs	(23,855)	(24,940)	0	(2,740)	0	(340)	(49,430)	(56,920)	(1,220)	(1,400)	(74,505)	(86,340)
• Past Service Costs	(342)	(207)	(32,000)	0	(2,570)	0	34,570	0	0	0	(342)	(207)
• Settlements & Curtailments	1,265	0	0	0	0	0	0	0	0	0	1,265	0
<i>Financing and Investment Income & Expenditure:</i>												
• Net Interest Expense	(2,332)	(2,644)	(53,920)	(40,830)	(2,750)	(2,130)	(8,360)	(5,360)	(1,310)	(1,010)	(68,672)	(51,974)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	(25,264)	(27,791)	(85,920)	(43,570)	(5,320)	(2,470)	(23,220)	(62,280)	(2,530)	(2,410)	(142,254)	(138,521)
<i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>												
• Return on plan assets (not included in net interest expense)	(41,828)	17,892	0	0	0	0	0	0	0	0	(41,828)	17,892
• Actuarial Gains and Losses arising from changes in demographic assumptions	4,364	2,730	16,830	0	4,430	0	19,670	0	170	0	45,464	2,730
• Actuarial Gains and Losses arising from changes in financial assumptions	201,370	41,036	518,150	2,880	49,190	4,670	157,880	3,400	13,840	1,120	940,430	53,106
• Other	(29,698)	(1,059)	0	0	0	0	0	0	0	0	(29,698)	(1,059)
<i>Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>	134,208	60,599	534,980	2,880	53,620	4,670	177,550	3,400	14,010	1,120	914,368	72,669

Movement in Reserves Statement (Pensions)

	Local Government Pension Scheme ^{#1}		Police Pension Scheme (1987)		Police Pension Scheme (2006)		Police Pension Scheme (2015)		Police Injury Awards Scheme		TOTAL	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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 	25,264	27,791	85,920	43,570	5,320	2,470	23,220	62,280	2,530	2,410	142,254	138,521
Actual expenditure met from council tax through the General Fund												
<ul style="list-style-type: none"> Employer's contributions payable to the scheme 	10,868	9,906	64,530	60,260	100	20	(10,060)	(8,710)	2,210	2,180	67,648	63,656

Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme ^{#1}		Police Pension Scheme (1987)		Police Pension Scheme (2006)		Police Pension Scheme (2015)		Police Injury Awards Scheme		TOTAL	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Present value of defined benefit obligation	(307,726)	(453,572)	(1,537,150)	(2,050,740)	(54,120)	(102,520)	(158,910)	(303,180)	(36,260)	(49,950)	(2,094,166)	(2,959,962)
Fair value of plan assets	348,787	374,821	0	0	0	0	0	0	0	0	348,787	374,821
Sub-total	41,061	(78,751)	(1,537,150)	(2,050,740)	(54,120)	(102,520)	(158,910)	(303,180)	(36,260)	(49,950)	(1,745,379)	(2,585,141)
Other movements in the liability	0	0	0	0	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation	41,061	(78,751)	(1,537,150)	(2,050,740)	(54,120)	(102,520)	(158,910)	(303,180)	(36,260)	(49,950)	(1,745,379)	(2,585,141)

^{#1} Under the regulations that dictate the way in which the accounts are prepared, IAS19 sets out details of how pensions and their actuarial valuation are included within the accounts. Since moving to IFRS regulations, all pension schemes have generally reported a net liability. This year, however, the Local Government Pension Scheme was valued with a net asset. As such, IFRIC14 applies which limits the recognition of a net pension asset within the accounts unless strict criteria are met. It has been ascertained that the criteria have not been met and therefore, the net asset of £41.061m shown in this note has been removed from the Balance Sheet and the accounts adjusted accordingly. This is a technical accounting adjustment and does not impact on general reserves or funding.

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

	Local Government Pension Scheme	
	2022/23	2021/22
	£000	£000
Opening fair value of scheme assets	374,821	342,496
Interest income	10,397	7,091
Re-measurement gain/(loss)		
▫ The return on plan assets, excluding the amount included in the net interest expense	(41,828)	17,892
▫ Other	(1,445)	0
The effect of changes in foreign exchange rates	0	0
Contributions from employer	10,868	9,906
Contributions from employees	3,451	3,196
Benefits paid	(6,234)	(5,760)
Assets extinguished on settlements	(1,243)	0
Other	0	0
Closing fair value of scheme assets	348,787	374,821

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			
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening balance at 1 April	(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)
Current service cost	(23,855)	(24,940)	0	(2,740)	0	(340)	(49,430)	(56,920)	(1,220)	(1,400)	(74,505)	(86,340)
Interest cost	(12,729)	(9,735)	(53,920)	(40,830)	(2,750)	(2,130)	(8,360)	(5,360)	(1,310)	(1,010)	(79,069)	(59,065)
Contribution from scheme participants	(3,451)	(3,196)	0	(790)	0	(90)	(11,990)	(10,120)	0	0	(15,441)	(14,196)
Re-measurement gains/(losses)												
▫ Actuarial gains/losses arising from changes in demographic assumptions	4,364	2,730	16,830	0	4,430	0	19,670	0	170	0	45,464	2,730
▫ Actuarial gains/losses arising from changes in financial assumptions	201,370	41,036	518,150	2,880	49,190	4,670	157,880	3,400	13,840	1,120	940,430	53,106
▫ Other	(28,253)	(1,059)	0	0	0	0	0	0	0	0	(28,253)	(1,059)
Past service costs	(342)	(207)	(32,000)	0	(2,570)	0	34,570	0	0	0	(342)	(207)
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	6,234	5,760	64,530	61,050	100	110	1,930	1,410	2,210	2,180	75,004	70,510
Liabilities extinguished on settlements	2,508	0	0	0	0	0	0	0	0	0	2,508	0
Closing balance at 31 March	(307,726)	(453,572)	(1,537,150)	(2,050,740)	(54,120)	(102,520)	(158,910)	(303,180)	(36,260)	(49,950)	(2,094,166)	(2,959,962)

Local Government Pensions Scheme assets comprised:

	Fair value of scheme assets	
	2022/23 £000	2021/22 £000
Cash and cash equivalents	15,369	22,235
Equity instruments: <i>by industry type</i>		
• Consumer	1,579	5,607
• Manufacturing	1,612	4,683
• Energy and utilities	0	271
• Financial institutions	0	2,503
• Health and care	547	2,216
• Information technology	8,971	20,216
• Other	1,136	2,979
Sub-total equity	13,844	38,475
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	29,059	26,057
• Overseas	462	433
Sub-total property	29,521	26,490
Private equity:		
• All	24,310	18,623
Sub-total private equity	24,310	18,623
Other investment funds:		
• Equities	103,083	77,275
• Bonds	122,597	155,576
• Hedge Fund	23,163	21,929
• Infrastructure	2,304	45
• Other	14,597	14,173
Sub-total other investment funds	265,744	268,998
Derivatives:		
• All	0	0
Total Assets	348,787	374,821

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 on 31 March 2022.

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.

Legal Claims

Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons.

Aarons & Ors

Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is brought into force from 1 October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent. Therefore no liability in respect of compensation claims is recognised in these accounts.

Penningtons

As at 31 March 2023, 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.

Remedy

The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022) legislates for how the government will remove the discrimination identified by the courts in the way that the 2015 reforms were introduced for some members. The main elements of the Act are:

- Changes implemented across all the main public service pension schemes in response to the Court of Appeal judgment in the McCloud and Sargeant cases:
- Eligible members of the main unfunded pension schemes have a choice of the benefits they wish to take for the "remedy period" of April 2015 to 31 March 2022.
- From 1 April 2022, when the remedy period ends, all those in service in main unfunded schemes will be members of the reformed pension schemes, ensuring equal treatment from that point on.
- Ensures there are no reductions to member benefits as a result of the 2016 cost control valuations.

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries originally estimated the 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.

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	
	2022/23	2021/22	2022/23	2021/22
	Yrs	Yrs	Yrs	Yrs
<u>Mortality assumptions:</u>				
Longevity at 65 (police), 65 (LGPS) for current pensioners:				
Men	21.3	21.2	21.9	22.1
Women	23.9	23.8	23.5	23.8
Longevity at 65 (police), 65 (LGPS) for future pensioners:				
Men	22.6	22.1	23.5	23.8
Women	26.2	25.5	25	25.4
<u>Other assumptions:</u>				
	%	%	%	%
Rate of Inflation – RPI / CPI	3.15/2.95	3.55/3.15	2.6	3.0
Rate of increase in salaries – Long Term/Short Term	3.65	3.85	3.85	4.75
Rate of increase in pensions	2.95	3.15	2.6	3.0
Rate of CARE revaluation	-	-	3.85	4.25
Percentage of employees opting to convert annual pension to retirement lump sum:				
Pre April 2008 Service	65	50	-	n/a
Post April 2008 Service	65	75	-	n/a
Rate for discounting scheme liabilities	4.75	2.75	4.65	2.65

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	11.1	34,015	-7.0	(107,000)	-13.5	(7,000)	-13.5	(21,000)	-9.5	(4,000)
0.5% increase in salary increase	1.5	4,615	1.0	13,000	7.0	4,000	0	0	3.0	1,000
0.5% increase in pension increase	9.7	29,890	6.5	103,000	8.5	5,000	16.0	25,000	8.0	3,000
1 year increase in life expectancy	3-5	9,232 - 15,386	2.5	39,000	2.0	1,000	2.0	3,000	1.5	1,000

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 2025.

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 15 years (Police Pension 1987); 31 years (Police Pension 2006); 30 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 33 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 2023.

Liabilities

There are no contingent liabilities at 31 March 2023.

36. Authorisation of Accounts

Under the Accounts and Audit (England) Regulations 2015 the ~~pre-audited~~ Statement of Accounts were signed by the relevant officers and released from publication on xx.xx.xx. ~~was signed by the Chief Finance Officer as responsible financial officer of the Commissioner on 9 June 2023 and released for audit purposes.~~

ANNUAL GOVERNANCE STATEMENT 2022/23

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 2023 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 are reviewed annually and amended as appropriate.

- 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 Senior Leadership Team (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 (JAAC). This committee consider internal and external audit reports and advise and provide assurance to the Commissioner and Chief Constable according to good governance and accountability principles and proper practices. The terms of reference for the Committee were revised during 2022/23 in line with the CIPFA Position Statement 2022 relating to police audit committees.
- 2.5 This year, more than any other for some considerable time, inflation has hit the headlines with the UK reporting a 40-year high of 10.1% in July, increasing further to a reported 11.1% in October. Over the last decade, inflation has remained around the 2% target rate, accompanied by near-zero interest rates. As such, the rapid increase in inflation is challenging, unforeseen in most cases and generally un-funded. However, it is not just the UK, inflation is a huge problem on a global scale and the pressure is only set to increase with conflict detrimental to food, energy and commodity prices. Considerable scrutiny has been applied to the budget and reporting increased to ensure appropriate rigour is applied to help mitigate the impact as far as possible.

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.
- 3.4 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 their annual report for 2022/23 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 their role in accordance with guidance issued in the CIPFA Statement on the Role of the Head of Internal Audit (2019).

3.5 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.

3.6 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).

3.7 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 2022/23 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.

3.8 A whistle blowing policy is in place which is managed and investigated by the Professional Standards Department (PSD). This policy has recently been updated and is available on the Constabulary's website. 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.

3.9 The OPCC has an ethical framework and code of conduct for the Commissioner and for staff in place as well as a confidential reporting (whistleblowing) policy. These are updated regularly and are available on the PCC website Human Resources (cheshire-pcc.gov.uk).

3.10 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 have been published Cheshire PEEL Assessments 2020/2021

4. Good Governance in the Police

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



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

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

5.1 Commissioners and Chief Constables have responsibility for creating an environment where the Code of Ethics can thrive by setting standards, policies and principles that help in embedding the Code. The Code of Ethics consists of two main parts – 'Policing Principles' and 'Standards of Behaviour'. The former originates from the Principles of Public Life to which has been added 'fairness' and 'respect' as the evidence base demonstrates they are crucial to enhancing public confidence. How fair an organisation is perceived to be internally by its people is likely to affect the extent to which they feel valued by, and part of, that organisation. This sense of having a stake in that organisation has been shown to affect staff willingness to comply voluntarily with work rules, hold positive attitudes about the public and engage in a range of positive work behaviours. The work environment fostered by police leaders and supervisors is, therefore, likely to 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 Professional Standards Department is responsible for the receipt, recording and, where relevant, investigation of public complaints against the conduct of officers and/or members of police staff as well as 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 The Appropriate Authority for a complaint that relates to the Chief Constable is the local policing body with responsibility for that police force area. As such, the Police & Crime Commissioner is responsible for handling complaints against the Chief Constable of Cheshire Constabulary.
- 5.8 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 2022/23.

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.' A consultation on refreshing the Plan received over 1,200 responses from the public. The full plan is available on the Commissioner's website (Police and Crime Plan).

- 6.3 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.
- 6.4 In January 2023, the consultation on the Commissioner's precept proposal had the highest number of responses of any precept consultation and 76% supported raising the precept at least in line with the Commissioner's eventual proposal. During this consultation period, the Commissioner again held 10 in-person 'consultation roadshows' around the county – More than had been held in previous years.
- 6.5 The Commissioner has also carried out large-scale surveys on specific issues such as rural crime and hate crime.
- 6.6 The Constabulary undertakes regular telephone surveys of victims of crime in Cheshire to gauge satisfaction with the services provided. The latest results show that 71% of victims of crime are satisfied with the overall level of service.
- 6.7 As of 2022, 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 community basis. This powerful tool allows officers to canvass and respond to needs particular to a specific area. During 2022/23 there were over 18,900 responses provided from across the Force area which were used to inform local operational priorities.
- 6.8 As part of the virtual meeting arrangements originally brought in as a response to the pandemic, the ability of the public to have online access to public meetings has continued and become standard practice. All public meetings are publicised together with the agendas, on the PCC's 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 (MTFS) 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 Joint Management Board (JMB) meetings. All strategies are published on the PCC's 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 PCC 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 Commissioner'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 Procurement Strategy sets out the organisation'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 regard to human rights (including modern slavery), social value, equality and diversity, environment and sustainability and fraud, corruption and bribery.
- 7.8 The Commissioner's Modern Slavery Transparency Statement is published on his website [modern-slavery-transparency-statement-july-2022.pdf](https://www.cheshire-pcc.gov.uk/modern-slavery-transparency-statement-july-2022.pdf) (cheshire-pcc.gov.uk). This sets out the steps we have taken and are planning to take to address the risk of modern slavery and human trafficking occurring within our own organisation and those of our partners and supply chains.
- 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 Scrutiny ([cheshire-pcc.gov.uk](https://www.cheshire-pcc.gov.uk)).

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 120 new officers during 2022/23, 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. 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 2022/23, 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 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.

10.5 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.

10.6 Performance is scrutinised by the Commissioner at regular scrutiny meetings and actions are identified at these meetings, which are kept under review and progress reported to the Commissioner.

10.7 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.

10.8 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.

10.9 Where processes or system arrangements show areas requiring improvement, action is taken to ensure internal control and financial management is complied with.

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

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 Commissioner's website.

11.1 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 appointments of the Commissioner's Chief Executive and Chief Finance Officer; 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 2022/23 and details of these meetings can be found on their website.

11.2 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.

11.3 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.

11.4 Assurance on the effectiveness of governance and controls is also provided by 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 Commissioner's website.

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 PCC's 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; the Independent Ethics Panel which considers ethical issues in policing 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 Assurance was provided on 2021/22 statement of accounts and Value for Money (VFM) by External Audit and their annual audit findings report and audit letter are available on the Commissioner's website Audit (cheshire-pcc.gov.uk).

12.5 The overall Internal Audit opinion for the period 1st April 2022 to 31st March 2023 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.

12.6 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.

12.7 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.

13. Report on Areas for Action during 2022/23

13.1 Within the 2021/22 Annual Governance Statement, the review of effectiveness identified two 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 2022/23.

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)

UPDATE: An 18-month programme has been established to manage the optimisation and effectiveness that each system within the Business Services umbrella can achieve, to ensure they reach their full potential and, in turn, maximise the return on investment. The programme will not only implement changes within the systems, it also has the remit to review and analyse processes within Business Services to identify efficiencies that can be utilised for the users experience to be more streamlined and focused. Business Services has a robust governance framework. A fortnightly user group takes place which all business areas are represented at. The user group assesses requests for changes, upgrades and prioritises changes for planning the next sprint of deliverables. These recommendations are then presented to the Board for approval. The Board is responsible for ensuring the strategic direction of the programme aligns with the force's strategic objectives.

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 His Majesties Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) as part of its Inspection programme (Owner: Deputy Chief Constable).

UPDATE: The Deputy Chief Constable Chairs an HMICFRS Strategic Oversight Meeting held every 2 months. This meeting considers all HMICFRS inspection activity including progress against recommendations and 'Areas for Improvement'. Chief officers provide regular written updates on progress and the Deputy Chief Constable considers any proposals for 'Areas for Improvement' to be signed off as completed by the Chief Constable.

14. Areas for Action in 2023/24

14.1 The governance framework, internal controls and application of the principles have been reviewed during 2022/23 with the following areas highlighted as risks together with the mitigating actions required.

Action 1: Cyber-Security – Continue to invest in cyber-security and training in recognition of the ongoing cyber and ransomware risk to policing systems. Attacks on Police Forces and other Public Sector organisations along with suppliers of services to public organisations are becoming more frequent and are definitely a deliberate target of some countries and criminal organisations/individuals (Owner: Deputy Chief Constable).

Action 2: Joint Audit Advisory Committee – The Committee has three new members with no prior audit committee experience. Internal workshops and external training will be provided as part of their induction to the Committee and ongoing support will be made available (Owner: OPCC Chief Finance Officer).

15. Summary

15.1 We are satisfied that the governance framework and arrangements in place during 2022/23 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.

15.2 We propose over the coming year to take steps to address the issues identified in paragraph 14.1 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

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

The Joint Audit Findings for Cheshire Police - Draft

Year ended 31 March 2023

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

27 September 2023



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the PCC and Chief Constable as those charged with governance, at the 27 September JAAC meeting.

Michael Green

Name: Michael Green
For Grant Thornton UK LLP
Date: 27 September 2023

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 PCC and Chief Constable 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the Police and Crime Commissioner for Cheshire ('the PCC') and the Chief Constable for Cheshire and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2023 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the financial statements:

- give a true and fair view of the financial positions of the PCC and Chief Constable's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated

Our audit work was completed both on site and remotely during July-September. Our findings are summarised on pages 5 to 19. We have identified one adjustment to the financial statements of the Chief Constable in respect of pensions that has resulted in a £42m adjustment to the Chief Constable's Comprehensive Income and Expenditure Statement. This same adjustment has resulted in a £1m adjustment to the PCC's Comprehensive Income and Expenditure Statement. This adjustment resulted in a £41m adjustment to the group Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCC's financial statements (including the financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements [Appendix I and Appendix J] or material changes to the financial statements], subject to the following outstanding matters:

- finalisation of our work on property, plant and equipment including reviewing the responses from the valuers and the updated calculations following the incorrect BCIS location rates being used as well as completion of our land and building existence testing;
- Finalisation of our work on pensions including confirmation from the pension fund auditor on the assets held, completion of our work on the triennial valuation and meeting with the actuaries to confirm the appropriate level of any LGPS pension asset recognition;
- completion of our substantive procedures and responding to reviews on cash, debtors, grants, completeness, employee benefit expenditure, other expenditure some of which we're liaising with the finance team over queries;
- completing our work on related parties;
- finalising our review of the PFI scheme;
- finalising our review of the accounts disclosures, including financial instruments and EAF;
- finalising our work on the consolidation process;
- final manager and engagement lead quality reviews;
- receipt of management representation letters (see Appendix G and Appendix H); and
- review of the final sets of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisations and the financial statements we have audited.

Our anticipated financial statements audit report opinions will be unmodified. Our work on the PCC's and Chief Constable's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the PCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinions on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix K to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified no risks at the planning stage and will continue to review this as we finalise our VFM work - see section 3.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the PCC and Chief Constable's VFM arrangements, which will be reported in our Auditor's Annual report in December 2023, and upon completion of our Whole of Government Accounts reporting, the timetable for which has not yet been issued.

Significant matters

We identified IFRIC14 and the recognition of a pension asset as a new risk during the course of our work, as detailed on page 11 of our report. We also had some issues with the land and buildings valuations, as detailed on page 8.

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the PCC and Chief Constable for their support in working with us to resolve any delays with the valuer's response and working constructively with us in respect of the recognition of any LGPS pension asset to allow a timely audit.

2. Financial Statements

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the PCC and Chief Constable as those charged with governance, at the 27 September JAAC meeting.

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

Audit approach

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

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

We have had to alter our audit plan, as presented to you on 26 July 2023, to reflect the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset. Because of this we have now assessed the recognition and valuation of the pension asset as a risk.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion on the financial statements of both the PCC and the Chief Constable following the JAAC meeting on 27 September 2023, as detailed in Appendix I and Appendix J. These outstanding items are detailed on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 4, during the course of the audit both your finance team and our audit team faced audit challenges this year, particularly with the change in systems and our additional journals testing land and buildings valuations and assessing the limitations of any pension surplus in accordance with IFRIC14. This resulted in us having to carry out additional audit procedures, as summarised on page 30 to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as presented to the JAAC meeting in our audit plan on 26 July 2023.

We set out in this table our determination of materiality for the PCC, Chief Constable and group.

	Group (£)	PCC (£)	Chief Constable (£)	Qualitative factors considered
Materiality for the financial statements	6,476	5,208	6,296	Materiality equates to 2% of your prior year gross expenditure for the PCC. This assessment reflects the fact that you operate in a stable, publicly funded environment and no significant control deficiencies have been identified. Whilst we calculate separate materiality for the Group, PCC and CC, we use the lowest of the three for our overall financial statements planning.
Performance materiality	4,857	3,906	4,702	Quality of working papers in prior year and client's response to audit processes and a stable, robust control environment.
Trivial matters	324	260	313	5% of materiality and the amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration	60	60	60	2% of total value disclosed, reflecting public sensitivity and interest in the pay of senior staff within the public sector.

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is 5,208k (PY 5,208k), which equates to 2% of the PCC's gross expenditure or the year.



2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
Management override of controls	PCC / Chief Constable / Group	<p>We have</p> <ul style="list-style-type: none"> evaluated the design and implementation of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included:</p> <ul style="list-style-type: none"> Post year-end journals Material journals across the year Year-end journals Year-end income and expenditure accrual journals Journals reducing expenditure around the year-end Journals posted by senior management <p>Application of these routines and supplementary procedures identified a total sample of 29 journals to test.</p> <p>Our audit work has not identified any issues in respect of management override of controls. However, we did note that following the implementation of Unit 4 there was an issue in being able to readily identify who had originally posted journals and therefore have raised a recommendation in respect of this – see Appendix B. In addition, we had to perform additional procedures due to some issues post implementation leading to a third party (Unit 4) posting journal transactions directly into Cheshire Police’s ledgers. In response to this, we tested a further sample of 19 journals with no matters identified to report.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of land and buildings</p> <p>The OPCC revalues land and buildings on a rolling five-yearly basis. The valuation represents a significant estimate made by management in the financial statements due to the size and value of the asset base, being £142million as at 31 March 2023 (£135m at 31 March 2022), and the sensitivity of the estimate to changes in key assumptions.</p> <p>Management will need to ensure that the carrying value in the PCC's and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	PCC and Group	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and tested revaluations made during the year to see if they had been input correctly into the Authority's asset register. <p>Page 12 provides a detailed assessment of the estimation process for the valuation of the property, plant and equipment.</p> <p>At the time of writing, we have not completed our work in this area but we hope to be in a position to give an update at the JAAC meeting.</p> <p>Our audit work identified that the BCIS rates used by the valuer were based on forecast rates for March 2023 at the time the valuation was conducted. The BCIS rates applied by the valuer are a key assumption in determining the valuation of a substantial portion of the Authority's asset base, being applied to assets assessed as specialised in nature. Our work to review the appropriateness of assumptions, including the BCIS rates used, has identified that the most recent information for March 2023 shows an increase in the rate. We also noted that the valuer used the incorrect location factor for some police stations which would impact on the valuation. The revised valuation difference was a trivial amount in the end (£189k) so is not noted as an adjustment but there is a recommendation in respect of it in Appendix B.</p> <p>Following recent press coverage related to the existence of Reinforced, Autoclaved Aerated Concrete (RAAC) within public buildings, we have enquired as to the use of this construction method within Authority buildings in order to consider the potential impact on valuations. Management have confirmed there is only one building with a small element of RAAC, which has identified sometime ago and has had remedial action, within the property portfolio.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of pension fund net liability</p> <p>The PCC's and Chief Constable's 's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1.7bn at March 23 and £2.6bn at March 22) and sensitivity of the estimate to changes in the key assumptions.</p> <p>The actuarial assumptions used are the responsibility of the entities 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 1.5% 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 PCC's and Chief Constable's pension fund net liability as a significant risk.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS has been adopted, the PCC and Chief Constable has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a risk, see page 11.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p>	<p>PCC / Chief Constable / Group</p>	<p>We have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; tested 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; undertaken 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; agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; asked for 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; and tested the data provided to the actuary of the Police Pension Scheme. <p>Pages 13-14 provide a detailed assessment of the estimation process for the valuation of the pension fund net liability. The assumptions used in calculating the net pension liability/surplus of both schemes are considered to be in line with expectations and at this stage we have not identified any issues with the estimation process.</p> <p>Our work is nearly complete , subject to receipt of the assurances from the auditor of Cheshire Pension Fund, completion of our work on the triennial valuation and the pension fund, and finalising our assessment of the LGPS pension asset. We have identified issues in respect of the impact of IFRIC14 and this is discussed on page 11, as it was identified as a new risk during the audit.</p>

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Relates to	Commentary
At the end of Q1 22/23 Cheshire Police swapped their ledger system from Oracle to Unit 4 as a result of the closing down of MFSS (Multi Force Shared Services). As this was a mid-year transfer there is a risk that data may not be migrated from one ledger to the other appropriately.	PCC / Chief Constable / Group	<p>We have:</p> <ul style="list-style-type: none"> performed procedures on the transfer of ledger and identified no pervasive control issues; reviewed the balances transferred from one ledger to the other and gained assurance over the “opening balances” of the new ledger from the old ledger and ensure the accuracy and completeness of the financial information; and completed an information technology (IT) environment review to document, evaluate and test the IT controls operating within the general ledger system. <p>Our testing identified no issues in terms of the transfer from one ledger to the other, however as mentioned on page 7 we did note that following the implementation of Unit 4 there was an issue in being able to readily identify who had originally posted journals and therefore have raised a recommendation in respect of this. In addition, we had to perform additional procedures due to some issues post implementation leading to a third party (Unit 4) posting journal transactions directly into the ledger.</p>

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>Valuation of LGPS pension surplus</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk as the group's draft accounts included a £41m pension asset for the LGPS.</p>	<p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p> <p>We have:</p> <ul style="list-style-type: none"> • challenged management on the presentation of any pension asset; • received calculations from the actuary's assessing any asset ceiling in place potentially reducing the amount of any asset recognised and reperformed those calculations; • challenged the actuary on the assumptions used within that calculation (NB At the point of drafting this Audit Findings Report we have not managed to speak to the actuary but believe some of their assumptions are inaccurate and will therefore change the calculations provided); and • assessed the sufficiency of the financial statement disclosures provided in respect of the pension surplus. 	<p>The Authority had not fully considered the potential impact of IFRIC14 before any audit challenge and this has led to the following adjustments:</p> <ul style="list-style-type: none"> • Reclassification of pension surplus from liabilities to assets on the face of the balance sheet; • Adjustment to limit the amount of asset recognised – note this is still to be discussed with and recalculated by the actuary although we expect there to be no asset recognised; • Additional disclosures in respect of the pension surplus and impact of IFRIC14. <p>Please see Appendix B for action plan and D for adjustments proposed.</p>

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £130m	PCC / Group	<p>Management outsource the valuation of their land and buildings to an appropriately qualified external valuer, Bruton Knowles LLP.</p> <p>The valuations are undertaken on a 5 year rolling programme, the Police tender a 5 year contract for the revaluations. In year 1, a full valuation is undertaken and then a desktop valuation is undertaken in the 4 subsequent years, until a full valuation is again due to be undertaken.</p> <p>All Land and Buildings are revalued each year in line with the Entity's revaluation programme. The Valuation provided is at 31/03/22.</p> <p>Assumptions are selected by the valuer in accordance with the Valuation – Global Standards of the Royal Institution of Chartered Surveyors (RICS). Management review these assumptions and challenge where necessary.</p> <p>The total year end valuation of land and buildings was £130m, a net increase/decrease of £4m from 2021/22 (£126m).</p>	<p>We have:</p> <ul style="list-style-type: none"> deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work; assessed the competence, capability and objectivity of management's experts; tested the completeness and accuracy of the underlying information used to determine the estimate; worked with the valuers to understand the basis on which the valuations were carried out and considered whether the requirements of the Code were met; considered the potential impact of changes between valuation date and balance sheet date; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, for example by agreeing to 3rd party RICS information; tested revaluations to confirm that they had been input correctly into the Service's asset register; considered the reasonableness of changes in estimated values based on all of the available evidence and wider sector knowledge; and considered the adequacy of the disclosure of the estimates in the financial statements. <p>As noted on page 8, our work in this area is not yet finalised whilst we review the revised valuer calculations for the BCIS rates.</p> <p>The work performed to date does not indicate any lack of robustness in management's process for producing this estimate, although we have raised a recommendation in Appendix B.</p>	TBC

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – police pension schemes £1,786m LGPS net pension surplus – £41m (TBC – may not be recognised)	PCC / Chief Constable / Group	<p>The PCC and Chief Constable's Local Government Pension Scheme net pension liability at 31 March 2023 is £1,745m (PY £2,585m) [comprising the Local Government Pension Scheme obligations and unfunded defined benefit pension scheme obligations].</p> <p>The PCC and Chief Constable uses Hymans Robertson LLP and the Government Actuary's Department to provide actuarial valuations of the PCC's and Chief Constable's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022 for the LGPS and 2020 for the PPS. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements. There has been a £995m net actuarial gain during 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work; undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures as suggested in the report (continued overleaf); 	TBC																								
			<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value - LGPS</th> <th>Actuary Value - PPS</th> <th>Assessment by Auditors expert PwC</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.65%</td> <td>● - Assumptions considered reasonable</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.60%</td> <td>● - Assumptions considered reasonable</td> </tr> <tr> <td>Salary growth</td> <td>3.65%</td> <td>3.85%</td> <td>● - Assumptions considered reasonable</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Current 21.3 Future 22.6</td> <td>Current 21.9 Future 23.5</td> <td>● - Assumptions considered reasonable</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Current 23.9 Future 26.2</td> <td>Current 23.5 Future 25</td> <td>● - Assumptions considered reasonable</td> </tr> </tbody> </table>	Assumption	Actuary Value - LGPS	Actuary Value - PPS	Assessment by Auditors expert PwC	Discount rate	4.75%	4.65%	● - Assumptions considered reasonable	Pension increase rate	2.95%	2.60%	● - Assumptions considered reasonable	Salary growth	3.65%	3.85%	● - Assumptions considered reasonable	Life expectancy – Males currently aged 45 / 65	Current 21.3 Future 22.6	Current 21.9 Future 23.5	● - Assumptions considered reasonable	Life expectancy – Females currently aged 45 / 65	Current 23.9 Future 26.2	Current 23.5 Future 25	● - Assumptions considered reasonable	
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Assessment





- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates





Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
<p>Net pension liability – police pension schemes £1,786m</p> <p>LGPS net pension surplus – £41m (TBC – may not be recognised)</p> <p>(continued)</p>	PCC / Chief Constable / Group		<p><i>Continued from page 13</i></p> <ul style="list-style-type: none"> assessed the competence, capability and objectivity of management's experts; tested the completeness and accuracy of the underlying information used to determine the estimate; tested 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; considered the reasonableness of changes in estimated values based on all of the available evidence; and considered the adequacy of the disclosure of the estimates in the financial statements. <p>As noted on pages 9 and 19 our work on pension liabilities is ongoing, pending receipt of assurances from the auditor of Cheshire Pension Fund, completion of our work on the triennial valuation as well as responding to review queries and awaiting a response from the actuary in respect of IFRIC14.</p> <p>Work performed to date does not indicate any lack of robustness in management's process for producing this estimate</p>	TBC

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4	ITGC assessment (design and implementation effectiveness only)					N/A

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee and no issues were identified and we have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed, although our work in this area is not yet complete.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation have been requested from both the PCC and the Chief Constable, which are appended.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to confirm cash, investments and borrowing counterparties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the PCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements and minor adjustments to disclosures are detailed in Appendix D.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided, although as noted previously we had some difficulty getting extra information from the valuer and actuary.

2. Financial Statements: other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> • 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 entity’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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PCC’s and Chief Constable’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> • the nature of the PCC and Chief Constable and the environment in which they operate; • the PCC’s and Chief Constable’s financial reporting framework; • the PCC’s and Chief Constable’s system of internal control for identifying events or conditions relevant to going concern; and • management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable; and • management’s use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix I and Appendix J</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. The instructions for 2022/23 have not yet been received.</p> <p>However, in the case of Cheshire Police, no work is required as the entity is below the group reporting threshold of £2 billion determined by the NAO.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2022/23 audit of the PCC for Cheshire and the Chief Constable for Cheshire in the audit reports, as detailed in Appendix I and J, due to further time being needed to complete our Value for Money work and not having the WGA instructions. The NAO has extended the timetable for completion of the Value for Money work to three months post completion of the financial statements audit.</p>

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office 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 the three specified reporting criteria.



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



Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are 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

3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix K to this report. We expect to issue our Auditor's Annual Report by no later than 31 December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. To date, we have not identified any such risks or findings that would impact the audit opinion on the accounts.



4. Independence and ethics

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are in Appendix E, we confirm that there are no non-audit fees.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and Cheshire Police that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with Cheshire Police.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by Cheshire Police in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and Cheshire Police
Contingent fees in relation to non-audit services	No non-audit services are provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of Cheshire Police senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation – PCC
- H. Management Letter of Representation – Chief Constable
- I. Audit opinion – PCC
- J. Audit opinion - Chief Constable
- K. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud.	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan- Audit of Financial Statements

We have identified 3 recommendations for the group/PCC and Chief Constable as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	From discussions with the actuarial firms, we understand that the application of IFRIC 14 is not within their normal scope. As such, unless they are instructed otherwise by the employer, they will produce IAS 19 disclosures assuming there are no IFRIC 14 adjustments to any surplus or deficit. This means there is a risk that material adjustments are not factored into the IAS19 disclosures.	<p>We recommend that Cheshire Police instruct their actuary to calculate any potential asset ceiling under IFRIC14 where pension schemes are in surplus to ensure they are reflected in their IAS19 calculations.</p> <p>Management response</p> <p>The use of IFRIC14 is new to Cheshire Police for this year. It will be included in all future commissions from the Actuaries, in that should the IFRS19 calculation lead to a net asset, IFRIC14 consideration will be added to the calculation.</p>
Medium	During our audit testing we identified that the valuer did not always use the correct BCIS location rates for the buildings being valued, leading to an understatement of the asset value by £188k.	<p>We recommend that management instruct the valuer to confirm all rates used within their valuations are appropriate to the asset's location.</p> <p>Management response</p> <p>Significant work by both Finance and the Auditors has been required to complete the valuations, going forward Cheshire Police will consider how best to ensure that the valuation service it receives in relation to the completion of its accounts is improved.</p>
Low	During our journals testing we identified that it was not always possible to identify who had posted the journal as when they are approved, the system changes the poster to administrator. We were able to get assurance over the processes used in Unit 4 and access control but could not identify any unusual posters for example.	<p>We recommend that management look at whether there are any alternative reports available in Unit 4 to allow control checks on individual users to be performed.</p> <p>Management response</p> <p>While workarounds enabled the auditors to complete their tasks this year, an action has been added to the Unit 4 reporting workstream to provide a report the includes all the necessary data in time for the next audit.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of the PCC and Chief Constable for Cheshire's 2021/22 financial statements, which resulted in 1 recommendation being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented our recommendations. There is a further recommendation which has not been implemented as management believe they have suitable alternative arrangements

Assessment

- ✓ Action completed
- X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Our work on Property, Plant and Equipment revaluations identified that there are some differences between the floor plans and the floor areas used in the valuation process. As the floor area of buildings is a key factor in determination of value, it is important that this is kept under review and updated in order to ensure valuations are accurate.</p> <p>We recommend that the OPCC considers including a sample of land and buildings to be remeasured, perhaps on a rolling basis, as part of the valuer's scope.</p>	<p>Management confirmed that the valuer has built this into their programme and has remeasured some items during the 2022/23 Financial Year and will continue to do so over the contract period.</p>
	<p>Seized monies not being held in a separate bank account</p> <p>In accordance with the Proceeds of Crime Act (POCA) 2002, the CC holds monies on behalf of third parties arising from its operational responsibilities. Monies held under the POCA are correctly not accounted for on the balance sheet as the cash does not belong to the PCC at this stage.</p> <p>As part of our audit we identified POCA third party cash is co-mingled in the CC operational bank accounts from which payments and investments are made. As at 31 March, the POCA cash co-mingled in operational bank accounts with third party monies, the PCC is benefiting from several cashflow benefits, namely:</p> <ul style="list-style-type: none"> • higher interest rates on investments; and • reduced interest payments because the increased liquidity could result in the Authority not needing to borrow when it otherwise would <p>Given that the third-party cash does not belong to the PCC, we recommend that management set up a separate non-operational bank account for third party cash to be deposited and maintained. In doing so, the PCC would no longer inappropriately benefit from cash which is not theirs.</p> <p>The other reason we are recommending the PCC to stop co-mingling third party cash is that it reduces the risk of third-party cash being incorrectly recognised on the balance sheet. This is because the current process requires third party deposits to be manually identified and coded during the reconciliation process. There is a risk that third party deposits are missed during the bank reconciliation and inappropriately recognised on the PCC balance sheet. This risk is significantly reduced with a separate bank account for third party monies.</p> <p>We are satisfied based on our audit work that there is no material misstatement in the accounts because of third-party monies. Our recommendation is being made to reduce the risk of misstatement and strengthen the controls in place to ensure the propriety of third party assets held by the PCC. We have noted an adjustment on page 28 about reclassifying the amounts owed from cash to creditors.</p>	<p>This has been raised as a recommendation again in the current year.</p> <p>Management response</p> <ul style="list-style-type: none"> • All POCA monies are tightly managed through the receipt and processing of court orders. These are used to reconcile the holding account and payments from the funds. • There are clear processes in place to ensure that these holding accounts are not included in the Statement of Accounts and they are clearly noted to that effect. • Costs are incurred in holding bank accounts and the legislation requires repayment with interest if the monies are returned after the due legal process. A separate bank account would therefore cost both in charges and interest paid. Being part of the overall bank account means interest is earned to recompense accordingly. • Finally, to operate outside of main bank accounts would take POCA out of the finance system of controls/approval workflow which would increase the risk rather than mitigate.

D. Audit Adjustments- PCC

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Limitation of pension surplus recognised in accordance with IFRIC14	(1,098)	1,098	0	0
Overall impact	£(1,098)	£1,098	£0	£0

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Pension surplus and liability netted off	Show the pension surplus separately within assets	✓
Minor typographical changes	To update in the accounts	✓

D. Audit Adjustments - PCC



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The PCC is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Reclassification of third party monies held from cash to creditors	0	1,603 (1,603)	0	0	Materiality – will be considered for amendment in future years
Overall impact	£0	£0	£0	£0	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

D. Audit Adjustments- Chief Constable

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Limitation of pension surplus recognised in accordance with IFRIC14	£42,159	£(42,159)	0	0
Overall impact	£42,159	£(42,159)	£0	£0

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Pension surplus and liability netted off	Show the pension surplus separately within assets	✓
Minor typographical changes	To update in the accounts	✓

Impact of unadjusted misstatements

There are no unadjusted misstatements

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

Audit fees-	Chief Constable	PCC
2022/23 Scale fee published by PSAA	£14,863	£30,233
Additional work on Value for Money (VfM) under the new NAO Code	£2,000	£7,000
Increased audit requirements of revised ISA 540	£600	£1,200
Enhanced audit procedures on journals testing	£1,000	£2,000
Payroll change of circumstances	£500	£-
Additional IT related review and procedures for Oracle ledger	£-	£4,500
Increased audit requirements of revised ISAs 315/ 240	£1,250	£1,250
Procedures relating to new ledger implementation	£2,500	£2,500
Total proposed audit fees 2022/23 (excluding VAT)	£22,713	£48,683
Additional work on land and building valuations	£-	£1,000
Additional work on pensions and IFRIC14	£2,000	£2,000
Additional journals work in respect of Unit 4 directly posting journals into the ledger	£750	£750
Total audit fees (excluding VAT)	£25,463*	£52,433*

*Fee is subject to formal approval by PSAA and proposed fee has been agreed to the financial statements

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assessed and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation - PCC

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Landmark,
St Peter's Square,
1 Oxford Street,
Manchester M1 4PB

[Date] – (TO BE DATED SAME DATE AS DATE OF AUDIT OPINION)

Dear Grant Thornton UK LLP

Police and Crime Commissioner for Cheshire

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of the Police and Crime Commissioner (PCC) for Cheshire and its subsidiary undertaking, the Chief Constable for Cheshire for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and PCC financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and PCC and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the net pension liability and the valuation of land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering 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 estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or

G. Management Letter of Representation - PCC

disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and PCC financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the [group and]PCC has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and PCC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We have updated our going concern assessment. We continue to believe that the group and PCC's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and PCC means that, notwithstanding any intention to cease the group and PCC operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and PCC's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and PCC's ability to continue as a going concern need to be made in the financial statements

xiv. The group and PCC has complied with all aspects of ring-fenced grants that could have a material effect on the group and PCC's financial statements in the event of non-compliance.

Information Provided

xv. We have provided you with:

G. Management Letter of Representation - PCC

- a. access to all information of which we are aware that is relevant to the preparation of the group and PCC's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the PCC via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and PCC, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the group and PCC's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the JAAC at its meeting on 27 September 2023.

H. Management Letter of Representation – Chief Constable

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Landmark,
St Peter's Square,
1 Oxford Street,
Manchester M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

Chief Constable for Cheshire

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of the Chief Constable for Cheshire for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Constabulary financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Constabulary's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Constabulary and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Constabulary has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the net pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering 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 estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

H. Management Letter of Representation – Chief Constable

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Constabulary has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Constabulary's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Constabulary's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
- a. the nature of the Constabulary means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Constabulary's system of internal control has not identified any events or conditions relevant to going concern.
- We believe that no further disclosures relating to the Constabulary's ability to continue as a going concern need to be made in the financial statements
- xiv. The Constabulary has complied with all aspects of ring-fenced grants that could have a material effect on the Constabulary's financial statements in the event of non-compliance.
- Information Provided
- xv. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Constabulary's financial statements such as records, documentation and other matters;

H. Management Letter of Representation – Chief Constable

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the JAAC at its meeting on 27 September 2023.

I. Audit opinion- PCC

Our audit opinion is included below. We anticipate we will provide the PCC with an unmodified audit report.

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Cheshire (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable for Cheshire (the 'group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account and Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2023 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

I. Audit opinion- PCC

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

I. Audit opinion- PCC

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Police and Crime Commissioner and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act, 2003), the Police Reform and Social Responsibility Act 2011, the Public Service Pensions Act 2013, the Police Pension Fund Regulations 2006 and the Police Pensions Regulations 2015.

We enquired of management and the Police and Crime Commissioner concerning the Police and Crime Commissioner and group's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Police and Crime Commissioner whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of:

- management override of controls. We determined that the principal risks were in relation to journal entries that could be used to manipulate the Authority's financial performance for the year as well as potential management bias in determining accounting estimates for the valuation of land and buildings; and the net pension liability.

I. Audit opinion- PCC

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on non-routine transactions, and journal entries falling within identified risk criteria including, journals posted by senior officers, material journals, large year-end journals, post year-end journals year-end accruals and journals reducing expenditure at the year-end,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
 - o the provisions of the applicable legislation
 - o guidance issued by CIPFA/LASAAC and SOLACE
 - o the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

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

I. Audit opinion- PCC

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

Matter on which we are required to report by exception – the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Police and Crime Commissioner’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

I. Audit opinion- PCC

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for Cheshire for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date:

J. Audit opinion- Chief Constable

Our audit opinion is included below. We anticipate we will provide the Chief Constable with an unmodified audit report.

Independent auditor's report to the Chief Constable of Cheshire

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable for Cheshire (the 'Chief Constable') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account and Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Assistant Chief Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern.

In our evaluation of the Assistant Chief Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Assistant Chief Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

J. Audit opinion- Chief Constable

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Assistant Chief Officer with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

J. Audit opinion- Chief Constable

Responsibilities of the Chief Constable and the Assistant Chief Officer

As explained more fully in the Statement of Responsibilities, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Assistant Chief Officer. The Assistant Chief Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Chief Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Chief Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Chief Constable without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act, 2003), the Police Reform and Social Responsibility Act 2011, the Public Service Pensions Act 2013, the Police Pension Fund Regulations 2006 and the Police Pensions Regulations 2015.

We enquired of management and the Chief Constable concerning the Chief Constable's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Chief Constable whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of:

- management override of controls. We determined that the principal risks were in relation to journal entries that could be used to manipulate the Authority's financial performance for the year as well as potential management bias in determining accounting estimates for the net pension liability.

J. Audit opinion- Chief Constable

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on non-routine transactions, and journal entries falling within identified risk criteria including, journals posted by senior officers, material journals, large year-end journals, post year-end journals, year-end accruals and journals reducing expenditure at the year-end,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Chief Constable including:
 - o the provisions of the applicable legislation
 - o guidance issued by CIPFA/LASAAC and SOLACE
 - o the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

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

J. Audit opinion- Chief Constable

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

Matter on which we are required to report by exception – the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Chief Constable’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Chief Constable plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Chief Constable ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Chief Constable uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Chief Constable has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

J. Audit opinion- Chief Constable

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Chief Constable for Cheshire for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Chief Constable for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date:

K. Audit letter in respect of delayed VFM work

J Dwyer, Police & Crime Commissioner

M Roberts, Chief Constable

27 September 2022

Dear Sirs,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Michael Green

Director



Grant Thornton UK LLP
Landmark,
St Peter's Square,
1 Oxford Street,
Manchester M1 4PB

Date - to be added

Dear Grant Thornton UK LLP

Police and Crime Commissioner for Cheshire
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of the Police and Crime Commissioner (PCC) for Cheshire and its subsidiary undertaking, the Chief Constable for Cheshire for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and PCC financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and PCC and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include include the valuation of the net pension liability and the valuation of land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering 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 estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement

or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and PCC financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the [group and]PCC has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and PCC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and PCC's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the group and PCC means that, notwithstanding any intention to cease the group and PCC operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and PCC's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and PCC's ability to continue as a going concern need to be made in the financial statements

- xiv. The group and PCC has complied with all aspects of ring-fenced grants that could have a material effect on the group and PCC's financial statements in the event of non-compliance.

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and PCC's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the JAAC at its meeting on 27 September 2023.

Yours faithfully

John Dwyer
PCC for Cheshire
Date to be added

Signed by the Police and Crime Commissioner for Cheshire



Cheshire Constabulary

Grant Thornton UK LLP
Landmark,
St Peter's Square,
1 Oxford Street,
Manchester
M1 4PB

Date – to be added

Dear Sirs

Chief Constable for Cheshire

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of the Chief Constable for Cheshire for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Constabulary financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Constabulary's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Constabulary and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Constabulary has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the net pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering 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 estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Constabulary has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Constabulary's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Constabulary's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Constabulary means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Constabulary's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Constabulary's ability to continue as a going concern need to be made in the financial statements
- xiv. The Constabulary has complied with all aspects of ring-fenced grants that could have a material effect on the Constabulary's financial statements in the event of non-compliance.

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Constabulary's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Constabulary via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Constabulary and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Constabulary's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the JAAC at its meeting on 27 September 2023.

Yours faithfully

Mark Roberts QPM, MSc., B.A. (Hons)

Chief Constable

Date to be added

Signed by the Chief Constable for Cheshire

Overview of topics to be covered during the period September 2023-May 2024

Part 1 Items	Sep-23	Nov-23	Mar-24	May-24
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 2024/25				✓
External Audit Findings Report	✓			
External Audit Plan				✓
External Audit Informing the Audit Risk Assessment				✓
External Audit Progress Report			✓	
External Audit VFM Report		✓		
External Audit Letter of Representation	✓			
Internal Audit Progress Reports	✓	✓	✓	✓
Internal Audit Follow Up Report			✓	✓
Head of Internal Audit Opinion				✓
Internal Audit Final Reports	✓	✓	✓	✓
Internal Audit Charter		✓		
Internal Audit Terms of Reference (Tor)	✓	✓	✓	✓
NFI Data Matching		✓		
Annual Accounts	Final			Draft
Annual Governance Statement	Final			Draft
Mid-Year Medium Term Financial Strategy Update		✓		
Value for Money profiles		✓		
Service Assurance Plan	✓	✓	✓	✓
2024/25 Budget & Medium Term Financial Strategy			✓	
Part 2 Items	Sep-23	Nov-23	Mar-24	May-24
Minutes of Joint Audit Advisory Committee	✓	✓	✓	✓
Matters Arising from Previous JAAC Meetings	✓	✓	✓	✓
Strategic Risk Register	✓	✓	✓	✓
Annual Risk Report				✓
SPOC Discussion on Fraud Controls	✓			
Cyber Security Update	✓			
PSD Vetting Update (National Officer Misconduct Issues)	✓			
Internal Audit ToR/Reports	✓	✓	✓	✓



Data Protection Review (Final) Terms of Reference

Cheshire Constabulary / Office of the Police and Crime
Commissioner for Cheshire

Ref: 301CPCC_2324_902

1 Introduction and Background

The review is to be conducted in accordance with the requirements of the 2023/24 Internal Audit Plan. The Information Commissioner’s Office (ICO) performed a review at Cheshire Constabulary (the Constabulary) in relation to Data Protection during 2020/21. This was one of a series of data protection reviews carried out across the police constabularies in England.

The ICO review followed the audit programme as described in the Auditing data protection – a guide to data audits in the good practice – High Level Manual v.3.5 (ico.org.uk¹).

Controls assessed included Governance and Accountability, Training and Learning and Information Sharing. ICO then provided a data protection report and action plan that identified 20 recommendations as being categorised as urgent.

As a result the Constabulary implemented a project to progress the implementation of the ICO recommendations. Follow up evidence for an updated baseline was provided to ICO whilst progress continues to be made against the outstanding actions.

Therefore, the aim of this review is to assess the project governance arrangements, progress made by the organisation in addressing the Information Commissioners Office (ICO) audit recommendations and identify opportunities for improvements, where appropriate.

2 Audit Objective

The objective of this review is to confirm that there are appropriate governance arrangements in place and to provide an assessment of the effectiveness of the control framework being exercised by management over its ongoing improvement programme plan and associated actions, and to highlight areas of improvement, where applicable.

3 Audit Scope

Sub Objective	Risk
<ul style="list-style-type: none">Progress against project improvement plan	<ul style="list-style-type: none">Without appropriate progress against the improvement plan there is a risk that there may be shortfalls, gaps, or omissions and this could lead to gaps, omissions, fines and / or additional unplanned costs
<ul style="list-style-type: none">Governance oversight, assurance and reporting	<ul style="list-style-type: none">Without appropriately embedding governance, risk management and assurance reporting within the structure and objectives of the organisation there is the potential for requirements / risks not to be properly managed so

¹ https://ico.org.uk/media/for-organisations/documents/4023525/guide-to-data-protection-audits-v1_3.pdf

	potentially impacting on safety / services and the reputation of the organisation.
<ul style="list-style-type: none"> Policy and procedures (including policy / processes to proactively respond to data requests such as through Freedom of Information (FOI) and Subject Access Requests (SARs). 	<ul style="list-style-type: none"> Without appropriate policy and procedures there is the risk that activity may not be subject to appropriate management and oversight, and this could lead to gaps, omissions, fines or additional unplanned costs.
<ul style="list-style-type: none"> Documentation baseline / solutions 	<ul style="list-style-type: none"> Without an appropriate baseline there is a risk that information may not be easily available / understood therefore increasing the likelihood of services being impacted. Without an overarching framework being in place for the management of documentation that there may be gaps or omissions in the document set to protect the organisation from risks to information, and for incident response which could increase the likelihood of services being impacted, fines and / or additional unplanned costs.
<ul style="list-style-type: none"> Roles and Responsibilities, Communication, Staff Training and Awareness 	<ul style="list-style-type: none"> Without the provision of regular training and awareness activity that is subject to assessments and testing / metrics there is a risk that there may be shortfalls, gaps, or omissions in the knowledge of the organisation increasing the risk of an incident / breach etc.
<ul style="list-style-type: none"> Compliance / Legislation – information management (contracts, data processing, records of processing activity, and management of police information) 	<ul style="list-style-type: none"> Without timely information management / sharing, including from / about third parties, being used to inform business as usual activity the organisation may not react in a timely manner to changes in the landscape. Without appropriate information management there is the risk that suppliers / third parties / Constabulary activity may not be subject to appropriate management and oversight,

	and this could lead to gaps, omissions, fines or additional unplanned costs.
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The limitations to scope are as follows:

- The audit will avoid repeating any work already performed by ICO.
- As the ICO audit has identified recommendations ranging from Urgent to Low risk in priority, the approach that will be taken is to review progress made against the urgent priority issues from the three key areas, and sample lower priority recommendations / highlight other areas, as time permits.

4 Audit Approach

Following discussion with service management, it has been agreed that the review is to be undertaken remotely. Whilst working remotely, we will ensure that regular contact is maintained throughout the audit process to feedback on progress and matters arising. We are aware that there may be restrictions which could potentially impact on the delivery of the review. We will ensure that any potential issues are escalated appropriately.

- We fully recognise that a number of staff are working flexibly, as such, we will work with you to agree our information requirements in advance, including at key points during the audit. This will include the timetable for delivery and availability of key contacts.
- We will confirm the designated contact point at your organisation, to support the provision of the identified information requirements and to assist the audit process as required. This may include providing access to the organisations systems, including the intranet, if required.
- We will use MS Teams to conduct virtual meetings and to share screens to support the auditor in documenting and assessing the controls and operating effectiveness of the system being reviewed.

Our review and opinions will be based on:

- Discussions with key individuals with direct responsibility for the areas under review;
- Copies of ICO Data Protection reports, action and follow up plans;
- Management information relating to plans, performance, reporting, contracts, assurance schedules / regimes and risks raised on risk registers.
- Copies of policies, procedures and supporting documentation;
- Copies of metrics and assurance / tracking reports;
- Copies of examples of information sharing forms;
- Copies of training material and metrics.

Following completion of the audit fieldwork we will meet with operational managers and/or the audit sponsor to discuss the audit findings and proposed recommendations. A draft report will be produced; your responses to these recommendations and a timetable for any actions to be carried out will be agreed and incorporated into the final report, along with the names of staff who will be responsible for

their implementation. The final report will be approved by the lead in this case the Assistant Chief Officer. The conclusion of all final reports is reported to the Joint Audit Advisory Committee.

5 Information Requirements

We have provided below details of documentation we require to undertake the review. Please note that this list is not exhaustive and there may be other documents that we request once we have commenced the fieldwork. Similarly, if you are aware of any other documents that would assist the review which are not listed below, we would be grateful if you could make these available to us:

- Guidance, policies and procedures and supporting documentation.
- Copies of data processing agreements, recording of processing activity, management of police information and contracts.
- Job descriptions for key personnel.
- Copies of issues / risk registers
- Any assurance reports.
- Any training and awareness material and testing metrics.
- Any documentation / reports on how performance / monitoring activity is conducted.

During the commencement of the audit, it would be relevant to have access to the relevant personnel.

6 Proposed Timescales

Stage	Proposed Date
Fieldwork commences	9 th January 2024
Discussion document to client	January / February 2024
Responses by client	January / February 2024
Final report	February 2024

7 Key Contacts and Report Distribution

Name	Title	Report
Mark Roberts	Chief Constable	Final
John Dwyer	Police and Crime Commissioner	Final
Chris Armitt	Deputy Chief Constable	Final
Julie Gill	Assistant Chief Officer	Draft / Final

Damon Taylor	Chief Executive, Office of the Police & Crime Commissioner for Cheshire (OPCC)	Draft / Final
David McNeillage	Deputy Commissioner (OPCC)	Final
Clare Hodgson	Chief Finance Officer (OPCC)	Final
Louise Willis	Planning, Performance and Risk Manager	Draft / Final
Stuart Rogers	Head of IT and Information Security	Draft / Final
Jane Shaw	Information Governance	Draft / Final
Rachel Walsh	Information Governance / Data Protection Officer	Draft / Final

8 Data Protection and Freedom of Information

MIAA takes its responsibility for the security and protection of information acquired and used during the delivery of its work seriously.

MIAA are compliant with the requirements of the NHS Data Security and Protection Toolkit and are Cyber Essentials plus certified. We have in place a comprehensive Information Security and Privacy Management system based upon ISO 27001 and ISO 27701 and have implemented a range of technical controls to protect data.

In delivering this assignment MIAA will acquire supporting information from you, some of which may be confidential or otherwise sensitive. This information will be used solely for the completion of this assignment and for informing our Head of Internal Audit Opinion.

In this context, MIAA are considered data processor for that information and thus are subject to the requirements of the Data Protection Act and the UK General Data Protection Regulation, where personally identifiable information is concerned, and the Freedom of Information Act, where corporate information is concerned.

MIAA will, therefore, be required to not only comply with the laws and regulations in respect of our control of the data but will also be responsible for any appropriate disclosure under the legislation.

9 Your Acceptance

Please do not hesitate to contact MIAA should you have any comments regarding the Terms of Reference (these will be assumed as agreed if MIAA are not informed otherwise).

10 MIAA Key Contacts

Name	Catherine Watts	Name	Anne-Marie Harrop
Title	Senior Technology Risk Assurance Manager	Title	Regional Assurance Director



07554 338496



07920 150313



Catherine.Watts@miaa.nhs.uk



Anne-Marie.Harrop@miaa.nhs.uk

HR Payroll Review

Terms of Reference 2023/24 (Draft)

Police and Crime Commissioner and Chief Constable for Cheshire

301CPCC_2324_011

1 Introduction and Background

This review is to be conducted in accordance with the requirements of the 2023/24 Internal Audit plan.

This review will concentrate specifically on controls that support the operation of the HR / Payroll system, and the process and controls that the organisation has in place for dealing with starters, leavers, enhancements, and payroll changes.

The review will also consider the accuracy and completeness of the HR related data and the changes to the control environment since the introduction of the Unit 4 system and the demise of Multi Force Shared Service (MFSS).

2 Audit Objective

The overall objective of the audit is to provide an assessment of the effectiveness of the systems of control operating at the Constabulary to ensure that only employees of the Constabulary are paid, and only for work that they perform on behalf of the Constabulary.

3 Audit Scope

The following sub-objectives have been identified:

Sub Objective	Risk
Policies and Procedures – There are appropriate policies and procedures in place and these are readily available to staff.	Where roles and responsibilities are not clear, payments may be made to staff not employed by the organisation or for hours not worked, adversely impacting the

Sub Objective	Risk
	financial position of the organisation.
New Starters – New starters are added accurately to the payroll system prior to the payroll cutoff date (as noted in the payroll timetable) and are appropriately authorised and are only paid once they commence work.	New starters are not effectively managed and controlled resulting in under/overpayment.
Contractual Changes – Any contractual changes to employee working arrangements are processed accurately, timely and with the appropriate authorisation.	Contract changes or changes to personal data are not sufficiently authorised or are input inaccurately.
Bank Details – Any changes to individuals bank details are processed accurately and with the appropriate authorisation.	Amendments to employee bank details are not authorised appropriately, contain errors or sufficient documentation is not retained to substantiate such changes.
Terminations – Terminations are processed promptly, and salary sacrifices are treated correctly in line with policy.	Terminations are not effectively managed and controlled, resulting in under / overpayments.

Sub Objective	Risk
Overpayments – There is a process to ensure overpayments and the cause of overpayment is reviewed (e.g. salary sacrifice and late submission of termination/contractual change forms) are recorded, monitored and recovered in a timely manner.	Overpayments are not appropriately managed in a timely manner.
Checking of Payroll – The payroll is subject to validation, authorisation and accuracy checking before payment is made.	The payroll is not subject to validation, authorisation and accuracy checking before payments are made.
Access – Access to and the management of the payroll system is appropriately controlled and monitored.	User access is not set up to enforce segregation of duties, resulting in addition of 'ghost' employees.
Routine monitoring of information provided by the payroll system (e.g., KPIs) is regularly reviewed and actioned as appropriate.	Payroll information is not appropriately managed including the reporting of agreed KPIs.
Data accuracy – HR / payroll data is complete and accurate since the introduction of the Unit 4 system. and the demise of Multi Force Shared Service.	Incorrect base data leads to errors in internal and external data feeds.

The limitations to scope are as follows:

- The scope of this review focused on the objectives described above and is limited to the controls in operation at the organisation.

4 Audit Approach

Following discussion with management, it has been agreed that the review is to be undertaken both onsite and remotely. We will confirm arrangements for onsite working with you as part of audit planning. Whilst working remotely, we will ensure that regular contact is maintained throughout the audit process to feedback on progress and matters arising.

Following completion of the audit fieldwork we will meet with operational managers and/or the audit sponsor to discuss the audit findings and proposed recommendations. A draft report will be produced; your responses to these recommendations and a timetable for any actions to be carried out will be agreed and incorporated into the final report, along with the names of staff who will be responsible for their implementation. The final report will be approved by the lead Chief Officer. The conclusion of all final reports are reported to the Joint Audit Advisory Committee.

5 Information Requirements

We have provided below details of documentation we require to undertake the review. Please note that this list is not exhaustive and there may be other documents that we request once we have commenced the fieldwork. Similarly, if you are aware of any other documents that would assist the review which are not listed below, we would be grateful if you could make these available to us:

- Report detailing new starters,

- Report detailing contractual changes (i.e., changes to hours),
- Report detailing leavers,
- Report detailing amendments to pay (enhancements / overtime),
- Report detailing bank changes,
- Log of overpayments,
- Records of reconciliations between feeder systems and the payroll system (Unit 4),
- Procedures / guidance available to line managers to initiate payroll processes,
- Report of user access to the payroll system (Unit 4).

6 Proposed Timescales

Stage	Proposed Date
Fieldwork commences	October
Draft report	October
Responses by client	November
Final report	November

7 Key Contacts and Report Distribution

Name	Title	Report
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Clare Hodgson	Chief Finance Officer (OPCC)	Draft & Final
Julie Gill	Assistant Chief Officer	Draft & Final
Nicola Bailey	Head of HR	Draft & Final
Wendy Bebbington	Head of Finance	Draft & Final
Louise Willis	Planning, Performance & Risk Manager	Draft & Final
Mark Roberts	Chief Constable	Final
John Dwyer	Police and Crime Commissioner	Final
External Audit		Final
Joint Audit Advisory Committee		Final

8 Data Protection and Freedom of Information

MIAA takes their responsibility for the security and protection of information acquired and used during the delivery of its work seriously.

MIAA are compliant with the requirements of the NHS Data Security and Protection Toolkit and are Cyber Essentials Plus certified. We have in place a comprehensive Information Security and Privacy Management

system based upon ISO 27001 and ISO 27701 and have implemented a range of technical controls to protect data.

In delivering this assignment MIAA will acquire supporting information from you, some of which may be confidential or otherwise sensitive. This information will be used solely for the completion of this assignment and for informing our Head of Internal Audit Opinion.

In this context, MIAA are considered data processor for that information and thus are subject to the requirements of the Data Protection Act and the UK General Data Protection Regulation, where personally identifiable information is concerned, and the Freedom of Information Act, where corporate information is concerned.

MIAA will, therefore, be required to not only comply with the laws and regulations in respect of our control of the data but will also be responsible for any appropriate disclosure under the legislation.

9 Your Acceptance

Please do not hesitate to contact MIAA should you have any comments regarding the Terms of Reference (these will be assumed as agreed if MIAA are not informed otherwise).



Anne-Marie Harrop

Regional Assurance Director

Tel: 079201 50313

Email: Anne-Marie.Harrop@miaa.nhs.uk

Charlotte Cain

Principal Auditor

Tel: 074699 08056

Email: Charlotte.Cain@miaa.nhs.uk

Charles Black

Delivery Manager

Tel: 075543 32410

Email: Charles.Black@miaa.nhs.uk

Cheshire Constabulary Service Assurance Plan – 2023/24

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
MIAA	Key Financial Controls	To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	Transferred from 22-23 Q4 2022 12 days	April 2023: Final version of the MIAA Key Financial Systems Report circulated.	Joint Audit Advisory Committee July 2023
MIAA	Firearms Licensing	To provide assurance on the adequacy and effectiveness of controls relating to the licensing of firearms by Cheshire Constabulary	Q1	May 2023: Draft Terms of Reference circulated June 2023: Final ToR circulated July 2023: Final Draft report circulated. August 2023: Final Report distributed.	Joint Audit Advisory Committee September 2023
MIAA	Key Financial Systems	To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	Q3		Joint Audit Advisory Committee
MIAA	National Fraud Initiative	Evaluation and investigation of the outcome of the NFI data match exercise.	Q2		Joint Audit Advisory Committee
MIAA	Use of Force	To provide assurance on the procedures and internal controls in place regarding the recording, monitoring and reporting of 'use of force' in line with the Constabulary policy and the reporting of data externally. From April 2017, all police forces in the UK have been required to record this data. The use of force data collection is intended to hold police forces to account and to provide the public with greater information on the different types of force used and the context in which this occurs. This was last subject to audit in 2016/17 before the national reporting requirements were introduced.	Q1	May 2023: Draft Terms of Reference issued. June 2023: Final Terms of Reference distributed. August 2023: Final Report distributed.	Joint Audit Advisory Committee September 2023
MIAA	Stop and Search	To assess the efficiency and effectiveness of the processes for recording stop and search activity and the associated procedures for supervision, audit and governance.	Q2	September 2023: Draft Terms of Reference circulated July 2023	Joint Audit Advisory Committee
MIAA	Payroll	To provide assurance in respect of HR and payroll related controls since the move to Unit 4.	Q3	September 2023: Draft Terms of Reference circulated August 2023	Joint Audit Advisory Committee

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
MIAA	Data Protection	To provide assurance over Data Protection compliance in line with the recent ICO audit recommendation for independent assurance .	Q2		Joint Audit Advisory Committee

On-going Regular Monitoring Activity – 2023/24

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 2023	<p>Audits of Sexual, Domestic and Violence and ASB incidents continue to be subject to FCR audits based on perceived risk and are regularly reported to Force Performance Day and to the CDI continuous improvement group. Such audits were undertaken in June 2023.</p> <p>An audit of crime outcomes was also undertaken in June with the results forwarded to the crime outcomes lead and discussed at the 'threat management outcomes board'.</p> <p>Additional audits have been undertaken in June 2023: Crime Cancellation audit N100 – incident reports of rape</p>	<p>Force Performance Day</p> <p>Strategic Crime Recording User Group</p> <p>Threat management – crime outcomes board</p>
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 2023	<p>Audits of Sexual, Domestic and Violence and ASB incidents continue to be subject to FCR audits based on perceived risk and are regularly reported to Force Performance Day and to the CDI continuous improvement group. Such audits were undertaken in August 2023.</p> <p>An audit of crime outcomes was also undertaken in August with the results forwarded to the crime outcomes lead and discussed at the 'threat management outcomes board'.</p> <p>Additional audits have been undertaken in August 2023: Crime Cancellation audit N100 – incident reports of rape</p>	<p>Force Performance Day</p> <p>CDI Continuous Improvement Group</p> <p>Threat management – crime outcomes board</p>

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
				And September – N200 Modern Slavery	
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 2023		Force Performance Day CDI Continuous Improvement Group DA Governance Board
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 2024		Force Performance Day CDI Continuous Improvement Group DA Governance Board
Information Compliance	PNC & LEDS Transaction Monitoring (#TE)	PNC & LEDS Transaction Monitoring is a requirement established by Her Majesty's Inspectorate of Constabulary (HMIC) and the Association of Chief Police Officers (ACPO) to ensure the security and integrity of the Police National Computer System.	Quarterly	PNC Transaction Monitoring (#TE) Ongoing reviews being completed with compliance reported quarterly. Any issues are raised to PSD or Line Manager (as appropriate on an individual basis).	Any issues identified are reported to Line Manager and PSD if required. # LEDS – number of users is increasing and compliance is reducing, W/O entry July 23 to address this. Force functions are Drivers & Vehicles currently.

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
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 commenced Feb 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	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.

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
Information Compliance	Stalking – Harm Reduction Unit Audit 2023	To provide assurance that the Stalking process is compliant with MoPI, DPA and national force Procedure	Q1	June 2023: Commenced audit, expected completion July/August 2023 September 2023: Completed August 2023.	Information & Risk Management Board
Information Compliance	Non-Police Personnel – Review	Mini audit to reduce and manage number of NPP's to improve security and integrity of buildings and systems.	Q1	June 2023: Info. Comp. review but also now part of Supt. Banusic work to implement monitoring & management of NPP's as tasked by the Chief Constable (following HMIC recommendations). September 2023: Completed	Information & Risk Management Board
Information Compliance	Freedom of Information Hidden Date Audit 2023	In response to breaches of personal data by three police forces (PSNI), to provide assurance that the FOI process and disclosures to MOP do not contain hidden personal data that could present a risk to the force.	Q2	August – September 2023: Completed	Information & Risk Management Board
Information Compliance	PPD – domestic violence disclosures (Transferred from 22-23)	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	(Q4 2022)	April 2023: On hold, carried forward to 23/24	Information & Risk Management Board
Information Compliance	Firearms Licensing – Optional (Transferred from 22-23)	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	(Q3 2022)	April 2023: On hold, carried forward to 23/24 July 2023: On hold due to external audit by MIAA.	Information & Risk Management Board
Information Compliance	Security – Optional (Transferred from 22-23)	To determine compliance in Physical security risk, and data protection and records management.	(Q3 2022)	April 2023: Ongoing visits which have carried over to 23/24	Information & Risk Management Board
Information Commissioner's Office	Recommendations resulting from the ICO Audit of Mobile Phones data	Assurance regarding compliance against legislation for this area of business. Monitor progress against recommendations	Ongoing	April 2023: Only 2 actions remain open (total 17 recommendations) which will be continued to be monitored. The ICO have confirmed that they do not intend to follow up with these.	Information & Risk Management Board

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
		resulting from this audit.		July 2023: 2 actions remain and are actively being working on by both DMIU and Forensics Quality Management. September 2023: 1 action remains outstanding with a view to being completed end October 2023 by DMIU.	
Governance Of Collaborations	Quarterly	To review collaborations of which Cheshire Constabulary is a party and check that performance reports have been received and given transparency at the relevant Force/ Regional Meeting.	Ongoing Monthly	May 2023: Collaborations Board held 25 th April 2023, Next Collaboration Board 15 th November 2023.	Senior Command Team
Taser Downloads	Governance and compliance monitoring	Audit of completion of Taser downloads	Taser's downloaded every 8 weeks Audited quarterly	May 2023: 218 Taser downloaded 100% compliant. July 2023: 216 Tasers downloaded 100% compliant. The number of Tasers has dropped since the last time due to faults. September 2023: 215 Tasers 100% compliant.	Procedural Justice Meeting
Finance - Compliance with GPC Cards Guidance Manual	Annually due September 2023	Dip sample to ensure compliance in the use of GPC Cards guidance against MFSS reports on GPC card use.	Annually	September 2023: Head of Finance confirmed that the dip sample is currently being carried out.	Information & Risk Management Board

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
Evidence / Property Management	Exhibit Management – annual dip sample	To receive an annual report from Exhibit Management of dip samples undertaken to test compliance with process.	Quarterly - evidence of dip samples Annually – Annual report due November 2023	July 2023: Q1 evidence of dip sample completed.	Information & Risk Management Board