



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

STATEMENT OF ACCOUNTS 2020/21

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NARRATIVE REPORT

Introduction

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

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

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

Coronavirus (Covid-19)

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

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

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

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

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

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

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

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

Additional information is included in note 33.

Group Accounts

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

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

Primary Statements

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

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

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

The Balance Sheet is a statement showing the Commissioner's assets and liabilities i.e. what is owned and what is owed as at 31 March. The net impact of this is funded by Reserves, which is the residual interest in the assets of the Commissioner after deducting all of the liabilities. The 'net worth' is calculated by deducting total liabilities from total assets. In the Group Accounts this was £2,489m as at 31 March 2021 (£2,142m 31 March 2020). The change in the net asset liability is largely due to all of the financial and non-financial assumptions used by the actuaries calculating pension liabilities and assets, for example mortality rates, inflation and legislative changes.

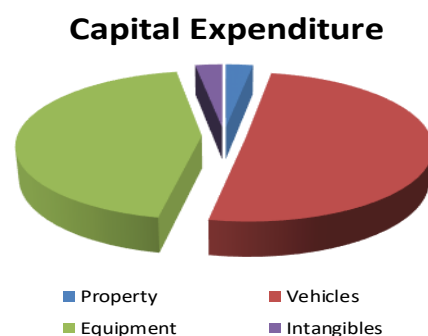
The final Primary Statement is the Cashflow Statement. This shows the changes in cash and cash equivalents of the Commissioner during the financial year. The statement shows how the Commissioner generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount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

Financial Position as at 31 March 2021

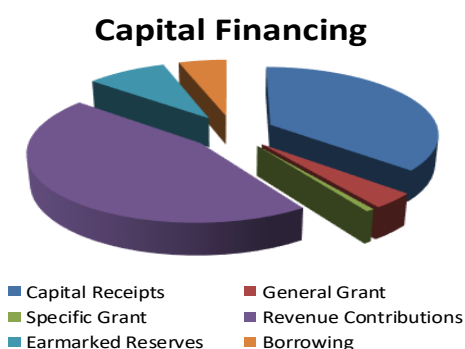
Capital Expenditure and Financing

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

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



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



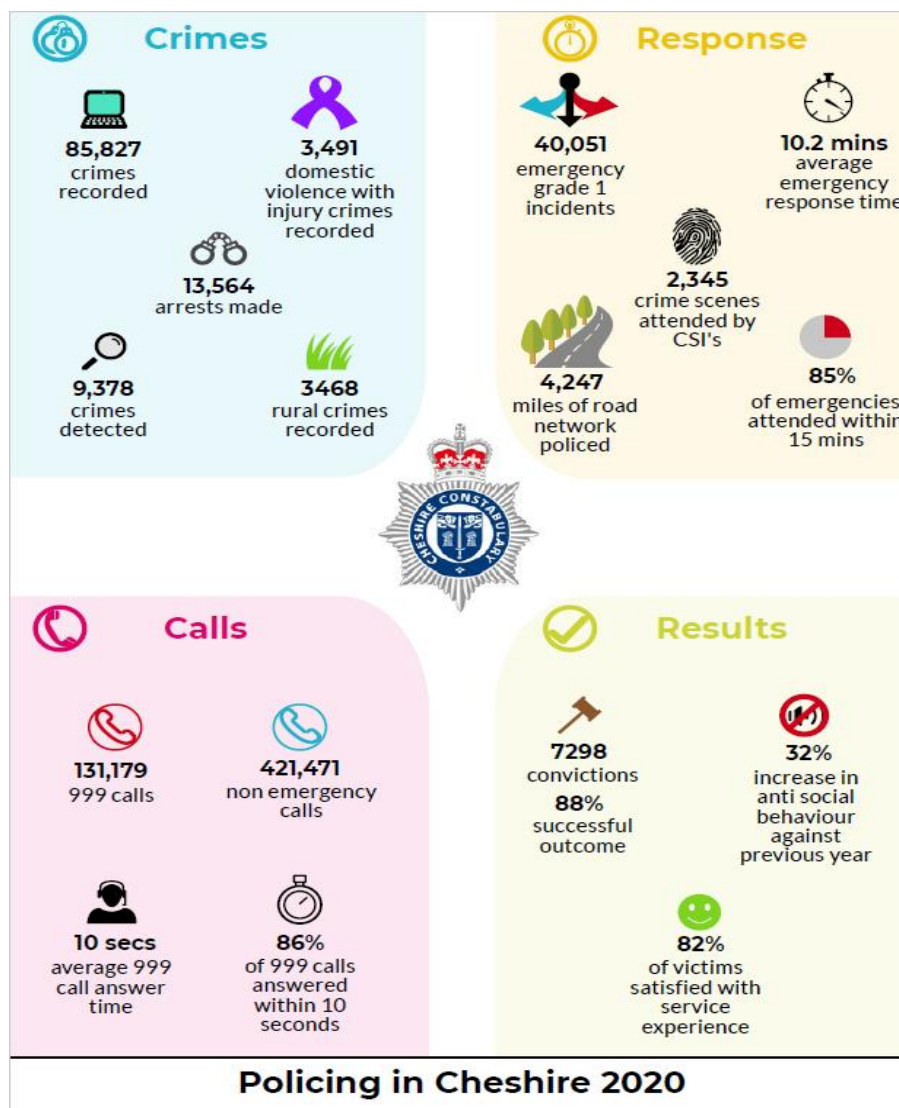
Financial Performance

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

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

Non-Financial Indicators

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



Review of 2020/21

Special Constabulary volunteer more than 62,000 hours in 2020

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



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

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

Force supports Domestic Abuse schemes

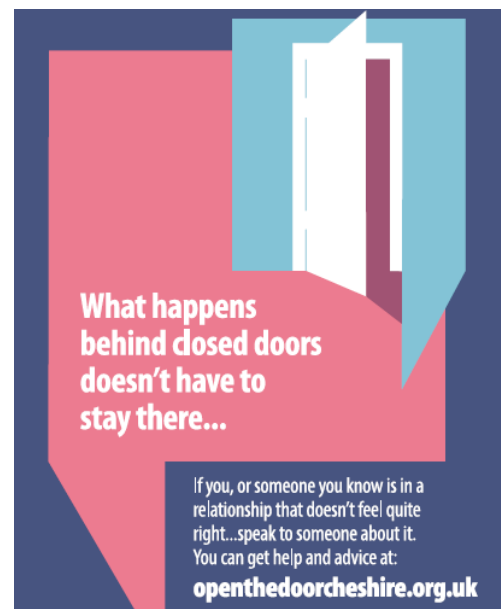
Cheshire Constabulary has a robust approach to tackling domestic abuse. We are integral to the Cheshire-wide Open The Door campaign, instigated the 'You are not alone' initiative in stores at the start of lockdown back in March, hosted live weekly domestic abuse web chats on Facebook and, most importantly,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

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

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

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

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



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

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



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

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

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



New Chief Constable confirmed in post

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



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

Future Developments

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

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

Further Information

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

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

STATEMENT OF RESPONSIBILITIES

Responsibilities of the Commissioner for Cheshire

The Commissioner is required to:

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

I approve this Statement of Accounts.

David McNeilage
Deputy Police & Crime Commissioner for Cheshire
30 September 2021

Responsibilities of the Chief Finance Officer, Office of Commissioner

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

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

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

Chief Finance Officer's Certificate

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

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

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 (the 'group') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include the Expenditure and Funding Analysis note. 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 2020/21.

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 2021 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 2020/21; 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 2020/21 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 2020) 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.

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's 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.

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.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer for the financial statements' section of this report.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Police and Crime Commissioner and the group 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office 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 the '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 matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Police and Crime Commissioner, 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
- 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 for the financial statements

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 2020/21, 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 there is an intention by government that the services provided by the Police and Crime Commissioner and the group will no longer be provided.

The Police and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011. We also identified the following additional regulatory frameworks in respect of the police pension fund, Public Service Pensions Act 2013, The Police Pension Fund Regulations 2007, The Police Pensions Regulations 2015, and The Police Pensions Regulations 2006.
- We enquired of senior officers 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 senior officers, 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 Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' 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:
 - non-routine journal entries, and key accounting estimates around the valuation of land and buildings and the pension liability.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on non-routine transactions;
 - 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;
 - 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. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from 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.

- Assessment of the appropriateness of the collective competence and capabilities of the Police and Crime Commissioner and group's 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:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - 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.

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 2021.

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 2021.

Responsibilities of the Police and Crime Commissioner

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. 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.

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 & Crime Commissioner for Cheshire for the year ended 31 March 2021 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 and issued our Auditor's Annual Report.
- 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 2021.

We are satisfied that this work does not have a material effect on the financial statements.

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

Michael Green, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Manchester

30 September 2021

EXPENDITURE AND FUNDING ANALYSIS NOTE 2020/21 (Group)

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

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

EXPENDITURE AND FUNDING ANALYSIS NOTE 2019/20 (Group)

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

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.

MOVEMENT IN RESERVES STATEMENT (Group)

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

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

BALANCE SHEET AS AT 31 MARCH 2021 (Group)

31 March 2020 £000		31 March 2021		Notes
		£000	£000	
133,471	Property, Plant & Equipment	121,562		17
1,893	Intangible Assets	1,336		18
1,366	Long Term Debtors	1,159		22
<u>136,730</u>	Long Term Assets		124,057	
504	Stock	933		
25,529	Short Term Debtors	16,979		23
12,135	Cash and Cash Equivalents	23,080		24
0	Assets (held for sale)	0		25
<u>38,168</u>	Current Assets		40,992	
0	Short Term Borrowing	0		22
(26,030)	Short Term Creditors	(24,888)		26
<u>(26,030)</u>	Current Liabilities		(24,888)	
(18,447)	Long Term Creditors	(17,380)		29
(539)	Provisions	(538)		27
(27,873)	Long Term Borrowing	(27,873)		22
<u>(2,243,948)</u>	Other Long Term Liabilities	<u>(2,583,692)</u>		33
<u>(2,290,807)</u>	Long Term Liabilities		(2,629,483)	
<u>(2,141,939)</u>	Net Assets		<u>(2,489,322)</u>	
	Represented By:			
17,293	Usable Reserves		22,391	16
(2,159,232)	Unusable Reserves		(2,511,713)	30
<u>(2,141,939)</u>	Total Reserves		<u>(2,489,322)</u>	

These accounts replace the unaudited accounts that were issued on 29 July 2021

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

Date: 30 September 2021

CASHFLOW STATEMENT (Group)

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

Details of the above are included in Note 31

POLICE PENSION FUND (Group & Police & Crime Commissioner)

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

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

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

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

EXPENDITURE AND FUNDING ANALYSIS NOTE 2019/20

(Police & Crime Commissioner)

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

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

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

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

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

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

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

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

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

31 March 2020 £000		31 March 2021		Notes
		£000	£000	
133,471	Property, Plant & Equipment	121,562		17
1,893	Intangible Assets	1,336		18
1,366	Long Term Debtors	1,159		22
136,730	Long Term Assets		124,057	
504	Stock	933		
25,529	Short Term Debtors	16,979		23
12,135	Cash and Cash Equivalents	23,080		24
0	Assets (held for sale)	0		25
38,168	Current Assets		40,992	
0	Short Term Borrowing	0		22
(22,350)	Short Term Creditors	(20,109)		
(22,350)	Current Liabilities		(20,109)	
(18,447)	Long Term Creditors	(17,380)		
(539)	Provisions	(538)		27
(27,873)	Long Term Borrowing	(27,873)		22
(1,945)	Other Long Term Liabilities	(2,611)		
(48,804)	Long Term Liabilities		(48,402)	
103,744	Net Assets		96,538	
	Represented By:			
17,293	Usable Reserves		22,391	16
86,451	Unusable Reserves		74,147	30
103,744	Total Reserves		96,538	

These accounts replace the unaudited accounts that were issued on 29 July 2021.

Clare Hodgson, Chief Finance Officer, Office of the Police & Crime Commissioner
Date: 30 September 2021

CASHFLOW STATEMENT

(Police & Crime Commissioner for Cheshire)

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

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

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NOTES TO THE ACCOUNTS

1. Accounting Policies and Principles

1.1 General Principles

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

1.1.1 Accounting Conventions

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

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

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

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

1.2 Cash and Cash Equivalents

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

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

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

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

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

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

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

1.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

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

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Minimum Revenue Provision contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.5 Council Tax and Non-domestic Rates

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

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

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

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

1.6 Employee Benefits

Benefits payable during employment

Short term employee benefits are those to be settled within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave, paid sick leave, bonuses and non-monetary benefits (for example cars) for current employees and are recognised as an expense for the service in the year in which employees render service to the Commissioner. An accrual is made for the cost of holiday entitlements, flexi leave and time off in lieu earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable at year end. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that such benefits are charged to revenue in the financial year in which the benefit occurs.

Termination benefits

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

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

Post-employment benefits

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

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

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme with the liabilities attributable to the Commissioner included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees.

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

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

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

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

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years and charged to the Comprehensive Income and Expenditure Statement as part of the Non-Distributed Costs.
- Net Interest – on the net defined benefit liability (asset), i.e. the net interest expense for the Commissioner – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- The re-measurements comprise of:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Discretionary benefits – Local Government Pension Scheme

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

Injury awards – The Police Pension Scheme

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

1.7 Events after the Reporting Period

Events after the Balance Sheet date are those events both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

1.8 Financial Instruments

Financial liabilities

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

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

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

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

Fair value measurements of financial assets

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

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

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

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

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

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

1.9 Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the appropriate service line or Taxation and Non-specific Grant Income (for non-ring-fenced grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has not been used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been used to finance capital expenditure it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been used to finance capital expenditure.

1.10 Heritage Assets

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

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

1.11 Intangible Assets

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

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

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

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

1.12 Stock

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

1.13 Joint Operations

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

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

1.14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Finance Leases (taken out by the Commissioner)

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception or the present value of the minimum lease payments if this is lower. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Commissioner are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where the ownership of the asset does not transfer to the Commissioner at the end of the lease period).

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

Operating Leases

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

1.15 Overheads and support services

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

1.16 Property, Plant and Equipment

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

Recognition of the asset

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

Measurement of the asset

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss has not been recognised.

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Componentisation

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

Specifically, componentisation is considered for:

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

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

Disposals and non-current Assets held for Sale

When it becomes probable that an asset will be sold it is reclassified as an Asset held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

If assets no longer meet the criteria to be classified as Assets held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the disposed asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

1.17 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Commissioner is deemed to control the services that are provided under its PFI scheme and as ownership of the property, plant and equipment will pass to the Commissioner at the end of the contract, the Commissioner carries the assets used under the contract on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase) was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Commissioner.

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

- fair value of the services received during the year – charged to the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract and charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease);
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

1.18 Provisions, Contingent Assets and Liabilities

Provisions

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

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

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

Contingent Assets

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

Contingent Liability

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

1.19 Reserves

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

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

1.20 Revenue Expenditure Funded from Capital under Statute

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

1.21 Value Added Tax (VAT)

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

2. Accounting Standards issued, not yet adopted

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

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

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

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 the Commissioner has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

The key judgements are:

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

4. Group Accounts

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

Basis of Consolidation

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

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

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

5. Assumptions made about the future & other major sources of estimation uncertainty

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

The items in the Commissioner's Balance Sheet at 31 March 2021, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives and are dependent on assumptions about the level of repairs & maintenance that will be incurred. The current economic climate makes it uncertain that the Commissioner will be able to sustain current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	Each 5% change in the value of Land & Buildings assets would have an impact of £6.1m on their Net Book Value at 31st March 2021. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase by £3.628m for every year that useful lives have to be reduced.
Pensions Liability	Estimation of net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets (where applicable). The Government's Actuary Department is engaged to provide the Commissioner with expert advice about the assumptions to be applied for Police Pensions and Cheshire West & Chester Council provide information on the Local Government Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £59.540m for the Local Government Pension Scheme. However, the assumptions interact in complex ways. Where assumptions do change these are reported as actuarial gains and losses within the 'Other Income and Expenditure' line in the Comprehensive Income and Expenditure Statement. These changes only impact on the Pension Reserve & Liability & have no impact on general reserve.

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

6. Post Balance Sheet events

There are no post balance sheet events to report.

7. Note to the Expenditure and Funding Analysis

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

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

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

8. Material items of income and expenditure

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

9. Expenditure and Income Analysed By Nature

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

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

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

10. Members' Allowances & Expenses

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

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

11. Officer Remuneration

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

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

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

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

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

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

For the Office of the Police & Crime Commissioner:

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

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

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

¹ Left in November 2020, ² Started in November 2020

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

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

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

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

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

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

1 Temporary Assistant Chief Constable – £16,620 remuneration for temporary additional responsibilities is included in salaries, fees and allowances, 2 Chief Supt retired January 2021

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

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

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

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

1 Temporary Assistant Chief Constable –Remuneration of £10,204 for temporary additional responsibilities was reported as a bonus in the 2019/20 accounts but is now included within the salaries, fees and allowances figure 2 Assistant Chief Constable started Jan 2020 3 Temp Assistant Chief Constable left the Force June 2019 4 Chief Supt retired April 2019

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

The number of termination benefits with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
£nil - £40,000	6	0	0	1	6	1	£25,144	£11,891
£40,001 - £60,000	0	0	0	0	0	0	£0	0
£60,001 - £150,000	0	0	0	1	0	1	£0	£72,863
£150,000+	0	0	0	0	0	0	£0	0
Total	6	0	0	2	6	2	£25,144	£84,754

Further information on the above is included in Note 33.

12. External Audit Costs

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

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

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

13. Partnerships & Operational Collaborations

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

North West Regional Organised Crime Unit (NWROCU)

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

Multi-Force Shared Services (MFSS)

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

North West Police Underwater Search and Marine Unit

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

North West Motorway Policing Group

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

North West Armed Policing Collaboration

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

Cheshire and North Wales Police (NWP) Armed Policing Alliance

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

Cheshire and North Wales (NWP) Police Dog Alliance

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

Cheshire Road Safety Group

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

North West Strategic Roads Automatic Number Plate Recognition

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

North West Regional Disaster Victim Co-ordinator

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

North West Regional Chronicle Collaboration

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

Regional Emergency Services Network (ESN)

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

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

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

Regional ACC Lead

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

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

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

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

14. Grant Income

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

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

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)	2020/21	2019/20
	£000	£000
Emergency Services Network	(685)	(718)
Automatic Number Plate Recognition Phase 1&2	(61)	(61)
Total	(746)	(779)

15. Adjustments between Accounting Basis and Funding Basis under Regulations

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

The following sets out a description of the reserves that the adjustments are made against:

General Fund

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

Capital Receipts Reserve

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

Unapplied Capital Grants Reserve

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

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

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves	Total Reserves
2019/20	£000	£000	£000	£000	£000	£000
Adjustments Primarily Involving the Capital Adjustment Account						
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i>						
Depreciation	(11,449)			(11,449)	11,449	0
Revaluation Gain/(Loss)	0			0		0
<i>Insertion of items not debited or credited to the CIES</i>						
Statutory Provision for repayment of debt	2,337			2,337	(2,337)	0
Capital Grant Applied	0	668		668	(668)	0
Revenue Contribution to Capital Reserve	1,220	(1,220)		0	0	0
Earmarked Reserves Applied		1,735		1,735	(1,735)	0
Adjustments Primarily involving the Capital Grants Unapplied Account						
General Capital Grant	668	(668)		0	0	0
Specific Capital Grants/Contributions	290	(290)		0	0	0
Adjustments Primarily involving the Capital Receipts Reserve						
(Gain)/Loss on Sale of Assets	(82)		(280)	(362)	362	0
Capital Receipts Applied			1,474	1,474	(1,474)	0
Adjustments Primarily involving the Pensions Reserve						
Current Service Costs	(74,304)			(74,304)	74,304	0
Employers Contributions under IAS19	61,961			61,961	(61,961)	0
Past Service Costs	9,124			9,124	(9,124)	0
Curtailments	0			0	0	0
Pensions – Interest less Return on Assets	(60,296)			(60,296)	60,296	0
Collection Fund Adjustment Account	(280)			(280)	280	0
Accumulated Absences Account	(650)			(650)	650	0
Total	(71,461)	225	1,194	(70,042)	70,042	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 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance as at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance as at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Revenue Reserves							
General Fund	7,429	(1,656)	0	5,773	0	0	5,773
Medium Term Financial Strategy	1,174	0	1,477	2,651	0	912	3,563
Carry Forward	0	0	1,803	1,803	(1,803)	2,812	2,812
Underwater Search Unit	915	(83)	140	971	(108)	0	863
Local Resilience Forum	99	(7)	53	145	(3)	178	320
Redundancy	882	(99)	0	783	0	0	783
Actuarial Valuation Deficit	0	0	0	0	0	0	0
Multi Force Shared Service	177	(177)	0	0	0	348	348
Armed Police Alliance	510	(190)	0	321	0	155	476
Dog Alliance	79	0	127	206	0	143	349
National Blue Light Procurement	172	(36)	0	136	0	17	153
POCA Reserve	0	0	437	437	0	19	456
Hardship Loan Reserve	0	0	50	50	0	0	50
N. West Armed Police Collaboration Reserve	0	0	0	0	0	25	25
Major Investigations Reserve	0	0	0	0	(30)	953	923
Pay and Pensions Reserve	0	0	830	830	0	0	830
Council Tax Deficit Reserve	0	0	0	0	0	300	300
Total Revenue Reserves	11,438	(2,248)	4,916	14,106	(1,944)	5,862	18,024
Revenue Reserves for Capital Purposes							
Revenue Reserve for Capital Expenditure	27	(1,442)	1,591	177	(2,258)	4,036	1,955
ESN Reserve	0	0	485	485	0	1,070	1,555
IT Reimbursement	0	(221)	221	0	(226)	226	0
Total Rev. Reserves for Capital Purposes	27	(1,663)	2,298	662	(2,484)	5,333	3,510
Capital Reserves							
Capital Receipts Reserve	3,720	(1,474)	280	2,526	(1,670)	0	856
Unapplied Capital Grants	0	(668)	668	0	(206)	206	0
Total Capital Reserves	3,720	(2,142)	948	2,526	(1,876)	206	856
Total Usable Reserves	15,185	(6,053)	8,163	17,294	(6,303)	11,402	22,391

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

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

Revenue Reserves

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Reserves held for Capital Purposes

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

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

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

Capital Reserves

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

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

17. Property, Plant & Equipment

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

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

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

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

Depreciation

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

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

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

Significant commitments under capital contracts

There are no significant commitments under capital contracts.

Revaluation

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

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

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

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

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

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

18. Intangible Assets

The Commissioner accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item or property, plant and equipment. The intangible assets reflect the purchased software licences.

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

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

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

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

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

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

19. Capital Expenditure & Financing

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

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

20. Capitalisation of Borrowing Costs

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

21. Impairment Losses

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

22. Financial Instruments (including Borrowing)

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

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

	Long-term		Current	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
<u>Cash and Cash Equivalents</u>				
Imprest and cash	0	0	23,080	12,135
Total cash and cash equivalents	0	0	23,080	12,135
<u>Debtors</u>				
Debtors at Amortised Cost	1,159	1,366	6,040	11,394
Items not classed as Financial Instruments	0	0	10,939	14,135
Total Debtors	1,159	1,366	16,979	25,529
<u>Borrowings</u>				
Financial Liabilities	27,873	27,873	0	0
Total included in borrowings	27,873	27,873	0	0
<u>Creditors</u>				
Financial Liabilities	0	0	14,801	11,096
Items not classed as Financial Instruments	746	779	10,087	14,934
Total Creditors	746	779	24,888	26,030
<u>Other Long-term Liabilities</u>				
PFI & Finance Leases	16,223	17,379	1,157	1,068
Total other long term liabilities	16,223	17,379	1,157	1,068

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

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

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

Re-financing and Maturity Risk

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

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

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

Market Risk

Interest Rates

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

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

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

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

Premiums and Discounts on Early Repayment of Debt

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

Foreign Exchange Rates / Stock Markets

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

23. Analysis of Debtors (including Prepayments etc.)

Analysis of debtors and prepayments are shown below.

	31 March 2021 £000	31 March 2020 £000	31 March 2019 £000
Central Government Bodies	6,970	8,323	6,895
Other Local Authorities	4,724	8,469	9,767
NHS Bodies	19	2	29
Council Tax Collection Fund* ¹	3,450	6,957	6,258
Other entities and individuals	1,946	1,886	2,056
LESS: Provision for Credit Losses	(130)	(108)	(541)
Total	16,979	25,529	24,465

*¹ At 31 March 2020, an impairment allowance for doubtful Council Tax Collection Fund debtors of £3,712k (£3,183k at 31 March 2019) is shown as part of the creditor balance (note 26). At 31 March 2021 the council Tax Collection Fund debtor balance is shown net of this impairment allowance (£4,473k).

24. Cash and Cash Equivalents

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

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

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

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

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

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

25. Assets Held for Sale

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

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

26. Analysis of Creditors

Analysis of short-term creditors is shown below.

	31 March 2021 £000	31 March 2020 £000	31 March 2019 £000
Central Government Bodies	(4,697)	(4,183)	(3,933)
Other Local Authorities	(4,651)	(4,583)	(4,082)
NHS Bodies	(106)	(170)	(13)
Council Tax Collection Fund* ¹	(4,041)	(6,190)	(5,212)
Other entities and individuals	(11,393)	(10,903)	(9,946)
Total	(24,888)	(26,030)	(23,186)

*¹ At 31 March 2020, an impairment allowance for doubtful Council Tax Collection Fund debtors of £3,712k (£3,183k at 31 March 2019) is shown as part of the creditor balance. At 31 March 2021 the Council Tax Collection Fund debtor balance (Note 23) is shown net of this impairment allowance (£4,473k).

27. Provisions

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

	2020/21	2019/20
	£000	£000
<u>Allard Claims Provision</u>		
Balance at 1 April	395	401
Use of provision in the year	(1)	(6)
Balance at 31 March	394	395
<u>Small ad-hoc provisions</u>		
Balance at 31 March	144	144
Total provisions at 31 March	538	539

28. Leases: Finance and Operating

Finance Leases

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

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

Operating Leases

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

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

29. Private Finance Initiative

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

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

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

Assets

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

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

Liabilities

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

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

Payments due

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

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

30. Unusable Reserves

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

Revaluation Reserve (Unusable)

The Revaluation Reserve contains the gains arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains realised.

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

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

Capital Adjustment Account (Unusable)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value into historical cost). The Account is credited with the amounts set aside to finance the cost of acquisition, construction or enhancement.

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

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

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.

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

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

Collection Fund Adjustment Account (Unusable)

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

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

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.

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

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

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

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

31. Notes to the Cashflow Statement

The cashflow include the following items:

	2020/21 £000	2019/20 £000
Other Operating Expenditure		
Interest received	(55)	(164)
Interest paid	2,977	3,051
Total	2,921	2,887

	2020/21 £000	2019/20 £000
Investing Activities		
Purchase of Property, Plant & Equipment & Intangible Assets	4,606	4,508
Proceeds from sale of assets	0	(280)
Total	4,606	4,228

	2020/21 £000	2019/20 £000
Financing Activities		
Cash receipts of short and long-term borrowing	0	(2,000)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,068	993
Repayment of short and long-term borrowing	0	905
Total	1,068	(102)

32. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Commissioner – it is responsible for providing the statutory framework within which the Commissioner operates, provides the majority of the Commissioner's funding in the form of grants and prescribes the terms of many of the transactions that the Commissioner has with other parties (e.g. council tax bills). Grants received from Government departments are set out in Note 14.

The Police Reform & Social Responsibility Act 2011

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

Office of the Police & Crime Commissioner

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

Officers and Staff

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

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

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

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

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

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

There are no other related party transactions to report.

33. Employee Benefits

Termination Benefits

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

Participation in Pensions Schemes

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

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

- The Police Pension Scheme for police officers is an unfunded, technically defined benefit scheme, meaning there are no investment assets built up to meet the pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the Commissioner must transfer annually an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If however the pension fund is in surplus for the year, this must be repaid to central government. Details of this scheme are shown in the Pension Account on page 22.
- The Local Government Pension Scheme (LGPS) for Police Staff is administered by Cheshire West and Chester Council. This is a funded defined benefit scheme, meaning that the scheme's liabilities are backed by investment assets. The Commissioner and its employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to retirement benefits

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

Comprehensive Income & Expenditure Statement (Pensions)

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

Movement in Reserves Statement (Pensions)

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Local Government Pension Scheme

2020/21	2019/20
£000	£000
288,533	278,134
6,708	6,757
40,601	(2,011)
0	0
0	0
9,145	8,421
2,997	2,720
(5,488)	(5,488)
342,496	288,533

Opening fair value of scheme assets

Interest income

Re-measurement gain/(loss)

▫ The return on plan assets, excluding the amount included in the net interest expense

▫ Other

The effect of changes in foreign exchange rates

Contributions from employer

Contributions from employees

Benefits paid

Other

Closing fair value of scheme assets

Reconciliation of present value of scheme liabilities

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

Local Government Pensions Scheme assets comprised:

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

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

Basis for Estimating Assets and Liabilities

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

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

Covid-19 Impact and assumptions

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

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

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

McCloud / Sargeant judgement

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

On 16 July 2020, HM Treasury issued a consultation regarding transitional arrangements for public sector pensions to eliminate discrimination as identified through the McCloud/Sargeant cases. This consultation introduced a requirement for members to have been members of the scheme on or before 31 March 2012 and on or after 1 April to be eligible for remedy. On 4 February 2021, HM Treasury issued their response to the consultation which confirmed the remedy arrangements set out in the consultation, and states that members would be given a choice as to whether to retain benefits from their legacy pension scheme, or their new scheme, during the remedy period (2015-2022). This choice will be deferred for members until retirement. As the findings of the original Employment Tribunal did not identify that the introduction of the new public sector pension schemes were discriminatory (rather it was the transitional provisions), the legacy schemes will be removed from April 2022 to be replaced by the new pension schemes originally introduced in 2015.

Impact on pension liability

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

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

Compensation Claims

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

Local Government Pension Scheme (LGPS)

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

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

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

Note: RPI figure not provided by pension administrator.

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

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

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

Impact on the Commissioner's cash flow

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

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

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

34. Notes Relating to the Police Pension Fund

34.1 Basis of Fund

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

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

and for the Secretary of State to:

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

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

34.2 Accounting policies

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

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

34.3 Status of the pension fund

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

34.4 Administration of the Fund

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

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

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

34.5 Benefits payable to and from the Fund

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

Income

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

Expenditure

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

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

35. Contingent Assets & Liabilities

Assets

There are no contingent assets at 31 March 2021

Liabilities

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

36. Authorisation of Accounts

Under the Accounts and Audit (England) Regulations 2015 the pre-audited Statement of Accounts was signed by the Director of Finance as responsible financial officer of the Commissioner on 29 July 2021 and released for audit purposes.

ANNUAL GOVERNANCE STATEMENT 2020/21

1. Scope of Responsibilities

- 1.1 Governance is about how the Police & Crime Commissioner and the Chief Constable ensure they are doing the right things in the right way for the right people in a timely, inclusive, open and accountable manner that is built on a foundation of integrity. It comprises the systems, processes, culture and values by which the Commissioner and the Chief Constable direct and manage together, along with the activity through which they account to and engage with the people of Cheshire.
- 1.2 The Commissioner's role is set out in the Police Reform and Social Responsibility Act 2011. The Commissioner is responsible for securing the maintenance of the police force for their area and securing that the police force is efficient and effective. The Commissioner holds the Chief Constable to account for the exercise of their functions and the functions of those under the Chief Constable's direction and control. The Commissioner is accountable to the people of Cheshire who elected him to represent their views on policing.
- 1.3 The Chief Constable is accountable under law for the exercise of police powers and to the Commissioner for the delivery of efficient and effective policing in Cheshire. While the Chief Constable discharges their responsibilities in support of the Commissioner's Police & Crime Plan, they remain at all times operationally independent.
- 1.4 Production of an Annual Governance Statement (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.
- 1.5 It is a key corporate document which provides an accurate representation of the corporate governance arrangements and controls in place which have supported the delivery of organisational objectives during the year. The AGS provides information about where arrangements have been effective, and also notes where any improvements are required.
- 1.6 The governance framework detailed below has been in place for the year ended 31 March 2021 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](#)).

- Scheme of Corporate Governance – this describes how the Commissioner will discharge their responsibilities to secure an efficient and effective local police service and hold the Chief Constable to account for the exercise of their functions and those of persons under their direction and control
 - Procedural Rules – these rules relate to the business & proceedings of the Commissioner and Chief Constable including how decisions are taken
 - Scheme of Consent & Delegation - this sets out which functions are reserved to the Commissioner, which are delegated to the Chief Constable and how the Commissioner will delegate functions to his own staff.
 - Financial Regulations - under Section 151 of the Local Government Act 1972 ‘every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs’. Under the Police Reform and Social Responsibility Act 2011, both Police and Crime Commissioners and Chief Constables are required to comply with Section 151 requirements. The Financial Regulations set out how this duty is discharged.
 - Constabulary’s Scheme of Delegation – covers the financial and non-operational decision making powers the Chief Constable has delegated to their officers and staff
 - Memorandum of Understanding – this sets out how the Commissioner obtains additional services to supplement his core office of staff (OPCC) which the Chief Constable will provide in pursuant to their obligations of assistance and in furtherance of the Commissioner’s and Chief Constable’s joint vision of working together in partnership, without compromising the Commissioner’s powers and duty to hold the Chief Constable to account
- 2.3 The above framework sets out the relationship between the Commissioner and Chief Constable both in decision making and accountability. Within the Constabulary, there is an independent governance framework which covers both operational and business decision making with the Chief Officer’s Group being the primary decision-making body for the Constabulary. From 2021/22 this will be replaced by SCT Business Meeting and the Constabulary’s Scheme of Delegation has been updated accordingly.
- 2.4 In line with Home Office guidelines, the Commissioner and Chief Constable have established an independent Joint Audit Advisory Committee. This committee consider internal and external audit reports and advise and provide assurance to the Commissioner and Chief Constable according to good governance principles and proper practices.
- 2.5 The above processes and meetings represent a standard year and were followed until the outbreak of the Coronavirus pandemic early in the period. This had an impact upon governance arrangements during the year as face-to-face meetings were no longer possible. In response the Government passed the Coronavirus Act 2020 on 25 March 2020 and introduced the ‘lockdown’ restrictions. Within this Act, provision has been made for regulations to be issued to amend the legislation around authority meetings. These regulations - The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 – allow meetings to be held virtually. Since then, the organisations procedures have been updated to accommodate virtual meetings and these have taken place and the outcomes have been published as appropriate.
- 2.6 Governance arrangements were maintained during the year and remained fit for purpose despite the impact of the Coronavirus. As noted above, procedures were updated to accommodate and publish the outcomes of meetings which took place virtually when face to face meetings were not

possible. Remote working capabilities were also enhanced with the use of secure mobile working using Constabulary issued IT equipment which enabled users to work remotely whilst maintaining secure IT connections. Arrangements were already in place to allow documents to be signed electronically and use has been made of adobe sign for procurement contracts to ensure these are appropriately authorised in line with the governance framework. As a result of this capability to hold meetings virtually and to provide authorisations electronically, the organisation is confident that adequate controls have been maintained throughout the period of the AGS.

3. Internal Financial Controls

- 3.1 The objective of the internal financial controls is to maintain sound and proper financial arrangements; to explain why safeguards and controls are important and necessary; to profile a framework for financial management which will enable, wherever possible, managerial and financial responsibilities to be aligned and safeguard all officers and staff.
- 3.2 The key documents that set out the internal financial controls are:
- Financial Regulations – as set out above
 - Scheme of Delegation – as set out above
 - Treasury Management Strategy – approved annually by the Commissioner. This sets out the Annual Investment Strategy, Borrowing Strategy and Minimum Revenue Provision Statement
 - Treasury Management Practices – which set out the detailed processes and practices to be followed in order to deliver the Treasury Management Strategy
- 3.3 In addition to the above, there are a series of governance checks and controls carried out through the Finance and HR teams to ensure financial systems are operating effectively. These are supported by periodic Internal and External Audit reviews to provide appropriate assurance to those charged with governance or produce actions plans where necessary. The Director of Internal Audit's Opinion and his annual report for 2020/21 provide substantial assurance that there is a good system of internal controls designed to meet the organisation's objectives and that controls are generally being consistently applied. The Director of Internal Audit carries out his role in accordance with guidance issued in the CIPFA Statement on the Role of the Head of Internal Audit (2019).
- 3.4 Further assurance is provided through HM Inspectorate of Constabularies, Fire and Rescue Services (HMICFRS) who carried out a police effectiveness, efficiency and legitimacy (PEEL) assessment of the effectiveness with which Cheshire Constabulary keeps people safe and reduces crime. The last review was undertaken in 2018 with the following results:

Cheshire Constabulary was inspected in tranche two and we found:



the extent to which the force is effective at reducing crime and keeping people safe is good.



the extent to which the force operates efficiently and sustainably is good.



the extent to which the force treats the public and its workforce legitimately is good.

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

4. Good Governance in the Police

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



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

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

- 5.1 Commissioners and Chief Constables have responsibility for creating an environment where the Code of Ethics can thrive by setting standards, policies and principles that help in embedding the Code. The Code of Ethics consists of two main parts – 'Policing Principles' and 'Standards of Behaviour'. The former originates from the Principles of Public Life to which has been added 'fairness' and 'respect' as the evidence base demonstrates they are crucial to enhancing public confidence. How fair an organisation is perceived to be internally by its people is likely to affect the extent to which they feel valued by, and part of, that organisation. This sense of having a stake in that organisation has been shown to affect staff willingness to comply voluntarily with work rules, hold positive attitudes about the public and engage in a range of positive work behaviours. The work environment fostered by police leaders and supervisors is, therefore, likely to effect the ethical health of a force.
- 5.2 Cheshire Constabulary has fully adopted the Code of Ethics from its inception in 2014 and this has been embedded into everyday decision-making.
- 5.3 The Professional Standards Department is responsible for the receipt, recording and investigation of public complaints against the conduct of officers and members of police staff and investigating allegations of misconduct within the Cheshire Constabulary. The behaviour and integrity of police officers and members of police staff are at the very core of the Constabulary's values and service

ethos and the department engages widely within the Constabulary to promote and uphold these exacting standards. The Department is responsible for the Constabulary's anti-fraud and corruption arrangements together with their whistle blowing procedures. In addition, the Department records all gifts and hospitality and business interests to ensure the integrity and transparency against any conflicts of interests.

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

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

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

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

6.3 The Constabulary undertakes regular telephone surveys of both victims of crime and the general public in Cheshire to gauge satisfaction with the services provided. The latest results show that 82% of victims of crime are satisfied with the overall level of service.

6.4 As part of the virtual meeting arrangements brought in as a response to the pandemic as set out in paragraph 2.5, the ability of the public to have access to public meetings was enabled through the use of technology. All meetings are publicised together with the agendas, on the OPCC website.

7. **Principle C: Defining outcomes in terms of sustainable economic, social & environmental benefits**

7.1 The Commissioner's Police and Crime Plan sets out how economic, social and environmental factors will be taken into account in decision making around delivering these priorities, and how the success in achieving these priorities will be monitored and reviewed, including holding the Chief Constable to account.

7.2 A Medium Term Financial Strategy is produced annually, reviewed regularly and updated as necessary. It sets out the financial assumptions and demands upon the Constabulary to highlight budgetary pressures and the options available to address any funding shortfalls to ensure sustainability. This is supported by a Capital Strategy and Reserves Strategy.

8. **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

8.1 The Scheme of Corporate Governance sets out a decision making framework which ensures that all decisions taken by the Commissioner and Chief Constable are supported by all relevant information, including financial, legal and other appropriate professional advice, that available options are considered and that internal and external stakeholders are consulted. All decisions are formally recorded, and published subject to confidentiality requirements.

- 8.2 The Commissioner has a statutory duty and electoral mandate to hold the Chief Constable to account on behalf of the public of Cheshire. The Commissioner does this by scrutinising, supporting and challenging the performance of the Constabulary, including against the priorities in the Police and Crime Plan. The Commissioner undertakes this role at Scrutiny Board. These meetings consider performance against the priorities identified in the Police and Crime Plan as well as a wide range of performance information relating to all aspect of policing. Performance data can be found on the Commissioner's website www.cheshire-pcc.gov.uk/what-i-do/holding-the-chief-constable-to-account/performance.
- 8.3 HMICFRS produce annually a Value for Money profile which is available via their website. This profile benchmarks Cheshire's costs and resources both operationally and for support services against our most similar forces and policing as a whole. These profiles are reviewed and used to support resource allocation debates and as part of the budget setting process.
9. **Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- 9.1 Cheshire Constabulary is a high performing organisation offering a range of career opportunities. It provides a broad range of police and police staff roles with career pathways to develop. It is structured and provides progression and fast track opportunities. Support and advice are provided to assist everyone in their career journey. Overall, it is recognised that as professionals it is our responsibility to be as good as we can be and in doing so ensure we invest time to learn and develop to meet the changing needs of the communities we serve.
- 9.2 Cheshire Constabulary has a key priority for organisational learning. As an organisation, the vision is:
- To be a learning organisation through the creation, retention, sharing and using of knowledge.
 - This Organisational Learning area is the Constabulary's hub where practitioners learn through the creation, retention, sharing and using of knowledge.
 - The Organisational Learning area is the gateway to the Constabulary's What Works programme, where practitioners can learn about evidence based practice, its practical application and view examples of effective problem solving.
- 9.3 As part of the national programme for uplifting officer numbers, the Constabulary has now welcomed over 90 new officers, alongside the usual annual recruitment programme. The Constabulary continues to invest in the skills of its workforce, including areas such as detective training to ensure resilience and future capacity.
10. **Principle F: Managing risks & performance through robust internal control and strong public financial management**
- 10.1 The role of the Commissioner and the Chief Constable at the Joint Management Board is to scrutinise and approve the risk register quarterly as part of the approved Risk Management Framework. The role of Joint Audit Advisory Committee is to review and advise the Commissioner and the Chief Constable on the adequacy of action plans and actions taken to mitigate each risk on a quarterly basis.
- 10.2 The review and subsequent update/amendment ensures that there is a joined up approach between the Commissioner and the Chief Constable and that the key risks are evaluated, managed, mitigated, scrutinised and reported top down and bottom up through both Leadership Teams.

- 10.3 With the high level threats of the pandemic and the speed with which changes were made in response to the virus, there was an increase in risk to officer and staff safety; operational cover and provision; and the financial impact on the organisation. In response, Cheshire Constabulary followed advice from Public Health England (PHE) and NHS in keeping our officers and staff safe. Structures were put in place to make sure the Constabulary were properly managing any impact on the organisation and held regular Gold meetings to ensure up to date information was shared quickly and effectively. Briefings were also held with the Commissioner.
- 10.4 The Constabulary has a comprehensive performance management framework in place. Performance against this framework is scrutinised by the Commissioner at regular public scrutiny meetings and actions are identified at these meetings, which are kept under review and progress reported to the Commissioner.
- 10.5 Business Intelligence (BI) is changing the way the Constabulary report on command and control data. For example, the new reporting tool enables call management information on 999 and 101 calls to be sent directly to the Force Control Centre and local incident data can be sent directly to the relevant Local Policing Units and Beat Management teams.
11. **Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**
- 11.1 A Joint Management Board where decisions are made and Scrutiny Board where the Commissioner holds the Chief Constable to account; publish papers in advance of their meetings and the meetings themselves are open to the public.
- 11.2 The Police and Crime Panel (PCP), which is totally independent of the Office of the Police and Crime Commissioner, oversees the work of the Commissioner. Its role includes reviewing the Commissioner's proposals for the amount of council tax local people pay towards policing. It has the power to veto these proposals if it considers the amount is inappropriate; considering the Police and Crime Plan and Annual Report; considering the Commissioner's proposals for the appointment of a new Chief Constable, with the power to veto; and investigating complaints about the Commissioner. Cheshire East hosted the PCP for 2020/21 and details of these meetings can be found on their website.
- 11.3 Both the Commissioner and Chief Constable have Publication Schemes on their respective websites listing information available and a means of contact should the information required not be included.
- 11.4 The Constabulary's Information Management team co-ordinate all information held to ensure compliance with all the appropriate requirements including Freedom of Information requests and Data Protection. The OPCC liaises closely with the Information Management team in relation to Freedom of Information requests and Data Protection issues, however these are managed by the OPCC Senior Governance and Performance Officer to ensure that organisational independence is maintained.
- 11.5 External assurance in terms of accountability is provided by both Internal and External Audit, HMICFRS reviews and partner forces reviews of collaborations.

12. Review of Effectiveness

12.1 As part of the on-going governance roles, each of the above principles is reviewed and evidence sourced to show effectiveness in terms of communications, actions, policies and procedures. This evidence is scrutinised and is subject to challenge by the Commissioner's S.151 Officer, Head of Governance and Compliance, the Constabulary s.151 Officer and Monitoring Officer,. Assurance on the effectiveness of governance and controls is also provided by the Joint Audit Advisory Committee. The organisation's governance is 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 openly published on the OPCC website.

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

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

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

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

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

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

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

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

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

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

12.3 Areas for Action in 2021/22

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

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

13. Summary

- 13.1 We are satisfied that the governance framework and arrangements in place during 2020/21 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 paragraph 12.5 and despite changes being made as a result of the Coronavirus pandemic these arrangements remained sound.
- 13.2 We propose over the coming year to take steps to address the issues identified in 12.3 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.
- 13.3 The 2020/21 financial year was a shadow year for the new CIPFA financial management code, which provides guidance for good and sustainable financial governance and ensures resources are used effectively. The code applies to all local authorities, including police, fire and other authorities and the first full year of compliance will be 2021/22. Work is currently underway within the Constabulary and the OPCC to reflect the new code in the governance framework and this will be reported in the 2021/22 Statement of Accounts and AGS.

Signed

David McNeilage
Deputy 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