

Annual Financial Report 2020-21

The Chief Constable of Merseyside Police

Table of Contents

Page 2	<u>Narrative Statement by the Director of Resources</u>
Page 12	<u>Independent Auditor's Report to the Chief Constable of Merseyside</u>
Page 18	<u>Statement of Responsibilities for the Statement of Accounts</u>
Page 19	<u>The Comprehensive Income and Expenditure Statement (CIES)</u>
Page 20	<u>The Balance Sheet</u>
Page 20	<u>The Cash Flow Statement</u>
Page 21	<u>The Movement in Reserves Statement 2019/20 and 2020/21</u>
Page 22	<u>Notes to the Financial Statements</u>
Page 22	<u>1. ACCOUNTING POLICIES</u>
Page 29	<u>2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED</u>
Page 30	<u>3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES</u>
Page 32	<u>4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY</u>
Page 32	<u>5. EVENTS AFTER THE REPORTING PERIOD</u>
Page 32	<u>6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS</u>
Page 34	<u>7. OTHER OPERATING INCOME AND EXPENDITURE</u>
Page 34	<u>8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE</u>
Page 34	<u>9. FINANCIAL INSTRUMENTS</u>
Page 35	<u>10. DEBTORS</u>
Page 35	<u>11. CREDITORS</u>
Page 36	<u>12. PCC FUNDING FOR FINANCIAL RESOURCES CONSUMED</u>
Page 37	<u>13. OFFICERS' REMUNERATION</u>
Page 39	<u>14. TERMINATION BENEFITS</u>
Page 39	<u>15. AUDIT COSTS</u>
Page 39	<u>16. RELATED PARTIES</u>
Page 40	<u>17. CHARGE TO CC FOR ASSETS CONSUMED IN THE YEAR</u>
Page 40	<u>18. JOINT ARRANGEMENTS</u>
Page 41	<u>19. THE EXPENDITURE AND FUNDING ANALYSIS (EFA)</u>
Page 42	<u>20. EXPENDITURE AND INCOME ANALYSED BY NATURE</u>
Page 42	<u>21. DEFINED BENEFIT PENSION SCHEMES</u>
Page 52	<u>22. CONTINGENT ASSETS & LIABILITIES</u>
Page 53	<u>Pension Fund Account</u>
Page 54	<u>Annual Governance Statement</u>
Page 68	<u>Glossary of Terms</u>

Narrative Statement by the Director of Resources

The Statement of Accounts provide details of the Chief Constable's (CC) financial activities for the year ending 31st March 2021. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

This section is the Narrative Statement. The purpose of the statement is to enable the CC to comment on the financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The structure of the statement is set out below:-

1. Explanation of the PCC and Group;
2. An Introduction to Merseyside;
3. Financial performance;
4. Non-financial performance;
5. People;
6. Explanation of the Statement of Accounts;
7. Impact of Coronavirus (Covid-19) Pandemic;
8. Strategic risks;
9. Summary and conclusion; and
10. Acknowledgements.

1. EXPLANATION OF THE CC AND GROUP

The Police Reform and Social Responsibility Act 2011 (PRSR Act) established two separate legal entities as 'corporations sole', i.e. the Police and Crime Commissioner for Merseyside (PCC) and the Chief Constable of Merseyside Police (CC). These accounts set out the overall financial position of the CC. The financial position of the PCC and of the consolidated Group of the PCC and CC are set out in the Statement of Accounts of the PCC.

The Chief Constable is responsible for maintaining the Queen's Peace and the enforcement of the law, through the direction and control over the Force's officers and staff. The Chief Constable is accountable to the PCC for the delivery of efficient and effective policing, the delivery of the PCC priorities and the management of resources and expenditure by the Force. The PCC effectively commissions the police service from the Chief Constable.

The PCC is responsible for making sure the service provided by Merseyside police is efficient and effective. This is done by:-

- Holding the Chief Constable to account for the delivery of local policing;
- Setting and updating a Police and Crime Plan;
- Setting the force budget and precept;
- Regularly engaging with the public and communities; and
- Appointing, and where necessary dismissing, the Chief Constable.

The Police and Crime Plan sets out the PCC's priorities and drives the way Merseyside Police focus their resources to deliver policing for the communities of Merseyside. The PCC's priorities are:-

- Prevent crime and anti-social behaviour;
- Provide a visible and accessible neighbourhood policing style;
- Tackle serious and organised crime;
- Support victims, protect vulnerable people and maintain public safety;
- Working in partnership to improve road safety.

This set of accounts focuses on those discrete activities which the CC is responsible for which includes all aspects of operational policing under the direction and control of the Chief Constable.

2. AN INTRODUCTION TO MERSEYSIDE

Merseyside Police provides policing services to the metropolitan area of Merseyside. The police force area covers 250 square miles with approximately 65 miles of coastline in the north west of England. Although there are some more affluent areas, Merseyside has a high level of poverty. Around 1.42m people live in a predominantly urban setting. The force covers the conurbation that includes the city of Liverpool and the Metropolitan Boroughs of Knowsley, Sefton, St Helens and Wirral. The resident population is increased by very large numbers of university students and the large numbers who visit, socialise in, commute into, or travel through the area each year. The transport infrastructure includes major rail stations, an airport and a major sea port.

3. FINANCIAL PERFORMANCE

Background

Since 2010/11 the Police Service has faced significant financial and operational challenges due to reductions in Government funding, along with cost pressures and continual changes in the demand for policing. Between 2010/11 and 2020/21 Central Government funding to PCCs fell by 29.9% in real terms. After taking account of PCCs ability to raise the precept, PCCs received 12.5% less funding from central and local sources in 2020/21 than they received in 2010/11. Police Forces experiences of funding reductions varies and the Forces that rely on Government funding have experienced the greatest cuts.

Merseyside is one of those Forces that is dependent on Government funding and between 2010/11 and 2020/21 Merseyside's Central Government funding was reduced by 28.2% in real terms and overall funding, when taking account of increases in precept, reduced by 16% in real terms, which was above the national average highlighted above. As a result of these cuts the PCC and Merseyside Police has had to make savings of approximately £110m during this period to ensure that a balanced budget is achieved annually. As a consequence of these savings police officer numbers fell by 24.4%, i.e. 1,121fte (down from 4,588fte to 3,467fte). Despite these significant challenges Merseyside Police have consistently been recognised as the best performing metropolitan force in the UK by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). However, the Force's ability to manage an ever growing and complex mix of demand is becoming increasingly difficult.

In July 2019, the then new Prime Minister announced the Government's plans to recruit an additional 20,000 Police Officers nationally by the end of March 2023, commonly referred to as 'Operation Uplift', reversing some of the cuts in police officer number experienced since 2010/11. The Government confirmed that the first year target would be 6,000 by the end of March 2021, of which Merseyside's recruitment target was 200 police officers. Merseyside's overall recruitment target is estimated to be 660 'Police Officers' by 31st March 2023. The additional 660 police officers will still be short of the 1,121 police officers lost.

Revenue Outturn

The CC Budget for 2020/21 was constructed under the principle of financial devolution, which allows budget holders to better manage the resources at their disposal and improve accountability to the Chief Constable, and ultimately the PCC. The net revenue expenditure of the CC during 2020/21 amounted to £405.010m. In broad terms the following narrative shows where the CC and the Group's money came from and how it was spent.

Where did our Money Come From?

The CC gets all of its funding from the PCC. The sources of that funding are detailed in the Statement of Accounts of the PCC and Group.

What did we spend the Money on?

Most money is spent on Employee Expenses, including Police Officers, Police Staff, including Police and Community Support and Traffic Officers, and Pensions. Other money is spent in various ways including forensics, uniforms and ICT. The table below shows where the money was spent in 2020/21.

	£m	%
Employee Expenses	323.423	79.9
Other	81.587	20.1
Total Net Operating Expenses	405.010	100.0

The outturn position demonstrates the continued effective financial management of the annual budget. The planned utilisation of the revenue underspend will provide some further financial support to maintain current service levels, deliver planned recruitment targets, whilst the financial challenges ahead, including the ongoing implications of the Covid-19 pandemic.

CC Balance Sheet

The Balance Sheet is a snapshot of the CC's assets, liabilities, cash balances and reserves at the balance sheet date. The following table shows the value as at the 31st March 2021 of the assets and liabilities recognised by the CC. The net assets of the CC (assets less liabilities) are matched by the reserves held by the CC. Unusable reserves arise from accountancy adjustments, e.g. used to remove notional debits and credits for retirement benefits, and cannot be used to support the budget.

	As at 31 st March 2021 £m
Current Assets	8.897
Current Liabilities	(18.913)
Long term Liabilities	(5,290.812)
Net Assets and (Liabilities)	(5,300.829)
Represented by:-	
Unusable Reserves	(5,300.829)
Total Reserves	(5,300.829)

At 31st March 2021 the CC had negative net assets of £5,301m which implies that the Group is technically bankrupt. Fortunately this is not the case. The primary reason the Group had negative net assets is because of the net pension liabilities associated with the unfunded police officer pension scheme of £5,051m coupled with the deficit of £240m in the funded Local Government Pension Scheme (LGPS) for police staff.

The police officer pension scheme is underwritten by the Home Office who provide an annual top-up grant to fund the difference between pension payments and income from employee and employer contributions. The current deficit in the LGPS will be managed through future employee and employer contributions. Further information on pension liabilities is provided below.

Excluding these pension liabilities the CC's Balance Sheet has net liabilities of £10.017m which is entirely explained by the existence of a short term accumulating absences liability, an accounting entry made to reflect the liability of the Force relating to leave owing to employees.

Loans and Investments

The PCC is directly responsible for loans, investments and for borrowing money as she holds the Police Fund. The CC is not able to borrow money.

Pension Liabilities

Police Officers and Police Staff are offered retirement benefits by the PCC and Group as part of their terms and conditions of employment. In accordance with International Accounting Standard (IAS) 19, the PCC and Group are required to ensure that its accounts and that of the CC reflect the fair value of the assets and liabilities of the schemes and that benefits earned are recognised in the accounting periods in which they arise. As at the 31st March 2021 the CC had the following net pension liabilities:-

	£m
Police Pension Scheme (i.e. Police Officers)	(5,050.886)
Local Government Pension Scheme (i.e. PCC and Staff)	(239.926)
Total	(5,290.812)

In accordance with IAS 19 the CC's accounts incorporate a negative pensions reserve to show the estimated liability in relation to the retirement benefits. However, considering the above liability and the overall impact it has on the Balance Sheet, it must be taken into account that:-

- The police officer pension scheme is a statutory scheme, as specified by Police Regulations, whereby the Group pays an employer's contribution of 31.0% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore, the significant liability of £5.051 billion will be covered by future employer contributions and the receipt of Home Office grant monies.
- PCC and Police Staff are entitled to join the Local Government Pension Scheme (LGPS) as administered by Wirral Metropolitan Borough Council. The disclosed liability of £239.926m in respect of LGPS is likely to be funded in a number of ways, including potential changes to contribution rates and improved performance of the Fund's investments.

Further information on pension liabilities is provided in the pension notes.

2021/22 and Beyond

The 2021/22 funding settlement announced by the Home Office increased the level of resources available to the PCC and Force. The Home office provided additional grant funding to enable Forces to meet their officer recruitment targets for the second stage of 'Operation Uplift'. However, they did not provided any additional grant funding to fund local inflationary pressures, commitments and pay awards. These were expected to be met through efficiencies by the Forces and increases in the precept.

Under 'Operation Uplift' the Force has been set a second year target of recruiting an additional 196 police officers by 31st March 2022. This target was achieved by the 31st March 2021 due the decision to recruit an additional 500 police officers in 2020/21, 300 ahead of the year one target of an additional 200 police officers. It is still envisaged that the Force will be required to recruit a total of 660 police officers by 31st March 2023,

leaving a balance of 160 police officers to be recruited before the end of 2022/23. As part of the 2021/22 budget it is planned to recruit the remaining 160 in advance of the year 3 recruitment target. Bringing the total recruitment to 660 by 31st March 2022, a full year ahead of the Government's target date.

The PCC continues to challenge the Chief Constable to make cashable savings and efficiencies and ensure that the Force continues to provide value for money. Consequently, the Chief Constable identified £1.9m of savings to be made in 2021/22, with a further £3.5m of savings being built into the MTFS.

In terms of the precept, the Government increased the precept referendum threshold and expected all PCCs to increase their precepts by up to £15 on a Band D equivalent property without the need to hold a referendum. The PCC, after consulting the Chief Constable, the public of Merseyside and the Police and Crime Panel, all of whom have expressed support for the PCC's budget proposals and precept increase, increased the precept to the referendum threshold. The increase equated to an increase of £10 pa for Band A properties (i.e. 19p per week), the amount paid by the majority of Council Tax payers on Merseyside. By maximising the precept, the PCC was able to set a balanced budget in 2021/22, allowing the Chief Constable to address the inflationary and demand pressures facing the Force, protect police staff jobs and provide sufficient funding to enable the Chief Constable to recruit an additional 160 police officers.

However, despite balancing the budget in 2021/22, the latest MTFS forecasts that the PCC and Force will be required to identify potentially £7.3m of savings over the MTFS period. The main reasons for this being that it is assumed Government Core funding remains static, and increases to cover pay and price inflation, as well as increasing capital financing costs. Consequently, the PCC and Force will continue to face a very significant financial and policing challenge in the years ahead, despite 'Operation Uplift'. In order to address this savings requirement, the Chief Constable's Community First Change Programme and the Chief Constable's Savings Board will continue to review the more strategic change processes in order to make efficiencies in all areas of business and improve the service that the Force provide to the public. The PCC and Force will continue to work with regional Forces, other emergency services and national work streams to consider options where collaboration can support how the Force can deliver local services in a better, more efficient way. In addition, the PCC, in consultation with the Chief Constable, will look to utilise reserves and in year underspends to address any underlying budget deficits to support the Force delivering 'Operation Uplift', as well enable the immediate release of savings from the revenue account, and provide more time to deliver efficiency savings required.

4. NON-FINANCIAL PERFORMANCE

Annual Review of Governance Arrangements

The PCC and Chief Constable have approved and adopted a Joint Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government 2016, which sets out the PCC's and Chief Constable's shared approach to integrating the core good governance principles into the conduct of the business, and sets out the arrangements for reviewing their effectiveness.

The CC and Chief Officers within the Force have conducted a review of the effectiveness of the Governance Framework, including the system of internal control and internal audit, and their findings are detailed within the Annual Governance Statement included within the Statement of Accounts. The overall conclusion based on the findings of the review undertaken and the assurances received is that the Governance Framework, including the system of internal audit and internal audit, is operating effectively and continues to be fit for purpose.

Merseyside Police

Offending during the 2020/21 financial year was significantly impacted by the Coronavirus pandemic. Overall, there was a 6% decrease in all crimes recorded compared to the previous financial year; with 128,423 crimes

recorded during 2020/21 compared to 137,261 during 2019/20. This decrease follows year-on-year increases observed over the past three years and contradicts a forecasted continued slight increase.

A number of crime categories experienced decreases in offending, such as: Burglary (-19%), Criminal Damage (-15%), Fraud (-22%), Knife Crime (-13%), Sexual Offences (-4%), Robbery (-22%), Serious Acquisitive Crime (-25%), Serious Violence (-14%), Stealing (-30%), Theft/UTMV (-22%), Vehicle Crime (-33%) and Violence With Injury (-14%).

Increases were seen in some categories despite the pandemic, such as: Drugs offences (+11%), in both Drug Possession & Use (+9%) and Drug Trafficking (+23%) categories, which was primarily as a result of increased police proactivity; whereby the use of Stop and Search powers increased by 58%; with 47,075 stop searches during 2020/21 compared to 29,817 during 2019/20. Additional categories of crime with increases included: Hate Crime (+20%), Cyber Crime (+81%), Public Order (+12%), Domestic Abuse (+6%), Violence Without Injury (+2%) and Stalking & Harassment (+31%).

Additionally, reports of Anti-Social Behaviour (ASB) increased by 57% compared to the previous financial year, however this increase can be attributed to instances of non-compliance of COVID legislation that were recorded as ASB during periods of national and local lockdowns, and whilst government restrictions were in place throughout the period.

Increases in crime recording is not necessarily an undesirable outcome, as in many ways reporting is encouraged, and it is often a reflection of public confidence in policing that leads to the report of a crime. This has been particularly the case for offences such as Hate Crime, Domestic Abuse and Stalking & Harassment.

Separate to the impacts of the Coronavirus pandemic, other factors that contribute to changes in recorded crime levels include the implementation of new crime categories which are added by the Home Office, as well as additional changes or improvements in how individual crime types are recorded.

Further work has been conducted over the past year as part of a violence reduction partnership and force-led operations in tackling serious violence across Merseyside, and the force has continued its use of Stop and Search powers which has resulted in higher levels of positive outcomes, particularly for Drugs offences.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) independently assesses the effectiveness and efficiency of police forces and fire & rescue services in the public interest. HMICFRS aims to provide authoritative information to allow the public to compare the performance of their force against others, and to drive improvements in the service to the public.

The HMICFRS undertake annual PEEL (Police Effectiveness Efficiency Legitimacy) assessments of police forces in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy. They are judged as outstanding, good, requires improvement or inadequate on these categories based on inspection findings, analysis and Her Majesty's Inspectors' professional judgment across the year.

In March 2020, HMICFRS wrote to all forces advising of the immediate suspension of all inspection activity to enable policing to focus on responding to changes in demand and practices caused by Covid-19. In October 2020 the PEEL Assessment process for Merseyside commenced and was concluded in April 2021. Due to Covid-19 restrictions, most – but not all - of the inspection was undertaken virtually. The final report, including recommendations, areas for improvement and grades is not anticipated until August / September 2021.

5. PEOPLE

As at the 31st March 2021 the actual number of people employed by Merseyside Police is detailed in the table below.

	Total FTE
Merseyside Police	
Police Officers	3,940
Police Staff	2,150
PCSOs	215
TOTAL Group Employees	6,305

6. EXPLANATION OF THE STATEMENT OF ACCOUNTS

The purpose of the Statement of Accounts is to provide details of the CC financial activities for the year ending 31st March 2021. The financial statements for 2020/21 have been prepared in accordance with The Code of Practice on Local Authority Accounting in the UK 2020/21 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice. This Code of Practice is based on International Financial Reporting Standards (IFRS) and also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The financial statements may not always appear straightforward since they have to meet technical, legal and professional standards. The Narrative Statement provides a brief explanation and overview of the financial performance of the CC and highlights any significant features. The accounts that follow provide further detail of the financial affairs of the CC and are comprised of:-

- **Independent Auditor's Report**, this sets out the opinion of the external auditor, Grant Thornton UK LLP, on whether the accounts presented give a 'true and fair view' of the financial position and operations of the CC for 2020/21;
- **Statement of Responsibilities for the Statement of Accounts**, this statement sets out the responsibilities of the CC and the CC's Chief Finance Officer;
- the **Comprehensive Income and Expenditure Statement**, this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Elected Policing Bodies, i.e. PCC's, raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The CIES is reconciled to the net expenditure that is chargeable to taxation and rents in the Expenditure and Funding Analysis (EFA) contained in the notes to the accounts. The EFA shows how annual expenditure is used and funded in comparison with those resources consumed or earned in accordance with generally accepted accounting practices;
- the **Balance Sheet**, this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the CC. The net assets of the CC (assets less liabilities) are matched by the reserves held by the CC;
- the **Movement in Reserves Statement**, this statement shows the movement in the year on the different reserves held by the CC analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce the council tax precept) and unusable reserves (i.e. those that the CC are not able to use to provide services);
- **Notes to the Financial Statements**, these notes include a Statement of the Accounting Policies used as the basis of preparing the financial statements, information required by the Code of Practice that is not presented elsewhere in the financial statements, i.e. notes that break down lines presented on the face of the financial statements into their significant components and information that is not provided

elsewhere in the financial statements, but is relevant to an understanding of any of them (e.g. transactions with related parties). Please note that occasionally minor differences occur between the primary statements detailed above and the notes to the accounts, this is due to unavoidable rounding discrepancies;

- the **Pension Fund Account**, which summarises the amounts received into and paid out of the police officer pension fund operated by the CC during the year;
- A **glossary** of terms has also been prepared and is included at the end of the Statement of Accounts to assist readers in understanding the technical accounting terminology.

Events After the Reporting Period

The Draft Statement of Accounts were authorised for issue on the 22nd November 2021. Events taking place after this date are not reflected in the draft financial statements or notes. Where events have taken place on or before 22nd November 2021 which provided information about conditions existing at 31st March 2021, the figures in the financial statements were adjusted in all material respects to reflect the impact of this information. The Statement of Accounts were not adjusted for events that have taken place between 1st April 2021 and 22nd November 2021 which are indicative of conditions that arose after the reporting period.

7. IMPACT OF THE CORONAVIRUS (Covid-19) PANDEMIC

The Coronavirus (Covid-19) pandemic is an unprecedented situation that has posed, and continues to pose, a real threat to public health and safety, and has put the police service in the position of dealing with challenges it has never faced before, whilst continuing to protect communities from crime and safeguard the most vulnerable in society.

At the start of the pandemic the Force implemented a structured Command, 'Operation Georgia', as a means of exercising governance over its response to Covid-19. This structure includes a Gold, Silver and Bronze – a command hierarchy utilised for major operations by the emergency services - with close alignment to the work of partners through a multi-agency Strategic Coordination Group. The Force has adopted and adapted the Police Escalation of Withdrawal of Service Model which requires each function to risk assess the impact of Covid-19 on their resources and their ability to deliver key functions. The findings of these assessments, together with wider performance related issues, are considered on a daily basis as part of the Operation Georgia structure. As appropriate, decisions are taken to reallocate resources from non-critical functions to support delivery of critical functions.

In keeping with the above, the OPCC and the Force implement urgent business continuity arrangements to ensure that both organisations remained open for business. Business continuity plans implemented included remote working from home, where possible, and virtual conferencing of all meetings, including team and governance meetings, to facilitate its day to day business, as well as ensuring social distancing for the health and wellbeing of all officers.

As with every front line service, the supply of Personnel Protective Equipment (PPE) was a challenge. However, the PCC and Force engaged and supported the national procurement of PPE for the police service as a whole, procuring over £1.380m of PPE on behalf of the police service.

In addition, the Force procured around £0.5m of additional laptops at the start of the pandemic to ensure business continuity and enable remote working where possible.

All PCCs and Forces are required to record and report the additional costs incurred and income lost as a result of the pandemic to the Home Office. During 2020/21 the gross cost of 'Operation Georgia' to the Force was £8.454m.

The Home Office introduced an income loss recovery scheme to compensate PCCs/Forces for irrecoverable and unavoidable losses from sales, fees and charges. The scheme includes a 5% deductible rate, whereby authorities absorb losses up to 5% of their planned 2020/21 sales, fees and charges income, with government compensating them for 75p in every pound of relevant loss thereafter. Consequently, the PCC was able to recover £1.691m under the scheme. The PCC and Force were also reimbursed for the full costs of the procurement of the national and local PPE. The Force also made savings through either not providing or scaling back some services, e.g. policing sporting events. In addition, the Home Office provided an additional £58m of Covid-19 funding to the police service, of which Merseyside received £1.934m. However, the Force have had to absorb the remaining costs. The net cost absorbed by the Force amount to £1.716m, these costs are reflected in the outturn position reported.

8. STRATEGIC RISKS

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. Below are the highest corporate risks from the Office of the Police and Crime Commissioner's (OPCC) Strategic Risk Register:-

- (i) Consultation and implementation of a new Funding Formula;
- (ii) The sustainability of specific grant funded crime & disorder reduction initiatives, e.g. Safer Streets Fund;
- (iii) The sustainability of the Violence Reduction Partnership and the identification and implementation of a long term strategy to reduce violence on Merseyside;
- (iv) The increase/'surge' in serious violent crime and the detrimental impact on the PCC's priorities, particularly preventing crime and anti-social behaviour and tackling serious and organised crime;
- (v) The implementation of the Home Office review(s) into the role of the PCCs; and
- (vi) Failure to have an efficient and effective Estate to meet current and future requirements.

These risks are being actively managed by the Office of the PCC Management Team and regular updates provided to the PCC and the Joint Independent Audit Committee.

The Chief Constable also maintains a strategy and has arrangements in place to manage, monitor and review the strategic priorities identified, which include violent crime, Child Exploitation, cybercrime, Domestic Abuse and the economic position. The PCC's, through the Force Inspection meeting, receives regular updates on the risks and how they are being managed, along with the Joint Independent Audit Committee.

9. SUMMARY AND CONCLUSION

The year-end financial position reported demonstrates the continued effective financial management of the annual budget. The planned utilisation of the revenue underspend will provide opportunities for the Police and Crime Commissioner and the Chief Constable to continue to support initiatives that will help reduce crime and disorder on Merseyside. It also provides some further financial support to maintain current service levels, deliver planned recruitment targets, whilst the financial challenges ahead, including the implications of the Covid-19 pandemic are addressed.


The PCC has set a balanced budget in 2021/22. This budget allows the Chief Constable to address the inflationary and demand pressures facing the Force, protect police staff jobs and provide sufficient funding to enable the Chief Constable to recruit an additional 160 police officers under 'Operation Uplift'. Bringing the total recruitment to 660 by 31st March 2022, a full year ahead of the Government's target date of 31st March 2023. This will deliver a total police officer workforce of 4,127, the highest number of officers since 2012/13.

However, despite balancing the budget in 2021/22, there still remains a very significant financial and policing challenge for the PCC and Merseyside Police in the years ahead, with an estimated additional savings

requirement of £7.3m to be made by the end of 2025/26. A strategy aimed at addressing this challenge is currently being developed by the Chief Constable, in partnership with the PCC.

10. ACKNOWLEDGEMENTS

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of colleagues in the Force Finance Department. I would like to express my gratitude to all colleagues who have assisted in the preparation of this document and also thank them for all their support during the course of the year.



Keith Dickinson ACMA/ CGMA/ CPFA

Director of Resources for the Chief Constable of Merseyside Police

22nd November 2021

Independent auditor's report to the Chief Constable of Merseyside Police

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable of Merseyside Police (the 'Chief Constable') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement in Reserves Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Pension Fund Account and the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 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 Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Director of Resources 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 Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 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 Chief Constable and the Chief Constable'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 Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Resources with respect to going concern are described in the 'Responsibilities of the Chief Constable and the Director of Resources for the financial statements' section of this report.

Other information

The Director of Resources is responsible for the other information. The other information comprises the information included in the Annual Financial Report, other than the 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 Chief Constable 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 Chief Constable, the other information published together with the financial statements in the Annual Financial Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Chief Constable and the Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Annual Financial Report, 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 Director of Resources 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 Director of Resources is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Chief Constable will no longer be provided.

The Chief Constable 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 Chief Constable and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (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 Chief Constable, concerning the Chief Constable's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Chief Constable, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements, this included the evaluation of the risk of management override of control. We determined that the principal risks were in relation to:
 - non-routine journal entries, and key accounting estimates around valuation of net pension liability.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Director of Resources 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 pension liability; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. 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.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the LGPS and Police pension liability.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the police sector
 - understanding of the legal and regulatory requirements specific to the Chief Constable including:
 - 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 Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Chief Constable's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Chief Constable

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in 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 Chief Constable plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Chief Constable ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Chief Constable uses information about its costs and performance to improve the way it manages and delivers its services.

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

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 Chief Constable of Merseyside Police 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 Chief Constable'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 Chief Constable for the year ended 31 March 2021; and
- our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

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 Chief Constable, 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 Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Green

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

Manchester

22 November 2021

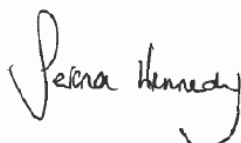
Statement of Responsibilities for the Statement of Accounts

The Chief Constable's responsibilities

The Chief Constable is required to:-

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (the Chief Finance Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

APPROVAL OF STATEMENT OF ACCOUNTS



I approve this Statement of Accounts

Serena Kennedy

Chief Constable of Merseyside Police

22nd November 2021

Director of Resources for the Chief Constable of Merseyside Police

The Chief Constable's Director of Resources is responsible for securing the preparation and production of the Statement of Accounts for the Chief Constable of Merseyside Police which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present a 'true and fair view' of the financial position of the Chief Constable of Merseyside Police at the accounting date and its Income and Expenditure for the year ended 31st March 2021.

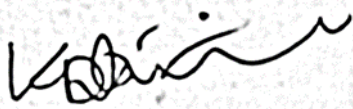
In securing the preparation of the Statement of Accounts, the Director of resources has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice on Local Authority Accounting where applicable.

The Director of Resources has also:-

- ensured that proper accounting records have been kept which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Merseyside Police at the accounting date and of the income and expenditure for the year ended 31st March 2021. In addition, the Statement of Accounts has been prepared in accordance with the accounting principles and policies set out in **Note 1**. I have authorised the Statement of Accounts for issue on the 22nd November 2021. Any events after this date have not been recognised.



Keith Dickinson ACMA/ CGMA/ CPFA

Director of Resources for the Chief Constable of Merseyside Police

22nd November 2021

The Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. It summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of property, plant and equipment actually consumed and the real projected value of retirement benefits earned by employees in the year.

2019/20			2020/21				
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
415,407	(448,939)	(33,532)	Policing Services	20	459,774	(476,117)	(16,343)
415,407	(448,939)	(33,532)	Cost of services		459,774	(476,117)	(16,343)
302	0	302	Other operating expenditure	7	335	0	335
127,565	0	127,565	Financing and investment income and expenditure	8	108,137	0	108,137
543,274	(448,939)	94,335	Deficit on Provision of Services		568,246	(476,117)	92,129
0	(496,803)	(496,803)	Remeasurements of the net defined benefit liability	21.14	388,835	0	388,835
543,274	(945,742)	(402,468)	Total Comprehensive Income and Expenditure		957,081	(476,117)	480,964

The Notes to the Financial Statements form part of the Financial Statements

The Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the CC. The assets and liabilities recognised relate to police officers and police staff under the direction and control of the CC. The net liabilities of the CC are matched by the reserves held. The unaudited accounts were issued on 16th July 2021 and the audited accounts were authorised for issue on 22nd November 2021.

As at 31st March 2020		Note	As at 31st March 2021
£000			£000
	Current Assets		
8,135	Short-term debtors	10	8,897
8,135	Total Current Assets		8,897
	Current Liabilities		
(13,168)	Short-term creditors	11	(18,913)
(13,168)	Total Current Liabilities		(18,913)
	Long-term Liabilities		
(4,814,831)	Liability relating to defined benefit pension scheme	21.7	(5,290,812)
(4,814,831)	Total Long-term Liabilities		(5,290,812)
(4,819,865)	Net Assets/(Liabilities)		(5,300,829)
	Reserves		
(4,819,865)	Unusable reserves	MIRS	(5,300,829)
(4,819,865)	Total Reserves		(5,300,829)

The Notes to the Financial Statements form part of the Financial Statements

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the CC during the reporting period. However as all payments were made from the Police Fund which is held by the PCC, and similarly all income and funding is received by the PCC, the CC does not have any cash flows from operating, investing or financing activities.

The Movement in Reserves Statement 2019/20 and 2020/21

This statement shows the movement in the 2019/20 and 2020/21 financial years on the different reserves held by the CC, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unable' reserves. At present, the only transactions shown in this statement relate to the pensions reserve and the accumulated absences account (reflecting movements relating to police officers and police staff under the direction and control of the CC). All other reserves are managed by the PCC. The financial consequences of the operational activities undertaken by the CC can be seen in the CIES.

	Note	Usable Reserves		Unusable Reserves		Total Reserves
		General Fund Balance	Pensions Reserve	Accumulated Absences Account	Total	
		£000	£000	£000	£000	£000
Balance as at 1st April 2019		0	(5,217,318)	(5,016)	(5,222,334)	(5,222,334)
Deficit on provision of services on an accounting basis		(94,335)		0	0	(94,335)
Remeasurements of the net defined benefit liability		0	496,803	0	496,803	496,803
Total Comprehensive Income and Expenditure		(94,335)	496,803	0	496,803	402,468
Actual amounts charged against the Pension Fund for the year		(141,971)	141,971	0	141,971	0
Difference in pension costs between accounting basis (IAS 19) and funding basis		236,287	(236,287)	0	(236,287)	0
Difference in employee remuneration costs (between accounting and funding basis)		19	0	(19)	(19)	0
Adjustments between accounting basis and funding basis under regulations:		94,335	(94,316)	(19)	(94,335)	0
Net increase or (decrease)		0	402,487	(19)	402,468	402,468
Balance as at 31st March 2020 and 1st April 2020	6	0	(4,814,831)	(5,035)	(4,819,866)	(4,819,866)
Deficit on provision of services on an accounting basis		(92,129)		0	0	(92,129)
Remeasurements of the net defined benefit liability		0	(388,835)	0	(388,835)	(388,835)
Total Comprehensive Income and Expenditure		(92,129)	(388,835)	0	(388,835)	(480,964)
Actual amounts charged against the Pension Fund for the year		(138,463)	138,463	0	138,463	0
Difference in pension costs between accounting basis (IAS 19) and funding basis		225,609	(225,609)	0	(225,609)	0
Difference in employee remuneration costs (between accounting and funding basis)		4,983	0	(4,983)	(4,983)	0
Adjustments between accounting basis and funding basis under regulations:		92,129	(87,146)	(4,983)	(92,129)	0
Net increase or (decrease)		0	(475,981)	(4,983)	(480,964)	(480,964)
Balance as at 31st March 2021	6	0	(5,290,812)	(10,017)	(5,300,829)	(5,300,829)

The Notes to the Financial Statements form part of the Financial Statements

Notes to the Financial Statements

1 ACCOUNTING POLICIES

1.1 General Principles

Accounting policies are the principles applied to show the effect of transactions and events on the financial statements. The Accounts and Audit (England) Regulations 2015 require the Chief Constable to prepare an annual Statement of Accounts, and those regulations require them to be prepared in accordance with proper accounting practices. The financial statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the UK 2020/21 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice. This Code of Practice is based on International Financial Reporting Standards (IFRS) and also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board, where these provide additional guidance. The Accounts have been prepared on a Going Concern basis.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of property, plant and equipment.

Following the passing of the Police Reform and Social Responsibility Act 2011, Merseyside Police Authority was replaced on 22nd November 2012 with two 'corporation sole' bodies, the Police and Crime Commissioner for Merseyside (PCC) and the Chief Constable of Merseyside Police (CC). Both bodies are required to prepare separate Statements of Accounts.

The Financial Statements included here represent the accounts for the CC. The financial statements cover the 12 months to 31st March 2021. The identification of the PCC as the holding organisation and the requirements to produce Group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011.

The PCC Group and the CC have adopted consistent accounting policies, which are detailed below in alphabetical order.

1.2 Accruals of Income and Expenditure

The revenue accounts are maintained on an accruals basis, which means that the sums due to or from the CC during the year are included, whether or not the cash has actually been received or paid in the year. In particular:-

- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet;
- Supplies are recorded as expenditure when they are consumed. Supplies received but not yet consumed are held as inventories in the Balance Sheet;
- Fees, charges and rents due from customers are accounted for as income at the date the relevant goods or services are provided; and
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates.

Whilst all expenditure is paid for by the PCC including the wages of police staff and officers, the actual recognition in the respective PCC and CC Financial Statements is based on economic benefit.

1.3 Cost and Income Recognition

All expenditure is paid for by the PCC including the wages of police staff and officers and no cash transactions take place between the two entities. Costs are however recognised within the CC accounts to reflect the financial resources consumed at the request of CC and the economic benefit this brings about. For example an economic benefit is recognised to reflect the utilisation of the PCC assets which mirrors depreciation of property, plant and equipment, amortisation of intangible assets and impairment/revaluation losses. The PCC is the recipient of all funding related to police and crime reduction. The CC recognises the provision of funding and other resources from the PCC through the PCC funding in the Comprehensive Income and Expenditure Statement.

1.4 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees. These benefits are recognised as an expense for services in the year in which the employee renders service to the CC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. 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 charged to the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits (Pensions)

As part of the terms and conditions of employment the CC offers retirement benefits for Police Officers and Police Staff. The schemes provide members with defined benefits related to pay and service as follows:-

Police Officers

The original Police Pension Scheme (PPS) is governed by the Police Pensions Regulation 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The new Police Pension Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006).

The 1987, 2006 and 2015 Police Pension Schemes for police officers are unfunded schemes, which means that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet the actual payments as they fall due. The CC is required by legislation to operate a Pension Fund with the amounts that must be paid into or out of the Pension Fund being specified by regulation. The former Police Authority set up a Pension Fund on 1st April 2006 from which pensions payments are made and into which contributions from the PCC and employees are received. The PCC then receives a top-up grant from the Government equal to the sum by which the amount payable for pensions from the Pension Fund exceeds the amount receivable from the PCC into the Pension Fund. The Pension Fund is shown separately in the Accounts.

Police Staff

Police staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS), which is a funded defined benefit scheme. Pensions and other retirement benefits are paid from the fund and employers and employees make regular contributions into the fund so that the liabilities are paid for evenly, over the employment period. Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities, the last valuation having been at 31st March 2019. The Governance arrangements for the Merseyside Pension Fund (MPF) are contained within the MPF Governance Policy, which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (England and Wales) (Amendment no. 2) Regulations 2005 and is available on the MPF website.

The above schemes provide defined benefits to members (retirement lump sums and pensions), earned during employee's periods of employment. The schemes are accounted for in accordance with International Accounting Standard (IAS) 19 "Employee Benefits" which is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even though this may be many years in the future and will not be payable until employees retire.

Adoption of IAS 19 requires a pension asset or liability to be recognised in the Balance Sheet, made up of the net position of retirement liabilities and pension scheme assets.

The liabilities of the Merseyside Pension Fund attributable to Merseyside Police are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and estimates of projected earnings for current employees.

Pension scheme assets (LGPS only) attributable to the CC are included at their fair value. Plan assets of the Police Pension Scheme include employer and employee's contributions with an associated experience adjustment in the form of a remeasurement to bring net assets to zero at year-end. The CC currently has a net pensions liability and this is matched on the Balance Sheet by a Pensions Reserve.

The change in net pensions liability during the year is analysed into several components:-

- **Current Service Cost** – the increase in liabilities as a result of service earned by employees in the current year. This is charged to cost of services within the Comprehensive Income and Expenditure Statement;
- **Past Service Cost** – the increase in liabilities arising from current year decisions, the effect of which relate to service in earlier years. This is charged to non-distributed costs in the Comprehensive Income and Expenditure Statement in the period when an entity amends a benefit plan;
- **Net Pensions Interest Cost** - replacing the interest cost and the expected return on assets (previously disclosed separately). The net interest expense or income on the net pension liability or asset represents the financing cost or income of deferring payment or pre paying employee services. It is calculated by multiplying the net pension liability or the net pension asset by the discount rate used to measure the

pension liability. If the interest on the pension liability exceeds the interest on the plan assets, it will be net interest expense. If the interest on the plan assets exceeds the interest on the pension liability, it will be net interest income. Net interest income or expense will be presented in financing and investment income and expenditure;

- **Remeasurements** – these are changes in the net pension liabilities that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. Remeasurements are made up of actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost, and the effect of the asset ceiling. Remeasurements are recognised in the Balance Sheet immediately, with a corresponding charge or credit to the Comprehensive Income and Expenditure Statement in the period in which they occur;
- **Administration Costs and other Expenses** – administration costs are directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligation, are recognised as a reduction in the return on plan assets and recorded in other comprehensive income and expenditure. Other administration costs must not be deducted from the return on plan assets and are recognised in surplus or deficit on the provision of services.

Statutory provisions require that the amount charged to the General Fund Balance is the amount paid by the CC to pension funds rather than that calculated under IAS 19. This means that an appropriation to or from the Pensions Reserve is necessary within the Movement in Reserves Statement to replace the notional sums for retirement benefits with the actual pensions costs.

Long Term Employee Benefits

Long term employee benefits are paid for officers retiring on ill health grounds, and are termed as long term disability benefits paid out under the regulations contained in the Police (Injury Benefit) Regulations 2006. These injury awards are charged to the Comprehensive Income and Expenditure Statement along with any resulting the actuarial gains and losses (included in IAS19 remeasurements in other comprehensive income and expenditure).

Under Chapter 6.2 of the Code, long-term disability benefits are usually accounted for as ‘other long-term benefits’ because they are not seen to be subject to the same degree of uncertainty as the measurement of post-employment benefits. However, International Public Sector Accounting Standard 25 (IPSAS25) allows this presumption to be rebutted where the CC believes that there is significant volatility and/or materiality in the level of long-term disability payments. Where the CC rebuts the presumption the Code allows long-term disability payments to be treated in the same way as defined benefit post-employment benefits. Due to the materiality and significant volatility in the payment of injury pensions the CC rebuts the presumption above, and has accounted for those payments in the same way as other defined benefit post-employment benefits.

1.5 Events After the Balance Sheet Date

Events after the reporting period 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; and

- 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 for issue are not reflected in the Statement of Accounts.

1.6 Exceptional Items

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

1.7 Jointly Controlled Operations

Jointly controlled operations are joint arrangements in which the CC and other venturers have joint control of the operation. Joint control exists when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The activities undertaken by the CC in conjunction with other venturers involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Comprehensive Income and Expenditure Statement (CIES) is debited with the CC's share of expenditure incurred. As the PCC receives all income and funding any income received from the structure of the arrangement will be credited to the CIES of the PCC. The PCC then credits the CC with an equivalent amount through the intra-group funding.

Assets and liabilities arising from the activities of the operation are held on the PCC's balance sheet.

1.8 Pension Top Up Grant

The police pension schemes are unfunded and have no investment assets. Benefits payable are funded by contributions from officers and the PCC. Any difference between benefits payable and contributions receivable is funded by an additional contribution from the PCC which is financed by a top-up grant from the Home Office. The top-up grant income is calculated on an accruals basis and is credited to the PCC and Group Comprehensive Income and Expenditure Statement.

1.9 PCC Funding of the Chief Constable's Expenditure

As the Chief Constable has no resources with which to fulfil his devolved responsibilities to provide a policing service, the expenditure is funded by the PCC. The PCC's funding of the CC's expenditure takes the form of 'intragroup funding' and is shown as income in the CC's CIES and expenditure in the PCC's CIES. The intragroup transactions are accounted for on an accruals basis and are eliminated on consolidation in the Group financial statements. There is no actual transfer of cash involved in this transaction as all the resources belong to the PCC.

1.10 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 CC's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.11 Financial Assets and Liabilities

All financial instruments are included in the Balance Sheet at amortised cost. For borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayment, and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable in the year. Likewise investments are included in the Balance Sheet as the outstanding principal receivable, and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year.

1.12 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the CC a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the CC becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. The CC is funded for the provision through the intra-group funding from the PCC and the provisions are held on the PCC Balance Sheet.

Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed in the Balance Sheet of the PCC and the CC will receive a credit back from the PCC (through the intra-group account) to the Comprehensive Income and Expenditure Statement.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the CC 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 CC. 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 disclosed in a note to the accounts.

Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the CC. The CC does not recognise a contingent asset in the financial statements but discloses as a note to the accounts where an inflow of economic benefits or service potential is probable.

1.13 VAT

The CC does not submit a VAT return and the PCC submits a single VAT return on behalf of the PCC Group. Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

2 ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The following sets out amendments to accounting standards or new accounting standards that have been issued on or before 1st January 2021 but will not be adopted by the Code until 2021/22.

2.1 Definition of a Business: Amendments to IFRS 3 Business Combinations

The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

- Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- Add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The impact of the amendment to this standard has been considered and it is not expected to have a significant impact on the accounts of the Chief Constable.

2.2 Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 ; and

2.3 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Interest rate benchmarks such as interbank offered rates (IBORs) play a key role in global financial markets and index trillions of dollars in financial products. However in multiple jurisdictions there was a move to transition to alternative risk free rates (RFRs), due to concerns of systematic risk, which could lead to manipulation of rates. Alternative RFRs have been selected in key currency jurisdictions by working groups, with the objective that such rates will be based on liquid underlying market transactions, and not dependent on submissions based on expert judgement.

The amendments to the hedge accounting requirements impact both IFRS 9 and IAS 39 because entities have an accounting policy choice under IFRS 9 as to whether to continue to apply the hedge accounting model in IAS 39 or IFRS 9. In addition, some insurance companies have not adopted IFRS 9 as they are deferring the application until they apply IFRS 17 Insurance Contracts so they continue to apply IAS 39 in its entirety. The IASB have modified specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of the uncertainties of the interest rate benchmark reform. The amendments apply to all hedging relationships that are directly affected by the interest rate benchmark reform.

The two groups of accounting issues that could affect financial reporting were identified as:

- pre-replacement issues—issues affecting financial reporting in the period before the reform; and
- replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

Pre-replacement issues were considered to be more urgent and it was decided to address the hedge accounting requirements as a priority in the first phase of the project.

The impact of the amendments to these standards has been considered and it is not expected to have a significant impact on the accounts of the Chief Constable.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in **Note 1**, the CC 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:-

Comprehensive Income and Expenditure Statement (CIES)	Recognised in PCC CIES	Recognised in CC CIES	Judgement
Income	YES	YES	The Financial Management Code of Practice (FMCP) for the Police Service, issued by the Secretary of State, makes it clear that the PCC is the recipient of funding relating to policing and crime reduction, including government grants and precepts and other sources of income. This is supported in the PCC's Scheme of Corporate Governance which states that 'all funding to the Chief Constable must come via the Commissioner'. Therefore the PCC recognises all income receivable in its single entity financial statements and in turn provides funding to the CC to undertake day-to-day policing and crime reduction services during the year.
Expenditure – employee costs of police officers	NO	YES	In recognising employee costs the PCC has considered the requirements of IAS19. This does not use control of risks and rewards in determining recognition but rather considers which body is responsible for incurring employee expenditure. In making this judgement however, the underlying substance of who the employment is incurred for has been considered and not just the legal form. Police Officers are employees of the Crown and they represent the most significant cost of operational policing which the CC is solely responsible for. The full IAS19 costs of police officers are therefore reflected in the CC's financial statements.
Expenditure – employee costs of civilian staff	YES (for staff in Office of PCC)	YES (for all other staff)	The majority of police civilian staff are employed by the CC. These staff are considered to be employed to support the operational policing role of the CC and this expenditure is recorded in the CC's financial statements. The employee costs reported in the financial statements of the PCC relate to staff employed in the Office of the PCC who support the strategic role of the PCC.
Other Direct Expenditure	YES (for costs relating to the Office of PCC)	YES (for all other direct costs)	The majority of other direct expenditure is employee driven (e.g. rent, rates, building maintenance, power, light, heat, telephones, transport, etc). The costs are recognised in the financial statements of the entity which recognises the employee's costs.

Balance Sheet (BS)	Recognised in PCC BS	Recognised in CC BS	Judgement
Interest payable/receivable	YES	NO	The PCC holds all cash balances, loans and investments. The CC does not hold a bank account and no cash transactions take place between the two bodies.
Property Plant and Equipment (including assets held for sale)	YES	NO	The PCC has legal title to long term assets, the power to determine whether the assets are sold and receives all the sales proceeds. The PCC controls the services provided through the long term assets, who they are provided to, and controls the residual value at the end of the contractual arrangement. It is therefore considered that the PCC will receive the future benefits from the assets. The PCC charges the CC a fair value for the assets which reflects depreciation and impairment/revaluation losses chargeable to the CIES.
Current Assets	YES	YES *	The majority of current assets are recognised on the PCC's balance sheet. Inventories are recognised on the PCC's Balance Sheet as the PCC controls the services provided through the assets. The majority of debtors are recognised on the PCC's as the PCC is the recipient of all funding and is therefore considered to receive the future benefits. Cash and cash equivalents and short-term investments are recognised on the PCC's balance sheet as the PCC is in receipt of all income and funding and makes all payments. The CC does not hold a bank account and no cash transactions take place between the two bodies.
Current Liabilities	YES	YES *	The majority of the current liabilities are recognised on the PCC's balance sheet. The PCC has responsibility for managing financial relationships with third parties and has legal responsibility for discharging the contractual terms and conditions of suppliers. The deferred liabilities relate to inherited debt which is a liability of the PCC. Provisions relating to insurance risks are recognised in full on the PCC's Balance Sheet. Whilst the PCC and the CC are jointly responsible for approving risk management and strategy, the PCC is ultimately responsible for financial liabilities affecting the Police Fund. Provisions relating to officers and staff under the direction and control of the CC are recognised on the CC's Balance Sheet.
Long-term liabilities	YES	YES *	The PCC and CC each recognise pension liabilities relating to staff under their direction and control. The treatment of other long term liabilities and provisions is consistent with the treatment of current liabilities outlined above.
Usable Reserves	YES	NO	The PCC has the responsibility of deciding upon the level of general balances and earmarked reserves. The CC must present a business case to the PCC for one-off expenditure items to be funded from earmarked reserves and/or general balances.
Unusable Reserves	YES	YES *	The PCC and CC each recognise the pensions reserve and accumulated absences account balances relating to staff under their direction and control. The remaining unusable reserves are held in relation to property, plant and equipment and are therefore recorded on the balance sheet of the PCC.

* Balances reported on the CC's balance sheet relate to assets/liabilities/reserves arising from officers/staff under the direction and control of the CC.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based upon assumptions made by the CC about the future or that are otherwise uncertain. Estimations 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 pension liability is recognised on the CC and Group Balance Sheet. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality and expected returns on pension fund assets. The CC and the Group use an independent firm of actuaries to assess the Local Government Pension Scheme assets and liabilities and the Government Actuaries Department to assess the Police Scheme liabilities.

The pensions' liability and the reserve will vary significantly should any of the assumptions prove to be inaccurate. For instance, a 0.1% increase in the discount rate would decrease the pension liability by £109m or a one year increase in life expectancy would increase the pension liability by £201m. The effects on the net pensions liability of changes in individual assumptions are shown in **Note 21.9**. The Group recognises the cost of retirement benefits in the cost of services when the benefits are eventually paid as pensions. However, the charge required to be made against the precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. Any revisions to the estimation of the net liability to pay pensions would not impact upon the Revenue Account of the Group.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by Keith Dickinson, Director of Resources to the Chief Constable of Merseyside Police on 22nd November 2021.

Events taking place after this date are not reflected in the financial statements or notes.

Where events have taken place on or before 22nd November 2021 which provide information about conditions existing at 31st March 2021, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

The Statement of Accounts is not adjusted for events that have taken place between 1st April 2021 and 22nd November 2021 which are indicative of conditions that arose after the reporting period.

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note reflects the adjustments that are made to the total comprehensive income and expenditure recognised by the CC in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the CC to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

6.1 General Fund Balance

The CC does not hold any General Fund Balances.

6.2 The Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Statutory provisions require the police fund to be charged with the amount payable to pension funds in the year, not the amount calculated according to the relevant standards. This adjustment means that the accounting entries do not impact on the requirement to raise council tax. In the Movement in Reserves Statement therefore there are appropriations to and from an unusable pensions reserve to remove the notional debits and credits for retirement benefits and replaces them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the pension reserve therefore measures the beneficial impact to the police fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees. The negative balance also shows the substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them, and represents the Net Defined Benefit Obligation to the CC. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid (see pensions notes for details).

2019/20		2020/21
£000		£000
(5,217,318)	Balance as at 1st April	(4,814,831)
496,803	Remeasurements of the net defined benefit liability	(388,835)
(236,287)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive income and Expenditure Statement	(225,609)
141,971	Employer's pension contributions and direct payments to pensioners payable in the year	138,463
(4,814,831)	Balance at 31st March	(5,290,812)

6.3 The Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance for accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31st March 2021). Statutory arrangements require that the impact on the General Fund Balance is neutralised and this charge is reversed out through an unusable reserve in the Movement in Reserves Statement so that accounting entries would not impact on the requirement to raise council tax.

2019/20		2020/21
£000		£000
(5,016)	Balance as at 1st April	(5,034)
5,016	Settlement or cancellation of accrual made at the end of the preceding year	5,034
0		0
(5,034)	Amount by which staff and officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(10,017)
(5,034)	Balance at 31st March	(10,017)

7 OTHER OPERATING INCOME AND EXPENDITURE

2019/20		2020/21
£000		£000
302	Administrative expenses	335
302		335

8 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20		2020/21
£000		£000
127,565	Net pensions interest cost	108,137
127,565		108,137

9 FINANCIAL INSTRUMENTS

9.1 Categories of Financial Instruments

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. The definition is broad and covers instruments used in treasury management including the borrowing and lending of money and making of investments. However it also extends to include such items as trade receivables (debtors) and trade payables (creditors). There were no such financial instruments carried in the Balance Sheets of the CC.

Restated 31st March 2020		31st March 2021
£000		£000
0	Debtors	
	Financial Assets at Amortised Cost	0
0	Total Debtors	0
	Creditors	
(2,004)	Financial Liabilities at Amortised Cost	(2,368)
(11,165)	Non financial instrument creditors	(16,545)
(13,169)	Total Creditors	(18,913)

The restatement of 2019/20 figures has arisen because further consideration of some of the values previously disclosed as financial instruments - Trade receivables/debtors £482k; Financial Liabilities at amortised cost (£5,516k) - has been deemed not to meet the criteria for such disclosure.

9.2 Financial Instruments Gains and Losses

The Comprehensive Income and Expenditure Statements of the Chief Constable recognise no gains and losses in relation to financial instrument.

9.3 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are included in the Balance Sheets at amortised cost. For borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayment and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable in the year.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments under the following assumptions:-

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the Balance Sheet carrying amount is assumed to approximate fair value;
- The fair value of trade receivables and payables are assumed to be the invoiced or billed amount; and
- There is no expected impairment of the instrument from perceived future events.

The carrying value of current financial assets and liabilities is deemed to be a reasonable approximation of fair value because of the relatively short period to maturity. The balances are shown in **Note 9.1**.

9.4 Financial Instruments – Nature and Extent of Risks Arising

Credit Risk

Due to the nature of the Chief Constables Financial Instruments there is no credit risk.

Liquidity Risk

Due to the nature of the Chief Constables Financial Instruments there is no liquidity risk.

Market Risk

Due to the nature of the Chief Constables Financial Instruments there is no market risk.

10 DEBTORS

31st March 2020		31st March 2021
£000		£000
482	Short term accumulated absences	368
7,652	Intra-group account	8,529
8,135	Total	8,897

11 CREDITORS

31st March 2020		31st March 2021
£000		£000
(2,004)	Bodies external to general government	(2,368)
(5,649)	HM Revenue and Customs	(6,160)
(5,516)	Short term accumulating absences	(10,384)
(13,168)	Total	(18,913)

12 PCC FUNDING FOR FINANCIAL RESOURCES CONSUMED

The Comprehensive Income and Expenditure Statement (CIES) summarises the resources that have been generated and consumed in providing policing and crime reduction services during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of property, plant and equipment assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The PCC provides funding to the CC for financial resources consumed. The funding provided covers the day-to-day expenses on an accruals basis as well as charges for operational assets consumed in the year. These transactions are reflected in the intra-group accounts of both entities.

The funding does not take account of:-

- Pension (IAS 19) charges/credits; or
- Compensated absences charges/credits.

These transactions, recorded in the Comprehensive Income and Expenditure Statement, are reversed in the Movement in Reserves Statement and charged/credited to the Pensions Reserve and Accumulated Absences Account in the Balance Sheet.

As the PCC funding does not take account of these charges or credits, the Comprehensive Income and Expenditure Statement has a deficit of £480.964m (2019/20 surplus of £402.468m).

2019/20			2020/21	
£000	£000		£000	£000
543,274		Expenditure to Deficit on Provision of Services	568,246	
	543,274	Pension Remeasurements	388,835	
		CIES Total Gross Expenditure		957,081
(448,958)		PCC funding	(476,117)	
(496,803)	(945,761)	Pension Remeasurements		
		CIES Total Gross Income		(476,117)
	(402,487)	CIES Total Comprehensive Income and Expenditure		480,964
		Pension (IAS 19) charges		
(141,971)		Employers pensions contributions paid in year	(138,463)	
118,003		Current service cost	116,148	
(9,583)		Past service cost	989	
302		Administrative expenses	335	
(496,803)		IAS 19 remeasurements	388,835	
127,565		Pensions interest cost and expected return on plan assets	108,137	
	(402,487)	Compensated absences charges/(credits)		475,981
172		Decrease in creditor for short term accumulated absences	4,869	
(153)		Decrease in debtor for short term accumulated absences	114	
	0			4,983
	(402,468)	CIES Total Comprehensive Income and Expenditure		480,964

13 OFFICERS' REMUNERATION

13.1 Remuneration Banding

The number of police officers and staff (including Senior Officers listed at Note 13.2) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2019/20				2020/21
377	£50,000	-	£55,000	437
252	£55,001	-	£60,000	339
49	£60,001	-	£65,000	122
19	£65,001	-	£70,000	55
7	£70,001	-	£75,000	19
4	£75,001	-	£80,000	11
15	£80,001	-	£85,000	10
5	£85,001	-	£90,000	7
4	£90,001	-	£95,000	5
1	£95,001	-	£100,000	2
1	£100,001	-	£105,000	2
2	£105,001	-	£110,000	0
2	£110,001	-	£115,000	2
1	£115,001	-	£120,000	5
1	£120,001	-	£125,000	0
0	£130,001	-	£135,000	0
0	£145,001	-	£150,000	1
1	£150,001	-	£155,000	0
0	£195,001	-	£200,000	0
0	£200,001	-	£205,000	1
741				1,018

Remuneration covers all amounts paid to, or receivable by, an employee and includes sums due by way of expenses allowance and the estimated money value of any other benefits received by an employee other than in cash. The table above also includes employees whose basic remuneration was below £50,000; however their total remuneration for the year exceeded £50,000 as a result of redundancy payments made.

13.2 Senior Officers Remuneration

The table below shows remuneration of defined senior and statutory officers for the years 2019/20 and 2020/21.

Post Holder information	Notes	Salaries (incl. Fees and Allowances)	Expenses Allowances	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contribution	Total Remuneration including pension contributions
Chief Constable - AJ Cooke	1	178,651	16,980	0	195,631	0	195,631
Deputy Chief Constable		143,250	0	8,318	151,568	43,746	195,315
Assistant Chief Constable		116,197	0	7,242	123,439	35,690	159,129
Assistant Chief Constable		107,142	0	7,240	114,382	32,447	146,829
Assistant Chief Constable	2	102,598	0	5,061	107,659	30,942	138,601
Assistant Chief Constable	1,3	91,331	1,342	0	92,673	27,466	120,139
Assistant Chief Constable	4	97,884	4,897	0	102,781	26,916	129,697
Assistant Chief Constable	1,5	105,768	9,150	0	114,918	27,466	142,385
Assistant Chief Constable	6	9,379	0	213	9,592	2,736	12,328
Director of Resources	1	101,462	7,920	0	109,382	13,393	122,774
Director of People	1,7	112,791	5,632	0	118,423	0	118,423
Total 2019/20		1,166,454	45,921	28,074	1,240,449	240,803	1,481,252
Chief Constable - AJ Cooke	1	184,870	16,980	0	201,850	0	201,850
Deputy Chief Constable		146,853	0	0	146,853	44,840	191,693
Assistant Chief Constable		119,075	0	0	119,075	36,583	155,658
Assistant Chief Constable		116,500	0	0	116,500	35,348	151,848
Assistant Chief Constable		112,647	0	0	112,647	34,154	146,801
Assistant Chief Constable	1,4	107,480	7,920	0	115,400	28,292	143,692
Assistant Chief Constable	1,5	115,119	4,620	0	119,739	34,690	154,428
Director of Resources	1	109,000	5,742	2,513	117,255	18,503	135,758
Total 2020/21		1,011,545	35,262	2,513	1,049,319	232,409	1,281,728

Note	Detail
1	The expenses allowance paid to the Chief Constable, indicated Assistant Chief Constables and Director of Resources and Director of People is a car allowance
2	Assistant Chief Constable promoted from 31/05/19 - full years' remuneration included
3	Temporary Assistant Chief Constable in post to 03/06/19
4	Temporary Assistant Chief Constable in post from 19/08/19
5	Temporary Assistant Chief Constable Regional Collaboration Lead *
6	Assistant Chief Constable Seconded to Cheshire Constabulary resigned 28/04/19; all costs for this period fully recovered
7	Director of People joined in post to 16/09/19

* Costs fully recharged across six Regional Forces (Merseyside, GMP, Cheshire, Cumbria, North Wales and Lancashire)

14 TERMINATION BENEFITS

Employee contracts terminated by the CC in 2020/21, and the total number of exit packages, 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 departures agreed		TOTAL number of exit packages by cost band		TOTAL cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Less than £20,000	0	0	0	1	0	1	£ 0	£ 13,581
£20,001 - £40,000	0	0	2	0	2	0	53,231	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	0	0	2	1	2	1	53,231	13,581

The total cost of £0.016m (£0.053m 2019/20) in the table above represents the charge for exit packages that have been agreed, accrued for, and charged to the Comprehensive Income and Expenditure Statement for the current year. There are no accrued costs for 2020/21 included above.

15 AUDIT COSTS

2019/20		2020/21
£000		£000
17	Fees payable to Grant Thornton UK LLP with regard to external audit services	17
17	Total	17

The audit fee proposed in the 2020/21 Audit Plan is £22,588 with the additional amount subject to approval by Public Sector Audit Appointments and therefore not disclosed in the amount above for 2020/21.

16 RELATED PARTIES

The CC is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the CC or to be controlled or influenced by the CC. Disclosure of these transactions allows readers to assess the extent to which the CC 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 CC.

Police and Crime Commissioner

The PCC has direct control over the Group's finances, including responsibility for funding of all pensions' liabilities, and is responsible for setting the Police and Crime Plan. The Chief Constable retains operational independence and operates within the budget set by the PCC, to deliver the aims and objectives set out in the Police and Crime Plan. Section 28 of the Police Reform and Social Responsibility Act 2011 requires that the local authorities covered by the police area must establish a Police and Crime Panel (PCP) for that area. The PCP scrutinises the decisions of the PCC, reviews the Police and Crime Plan and has a right of veto over the precept.

Central Government

Central Government has significant influence over the general operations of the CC. It is responsible for providing the statutory framework within which the CC operates and provides the majority of funding in the form of grants to the PCC. Grants received from government departments are set out in the PCC Group and the PCC Statement of Accounts 2020/21.

Local Authorities

Funding from Local Authorities in the Merseyside area is set out in the PCC Group and the PCC Statement of Accounts 2020/21.

Officers

The CC has considered transactions with senior officers of the Force and has concluded that there are no material transactions to disclose.

17 CHARGE TO CC FOR ASSETS CONSUMED IN THE YEAR

The PCC charges the CC for operational assets consumed in the year. The annual depreciation charge, impairments and upward and downward valuations chargeable to the PCC's Comprehensive Income and Expenditure Statement are considered to be a reasonable proxy as the basis of the charge. The following charges have been made:-

PCC 2019/20		PCC 2020/21
£000		£000
12,480	Depreciation	15,986
(1,883)	Impairment and upward/downward valuations	(788)
1,893	Amortisation	1,366
12,490		16,564

18 JOINT ARRANGEMENTS

The CC is a part of several collaborative Joint Arrangements – such as the North West Regional Organised Crime Group, The West Coast Collaboration, and the North West Motorway Policing Group – however none of these individual Joint Arrangements has a material impact upon the Financial Accounts.

19 THE EXPENDITURE AND FUNDING ANALYSIS (EFA)

This analysis takes the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from by the CC in comparison with those resources consumed or earned by the CC in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20						2020/21						
Adjustments between funding and accounting basis						Adjustments between funding and accounting basis						
Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other differences	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Note	Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other differences	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000
108,420	0	(141,971)	19	(141,952)	(33,532)	Police Services	117,137	0	(138,463)	4,983	(133,480)	(16,343)
108,420	0	(141,971)	19	(141,952)	(33,532)	Net Cost of Services	117,137	0	(138,463)	4,983	(133,480)	(16,343)
(108,420)	0	236,287	0	236,287	127,867	Other Income and expenditure	(117,137)	0	225,609	0	225,609	108,472
0	0	94,316	19	94,335	94,335	Surplus or Deficit	0	0	87,146	4,983	92,129	92,129
0						Opening General Fund Balance	0					
0						Surplus/(Deficit) on General Fund Balance	0					
0						Transfers to / (from) Earmarked Reserves	0					
0						Closing General Fund Balance	0					

20 EXPENDITURE AND INCOME ANALYSED BY NATURE

This note takes the expenditure and income reported for the year in the Comprehensive Income and Expenditure Statement for the CC, and further analyses it by nature.

2019/20		2020/21
£000		£000
347,486	Employees	377,659
10,148	Premises	10,868
6,317	Transport	6,225
20,443	Supplies & Services	25,227
12,490	Charges for Assets consumed	16,563
18,523	Other Services Expenses	23,231
415,407		459,774
(448,939)	Funding from the PCC	(476,117)
(33,532)	Net Cost of Service	(16,343)
127,565	IAS 19 Pension Net Interest	108,137
302	IAS 19 Admin Fees	335
127,867		108,472
94,335	Deficit / (Surplus) on Provision of Services	92,129

21 DEFINED BENEFIT PENSION SCHEMES

21.1 The Police Pension Scheme (Police Officers)

The Pension Fund Account records all the items of income and expenditure that is specified by regulations released on 1st August 2007. These regulations relate to police officer pensions. Police staff have a separate scheme which is described below.

The Police Pension Scheme is a defined benefit scheme, governed by the Police Pensions Regulations 1987 and related regulations. It is an unfunded scheme meaning that there are no investment assets built up to meet the pension liabilities. Following the introduction of the new financial arrangements for police officer payments, a top up grant is received from the Home Office to meet the costs of pensions. The amounts remaining to be paid from the police grant are the notional employer contributions, charges for ill health retirements and injury awards.

The police officers make a contribution of between 11.00% and 15.05% of their salary (depending on which scheme they are in and their annual earnings). In total £18.310m (2019/20 £16.770m) of members contributions have been netted off against retirement benefits payable to pensioners. The cost to the CC of employer's contributions for police officers was £52.823m (2019/20 £49.284m).

The fund is drawn up in accordance with the policies in the statement of accounting policies. The fund's financial statements do not take into account liabilities to pay pensions and other benefits after the period end. The weighted average duration of the defined benefit obligation is estimated at around 18 years for the Old 1987 Police Pension Scheme, at around 35 years for the 2006 Police Pension Scheme and at around 35 years for the 2015 Police Pension Scheme.

As part of the terms and conditions of employment of its officers and other employees, the CC offers retirement benefits. Although these benefits will not actually be payable until employees retire, the CC has a commitment to make the payments which need to be disclosed at the time that the employees earn their future entitlement. Details of liabilities for police officers are shown at **Note 21.7**.

21.2 Police Staff Pensions

The Local Government Pension Scheme for police staff is administered by Merseyside Pension Fund (MPF). This is a defined benefit scheme which is funded by a dedicated portfolio of assets to fund any liabilities of the scheme. The CC and employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets. In addition, the CC has made arrangements for the payment of added years to certain retired employees outside the provision of the scheme. The cost of employer's contributions for police staff was £11.373m (2019/20 £12.287m) **Note 21.11**. Details of liabilities for police staff are shown at **Note 21.7**.

The duration of the defined benefit obligation for the Police Staff Pension Scheme is estimated at 19 years for the CC.

21.3 Sensitivity Analysis of Actuarial Assumptions

A sensitivity analysis has been included showing the possible impact on the net defined benefit obligation of changes in the actuarial assumptions (see **Note 21.8**). The sensitivity analysis has been calculated by assessing changes in the actuarial assumptions, including projected income and expenditure figures for the following year. No assessment has been allowed for the effects of changes in the yields on corporate bonds, as this would have an immaterial effect on the figures. It is important to note that all figures provided are approximate only and would be expected to change were the figures fully recalculated.

21.4 Pensions Risk – Police Staff Pensions Scheme

Wirral Borough Council is the administering authority for Merseyside Pension Fund (MPF) (a Local Government Pension Scheme – LGPS) and has delegated responsibility and accountability for overseeing the fund to the Pensions Committee who have identified the following risks:

Financial Risks

- Investment markets failing to perform in line with expectations;
- Market yields move at variance with assumptions;
- Investment Fund Managers fail to achieve targets; and
- Pay and price inflation is significantly more or less than anticipated.

Demographic Risks

- Longevity horizons continue to expand; and
- Deteriorating pattern of early retirements.

Regulatory Risks

- Changes to regulations; and
- Changes to national pension requirements and/or HMRC rules.

These risks are managed through the MPF Pensions Committee which meet 4 or 5 times a year and has set up an Investment Monitoring Working Party which meets at least 6 times a year to monitor investment performance and developments. The Committee has delegated powers to the Director of Finance of MPF for the day to day running of the fund.

Risks are actively monitored between the full triennial actuarial valuations and the funding strategy is reviewed between valuations if there are significant movements such as significant change in market conditions and/or deviation in the progress of the funding strategy, if there are significant changes to the Fund membership, or LGPS benefits, or other changes of circumstances.

21.5 Pensions Risk – Police Pensions Scheme

This situation is different for the Police Pension Scheme for which all future pensions obligations are effectively under-written in full by legislation in the form of the Police Pension Fund Regulations 2007, which commits the Government to funding all ongoing liabilities of the Police Pension Schemes 1987, 2006 and 2015 (through the reimbursement mechanism of the police top up grant).

21.6 Pension Costs

The CC recognises the cost of retirement benefits in the cost of services when employees earn them rather than when they are eventually paid as pensions. The following transactions have been made during the year:

	Local Government Pension Scheme		Police Pension Scheme								TOTAL
	2019/20	2020/21	2019/20	2019/20	2019/20	2019/20	2020/21	2020/21	2020/21	2020/21	2020/21
	LOCAL GOV'T SCHEME £000	LOCAL GOV'T SCHEME £000	1987 POLICE SCHEME £000	2006 POLICE SCHEME £000	2015 POLICE SCHEME £000	TOTAL £000	1987 POLICE SCHEME £000	2006 POLICE SCHEME £000	2015 POLICE SCHEME £000	TOTAL £000	GRAND TOTAL £000
Net Cost of Services											
Current service cost	19,843	20,218	18,830	640	78,690	98,160	12,450	490	82,990	95,930	116,148
Past service cost	2,457	29	17,630	(30,260)	590	(12,040)	110	10	840	960	989
Administrative Expenses	302	335	0	0	0	0	0	0	0	0	335
Net Operating Expenditure											
Interest cost	16,477	14,893	109,260	6,480	6,360	122,100	91,700	4,780	7,300	103,780	118,673
Expected return on assets	(11,012)	(10,536)	0	0	0	0	0	0	0	0	(10,536)
Net charge to the Comprehensive Income and Expenditure Statement	28,067	24,939	145,720	(23,140)	85,640	208,220	104,260	5,280	91,130	200,670	225,609
Movement in Reserves Statement											
Reversal of net charges made for retirement benefits in accordance with IAS19	(28,067)	(24,939)	(145,720)	23,140	(85,640)	(208,220)	(104,260)	(5,280)	(91,130)	(200,670)	(225,609)
Actual amount charged against revenue:											
Employers contributions and direct payments to pensioners payable in the year	12,287	11,373	136,144	250	(6,710)	129,684	140,780	360	(14,050)	127,090	138,463
IAS 19 Remeasurements charged against Other Comprehensive Income and Expenditure	55,333	(39,145)	379,320	28,790	33,360	441,470	(243,870)	(67,570)	(38,250)	(349,690)	(388,835)

21.7 Pension Assets and Liabilities Recognised in the Balance Sheet

The underlying assets and liabilities for retirement benefits attributable to the CC are as follows:

	Local Government Pension Scheme		Police Pension Scheme						Total			
	31st March 2020	31st March 2021	31st March 2020	31st March 2020	31st March 2020	31st March 2020	31st March 2021	31st March 2021	31st March 2021	31st March 2020	31st March 2021	
	£000	£000	1987 SCHEME £000	2006 SCHEME £000	2015 SCHEME £000	TOTAL £000	1987 SCHEME £000	2006 SCHEME £000	2015 SCHEME £000	TOTAL £000	GRAND TOTAL £000	GRAND TOTAL £000
Estimated liabilities in scheme	(624,424)	(758,952)	(4,139,386)	(212,250)	(275,980)	(4,627,616)	(4,346,736)	(284,740)	(419,410)	(5,050,886)	(5,252,040)	(5,809,838)
Estimated assets in scheme	437,209	519,026	0	0	0	0	0	0	0	0	437,209	519,026
Net liability	(187,215)	(239,926)	(4,139,386)	(212,250)	(275,980)	(4,627,616)	(4,346,736)	(284,740)	(419,410)	(5,050,886)	(4,814,831)	(5,290,812)

The liabilities show the underlying commitments that the CC has in the long run to pay retirement benefits. The total net liability of £5,291m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a net liability of £5,301m. However, statutory arrangements for funding the deficit means that the financial position of the CC remains healthy:-

- The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary; and
- From 1st April 2006 the payments made in the year for police pensions are partly funded from a Home Office grant under new funding arrangements.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Scheme liabilities have been assessed by Mercer Ltd, an independent firm of actuaries. Estimates for the Local Government Scheme are based on the latest full valuation of the scheme as at 31st March 2019. The Police Scheme liabilities have been assessed by the Government Actuaries Department using data provided by the Group.

21.8 Actuarial Assumptions

The main assumptions used in the calculations have been:-

	Local Government Pension Scheme		Police Pension Scheme	
	31st March 2020	31st March 2021	31st March 2020	31st March 2021
Rate of inflation	2.1%	2.7%	2.0%	2.4%
Short term rate of increase in salaries	3.6%	4.2%	4.0%	4.2%
Long term rate of increase in salaries	n/a	n/a	4.0%	4.2%
Rate of increase in pensions	2.2%	2.8%	2.0%	2.4%
Rate for discounting scheme liabilities	2.4%	2.1%	2.3%	2.0%
<u>Mortality Rates (in years)</u>				
Longevity at 65 for future pensioners (Men)	22.5	22.6	23.6	23.7
Longevity at 65 for future pensioners (Women)	25.9	26.0	25.2	25.3
Longevity at 65 for current pensioners (Men)	20.9	21.0	21.9	22.0
Longevity at 65 for current pensioners (Women)	24.0	24.1	23.6	23.7

21.9 Actuarial Assumptions – Sensitivity Analysis

Change in Actuarial Assumption	2020/21				TOTAL
	Local Govt Pension Scheme	Police Pension Scheme			
		1987 SCHEME	2006 SCHEME	2015 SCHEME	
	£000	£000	£000	£000	£000
Unadjusted deficit	(239,926)	(4,346,736)	(284,740)	(419,410)	(5,290,812)
+0.1% change in discount rate	14,259	72,200	9,000	13,200	108,659
+0.1% change in pay growth (salaries)	(2,648)	(6,000)	(4,400)	0	(13,048)
+0.1% change in inflation (pensions)	(14,531)	(68,400)	(5,600)	(15,200)	(103,731)
+1 year increase in life expectancy	(22,787)	(158,000)	(8,000)	(12,000)	(200,787)

21.10 Reconciliation of Present Value of Scheme Liabilities

	LGPS Funded Liabilities		Police Pension Scheme Unfunded Liabilities							TOTAL	
	2019/20	2020/21	2019/20			2020/21					
	£000	£000	1987 SCHEME £000	2006 SCHEME £000	2015 SCHEME £000	TOTAL £000	1987 SCHEME £000	2006 SCHEME £000	2015 SCHEME £000	TOTAL £000	GRAND TOTAL £000
As at 1st April	(663,452)	(624,424)	(4,509,130)	(264,430)	(216,990)	(4,990,550)	(4,139,386)	(212,250)	(275,980)	(4,627,616)	(5,252,040)
Current service costs	(19,843)	(20,218)	(18,830)	(640)	(78,690)	(98,160)	(12,450)	(490)	(82,990)	(95,930)	(116,148)
Interest costs	(16,477)	(14,893)	(109,260)	(6,480)	(6,360)	(122,100)	(91,700)	(4,780)	(7,300)	(103,780)	(118,673)
Members contributions	(3,905)	(4,392)	(3,240)	(130)	(13,400)	(16,770)	(2,140)	(120)	(16,050)	(18,310)	(22,702)
IAS 19 remeasurements	69,067	(107,189)	379,320	28,790	33,360	441,470	(243,870)	(67,570)	(38,250)	(349,690)	(456,879)
Benefits paid	12,643	12,193	139,384	380	6,690	146,454	142,920	480	2,000	145,400	157,593
Past service costs	(2,457)	(29)	(17,630)	30,260	(590)	12,040	(110)	(10)	(840)	(960)	(989)
As at 31st March	(624,424)	(758,952)	(4,139,386)	(212,250)	(275,980)	(4,627,616)	(4,346,736)	(284,740)	(419,410)	(5,050,886)	(5,809,838)

21.11 Reconciliation of Present Value of Scheme Assets

	LGPS Funded Assets	
	2019/20	2020/21
	£000	£000
As at 1st April	436,684	437,209
Expected return on assets	11,012	10,536
Administrative expenses	(302)	(335)
IAS 19 remeasurements	(13,734)	68,044
Employers contributions	12,287	11,373
Members contributions	3,905	4,392
Benefits paid	(12,643)	(12,193)
As at 31st March	437,209	519,026

21.12 Fair Value of Plan Assets

The Police Pension Scheme has no investment assets to cover its liabilities. Assets in the Local Government Pension Scheme are valued at fair value – principally market value for investments, and consist of the following categories by proportion of the total asset:

	Assets as at 31st March 2020		Assets as at 31st March 2021	
	£000	%	£000	%
Equity investments	211,858	48.5%	263,819	50.8%
Government bonds	7,705	1.8%	6,695	1.3%
Other bonds	53,210	12.2%	59,481	11.5%
Property	46,353	10.6%	46,557	9.0%
Cash/liquidity	6,736	1.5%	11,730	2.3%
Other	111,347	25.5%	130,744	25.2%
Total	437,209	100.0%	519,026	100.0%

The asset values in the Local Government Pension Scheme were calculated as at 31st March 2021. A deduction of 0.25% in respect of expenses is made in calculating the expected return for the year.

The expected return on assets represents the allowance made, calculated at the start of the accounting year for the anticipated investment return to be earned on assets during the year.

21.13 Scheme History

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Present Value of Scheme Liabilities					
Local Government Pension Scheme	(594,396)	(590,257)	(663,452)	(624,424)	(758,952)
Police Pension Scheme	(4,606,490)	(4,588,700)	(4,990,550)	(4,627,616)	(5,050,886)
	(5,200,886)	(5,178,957)	(5,654,002)	(5,252,040)	(5,809,838)
Fair Value of Assets (LGPS)					
Local Government Pension Scheme	395,345	408,905	436,684	437,209	519,026
Deficit in Scheme					
Local Government Pension Scheme	(199,051)	(181,352)	(226,768)	(187,215)	(239,926)
Police Pension Scheme	(4,606,490)	(4,588,700)	(4,990,550)	(4,627,616)	(5,050,886)
	(4,805,541)	(4,770,052)	(5,217,318)	(4,814,831)	(5,290,812)

21.14 Remeasurements of the Net Defined Benefit Liability

	2016/17		2017/18		2018/19		2019/20		2020/21	
	£000	%	£000	%	£000	%	£000	%	£000	%
Local Government Scheme										
Difference between the expected and actual return on assets	55,726	14.1	(378)	(0.1)	12,678	2.9	(13,734)	(3.1)	68,044	15.5
Differences between actuarial assumptions about liabilities and actual experience	0		0		0		0		0	
Changes in the demographic and financial assumptions used to estimate liabilities	(99,423)	(16.7)	29,121	4.9	(40,124)	(6.0)	69,067	11.1	(107,189)	(18.3)
	(43,697)		28,743		(27,446)		55,333		(39,145)	
Police Pension Scheme										
Difference between the expected and actual return on assets	0		0		0		0		0	
Changes in the demographic and financial assumptions used to estimate liabilities	(774,580)	(16.8)	87,950	1.9	(131,600)	(2.6)	441,470	9.5	(349,690)	(8.1)
	(774,580)		87,950		(131,600)		441,470		(349,690)	
Total IAS 19 Remeasurements	(818,277)		116,693		(159,046)		496,803		(388,835)	

21.15 Plan Asset Fair Value Disaggregation

Asset Classification	2019/20			2020/21		
	£000 Quoted Market price	£000 No Quoted Market price	£000 TOTAL	£000 Quoted Market price	£000 No Quoted Market price	£000 TOTAL
Equities						
UK	60,015	8,952	68,967	78,526	10,329	88,855
Global	99,280	43,611	142,891	121,556	53,408	174,964
	159,295	52,563	211,858	200,082	63,737	263,819
Bonds						
UK Government	7,705	0	7,705	6,695	0	6,695
UK Corporate	19,420	0	19,420	17,284	0	17,284
UK Index Linked	33,790	0	33,790	41,107	0	41,107
Overseas Corporate	0	0	0	2,803	0	2,803
Derivative Contracts	0	0	0	(1,713)	0	(1,713)
	60,915	0	60,915	66,176	0	66,176
Property						
UK Direct Property	0	25,942	25,942	0	24,602	24,602
UK Property Managed	1,151	7,641	8,792	934	9,135	10,069
Global Property Managed	0	11,619	11,619	0	11,886	11,886
	1,151	45,202	46,353	934	45,623	46,557
Other						
UK Private Equity	53	5,605	5,658	0	10,381	10,381
Global Private Equity	0	28,880	28,880	0	33,685	33,685
UK Hedge Funds	1,082	7,059	8,141	830	3,114	3,944
Global Hedge Funds	1,788	11,906	13,694	0	19,308	19,308
Global Infrastructure	0	14,413	14,413	0	14,792	14,792
UK Infrastructure	815	16,909	17,724	675	18,841	19,516
UK Opportunities	1,197	10,636	11,833	156	10,173	10,329
Global Opportunities	414	10,590	11,004	727	18,062	18,789
	5,349	105,998	111,347	2,388	128,356	130,744
Cash						
Cash Accounts	0	0	0	11,730	0	11,730
Cash Instruments	6,736	0	6,736	0	0	0
	233,446	203,763	437,209	281,310	237,716	519,026

21.16 Claims Arising from the Transitional Provisions in the Police Pension Regulations 2015

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

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

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

Impact on pension liability

Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. For the Chief Constable of Merseyside Police, this affects 402 members. Scheme actuaries originally estimated the increase in scheme liabilities for the Merseyside Police Force to be 4.4% or £210.3m of the Officer Pensions scheme liabilities, and 3.5% or £7.4m of the LGPS liabilities. This was recognised in the 2018-19 accounts. In 2019/20, this estimate decreased by £7.0m for the Officer Pensions scheme, and increased by a further £8.1m for the LGPS liabilities; reflecting an additional years benefits from the remedy and a reduction resulting from the eligibility criteria for members set out in HM Treasury's consultation. In 2020/21, the estimated increase is a further £28.8m for the Officer Pension scheme liabilities, and £0.85m for the LGPS liabilities, reflecting an additional years benefits from the remedy.

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

Compensation Claims

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

22 CONTINGENT ASSETS & LIABILITIES

22.1 Contingent Assets

There are no contingent assets at 31st March 2021.

22.2 Contingent Liabilities

There are no contingent liabilities at 31st March 2021.

PENSION FUND ACCOUNT

The CC is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from the Police Fund. The Pension Fund Account reflects the pensions arrangements from 1st April 2020 to 31st March 2021 and does not take account of liabilities to pay pensions or other benefits after the period end. The pension transactions are split between two separate accounts. The Pension Fund Account has no investment assets and all of its transactions are reimbursed by a contribution from the PCC that the PCC recoups from central Government through the pensions top-up grant. The remainder of pensions expenditure resides within the Group, and can be found in the PCC, the CC and Group Statement of Accounts. The Pension Fund Account has been prepared in line with similar accounting policies to the PCC and Group. This statement does not form part of the CC Statement of Accounts.

2019/20	Pension Fund Account	2020/21
£000		£000
	Income	
	Contributions Receivable	
(38,827)	Police employers pension contribution income	(42,505)
(3,134)	Employees pension contributions (Police Pension Scheme 1987)	(2,141)
(134)	Employees pension contributions (Police Pension Scheme 2006)	(115)
(13,399)	Employees pension contributions (Police Pension Scheme 2015)	(15,999)
	Other	
(727)	Police transfer value receivable	(952)
(2,032)	Capital equivalent income - ill health pensions	(1,099)
(58,253)	Total Income	(62,811)
	Expenditure	
	Benefits Payable	
115,820	Police pensions	118,234
2,103	Police ill health commutations	1,099
20,468	Police ordinary commutations	17,394
0	Additional commutation in respect of GAD v Milne	0
234	Police death in service grant	113
	Other	
0	Refunds of contributions	0
0	Police transfer value payable	54
138,625	Total Expenditure	136,894
80,372	Net Amount Payable/(Receivable) before top-up grant	74,083
(80,372)	Additional contribution from the PCC	(74,083)
0	Net Amount Payable/(Receivable)	(0)

31st March 2019	Net Assets Statement	31st March 2020
£000		£000
	Net Current Assets and Liabilities	
	Creditors/Receipts in Advance	
0	Unpaid pension benefits	0
0	Employers contributions received in advance	0
0	Employees contributions received in advance	0
0	Amount to be reimbursed to PCC for refund of pension benefits	0
	Debtors/Prepayments	
0	Owed to pension fund from PCC for unpaid pension benefits	0
0	Refund of pension benefits	0
0	Total Net Assets	0

Annual Governance Statement

Merseyside Police

Annual Governance Statement

1. Scope of Responsibility

- 1.1 The Chief Constable of Merseyside Police is responsible for maintaining the Queen's Peace and has direction and control over the officers and staff operating within the Merseyside Police Service. The Chief Constable of Merseyside holds office¹ under the Crown and is appointed by the Police and Crime Commissioner of Merseyside (PCC).
- 1.2 The Chief Constable of Merseyside Police is accountable to the law for the exercise of police powers, and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, police officers and staff, remain operationally independent in the service of the communities that they serve. In discharging his overall responsibilities, the Chief Constable of Merseyside is responsible for establishing and maintaining appropriate governance arrangements, risk management processes and ensuring that there is a sound system of internal control, which facilitates the effective exercise of these functions.
- 1.3 The Chief Constable and the PCC have approved and adopted a Joint Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government 2016, which sets out the shared approach to integrating the core good governance principles into the conduct of the business, and sets out the arrangements for reviewing their effectiveness. A copy of the Code is available on Merseyside Police's website at www.merseyside.police.uk.
- 1.4 This statement explains how Merseyside Police has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015 (Regulation 6 and 10), which requires all relevant bodies to review their internal control system and prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

2.1 Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities (e.g. the PCC and Chief Constable) must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

2.2 The system of internal control is a significant part of the overall governance framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide a reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the force's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

2.3 The Chief Constable needs to be assured that the force's systems, policies and people are operating in a way that is driving the delivery of agreed corporate objectives, are focused on the key risks to the delivery of those objectives and are economic, efficient and effective.

¹ Definition of Office of Constable – "an independent and impartial officer, the holder of whom operates within and is accountable to the rule of law. Any holder of the office of constable is tasked with upholding and enforcing the law".

3. The Governance Framework

3.1 The governance framework comprises the systems, processes, culture and values by which the Chief Constable is directed and controlled. The Chief Constable of Merseyside Police is responsible for operational policing matters, the direction and control of police officers and staff, and for putting in place proper arrangements for the governance of the force. The Police and Crime Commissioner for Merseyside is required to hold the Chief Constable to account for the exercise of those functions, and those of the persons under the Chief Constable's direction and control. It therefore follows that the PCC must satisfy themselves that the force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

3.2 Financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014). The Joint Corporate Governance Framework makes specific references to the CIPFA statement in the Role of Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014) in a number of sections including setting out the key responsibilities, implementing good practices in transparency, reporting, and audit, to deliver effective accountability, and outlining the corporate processes, which underpin this commitment.

3.3 The core principles that underpin the governance framework are outlined below. Examples of the behaviours and outcomes are provided against each principle that demonstrate that the relevant principle was in place during the year:

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

Compliance with the Corporate Governance Framework and the Home Office Financial Management Code of Practice ensured that good governance principles were embedded within the way the Office of the Police and Crime Commissioner for Merseyside and Merseyside Police operated. As such, the PCC and Chief Constable set the tone for their respective organisations by creating a climate of openness, support and respect.

A refreshed Force Strategy 2020 – 25 was launched this year. Central to the Strategy is a commitment to putting the needs of our local communities first, underpinned by a strong commitment to upholding standards and values – expressed through 'Just' - Just Talk, Just Think, Just Lead and Just Listen. 'Just' is a brand that has been used for many years to effectively communicate expectations regarding standards and values to all staff, in a bespoke Merseyside way. The key messages embedded within Just are consistent with the Code of Ethics – a fact recognised by HMICFRS.

The refreshed Force Strategy was supported by a communication and marketing campaign that included a presentation and briefing to all staff. The Strategy and the standards and values therein, has been routinely promoted and reinforced by the Chief Constable (Via VLOGs), Chief Officers, Departmental Heads and Strands Leads. These combined efforts provided an opportunity to remind all staff of the Force's commitment to upholding ethical values and the importance of maintaining high standards.

A Standards and Values marketing plan continues to be implemented, enabling a structured approach to the communication of key themes. This includes:

- 7@7 briefing campaigns (e.g. Sexual Corruption and associated Statement of Expectations, from DCC).
- NCALT training on Abuse of Position for Sexual Gain.

- Briefings accessible to the workforce on iForce.
- Routine publishing of a newsletter by PSD to all staff that picks up key learning opportunities.
- Routine publication of misconduct cases on the intranet, People and Policy Matters and the Force website

Despite restrictions imposed in response to the Pandemic, the Force continued to deliver training for all new recruits and existing officers and staff. Particularly for new recruits, but not exclusively, all courses cover ethical behaviour and reiterate the Force commitment to standards and value through its 'Just' brand.

Terms of Reference for the Tactical Ethics and Integrity Meeting have been reviewed to ensure they remain fit for purpose – to support the 'organisation in delivering a strong ethical culture, ensuring delivery of a legitimate policing service to the communities and a workforce who understand how to raise ethical issues and are confident to do so.' This meeting escalates relevant issues to the Leadership, People and Trust Board. This structure provides governance and oversight of the extent to which ethical values are embedded across the organisation.

The force continued to adopt new, and amended Authorised Professional Practice developed by the College of Policing as guidance regarding various aspects of policing professional practice.

The Professional Standards Department manages complaints and dissatisfaction regarding the service provided to the public. They also investigate discipline matters where the Standards of Professional Behaviour are alleged to have been breached. Some serious matters are dealt with by the Independent Office for Police Conduct, who, with the Office of Police and Crime Commissioner, oversee the complaint system to maintain independent accountability.

New police regulations regarding reflective practice have been implemented. In accordance with regulations, a common sense use of conduct procedures is promoted, reserving them for the most serious of cases. When it is appropriate to do so, local leaders are encouraged to lead and resolve issues locally, supported by appropriate actions and learning. This instils a learning and ethical culture.

A register of interests for Chief Officers and their respective staff is maintained . All police officers and police staff must declare and have approved any external business interest.

Police officers and police staff are required to report any offer – whether accepted or declined - of a gift or gratuity, which arise during, or in connection with their employment for Merseyside Police. These registers are published on the force's website.

Police officers and police staff are subject to a Professional Development Review (PDR) which promotes the professionalisation of the police service through assessment against criteria within the Competency Values Framework developed by the College of Policing. The PDR also formally requires consideration of any secondary businesses and notifiable associations.

B. Ensuring openness and comprehensive stakeholder engagement.

A new Community Engagement Strategy 2020 – 2025 was launched. This has an overarching strategic aim 'to improve confidence in Merseyside Police by gaining and maintaining the trust of our communities.' The Strategy has five objectives underpinned by 33 commitments which are consistent with ensuring openness and comprehensive stakeholder engagement. This is in line with the force's Community First Strategy.

The refreshed Force Strategy 2020 – 2025, continues to include a strategic policing objective to ‘provide visible and accessible neighbourhood policing.’ Implicit within this commitment is a willingness to engage with our local communities where they reside.

The Community Engagement Unit continued to undertake engagement activities with the many diverse communities across Merseyside. Whilst this could not always be in person due to the restrictions relating to the pandemic, other virtual methods were used.

A well developed social media capability, including Twitter, Facebook and Instagram, provides for the two way exchange of up to date information with the communities of Merseyside.

The force’s website is regularly updated to ensure timely information is available to members of the community. The force also has an up to date Freedom of Information publication scheme.

The Merseyside Independent Advisory Group (MIAG) has been subject to review and a new chair appointed. Membership of the group has been refreshed. MIAG have been active throughout the year and have been involved in several scrutiny panels regarding the appropriate and legitimate use of police powers relating to Stop and Search, and Fixed Penalty Notices for breaches of Covid related restrictions. They have also played an advisory role on various Gold Meetings relating to the Force’s response to the pandemic or specific policing operations.

The Force played an active role in the Merseyside Strategic Coordination Group which included representatives from local authorities, emergency services, health and social care, etc. This Group, chaired by the Deputy Chief Constable, coordinated the Merseyside response to the pandemic and provided updates to Government as required.

C. Defining outcomes in terms of sustainable service and economic benefits.

The refreshed Force Strategy 2020 – 2025 has a clearly defined vision - ‘working as one team, we will put the needs of our communities first in everything we do.’ Referred to as the force’s Community First Strategy, it puts the victim and community at the heart of decision making.

The performance framework reflects common sense measures that assess effectiveness at putting the community first, making quality decisions, and getting it right first time. It places emphasis on using discretion and common sense.

The approach to the identification and assessment of organisational / business risks has been reviewed and amended. Identified risks are assessed with regards the extent to which they have an impact on delivery of the Force Strategy. Risks have been prioritised reflective of the risk assessment and action is being taken to mitigate risks to service delivery, the achievement of outcomes and value for money. The risk register has informed decisions regarding investment of additional resources as a consequence of Operation Uplift, change programmes, or the reallocation of existing resources.

The force collaborates with other agencies to manage demand and reduce costs. The force’s rationale for collaborating with others is to improve services for local communities and make savings wherever possible. This includes blue light collaboration opportunities.

The force has an ongoing collaborative arrangement with North Wales Police and Cheshire Constabulary – West Coast Collaboration Niche RMS - regarding the integration of Niche system into a single shared database. This Tri Force Niche arrangement enables officers and staff in all 3 forces to access each other’s data, reducing threat, harm and risk, ultimately improving the services provided to communities. In January 2020, Dyfed Powys sought to join this collaborative arrangement. Work continues on this, albeit the impact of the pandemic has affected the pace of progress.

The Community Cash Back Fund continues to utilise money obtained through the Proceeds of Crime Act (POCA). This funding is being used to support specific community projects and operations, crime reduction initiatives and to promote diversionary activities.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) independently assess policing activity, from neighbourhood teams to serious crime and the fight against terrorism – in the public interest. During 2019/20 the force was inspected against a number of thematic areas. The force acts on recommendations and areas for improvement identified in each inspection report.

The force regularly assesses its demand. In accordance with the requirements of HMICFRS, the Force completes an annual Force Management Statement. This Statement involves each function and strand giving consideration to their ability to meet current and future anticipated demand and to make an assessment of their ability to meet desired outcomes. Specifically, the Force Management Statements requires all functions and strands to consider the sustainability and serviceability of their assets, including people.

D. Determining the interventions necessary to optimize the achievement of the intended outcomes.

The Corporate Governance Framework has been reviewed and amended to reflect best practice.

The Chief Constable and PCC have maintained and reviewed the Medium Term Financial Strategy, which forms the basis of the annual budget and provides a framework for evaluating future proposals. The Medium Term Financial Strategy highlights the significant financial and operational challenges facing the PCC and the Force over the next five years to balance its budget and achieve the Police and Crime Plan objectives.

A Workforce Strategic Assessment and Workforce Strategic Plan has been developed. Amongst other things, these respective documents identify issues relating to anticipated future demand and the ability of the Force to meet that demand, the capacity and capability of the workforce required to address current and future demand, and skills gaps. This informs a workforce Learning Needs Assessment.

The Community First Programme Board provides governance, guidance and decision making to ensure programme work is delivered to required timescales and specifications. The Board ensures that the programme achieves its objectives in delivering business benefits including an examination of budget and resourcing.

The Continuous Improvement Board considers key strategic performance issues and risks, determines how each portfolio is contributing to priorities and identifies and resolves cross portfolio issues.

Strand Level Governance meetings coordinate activity at a force level, ensuring delivery of the objectives within each of the Police and Crime Plan priorities.

A Benefits Management Strategy 2020 – 2022 was launched during the year. This aims to ensure benefits arising from change programmes, projects, initiatives etc are clearly identified, categorised, quantified and valued at the outset, and linked to one or more of the objectives set out in the Force Strategy.

A strategic planning cycle was developed to establish the relationship between the key parts of the planning cycle and the periods during which they should be undertaken and completed to support delivery of the Medium Term Financial Strategy and Annual Budget.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

A Leadership and People Board, chaired by the Chief Constable, provides a platform for discussions around leadership development across the Force and is attended by Chief Officers, Strand Leads, Departmental Heads and other key personnel.

The suite of Leadership CPD is still being designed and will be accessible to all line managers and other officers and staff as appropriate. It will eventually be opened to the Force as a whole.

A Promotion Pathway for newly appointed Sergeants and Inspectors has been implemented. This involves a Professional Practice course, a variety of CPD events and an Initial Core Leadership Programme upon successful completion of the promotion board. There is also some early work being undertaken around the development of a leadership programme/ CPD for Chief Inspector and Supt ranks on promotion.

Chief Officers have a number of CPD days to further hone their leadership skills. This includes using a coaching style of leading and reflective practice by looking at feedback as to how others view them linked to Clarity 4D profiles and 360 feedback.

A Police Staff Leadership Course has been developed which covers College of Policing modules. This course recognises the importance of supporting the on-going development of police staff.

Development cohorts have been established within strands and departments, to provide further support to both police officers and staff to assist their development and improve performance.

The force has implemented the College of Policing Fast Track Programme. This is both a development programme and promotion mechanism to enable the most talented serving constables to advance to the rank of inspector within two years.

Resilience Training has been introduced to support line managers (police officers and police staff) to not only manage their own resilience, but that of their teams. This is seen as a key aspect of managing teams and performance in terms of well-being. It is designed to instil coping mechanisms to help people deal with pressure of work in order to avoid increased sickness levels. This training has been extended to non-line managers in recognition that leadership is applicable to all levels of the organisation. This also supports those who may become future leaders when managing a team.

F. Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management.

The force has developed a strategic understanding of the threats and risks by crime type which pose the greatest harm to local communities, using the 'management of risk in law enforcement' (MoRiLE) process. This tool assesses the types of crimes which most threaten communities, and highlights where the force does not currently have the capacity or capability to tackle them effectively.

The approach to the identification and assessment of organisational / business risks has been reviewed and amended. Identified risks are assessed with regards the extent to which they have an impact on delivery of the Force Strategy. Risks have been prioritised reflective of the risk assessment and action is being taken to mitigate risks to service delivery, the achievement of outcomes and value for money. The risk register has informed decisions regarding investment of additional resources as a consequence of Operation Uplift, change programmes, or the reallocation of existing resources.

Strategic financial updates are provided at the force's Strategic Management Board on a monthly basis.

The Joint Audit Committee has overseen the completion of the work of the internal and external audit during the year and ensured that actions arising from their work have been addressed. In compliance with the Government's Covid 19 guidelines these meetings have been undertaken via Skype.

The force holds a bi-monthly Continuous Improvement Board, which highlights key strategic performance issues and risks, determines how each portfolio is contributing to priorities and identifies and resolves cross portfolio issues.

G. Implementing Good Practices in Transparency, Reporting, and Audit to Deliver Effective Accountability.

The force has a number of Board Level meetings, designed collectively to ensure that strategic decisions are well informed through extensive consultation. These meetings are recorded and actions published to provide a record of decision-making.

The force has a dedicated department to deal with complaints. The complaints process has been reviewed to fall in line with the changes to the police complaints system introduced by the Police Reform and Social Responsibility Act 2011. The force publishes the outcomes of disciplines on its website, along with the outcome of misconduct hearings.

The force has effective arrangements in place to monitor force performance, which is reported to the PCC via the Force Inspections meeting. The relevant data is published on the PCC's website.

The PCC had a number of arrangements in place to minimise the possibility of fraud, these included having codes of conduct, as well as whistleblowing and Gifts and Hospitality policies and procedures in place and taking part in the National Fraud Initiative, which is a national exercise that matches electronic data within and between public and private sector bodies, such as payroll, pensions and benefits data.

4. Review of Effectiveness

4.1 The Chief Constable of Merseyside has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control and internal audit.

4.2 The review of effectiveness for 2020/21 has been informed by the work of senior managers within the force, who have responsibility for the development and maintenance of the governance environment; the Head of Internal Audit's annual report; and also by comments made by external auditors and other review agencies and inspectorates. The review also comprises:

- An annual review of the key documents within the Chief Constable's corporate governance framework eg Financial Regulations. This provides assurance around potential vulnerability to fraud or breaches of financial regulations.
- An overarching review of the governance arrangements in place to support each of the core principles. As part of the review, the Chief Constable's Code of Corporate Governance is updated to reflect changes to the governance framework and the implementation of the prior year's AGS development plan.
- A review of what has happened during the past year to evidence how the governance framework has been complied with. The process includes consideration of the questions and challenges raised

within the CIPFA Good Governance Guidance Note for Police and a discussion on how well existing arrangements meet the good practice guidance within the guidance.

- 4.3 The Head of Legal Services acted as the non-statutory Monitoring Officer for the Chief Constable. During the year there have been no reports from the Monitoring Officer with regard to illegal or inappropriate conduct
- 4.4 **Assurance Framework** – this is a structured means of identifying and mapping the key sources of assurance in the organisation and comprises evidence to support the Annual Governance Statement. The key assurances are:-

(i) Shared Internal Audit Service

The primary role of Internal Audit is to give assurance to the PCC and Chief Constable, through the Joint Audit Committee, on the effectiveness of the controls in place to manage risks. To this end the Head of Internal Audit delivers an annual opinion on the effectiveness of the Governance, Risk Management arrangements and internal control environment reviewed by the Shared Internal Audit Service. This annual opinion is one of the key sources of evidence in support of the Annual Governance Statement. Any issues identified during an audit were dealt with initially in the relevant audit report, with any major control weaknesses initially being reported to the Chief Finance Officers. Significant governance failures identified through general audit work are referred to the Joint Audit Committee.

The Head of Internal Audit is responsible for the day-to-day management of the Shared Internal Audit Service, and reports directly to the Chief Finance Officers. Direct access to the PCC, Chief Constable and the Chair of the Joint Audit Committee is also sanctioned if considered appropriate. The Head of Internal Audit plays a critical role in delivering the PCCs, and Chief Constables, strategic objectives which conforms to the CIPFA Statement on the Role of the Head of Internal Audit (2010). This is through objectively assessing and providing an opinion on the adequacy of governance and management of existing risks and commenting on responses to emerging risks and proposed developments.

The terms of reference for the Shared Internal Audit Service require that work is conducted in accordance with Public Sector Internal Audit Standards. In addition, Internal Audit work is subject to regular reviews by the External Auditor, the findings of which are reported through their Annual Audit Letter.

Internal Audit's plans and performance are reported annually to the Joint Audit Committee. The Internal Audit plan for 2020/21 included the reviews of the effectiveness of the governance arrangements covering areas such as compliance to Home Office grants terms and conditions, assurance in respect of supporting Smartforce System Implementation (Oracle Cloud based Finance & HR System, COVID: Recovery Review and the effectiveness of the arrangements for compliance with key aspects of the National Fraud Initiative and the General Data Protection Regulations.

On the basis of the internal audit work undertaken in 2020/21, including the outcomes of follow up work on actions agreed with management, the Head of Shared Internal Audit Service is satisfied that sufficient assurance work has been carried out to allow him to form a reasonable conclusion on the adequacy of risk management, governance and internal control. In his opinion the Office of the Police and Crime PCC for Merseyside's and the Chief Constable's risk management, governance and control arrangements are reasonable and audit testing has confirmed that controls are generally working effectively in practice. Where internal audit work has identified scope for improvements, the management response has been appropriate and action plans have been agreed. In forming this opinion, he considered the CIPFA Guidance to Internal Auditors on the head of internal audit annual opinion for 2020/21: Addressing the risk of limitation of scope, issued in light of the impact of covid-

19 on all public services and raising the question of whether they will be able to undertake sufficient internal audit work to gain assurance. In considering this guidance the Head of the Shared Internal Audit did not consider that the opinion required a limitation of scope.

In accordance with the Accounts and Audit Regulations 2015 the PCC once again conducted a review of the effectiveness of its system of Internal Audit. Consequently, the Head of Shared Internal Audit Service undertook a self-assessment of compliance against the Local Government Application Note to the Public Sector Internal Audit Standards (PSIAS) developed by CIPFA, using the checklist detailed within the Appendix of the note to form the basis of the judgment. The Head of the Shared Internal Audit Service has completed the self-assessment and there are no issues to report.

PSIAS also require that all internal audit functions be subjected to an external evaluation every 5 years. A peer review was undertaken in September 2017 by the Head of Internal Audit of West Yorkshire PCC. The principal objectives of the assessment were:-

- To review Shared Internal Audit Service (SIAS) conformance with Public Sector Internal Audit Standards;
- To evaluate the effectiveness of SIAS internal audit activity; and
- To identify opportunities to enhance management and work processes.

In making assessments the peer group adopted The Institute of Internal Auditor's (IIIA) Quality Assessment Manual ratings: "Generally Conforms," "Partially Conforms," and "Does Not Conform." Merseyside SIAS achieved a "Generally Conforms" opinion meaning that the internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. A number of minor recommendations were made from the review and were incorporated in to the Quality Assurance Improvement Programme. All the areas for improvement identified were addressed during the year.

(ii) External Audit

The Chief Constable's governance arrangements and the system of internal financial control are subject to external audit review, via the audit of the Chief Constable's statement of accounts and the outcome of its work to assess the Chief Constable's arrangements for securing value for money in its use of resources. The Chief Constable's external auditors are Grant Thornton. Grant Thornton's plans and reports, including the Annual Governance Report and the Annual Audit Letter, are considered by the PCC and the Audit Committee at appropriate times during the annual cycle of meetings.

At the time of writing Grant Thornton were undertaking their audit review and with the aim of issuing their opinions by 30th September 2021.

(iii) Joint Audit Committee

The Chief Constable and the PCC have established a Joint Audit Committee. Its role is to provide an independent review of the effectiveness of governance, risk management and control frameworks, financial reporting and annual governance processes, internal and external audit, and treasury management.

CIPFA recommends that Audit Committees report regularly on their work and, at least annually, assess their performance. To this end the Committee have drafted its annual report setting out how the Committee fulfilled its responsibilities in 2020/21. The Committee's overall conclusions on the PCC's and Chief Constable's governance arrangements are that it has received assurances on the operation of the systems of governance, risk management, financial reporting and annual governance

statements preparation. Its work has not identified any significant control risks and the Committee concludes that the arrangements reviewed remain adequate and effective.

In accordance with the CIPFA's guidance to Police Audit Committees, the Audit Committee reviewed its own performance against good practices and members believe it has been effective. There are opportunities to develop further through training, and an action plan has been developed to address the areas identified by the Committee. In implementing the action plan and the on-going champion roles, the Committee aims to become more effective during 2020/21.

The Committee recognises the significant challenges facing the new Chief Constable and Commissioner. In addition to Operation Uplift, the Violence Reduction Partnership and Covid-19, they must also continue to meet savings requirements from the medium-term financial strategy. Although the financial position has improved in 2021/22, there are risks and uncertainties that could have an adverse effect on this. The Committee looks forward to continuing to support them in developing governance arrangements as they address these challenges.

(iv) Force Review & Inspection Teams

The force has its own Review and Inspection Team who are responsible for providing assurance to the Deputy Chief Constable (DCC) in relation to areas of risk for the force. Areas, functions and processes at risk are identified from a number of sources including the force's identified risks and priorities. Reviews and inspections are undertaken and a level of assurance of compliance, fitness for purpose and risk is reported back to individual Chief Officers and action plans monitored via appropriate governance meetings.

(v) Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) independently assesses and reports on the efficiency and effectiveness of police forces and policing. HMICFRS aims to provide authoritative information to allow the public to compare the performance of their force against others, and to drive improvements in the service to the public.

HMICFRS decides on the depth, frequency and areas to inspect based on: judgements about what is in the public interest; at the direction of the Home Secretary; or by invitation of a Police and Crime Commissioner. In making these judgements, HMICFRS considers the risks to the public, the risks to the integrity of policing, service quality, public concerns, the operating environment, the burden of inspection and the potential benefits to society from the improvements that might arise from the inspection.

On the 13th March 2020, HMICFRS wrote to all forces advising of the immediate suspension of all inspection activity to enable policing to focus on responding to changes in demand and practices caused by Covid 19. What HMICFRS termed a resumption of 'appreciable inspection activity' did not occur until October 2020, which in practice meant the start of a revised approach to the annual PEEL Assessment process.

Unrelated to the implications of the pandemic, HMICFRS had already decided to amend the PEEL Assessment process, with Merseyside chosen as one of three forces to pilot the new PEEL Assessment methodology. In practice, this meant the force was inspected in the following areas:

Service Assessment
• Victim Service Assessment (Including Crime Data Integrity)
• Public Treatment

Operational Assessment
• Preventing Crime and ASB
• Responding to the Public
• Investigating Crime
• Protecting Vulnerable People
• Managing Offenders and Suspects
• Tackling Serious and Organised Crime
• Strategic Policing Requirement
• Armed Threats
Organisational Assessment
• Workforce and Workplace
• Strategic Planning and Value for Money

With the exception of Strategic Policing Requirement and Armed Threats all other areas will be graded by HMICFRS using a recalibrated grading system: Outstanding; Good; Adequate; Requires Improvement; and Inadequate.

The PEEL Assessment process for Merseyside commenced in October 2020 and concluded in April 2021. Due to Covid restrictions, most – but not all - of the inspection was undertaken virtually. The final report, including recommendations, areas for improvement and grades is not anticipated until August / September 2021.

Notwithstanding this, HMICFRS have published a number of thematic inspection reports relating to the following:

- A Call for Help: Police contact management through call handling and control rooms
- Roads Policing
- The Hard Yards: Police to police collaboration
- Pre-charge Bail and Released Under Investigation
- ‘Feeling heard’: partner agencies working together to make a difference for children with mental ill health
- ‘Safe to share?’: Super-complaint on policing and immigration status
- Regional Organised Crime Units
- Disproportionate Use of Police Powers: stop and search and the use of force
- ‘Getting the balance right?’: policing protests

The above reports drew on information provided by Forces including Merseyside, and in some cases involved Merseyside being subject to an onsite inspection. Each report includes recommendations and areas for improvement to which all forces must have regard. In keeping with this, progress made by the Force in addressing these issues is monitored via ongoing governance arrangements exercised by the Deputy Chief Constable.

(vi) Force decision making processes

Policy and decision making within the force ultimately rests with the Chief Constable. A number of key Board Level meetings exist to support the Chief Constable in this process, including the Strategic Management Board, Community First Programme Board and Continuous Improvement Board.

(vii) Corporate Governance Group

The Corporate Governance Group completed its annual review of the Governance Framework and recommended that, subject to changes that were made as part of good housekeeping and the removal of a number of existing delegations from the Chief Constable to the Force Director of Resources, that the existing framework is retained. Consequently, the Corporate Governance Framework for 2021/22 was approved by the PCC and Chief Constable. The Corporate Governance Group also developed this Annual Governance Statement for 2020/21.

(viii) CIPFA Financial Management Code 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable and ensuring good governance, particularly achieving sustainable outcomes. The new CIPFA Financial Management Code 2019 (FM Code) provides guidance for good and sustainable financial management in local authorities, including police, and provides assurance that authorities are managing their resources effectively. The primary objective of the FM Code is to enhance standards of financial management across the public sector. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the FM Code will help strengthen the framework that surrounds financial decision making. The first full year of compliance is 2021/22.

A high level self-assessment against the key principles and standards contained within the FM Code was undertaken jointly by the PCC's CFO and the Force's Director of Resource and their initial assessment was that overall both organisations generally comply with the principles. However, work is currently on going to be able to demonstrate full compliance with the Code in 2021/22.

On long side compliance with the FM Code, CIPFA have recently undertaken a Financial Management Capability Review of Merseyside Police, including the OPCC. Overall, Merseyside received a two-star rating when compared with best practice as set out in the financial management model. The definition of a two-star rating is that "the organisation has basic financial capability. Financial management arrangements are in place that allow the organisation to meet the minimum of practice standards and provides functional capability in the short term and a minimum level of support in the delivery of organisational outcomes but does not support organisational transformation change. Financial management style is predominantly stewardship in nature rather than supporting effective decision support. There is a disconnect between operational and financial strategies." The maximum rating is a four star, i.e. world class. An action plan has been agreed to achieve a 'three-star rating, i.e. highly evident, by December 2021. This work will support the work to demonstrate compliance with the FM Code.

(ix) The impact of the Covid-19 Pandemic on Governance Arrangements

Throughout the pandemic, the Force has been able to exercise effective governance arrangements, albeit the means of achieving this changed to ensure compliance with Government guidelines. Whilst most corporate meetings continued, they were undertaken virtually (via Skype or Teams) or a hybrid of limited numbers in person with other attendees using Skype or Teams. This ensured appropriate social distancing arrangements could be maintained.

Specifically with regards the Force's response to Covid 19 and its impact on service delivery, the Force implemented a structured Command – Operation Georgia - which included a Gold, Silver and Bronze, with close alignment to the work of our partners through the multi agency Strategic Coordination Group.

To support the work of Operation Georgia, the Force adopted and adapted the Police Escalation of Withdrawal of Service Model which requires each function to risk assess the impact of Covid 19 on their resources and their ability to deliver key functions. The findings of these assessments, together with wider performance related issues, were initially considered on a daily basis to inform decisions regarding the reallocation of resources from non critical functions to support delivery of critical functions.

To coincide with the easing of lockdown restrictions, the roll out of vaccinations and the reduced rate of infections, application of daily risk assessments has reduced to twice weekly, with results reported to Operation Georgia. A dedicated Operation Georgia Team remains in place, albeit scaled down to reflect the reducing risk.

At a strand / department level, business continuity arrangements were implemented to ensure the Force was able to continue to deliver its services. Examples of how business continuity plans have been implemented include: splitting the Force Contact Centre over two locations; restricting class sizes within the Academy; remote working from home, where possible; and virtual conferencing of all meetings, including team and governance meetings, to facilitate its day to day business, as well as ensuring social distancing for the health and wellbeing of all officers. To support the above, the Force purchased additional laptops and associated equipment IT equipment.

Conclusion

Based on the findings of the review undertaken above and the assurances received it is concluded that the Governance Framework, including the system of internal audit and external audit, is operating effectively and continues to be fit for purpose.

5. Significant Governance Issues

5.1 The following table details the progress made against the significant governance issues identified in last year's Annual Governance Statement.

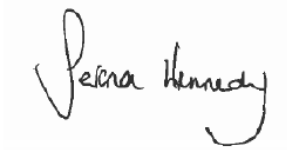
Governance Issue	Action
<p>The impact of the Covid-19 pandemic on the governance arrangements and the ability of the PCC, the OPCC and the Force to continue to undertake its business and ensure that it continues to be conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.</p>	<p>The Force implemented a structured Command – Operation Georgia – as a means of exercising governance over its response to Covid 19. This structure includes a Gold, Silver and Bronze, with close alignment to the work of our partners through the multi agency Strategic Coordination Group.</p> <p>The Force has adopted and adapted the Police Escalation of Withdrawal of Service Model which requires each function to risk assess the impact of Covid 19 on their resources and their ability to deliver key functions. The findings of these assessments, together with wider performance related issues, are considered on a daily basis as part of the Operation Georgia structure. As appropriate, decisions are taken to reallocate resources from non critical functions to support delivery of critical functions.</p> <p>In keeping with the above, there has been a requirement for the OPCC, and the Force, to implement urgent business continuity arrangements to ensure that the OPCC, and Force, remain open for business.</p> <p>Examples of how business continuity plans have been implemented include: splitting the Force Contact Centre over two locations; restricting class sizes within the Academy; remote working from home, where possible; and virtual conferencing of all meetings, including team and governance meetings, to facilitate its day to day business, as well as ensuring social distancing for the health and wellbeing of all officers.</p>
<p>As part of the Government's commitment to recruit an additional 20,000 officers nationally by March 2023 (Operation Uplift), the Force is to recruit 660 additional police officers. Plans have been drawn up to achieve this, albeit heavily front loaded. In accordance with plans set out in the Medium Term Financial Strategy, the Force intends to recruit an additional 500 officers by 31st March 2021 and the remaining 160 the following year. This presents significant governance issues.</p>	<p>As part of the 2020/21 budget the PCC maximized the funding available to the Chief Constable to not only recruit the 200 Police Officers required under the first stage of 'Operation Uplift', but also to recruit an additional 300 police officers. All 500 additional police officers were recruited by the 31st March 2021. Plans were also approved to recruit an additional 160 police officers in 201/22 as part of the second stage.</p>

Governance Issue	Action
The on-going identification and achievement of the savings identified in the Medium Term Financial Strategy to ensure a balanced Budget over the period.	A savings target of £1.5m was set in 2020/21 to ensure a balanced budget. Progress against this target was monitored by the PCC and at year end £1.4m had been achieved. During 2020/21 the Chief Constable established a Savings Board to identify, develop, implement and quality review, robust savings plans. In addition, the Community First Programme continues to ensure that the Force is appropriately structured to meet the needs of our communities and deliver the savings required over the MTFS. The PCC's Business Change and Efficiency Group will oversee the programme and will approve the required savings over the MTFS period.

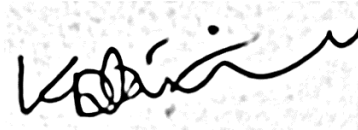
5.2 The following have been identified as significant governance issues for the force in 2021/22 and beyond.

Governance Issue	Action
Demonstrate full compliance to the new CIPFA Financial Management Code.	The PCC CFO, in conjunction with the Force Director of Resources, will ensure full compliance against the Code and where necessary will develop an action plan to ensure full implementation of the Code. The Joint Audit Committee will oversee this work.

Signed



Serena Kennedy
Chief Constable of Merseyside Police
22nd November 2021



Keith Dickinson ACMA/ CGMA/ CPFA
Director of Resources for the Chief Constable of Merseyside Police
22nd November 2021

Glossary of Terms

ACCOUNTING POLICIES

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

ACCRUALS BASIS

The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

AMORTISATION

An annual charge to reflect the extent to which an intangible asset has been worn out or consumed during the financial year.

ASSET CEILING

The asset ceiling is an upper limit on what is allowed to be recognised as a defined benefit asset broadly depending on whether the employer reporting entity can either get refunds from the outside/'third party' pension scheme or a reduction in future contributions to the outside/'third party' pension scheme.

BALANCE SHEET

The Balance Sheet represents a summary of the assets, liabilities, funds and reserves of the CC.

CREDITORS

Individuals or organisations to whom the CC owes money at the end of the financial year.

CURRENT SERVICE COST (PENSIONS)

This measures the increase in the present value of pensions liabilities generated in the financial year by employees. It is an estimate of the true economic cost of employing people in the financial year, earning service that will eventually entitle them to the receipt of a lump sum and pension when they retire.

CURTAILMENTS & SETTLEMENTS

Curtailement arises as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, redundancy or where the employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.

DEBTORS

Individuals or organisations who owe the CC money at the end of the financial year.

DEFERRED LIABILITY

Liabilities, which by arrangement are payable over a period of time.

DEPRECIATION

An annual charge to reflect the extent to which a tangible asset has been worn out or consumed during the financial year.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

This is the measure of the average rate of return expected on investment assets held by the Scheme for the year. It is not intended to reflect the actual realised return on the Scheme, but a longer-term measure, based on the fair value of the assets at the start of the year and an expected return factor. Plan assets comprise:-

- Assets held by a long-term employee benefit fund; and
- Qualifying insurance policies (not relevant for Police).

FAIR VALUE

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

FINANCIAL INSTRUMENT

This is any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial assets such as loans receivable and liabilities such as borrowings.

FINANCING ACTIVITIES (CASH FLOW)

Financing activities are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

INTRA-GROUP FUNDING

Funding provided by the PCC to the CC to enable the CC to undertake day-to-day policing.

INVESTING ACTIVITIES (CASH FLOW)

Investing activities are the acquisition and disposal of long-term assets and other investments, not included in cash equivalents.

MATERIAL

Omissions or misstatements of items are considered material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

NON DISTRIBUTED COSTS (PENSIONS)

This covers past service costs settlements and curtailments in respect of IAS19 pension costs. It also covers costs associated with unused assets.

THE CHIEF CONSTABLE OF MERSEYSIDE POLICE (CC)

The Chief Constable of Merseyside Police is a separate corporation sole which was established on 22nd November 2012.

THE CODE (The Code of Practice on Local Accounting in the United Kingdom 2020/21)

The Code defines proper accounting practices for local authorities in England, Wales, Scotland and Northern Ireland and applies to accounting periods commencing on or after 1st April 2020.

THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account which summarises the costs of all the functions of the CC. It also includes notional charges for the fair use of assets and the notional cost of retirement benefits earned by employees in the year.

OPERATING ACTIVITIES (CASH FLOW)

Operating activities are the activities of the entity that are not investing or financing activities.

OPERATING LEASE

A lease where substantially all the risks and rewards of ownership remain with the lessor.

PAST SERVICE COSTS (PENSIONS)

These costs represent the increase in liabilities arising from decisions taken in the current year to improve retirement benefits, but whose financial effect is derived from service earned in earlier years.

POLICE AND CRIME COMMISSIONER FOR MERSEYSIDE (PCC)

The Police and Crime Commissioner for Merseyside is a separate corporation sole which was established on 22nd November 2012.

POLICE REFORM AND SOCIAL RESPONSIBILITY ACT 2011 (PRSR Act)

The Police Reform and Social Responsibility Bill was given Royal Assent on 13th September 2011. The Act changed Police accountability and governance and replaced Police Authorities with directly elected Police and Crime Commissioners.

PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

PROPERTY PLANT AND EQUIPMENT

Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one financial year.

RELATED PARTY

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

REMEASUREMENTS

Previously called actuarial gains and losses, remeasurements are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions, and include actuarial gains or losses, expected rate of return on plan assets and effect on the asset ceiling.

RESERVES

Monies set aside for specific future costs (e.g. Estate Strategy) or generally held to meet unforeseen or emergency expenditure (e.g. General Balances).

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

SPECIFIC POLICE GRANT

A specific revenue grant that Police and Crime Commissioners' receive from the Home Office.

TERMINATION BENEFITS

Termination benefits are employee benefits payable as a result of either:-

- An entity's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits.

UK GAAP (Generally Accepted Accounting Principles)

Compliance with UK company law, UK accounting standards and best practice.