Annual Financial Report 2021-22

The Police and Crime Commissioner for Merseyside

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Narrative Statement by the Chief Finance Officer

The Statement of Accounts provide details of the Police and Crime Commissioner's (PCC) and the Group i.e. incorporating the Chief Constable, financial activities for the year ending 31st March 2022.

The accounts are published in accordance with the Accounts and Audit (Amendment) Regulations 2021.

This section is the Narrative Statement. The purpose of the statement is to comment on the financial performance and economy, efficiency and effectiveness in the PCC's and the Group's use of resources over the financial year. The structure of the statement is set out below.

1. Explanation of the PCC and Group;
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1. EXPLANATION OF THE PCC AND GROUP

The Police Reform and Social Responsibility (PRSR) Act 2011 created the post of directly elected PCC for Merseyside. The first election took place in November 2012, with elections due every four years. Unfortunately, the 2020 election were postponed due to the Covid-19 pandemic, but were subsequently held in May 2021. In the election Emily Spurrell, Labour party, was elected. The next election is due to take place in May 2024. 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 PCC is also required by law to produce a Police and Crime Plan for Merseyside. This important documents shapes and informs the way policing and community safety is delivered in the county. In October 2021, following a six week 'safer Merseyside' consultation, the new PCC launched her Police and Crime Plan covering the period 2021-2025. The plan sets out three clear priorities which will set the strategic direction for the PCC's work during her term of office and how she will work with Merseyside Police and partners to deliver your policing and community safety priorities.
The Plan focuses on three key priority areas:

- Fighting Crime; Proactive Policing
- Supporting Victims; Safer Communities
- Driving Change; Prevent Offending

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 scrutinised by the Merseyside Police and Crime Panel in order to promote openness and transparency in the transaction of police and crime business. The Panel also supports the PCC in the effective exercise of its functions. The Panel comprises ten elected members (representing each of the five Local Authorities in Merseyside) and two independent members. Knowsley Metropolitan Borough Council (MBC) provides administration and support to the Panel.

The PRSR Act 2011 established two separate legal entities as ‘corporations sole, i.e. the PCC for Merseyside and the Chief Constable of Merseyside Police Force. Under the Act the PCC is responsible for producing its own set of accounts, along with the consolidated Group accounts. In addition, the Chief Constable is also required to produce a separate set of accounts.

This set of accounts focuses on those discrete activities which the PCC is directly responsible for, such as community safety and commissioning support services for victims, as well as the “PCC Group” which includes all aspects of operational policing under the direction and control of the Chief Constable. The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PCC have been used to deliver operational policing services. The Chief Constable’s accounts can be found at the following link Chief Constable’s Accounts

2. AN INTRODUCTION TO MERSEYSIDE

Merseyside Police provides policing services to the metropolitan area of Merseyside. The police force area covers 252 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 1.43m 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 2021/22 central Government funding to PCCs fell by 19.1% in real terms. After taking account of PCCs ability to raise the precept, PCCs received 10.5% less funding in real terms from central and local sources in 2021/22 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 2021/22 Merseyside’s Central Government funding was reduced by 19.9% in real terms and overall funding, when taking account of increases in precept, reduced by 14.2% 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. 1,121 fte (down from 4,588 fte to 3,467 fte). 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. Merseyside's overall recruitment target is an additional 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 PCC approved the 2021/22 revenue budget to finance spending on the day to day running expenses of the PCC and Force on 23rd February 2021. The Net Budget Requirement was £369.738m, of which £13.4m was under the PCC's direct control. In broad terms the following tables show where the PCC and the Group's money came from and how it was spent.

Where did our Money Come From?

The PCC and Group gets most of its funding through Government grants with a significant amount also coming from money raised through the Council Tax payments, i.e. Precept. The table below shows where the money came from in 2021/22.

	£m	%
General Police Grant and Legacy Council Tax Grants	286.312	77.4
Council Tax (i.e. Precept)	84.682	22.9
Collection Fund Deficit	(1.256)	(0.3)
Total Net Budget Requirement	**369.738**	**100.0**

As can be seen above, the majority of income comes from Government Grants (77.4%), with the precept, which is raised locally and is collected by the five Local Councils along with their council tax, accounting for 22.9%.

What did we spend the Money on?

Most money is spent on Police Officers, Police Staff, including Police and Community Support Officers, and Pensions. Other money is spent in various ways including buildings, vehicles, forensics, uniforms and ICT. The table below shows where the money was spent in 2021/22.

	£m	%
Police Officers Pay	189.992	51.4
Police Pensions	55.318	15.0
Police Support Staff Pay	85.384	23.1
Police Support Staff Pensions	12.121	3.3
Other	18.036	4.9
Total Net Operating Expenditure	**360.852**	**97.6**
Contributions to Reserves	8.887	2.4
Total	**369.738**	**100.0**

Group Controlled Expenditure

The outturn position for 2021/22 shows total net operating expenditure of £360.851m. This represents an overall underspend on the revenue budget of £8.260m, i.e. 2.2%, compared to the Net Budget Requirement of £369.738m.

The net underspend on the operational budget was mainly due to the impact of delays in recruiting an additional 160 police officers under 'Operation Uplift' due to new covid-19 restrictions. It was originally planned to recruit the police officers evenly over the course of the year, but due to covid-19 restrictions coming into force during the year some of the planned recruitment was rephased to later in the year. These delays also resulted in lower than anticipated pension contributions and underspends in central and devolved budgets.

The majority of the underspend has been transferred to the Budget Support Reserve to provide additional support the budget over the medium term. In addition, contributions have been made to the Chief Constables Priority Fund and the PCC's Crime Prevention Strategy Reserve to enable both the PCC and Chief Constable to Constable to continue to support initiatives that will help reduce crime and disorder on Merseyside.

The budget for 2021/22 included a savings target of £1.909m to be addressed partly through the Force change programmes. Actual savings realised amounted to £1.907m, just £0.002m short of the target. Within the overall savings total £1.302m related to savings identified as part of a force wide review to identify efficiencies; £0.600m related to staff and £0.702m related to non-staff savings through local initiatives and procurement opportunities. In addition, the continuing work by the Legal Services team has allowed for a further reduction of £0.250m in contributions to the Insurance Fund. The remaining savings resulting from the implementation of the SmartForce Enterprise Resource Programme system and continuing work through collaborations.

The outturn position reported demonstrates the continued effective financial management of the annual budget. The planned utilisation of the revenue underspend will provide opportunities for the PCC 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, are addressed.

PCC Controlled Expenditure

The PCC has a budget for the Office of the Police and Crime Commissioner (OPCC), as well as the funding for the Crime Prevention Strategy. A high level analysis of the OPCC's budget and Crime and Prevention Strategy is provided below.

Office of the Police and Crime Commissioner

The budget for the OPCC was £1.332m to cover the cost associated with the PCC carrying out her functions and support costs. At year end the budget was underspent by £0.106m, this primarily relate to employees costs, owing to the staff vacancies, and savings on transport related expenditure due to covid-19 restrictions and the greater use of agile and remote working practices. The overall underspend has been transferred into the PCC's Crime Prevention Strategy Reserve to enable the PCC to continue to fund initiatives that support the prevention of crime and disorder on Merseyside.

Crime Prevention Strategy

In 2021/22 the PCC approved the continuation of the Crime Prevention Strategy with the aim of supporting initiatives that contributed to the PCC's Police and Crime Plan priorities, particularly focusing on the prevention of crime and anti-social behaviour, as well as helping support victims of crime. In order to support the strategy the PCC established a number of funding streams that have been utilised to fund the strategy, these are:-

(i) Community Safety Funding (£2.837m)

In February 2021, the PCC awarded Crime and Disorder Reduction grants to the Force, Local Authorities, Community Safety Partnerships and the Voluntary Sector that would secure, or contribute to securing, crime and disorder reduction on Merseyside. The funding was used by the partners to fund community safety initiatives to reduce domestic violence, hate crime, youth crime and substance abuse, offender management schemes and positive futures initiatives, as well as support the drug intervention programmes within custody suites and the continuation of the PCC's Appropriate Adult Scheme.

(ii) Victim Support Services and Restorative Justice (£1.663m)

The PCC received specific grant funding from the Ministry of Justice to fund the provision and commissioning of Victim Support Services and Restorative Services on Merseyside. The total funding available in 2021/22 amounted to £1.663m. At the end of the financial year all the funding had been spent on providing practical support services for victims of crime, for family members and for victims of sexual violence and domestic violence, including the provision of restorative justice services and practical support measures.

The services commissioned and delivered by the PCC to support and care for victims of crime included:-

- Merseyside Police Referral and Neighbourhood Support Service;
- Domestic Abuse Support Service for Young People & Children provided by the Local Authorities on Merseyside;
- Vulnerable Victims Support Service provided by Victim Support;
- Child Sexual and Child Exploitation Support Service provided by Catch 22;
- Support for Victims subject to Sexual Offences jointly provided by RASA and RASASC;
- Hate Crime Advocacy service provided by the Anthony Walker Foundation, supported by a consortium of hate crime support services; and
- Restorative Support Services Strategic Delivery Partner provided by Restorative Solutions.
- Both the Child Sexual and Criminal Exploitation (CSE/CCE) Service and the Support Service for Sexual Assault/Abuse Victims were co-commissioned with Local Authority Partners.

The Child Sexual and Child Exploitation Support Service was co-commissioned during 2021/22 with the Knowsley MBC, Wirral MBC, St Helens MBC and Sefton MBC; while the Sexual Assault and Abuse Support Service was co-commissioned in partnership with the following: NHS England, Liverpool Clinical Commissioning Group, Liverpool City Council, Knowsley MBC, Sefton MBC and St Helens MBC.

All these services were complemented by the provision of the Victim Care Merseyside website. The website is a central portal where victims of crime can find advice, information and guidance and access support and care. Anybody looking for support as the result of being a victim of crime can, at their convenience, search the website and find the most appropriate organisations to help them according to where they live and what support they need. The website can be accessed by the following the link https://victimcaremerseyside.org/.

(iii) Support for Victims of Domestic Abuse and Sexual Violence (£1.405m)

The PCC secured extra funding from the Ministry of Justice to provide support to domestic abuse and sexual violence service providers. This funding was co-managed by the OPCC and the local Community Safety Partnerships and was allocated to non-commissioned services as well as existing service providers.

(iv) Safer Streets Fund (£1.107m)

During 2021/22 the Home Office launched Rounds 2 and 3 of the fund. Working in partnership, the PCC secured over £0.837m of funding for Safer Streets 2 to improve the safety of communities in Wirral and

Liverpool and tackle issues in hotspots areas. A further £0.270m was awarded from Safer Streets 3 to put in place practical measures to prevent and tackle sexual violence on the public transport network, while also increasing awareness and education about the types of behaviour no woman should have to encounter and how to report it.

(v) Domestic Abuse Perpetrator Fund (£0.818m)

Funding was secured for four projects which worked with perpetrators of domestic abuse to tackle their behaviour and protect families at risk in Liverpool, Knowsley, St. Helens and Wirral. Programmes provided victim led responses to domestic abuse to improve the safety and protection of victims and provide appropriate support to victims.

(vi) Police Property Act Fund (£0.048m)

The monies in the Police Property Act Fund are generated by the disposal of property, which remains in police possession, in connection with their investigations into a suspected offence, and the owner cannot be ascertained. The PCC is able to dispose of funds by making payments for charitable purposes, and also to meet the expenses incurred in the conveyance, storage, safe custody and sale of the property. During the course of the year the PCC ran a bidding round for funding from the Fund to support organisations running diversionary initiatives to coincide with Mischief Night. Subsequently, the PCC made 28 grant awards to charitable organisations across Merseyside of up to £5,000 from the fund totalling £0.048m.

(v) Merseyside Violence Reduction Partnership (£4.223m)

During the year, the PCC received grant funding of £4.223m from the Home Office to support the Merseyside Violence Reduction Partnership (MVRP). The partnership has continued to embed a 'whole systems' approach to violence prevention and has used its successful partnership approach to develop and provide a range of interventions that aim to prevent violence and its underlying causes. Taking this public health approach a number of key, extremely successful interventions have been developed by the MVRP in areas, such as early help, education, reducing reoffending and targeted youth diversion and mentoring.

Capital Programme

In addition to revenue spending on day to day activities, the PCC and Force incur capital expenditure. Capital expenditure is expenditure on the acquisition of a fixed asset, or expenditure that adds to the value, or extends the useful life of an existing asset, such as improvements to police stations and properties, together with the purchase of vehicles and Information Communication Technology systems. Capital expenditure is normally funded by loans, grants, external contribution or capital receipts. The table below shows the capital expenditure incurred in 2021/22 and how it was funded.

	£m	%
Estate Strategy	10.161	49.3
IT and Technical Strategy	6.345	30.8
Vehicle Replacement Programme	1.745	8.4
Enterprise Resources Programme	2.381	11.5
Total Capital Expenditure	**20.632**	**100.0**
Financed by:-		
Grant Funding	(0.428)	2.1
Capital Receipts	(0.206)	1.0
Revenue Contributions	(1.522)	7.4
Reserves	(1.536)	7.4
Borrowing	(16.940)	82.1
Total Funding	**(20.632)**	**100.0**

From the above table it can be seen that there was significant expenditure on the capital programme in 2021/22, with £10.161m being spent on the implementation of the PCC's Estate Strategy, in particular, the refurbishment work on St Anne's Street police station. A further £80.6m is planned to be spent on the Estate Strategy between 2022/23 and 2026/27. The successful delivery of the Estate Strategy represents a significant financial and operational challenge.

The main sources of funding for the capital programme were long term borrowing, revenue funding and the use of earmarked reserves. In order to deliver the capital programme over the next five years the PCC is planning to undertake a significant amount of prudential borrowing, the financial impact of which has been reflected within the MTFS. In addition, it is anticipated that a significant level of capital receipts will be generated from the disposal of a number of surplus properties, including the former police headquarters site at Canning Place.

Group Balance Sheet

The Balance Sheet is a snapshot of the PCC's assets, liabilities, cash balances and reserves at the balance sheet date. The following table shows the value as at the 31st March 2022 of the assets and liabilities recognised by the PCC and the Group. The net assets of the PCC and Group *(*assets less liabilities) are matched by the reserves held by the PCC and the Group. 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 31st March 2022 £m
Long-Term Assets	383.493
Current Assets	80.855
Current Liabilities	(144.881)
Long Term Liabilities	(5,361.201)
Net Assets and (Liabilities)	**(5,041.734)**
Represented by:-	
Usable Reserves	49.891
Unusable Reserves	(5,091.625)
Total Reserves	**(5,041.734)**

At 31st March 2022 the Group had negative net assets of £5,042m which implies that the Group is technically bankrupt. Fortunately, this is not the case. The sole reason the Group have negative assets is because of the net pension liabilities associated with the unfunded police officer pension scheme of £5,090m coupled with the net deficit of £204m 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 Group's Balance Sheet has net assets of £252m, including £50m in usable cash reserves.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents, i.e. short term, high liquid investments, of the Group and PCC during the year. The statement shows how the Group and the PCC generates and uses cash and cash equivalents. Cash flows are classified within the cash flow statement as arising from operating activity, investing activity and financing activity. The statement is shown within the statement of accounts. The table below sets out a summary Group cash flow statement.

	£m
Cash and Cash Equivalents at 1st April 2021	**21.910**
Net cash inflow/(outflow) from Operating Activities	20.593
Net cash inflow/(outflow) from Investing Activities	(36.300)
Net cash inflow/(outflow) from Financing Activities	8.921
Cash and Cash Equivalents at 31st March 2022	**15.125**

The PCC's cash flow statement shows an overall balance of £15.125m at year end, compared to £21.910m at the beginning of the year, reflecting a decrease in cash and cash equivalents of £6.785m over the year. The main factors that will affect the level of cash and cash equivalents in the future are the acquisition and disposal relating to the capital programme, particularly the estate strategy, the value of useable reserves and the level of grants received.

Loans and Investments

The PCC is directly responsible for loans, investments and for borrowing money as they hold the Police Fund. The Chief Constable is not able to borrow money. Short-term borrowing and lending, which are defined as for less than 365 days, are undertaken by the PCC to ensure that there are sufficient funds available each day to cover its outgoings. Long-term borrowing can only be taken out to fund capital projects for which the PCC has no other funds to cover.

All investments and borrowing are undertaken in accordance with the Prudential Code. One of the requirements of the Prudential Code is that the PCC adopts the CIPFA Code of Practice for Treasury Management in Local Authorities, which it has done. In addition, the PCC approves a Treasury Management Strategy annually and then monitors performance against this and the Prudential Indicators.

During 2021/22 the PCC undertook short term borrowing and lending to ensure sufficient funds were available each day to cover its outgoings. No new long term borrowing was undertaken. Instead, the PCC took advantage of the low interest rates to make savings on short term borrowings instead of taking out higher priced long term Public Works Loans Board (PWLB) borrowing. All borrowing and lending was undertaken within the PCC's approved prudential indicators and in line with the approved Treasury Management Strategy. However, it will be necessary to increase the level of long term borrowing once the differential between short term and long term interest rates starts to reduce.

General Balances, Earmarked Reserves and Provisions

The PCC maintains General Balances, Earmarked Reserves and Provisions in order to ensure that adequate financial resilience is maintained. The accounts detail the balances held on the different reserves, along with the details of provisions made. Police Service, as one of the major emergency services, is required to respond to incidents of an unexpected nature over which it has little or no control. A major incident or a series of events could put extraordinary pressure on the budget in a particular year. As a result, financial prudence dictates that a level of General Balances should be retained to provide resilience against the effect of such a situation. In order to ensure that the level of the General Balances is robust and prudent the Chief Finance Officer and Chief Constable undertake regular reviews of the level of these balances, taking account of the risks included within the strategic risk registers. The last risk-based review concluded that the minimum acceptable level of General Balances should be in the region of £12.730m. This level of General Balances equates to 3.2% of the 2022/23 level of direct resource funding, i.e., General Grant (including police uplift programme grant), pensions grant and precept. The level of General Balances held at the start of the year stood at £12.990m which was just above the risk assessed amount, which is deemed to be acceptable.

There are two types of Earmarked Reserves, 'useable reserves', i.e., those reserves that can be applied to fund expenditure or reduce council tax precept, and 'unusable reserves', i.e., reserves that arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements.

Unusable reserves are not resource-backed and cannot be used for any other purpose. The notes to the accounts provide a breakdown of all the earmarked reserves held at the end of 2021/22. With regard to earmarked reserves, the total amount held at year end amounts to £36.881m, an increase of £4.707m compared to the amount held at the beginning of the year, £32.174m. All of the earmarked reserves are for funding planned expenditure on projects and programmes over the MTFS period, With the exception of the Insurance Reserve which is held as a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management, the Restructure Reserve and an element of the Section 152 Reserve. At present it is anticipated that there will be approximately £9.747m of balances remaining within these reserves that will fund specific projects and programmes beyond the current planning period, i.e. 2026/27.

Provisions are made where an event has taken place that gives the PCC or Group a legal or constructive obligation that probably requires settlement and a reliable estimate can be made of the amount of the obligation. As at the 31st March 2022 the PCC and Group held provisions totalling £8.016m. The main provision held is an Insurance Provision to finance internal insurance claims. This self-insurance policy currently substantially assumes the risk in respect of public, employer and motor liabilities. Details of all provisions are contained within the notes to the accounts.

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 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 2022 the PCC and Group had the following net pension liabilities:-

	£m
Police Pension Scheme (i.e. Police Officers)	5,090.286
Local Government Pension Scheme (i.e. PCC and Police Staff)	203.695
Total	5,293.981

In accordance with IAS 19 the PCC and Group'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 liability does not have to be funded from this year's budget, but it's still a true cost estimated by actuaries. It represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So, it's a real call on future funding arising from past activity. Not showing this liability would hide the liability that the PCC and the Group has incurred.
- The police officer pension scheme is a statutory scheme, as specified by Police Regulations, whereby the Group pays an employer's contribution 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 £5,090m 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 net liability of £204m 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.

2022/23 and Beyond

The 2022/23 funding settlement announced by the Home Office increased the level of resources available to the PCC and Force. The Home Office provided additional funding to enable Forces to meet their officer recruitment targets for the final stage of 'Operation Uplift', the Government's policy to recruit 20,000 police officers nationally by the 31st March 2023. However, the Government did not provide any additional grant funding to fund pay and price inflation or to fund the new employers Health and Social Care Levy, despite assurance that this would be provided. These commitments were expected to be met through efficiencies by the Force and the PCC maximising the precept.

Under Operation Uplift, the Force has been set a target of recruiting an additional 660 police officers by 31st March 2023. This target is expected to be met early in 2022/23 due the decisions to recruit the additional police officers in advance. However, it is important to note that this number of additional police officers is still below the 1,121fte lost during austerity by the Force.

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 £2.934m of savings to be made in 2022/23, with a further £2.901m of savings being built into the medium-term financial strategy. Unfortunately, it is estimated that further savings of £13.733m will need to be made over the medium term in order to balance the budget.

In terms of the precept, the Government increased the precept referendum threshold, and expected all PCCs to increase their precepts, by up to £10 on a Band D equivalent property without the need to hold a referendum. The PCC, after giving careful consideration to the options available to her regarding the precept, and consulting the Chief Constable, the Police and Crime Panel and the general public, all of whom supported the proposal, increased the precept to the referendum threshold. This increase equated to an increase of £6.67pa for Band A properties (i.e. 13p per week) the majority of Council Tax payers on Merseyside.

Despite maximising the precept, and the Chief Constable identifying savings, there was still estimated to be a budget deficit of £2.253m.

In order to bridge the budget deficit and balance the budget the PCC approved the utilisation of the Budget Support Reserve. However, this only has the effect of pushing the saving requirement into future years, but importantly does provide the PCC and Chief Constable with more time to identify and implement the necessary savings plans.

With regard to the medium term, the assumptions underpinning the financial strategy were updated as part of the budget process in February 2022 and at that time it was estimated that over the medium term an overall savings requirement of £13.733m will be required.

This is a position that will provide significant challenges for the PCC and Chief Constable Force to continue to balance the budget over the medium term without impacting on policing, especially as less reserves will be available, and is likely to result in decivilianisation of police staff posts in the future due to requirement to maintain Police Officer numbers as a consequence of 'Operation Uplift'.

It is important to note that the budget proposals assumed that the 2022 pay award would be 3% followed by increases of between 2.5% and 2% and that non pay inflation would be 4% in 2022/23 then remain around 2% over the period. However, at the time of writing, the inflation rate had increased to 9.1%, its highest level in forty years, with the Bank of England warning that inflation could reach 11% by autumn 2022 before it starts to fall. The increase in inflation has led to a cost-of-living crisis which in turn has led to employee organisations seeking real terms pay awards for their members. Consequently, there is a real risk that these assumptions may be understated. Any pay award above those assumed would increase the budget deficit in year, as well as have an impact on future years. Pay awards in the Police Service are awarded from 1st September, therefore any increase has an impact in year and also in the following year.

In order to address this the overall 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

PCC Annual Report

The PCC has a statutory duty to publish an Annual Report every year detailing progress against the police and crime objectives in the police and crime plan. This report gives both the public and the body which oversees her work, the Police and Crime Panel, the opportunity to review the PCC's activities and work, and provide their feedback. The report is due to be published in September 2022 once it has formally been endorsed by the Police and Crime Panel. A copy of the final report will be available on the PCC's web site.

Merseyside Police

Offending levels during the 2021/22 financial year were still impacted by the effects of the Coronavirus pandemic however to a lesser extent than what was observed during the 2020/21 financial year.

As a result of the impact of the pandemic period, year-on-year crime comparisons for the recent year have been made with the 2019/20 period, as this is assessed as a more appropriate comparative period rather than 2020/21.

Overall, there was a 20% increase in all crimes recorded compared to 2019/20; with 164,938 crimes recorded during 2021/22 compared to 137,169 during 2019/20. This level of increase had been forecasted, and follows a long-term increasing trend, however, it does follow a decrease in crimes recorded during the 2020/21 financial year, which was anomalous as a result of the pandemic. The level of crimes recorded, in addition to high levels of non-crime demands, has been significant during the recent financial year.

A number of specific crime categories experienced increases in reports of offending, such as: Cyber-Crime (+179%), Drug Trafficking (+15%), Hate Crime (+71%), Public Order (+87%), Sexual Offences (+37%), Domestic Abuse (+25%), Stalking & Harassment (+79%), Serious Violence (+5%), Violence With Injury (+6%) & Violence Without Injury (+41%).

Some of the increases were because of changes in recording practices, some as a result of proactive police activity and some genuine increases in reports being made to police.

An increase 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, Sexual Offences, Domestic Abuse and Stalking & Harassment.

Decreases were seen in other offence categories, such as Burglary (-24%), Fraud (-18%), Robbery Business (-18%), Serious Acquisitive Crime (-21%), Stealing (-14%), Vehicle Crime (-21%) and reports of Anti-Social Behaviour (-23%).

PCC Crime Supporting Victims

Over the financial year, the services commissioned to support and care for victims of crime, helping them to cope and recover, have supported just under 9,000 victims of crime. The support provided to victims included the following:-

- As providers for the PCC's vulnerable victims service, Victim Support provided support to 3,894 vulnerable victims of crime.
- Catch 22 were commissioned to deliver support to victims of Child Exploitation, including both Child Sexual and Child Criminal Exploitation. A total of 70 Children & Young People were supported.
- The Anthony Walker Foundation supported over 1,000 victims of racially and religiously aggravated Hate Crime.
- Citizens Advice Liverpool have supported 231 victims of Hate crime related to Sexual Orientation and/or Gender Identity.
- Daisy Inclusive UK are commissioned locally by the PCC to provide bespoke support for victims of Disability-related Hate Crime, with 223 people being supported through this service.
- In addition to the 3 direct support service providers above, the PCC also commissions Stop Hate UK to provide a third-party referral centre for the Merseyside area in order to provide several options for Hate Crime victims wishing to access support. Stop Hate UK supported 42 victims.
- RASA and RASASC have been commissioned as a joint service provider and they provided dedicated aftercare support to 3,271 survivors of rape or sexual assault/abuse.
- Over the last 12 months, the PCC's commissioned Restorative Justice Service has developed rapidly, with 168 individuals having been referred and contacted by Restorative Solutions over the year.
- The PCC has funded Savera UK to provide a service that supports people who have been subjected to Harmful Practices, including Forced Marriage, so-called Honour-based Abuse and/or Female Genital Mutilation. This service has supported 112 individuals through their experience, with all those supported confirming they felt their health and wellbeing had improved following or during treatment.
- Families Fighting for Justice, a well-regarded local support service, were funded by the PCC to provide a one-stop shop/signposting support service to bereaved families of Homicide victims and those affected by culpable road death. A total of 612 individuals were supported by Families Fighting for Justice through this service over the last year, with the organisation providing a wealth of other support services for adults and children not funded through the MoJ Victims' Funding.

PCC Crime Supporting Victims

The PCC provided crime and disorder reduction grants to Community Safety Partners to tackle crime and reduce the demand on the Police service. Examples of how the grants were spent is detailed below. Further information is published on the PCC's website.
Liverpool Council – Citysafe invest their funding into 30 different services, including: -

- Independent Domestic Violence Services, Young People's Prevention Services and Protect Service covering the whole city and targeting hotspot areas.
- CUT - a knife crime & youth violence theatre production which has reached over 2,500 young people exploring the risks in carrying weapons, peer pressure, drug, and alcohol misuse.
- A multi-agency, community safety educational event funded by Liverpool Crucial Crew enabled 1,527 children to attend over a series of days covering topics within junior life skills.

Knowsley MBC used the funding to provide:-

- Substance misuse screening for all young people referred for community resolutions intended to identify those at risk.
- 'Weekly 'Walkabouts' to provide residents with the opportunity to engage with the team, other council teams such as environmental health and other partners such as Merseyside Police, Merseyside Fire and Rescue Service, and housing providers.
- Fortnightly 'Talkabout Tuesdays' engaging with residents and businesses in specific locations linked to any on-going community safety concerns.

Sefton MBC - Sefton's Safer, Stronger Communities Partnership used the funding to deliver:-

- Extra resources for its Beach safe Group to manage the influx of visitors to the coastline at peak times.
- Support victims of domestic abuse and deliver the 'Commit to Change' programme.
- A noise recording app to support victims of ASB which has been extremely successful and has resulted in positive action being taken against perpetrators due to the evidence this has provided.

St Helens MBC - St Helens Community Safety Partnership has used this funding to deliver:-

- More than 150 sessions, totalling 500 hours, at 20 community groups engaging with young people to prevent ASB and support young people to reducing re-offending and deliver interventions.
- Five local campaigns funded to raise awareness of Hate Crime via the #BetterThanThat campaign.
- Support and provide a frontline response to more than 1,600 referrals for advice, signposting and safety planning to victims and survivors of Domestic Abuse.

Wirral MBC - used the funding to support:-

- The Youth Offending Service to continue to reduce young people entering the criminal justice system by using out of court disposals as an alternative to court sentencing.
- 1,033 young people engaged in sports and diversionary activities in schools in partnership with Merseyside Police.

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

The Covid-19 pandemic put the Force in a position of having to deal with challenges it has never faced before, whilst continuing to protect communities from crime and safeguarding the most vulnerable in society. The costs associated with Covid19 were partly funded by the Home Office and the end of 2020/21 saw the creation of a Budget Support reserve, specifically ringfenced to address costs continuing into future years. During 2021/22 costs of £1.903m relating to Covid 19 were funded through the use of this reserve, alleviating the pressure in the 2021/22 budget. In addition, the Force has continued to receive support from the Home Office for ongoing costs relating to personal protective equipment.

6. PEOPLE

As at the 31st March 2022 the actual number of people employed by the PCC and Merseyside Police is detailed in the table below, excluding the PCC.

	Total FTE
Office of the PCC	
Chief Officers	2
Other	18
TOTAL PCC Employees	**20**
Merseyside Police	
Police Officers	4,054
Police Staff	2,296
PCSOs	209
TOTAL Group Employees	**6,559**

7. 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) Services for victim support and restorative justice do not deliver intended outcomes;
(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. Changes to legislation, the Specified Information Order and the Strategic Policing Protocol. Mayoral devolution and changes to Fire Governance Arrangements; and
(vi) Failure to have an efficient and effective Estate to meet current and future requirements.

These risks are being actively managed by the OPCC 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.

8. EXPLANATION OF THE STATEMENT OF ACCOUNTS

The purpose of the Statement of Accounts is to provide details of the PCC and the Group financial activities for the year ending 31st March 2022. The financial statements for 2021/22 have been prepared in accordance with The Code of Practice on Local Authority Accounting in the UK 2021/22 (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 PCC and the Group and highlights any significant features. The accounts that follow provide further detail of the financial affairs of the PCC and the Group and are comprised of:-

- **Independent Auditor's Report**, this sets out the opinion of the external auditor, Grant Thornton UK LLP, on whether the PCC and Group accounts presented give a 'true and fair view' of the financial position and operations of the PCC and the Group for 2021/22;
- **Statement of Responsibilities for the Statement of Accounts**, this statement sets out the responsibilities of the PCC and the PCC 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 Balance Sheet**, this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the PCC and the Group. The net assets of the PCC and Group (assets less liabilities) are matched by the reserves held by the PCC and the Group;
- **the Cash Flow Statement** shows the changes in cash and cash equivalents of the PCC and the Group during the reporting period. The statement shows how the PCC and the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities;
- **the Movement in Reserves Statement**, this statement shows the movement in the year on the different reserves held by the PCC and the Group, 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 PCC and the Group 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 (e.g. sub-classifications of property, plant and equipment) 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); and
- **the Pension Fund Account,** which summarises the amounts received into and paid out of the police officer pension fund operated by the PCC and the Group during the year; and
- 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.

Significant Changes to the Accounting Policies

Accounting policies are the principles applied to show the effect of transactions and events on the financial statements. The PCC, the Chief Constable and the Group accounts have adopted consistent accounting policies. It is noted that the policies remain unchanged from those applied in 2020/21.

Events After the Reporting Period

The Draft Unaudited Statement of Accounts were authorised for issue on the 29th July 2022. Events taking place after this date are not reflected in the draft financial statements or notes. Where events have taken place on or before 29th July 2022 which provided information about conditions existing at 31st March 2022, the figures in the financial statements were adjusted in all material respects to reflect the impact of this information. The draft unaudited Statement of Accounts were not adjusted for events that have taken place between 1st April 2022 and 29th July 2022 which are indicative of conditions that arose after the reporting period. Since the issuing of the unaudited Statement of Accounts and the completion of the audit of the accounts no material events have been identified.

Annual Governance Statement

The Annual Governance Statement explains how the PCC has complied with its own Code of Corporate Governance, and also provides assurance on the system of internal control that the PCC maintains and on the way it conducts its affairs.

9. SUMMARY AND CONCLUSION

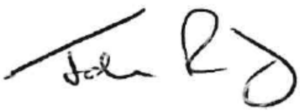
The year-end financial position reported demonstrates the continued effective financial management of the annual budget. The planned utilisation of the revenue underspend will provide some further financial support to continue to maintain current service levels, whilst the necessary savings plans to address financial challenges ahead are identified. It will also provide opportunities for the PCC and the Chief Constable to continue to support initiatives that will help reduce crime and disorder on Merseyside.

The PCC has set a balanced budget in 2022/23. This budget allows the Chief Constable to address the assumed inflationary and demand pressures facing the Force, protect police staff jobs and provide sufficient funding to enable the Chief Constable to maintain the additional 660 police officers recruited under 'Operation Uplift'.

However, despite balancing the budget in 2022/23, 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 £13.7m to be made by the end of 2026/27. This is a position that will provide significant challenges for the PCC and Chief Constable to continue to balance the budget over the medium term without impacting on policing, especially as less reserves will be available, and is likely to result in decivilianisation of police staff posts in the future due to the expectation that existing Police Officer numbers will have to be maintained. Options aimed at addressing this challenge are currently being identified and prioritised 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.



John Riley CPFA
Chief Finance Officer to the Police and Crime Commissioner for Merseyside
16th December 2022

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Merseyside (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2022 which comprise the Group Comprehensive Income and Expenditure statement, the PCC Comprehensive Income and Expenditure Statement, the Group and PCC Balance Sheet, the Group and PCC Cash Flow Statement, the Group Movement in Reserves Statement and the PCC 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, the Net Assets Statement and notes to the financial statements. 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2022 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for Statement of Accounts set out on page 25 , the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Police and Crime Commissioner and the group will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Police Reform and Social Responsibility Act 2011).We also identified the following additional regulatory frameworks in respect of the police pension fund Public Service Pensions Act 2013, The Police Pension Fund Regulations 2007, The Police Pensions Regulations 2015, and The Police Pensions Regulations 2006.

- We enquired of senior officers and the Police and Crime Commissioner, concerning the Police and Crime Commissioner and group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Police and Crime Commissioner, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Police and Crime Commissioner and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Non routine journal entries, and key accounting estimates around the valuation of land and buildings and the pension liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on non-routine transactions, and journal entries falling within identified risk criteria including, journals posted by senior officers, large year-end journals, year-end accruals, unusual account combinations and journals posted by anyone with superuser access;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- 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 land and buildings and the pension liability.
- Our assessment of the appropriateness of the collective competence and capabilities of the Police and Crime Commissioner and group's engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the police sector
  - understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Police and Crime Commissioner’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Police and Crime Commissioner

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for Merseyside for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report;
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2022; and

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Green

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

Manchester

16th December 2022

Statement of Responsibilities for the Statement of Accounts

The Police and Crime Commissioner's responsibilities

The Police and Crime Commissioner is required to:-

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (i.e. 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 these Statement of Accounts

Emily Spurrell
Police and Crime Commissioner for Merseyside
16th December 2022

The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts of the Police and Crime Commissioner (PCC) and the PCC Group in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

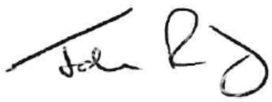
In securing the preparation of the Statement of Accounts, the Chief Finance Officer has:-

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

The Chief Finance Officer 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 presents a 'true and fair view' of the financial position of the PCC and the Group at the accounting date and of the Income and Expenditure for the year ended 31st March 2022.



John Riley CPFA
Chief Finance Officer to the Police and Crime Commissioner for Merseyside
16th December 2022

The Group 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, rather than the amount to be funded from taxation. The Group raises taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2020/21					2021/22		
Gross Expenditure	Gross Income	Net Expenditure	Group	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
461,616	(54,192)	407,423	Policing Services	28.1	507,014	(57,074)	449,940
461,616	**(54,192)**	**407,423**	**Cost of Services**		**507,014**	**(57,074)**	**449,940**
339	(74,160)	(73,821)	Other operating expenditure/(income)	8	356	(73,670)	(73,314)
109,712	(34)	109,678	Financing and investment expenditure/(income)	9	107,638	(20)	107,618
0	(352,395)	(352,395)	Taxation and non specific grant income	10	0	(378,746)	(378,746)
571,667	**(480,782)**	**90,885**	**Deficit on Provision of Services**		**615,008**	**(509,510)**	**105,498**
0	(5,099)	(5,099)	Surplus on revaluation of non-current assets	19.1	0	(31,377)	(31,377)
389,072	0	389,072	Remeasurements of the net defined benefit liability	19.3	(101,741)	0	(101,741)
389,072	**(5,099)**	**383,973**	**Other Comprehensive Income and Expenditure**		**(101,741)**	**(31,377)**	**(133,118)**
960,739	**(485,881)**	**474,858**	**Total Comprehensive Income and Expenditure**		**513,267**	**(540,887)**	**(27,620)**

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

The PCC (Single Entity) 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, rather than the amount to be funded from taxation. The PCC raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The PCC receives all the income and funding for the Group and in turn provides funding to the CC to undertake day-to-day policing and crime reduction services during the year.

2020/21					2021/22		
Gross Expenditure	Gross Income	Net Expenditure	PCC	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
494,522	(70,756)	**423,766**	Policing Services	**28.1**	532,658	(77,280)	**455,378**
494,522	**(70,756)**	**423,766**	**Cost of Services**		**532,658**	**(77,280)**	**455,378**
4	(74,159)	**(74,155)**	Other operating expenditure/income	**8**	3	(73,670)	**(73,667)**
1,575	(34)	**1,541**	Financing and investment expenditure/(income)	**9**	1,886	(20)	**1,866**
0	(352,395)	**(352,395)**	Taxation and non specific grant income	**10**	0	(378,746)	**(378,746)**
496,101	**(497,344)**	**(1,243)**	**Deficit/(Surplus) on Provision of Services**		**534,547**	**(529,716)**	**4,831**
0	(5,099)	**(5,099)**	Surplus on revaluation of non-current assets	**19.1**	0	(31,377)	**(31,377)**
237	0	**237**	Remeasurements of the net defined benefit liability	**19.3**	(282)	0	**(282)**
237	**(5,099)**	**(4,862)**	**Other Comprehensive Income and Expenditure**		**(282)**	**(31,377)**	**(31,659)**
496,338	**(502,443)**	**(6,105)**	**Total Comprehensive Income and Expenditure**		**534,265**	**(561,093)**	**(26,828)**

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

The Group and the PCC Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group and the PCC. The net assets/ (liabilities) of the Group and the PCC are matched by the reserves held by the Group and the PCC. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that may not be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences. Reserves Movements are shown in the Movement in Reserves Statement (**MiRS**). The unaudited accounts were issued on 29th July 2022 and the audited accounts were authorised for issue on 16th December 2022.

Signed: John Riley, Chief Finance Officer to the Police and Crime Commissioner for Merseyside

PCC as at 31st March 2021	Group as at 31st March 2021		Note	PCC as at 31st March 2022	Group as at 31st March 2022
£000	£000			£000	£000
		Long-term Assets			
349,012	349,012	Property, plant and equipment	11.2	373,117	373,117
3,796	3,796	Intangible assets	11.2	10,376	10,376
352,809	**352,809**	**Total Long-term Assets**		**383,493**	**383,493**
		Current Assets			
1,169	1,169	Assets held for sale	11.2	1,771	1,771
0	0	Short-term investments	12.1	12,915	12,915
942	942	Inventories		950	950
45,179	45,547	Short-term debtors	13	49,975	50,094
21,910	21,910	Cash and cash equivalents	14	15,125	15,125
69,200	**69,568**	**Total Current Assets**		**80,736**	**80,855**
		Current Liabilities			
(40,439)	(50,824)	Short-term creditors	15.1	(47,918)	(55,915)
(75,000)	(75,000)	Short-term borrowing	12.1	(84,000)	(84,000)
(235)	(235)	Short-term deferred liabilities	16	(235)	(235)
(674)	(674)	Long-term borrowing due within one year	15.2	(692)	(692)
(3,099)	(3,099)	Provisions	17.2	(3,220)	(3,220)
(1,018)	(1,018)	Grants receipts in advance		(820)	(820)
(120,465)	**(130,850)**	**Total Current Liabilities**		**(136,885)**	**(144,881)**
		Long-term Liabilities			
(940)	(940)	Long-term deferred liabilities	16	(705)	(705)
(62,410)	(62,410)	Long-term borrowing	15.2	(61,719)	(61,719)
(1,964)	(5,292,776)	Liability relating to defined benefit pension scheme	29.7	(1,821)	(5,293,981)
(4,754)	(4,754)	Non-current provisions	17.2	(4,796)	(4,796)
(70,068)	**(5,360,880)**	**Total Long-term Liabilities**		**(69,041)**	**(5,361,201)**
231,476	**(5,069,353)**	**Net Assets/(Liabilities)**		**258,303**	**(5,041,735)**
		Reserves			
45,183	45,184	Usable reserves	18	49,891	49,890
186,293	(5,114,537)	Unusable reserves	19	208,413	(5,091,624)
231,476	**(5,069,353)**	**Total Reserves**		**258,304**	**(5,041,734)**

The Group and the PCC Cash Flow Statement

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

PCC 2020/21	Group 2020/21		PCC 2021/22	Group 2021/22
£000	£000		£000	£000
		<u>Cash Flows From Operating Activities</u>		
80,110	80,110	Precepts	83,426	83,426
382,984	382,984	Grants	403,238	403,238
45,054	45,054	Sales of goods and rendering of services	51,982	51,982
44	44	Interest received	20	20
508,191	**508,191**	**Cash inflows generated from operating activities**	**538,667**	**538,667**
(754)	(205,073)	Cash paid to and on behalf of employees	(772)	(219,497)
(6,654)	(98,621)	Cash paid to suppliers of goods and services	(12,779)	(98,836)
(212)	(212)	Interest paid	(189)	(189)
0	(195,650)	Other payments for operating activities	0	(199,551)
(491,935)	0	Cash paid to officers, employees and suppliers of goods and services on behalf of the CC	(504,332)	0
(499,556)	**(499,556)**	**Cash outflows generated from operating activities**	**(518,073)**	**(518,073)**
8,636	**8,636**	**Net cash inflow/(outflow) from operating activities**	**20,593**	**20,593**
		<u>Cash Flows From Investing Activities</u>		
(36,094)	(36,094)	Purchase of property, plant and equipment and intangible assets	(24,019)	(24,019)
(110,480)	(110,480)	Purchase of short-term investments	(198,728)	(198,728)
221	221	Proceeds from the sale of property plant and equipment	206	206
110,480	110,480	Proceeds from short-term investments	185,813	185,813
663	663	Other receipts from investing activities	428	428
(35,210)	**(35,210)**	**Net inflow/(outflow) from investing activities**	**(36,300)**	**(36,300)**
		<u>Cash Flows From Financing Activities</u>		
151,959	151,959	Cash receipts of short and long-term borrowing	91,476	91,476
(124,735)	(124,735)	Repayments of short and long-term borrowing	(82,555)	(82,555)
27,224	**27,224**	**Net cash inflow/(outflow) from financing activities**	**8,921**	**8,921**
650	**650**	**Increase/(Decrease) in cash and cash equivalents**	**(6,785)**	**(6,785)**
21,260	**21,260**	**Cash and Cash Equivalents at 1st April**	**21,910**	**21,910**
21,910	**21,910**	**Cash and Cash Equivalents at 31st March**	**15,124**	**15,124**

The Group Movement in Reserves Statement 2020/21 and 2021/22

This statement shows the movement in the 2020/21 and 2021/22 financial year on the different reserves held by the Group, analysed into 'usable' reserves and 'unusable' reserves. The 'deficit on the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts charged to the General Fund Balance for council tax setting. The 'net increase or (decrease) before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Group. An analysis of the unusable reserves can be found in **Note 7**.

Group	Note	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Balance as at 1st April 2020		12,204	19,337	19	31,560	(4,626,056)	(4,594,496)
Movement in reserves during 2020/21							
Deficit on provision of services on an accounting basis		(90,885)	0	0	(90,885)	0	(90,885)
Other Comprehensive Income and Expenditure		0	0	0	0	(383,973)	(383,973)
Total Comprehensive Income and Expenditure		(90,885)	0	0	(90,885)	(383,973)	(474,858)
Adjustments between accounting basis and funding basis under regulations:	6.1	104,508	0	0	104,508	(104,508)	(0)
Net increase/(decrease) before transfers to earmarked reserves		13,622	0	0	13,622	(488,481)	(474,858)
Transfers to and from earmarked reserves	7	(12,836)	12,836	0	0	0	0
Balance as at 31st March 2021		12,990	32,174	19	45,183	(5,114,537)	(5,069,354)
Movement in reserves during 2021/22							
Deficit on provision of services on an accounting basis		(105,498)	0	0	(105,498)	0	(105,498)
Other Comprehensive Income and Expenditure		0	0	0	0	133,118	133,118
Total Comprehensive Income and Expenditure		(105,498)	0	0	(105,498)	133,118	27,620
Adjustments between accounting basis and funding basis under regulations:	6.2	110,206	0	0	110,206	(110,206)	(0)
Net increase/(decrease) before transfers to earmarked reserves		4,707	0	0	4,707	22,912	27,620
Transfers to and from earmarked reserves	7	(4,707)	4,707	0	0	0	0
Balance as at 31st March 2022		12,990	36,881	19	49,889	(5,091,625)	(5,041,735)
Movement year on year		0	4,707	0	4,707	22,912	27,620

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

The PCC Movement in Reserves Statement 2020/21 and 2021/22

This statement shows the movement in the 2019/20 and 2020/21 financial year on the different reserves held by the PCC, analysed into 'usable' reserves and 'unusable' reserves. The 'deficit on the provision of services' line shows the true economic cost of providing the PCC's services, more details of which are shown in the PCC's Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts charged to the General Fund Balance for council tax setting. The 'net increase or (decrease) before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the PCC. An analysis of the unusable reserves for can be found in **Note 7**.

PCC	Note	General Fund Balance	Earmarked Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves	Total Group Reserves
		£000	£000	£000	£000	£000	£000
Balance as at 1st April 2020		12,205	19,337	19	31,561	193,810	225,371
Movement in reserves during 2020/21							
Deficit on provision of services on an accounting basis		1,243	0	0	1,243	0	1,243
Other Comprehensive Income and Expenditure		0	0	0	0	4,862	4,862
Total Comprehensive Income and Expenditure		1,243	0	0	1,243	4,862	6,105
Adjustments between accounting basis and funding basis under regulations:	6.3	12,379	0	0	12,379	(12,379)	(0)
Net increase/(decrease) before transfers to earmarked reserves		13,622	0	0	13,622	(7,517)	6,105
Transfers to and from earmarked reserves	7	(12,836)	12,836	0	0	(0)	(0)
Balance as at 31st March 2021		12,990	32,174	19	45,183	186,293	231,475
Movement in reserves during 2021/22							
Deficit on provision of services on an accounting basis		(4,831)	0	0	(4,831)	0	(4,831)
Other Comprehensive Income and Expenditure		0	0	0	0	31,659	31,659
Total Comprehensive Income and Expenditure		(4,831)	0	0	(4,831)	31,659	26,828
Adjustments between accounting basis and funding basis under regulations:	6.4	9,543	0	0	9,543	(9,543)	(0)
Net increase/(decrease) before transfers to earmarked reserves		4,707	0	0	4,707	22,116	26,827
Transfers to and from earmarked reserves	7	(4,707)	4,707	0	0	(0)	0
Balance as at 31st March 2022		12,990	36,881	19	49,890	208,409	258,303

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 Police and Crime Commissioner and 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 2021/22 (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 PCC Group and also the PCC. The financial statements cover the 12 months to 31st March 2022. The term 'Group' is used to indicate consolidated transactions and policies of the PCC and the CC for the year ended 31st March 2022. 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 PCC 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 Group 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 Cash and Cash Equivalents

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

1.4 Council Tax Income

In accordance with the Code, the Council Tax Income included in the Comprehensive Income and Expenditure Statement is the accrued income for the financial year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Group recognises its share of the Council Tax debtor and creditor balances and impairment allowances in its Balance Sheet. The Group also recognises:-

- a creditor in its Balance Sheet for cash received from the Billing Authority in advance of the Billing Authority receiving the cash from Council Tax debtors; or
- a debtor in its Balance Sheet for its attributable share of net cash collected from Council Tax debtors by the Billing Authority but not paid over to it at the Balance Sheet date.

1.5 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 and are recognised as an expense for services in the year in which the employee renders service to the Group. 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 Surplus or Deficit on the Provision of Services, 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 Group 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 Group 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 (PPS) 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 Group 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 Superannuation Scheme, 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 the PCC and Group 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 PCC 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 PCC 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 Group 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 surplus / deficit on provision of services, with actuarial gains and losses being recognised 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 PCC believes that there is significant volatility and/or materiality in the level of long-term disability payments. Where the PCC 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 PCC rebuts the presumption above, and has accounted for those payments in the same way as other defined benefit post-employment benefits.

1.6 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.

1.7 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 Group's financial performance.

1.8 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.

1.9 Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.10 Group Accounts

Following the Police Reform and Social Responsibility Act 2011 (PRSR Act), 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). 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 transactions and balances of the PCC and the CC have been consolidated into the Group Accounts using the line-by-line method.

1.11 Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only when they are controlled by the Group as a result of past events (e.g. software licences), and where it is probable that future economic or service benefits will flow from the intangible asset to the Group and where the cost of the asset can be measured reliably.

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to produce and prepare the asset to the point that it is capable of operating in the manner intended by management. Thereafter, intangible assets are valued at depreciated historical cost as a proxy for fair value.

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

Expenditure on purchasing computer software has been capitalised as an intangible asset. Amortisation is charged to the Comprehensive Income and Expenditure Statement on a straight-line basis (usually over four years).

1.12 Interest Charges

External interest charges are paid on the inherited debt brought forward at 1st April 1986. This is administered by Wirral Metropolitan Borough Council and is being repaid on a straight-line basis in compliance with the Debt Redemption Order 1986.

1.13 Interest Receivable

During the year interest receivable on surplus cash is credited to revenue.

1.14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

1.15 Jointly Controlled Operations

Jointly controlled operations are joint arrangements in which the Group 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 Group 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 is debited with the Group's share of expenditure incurred and credited with the Group's share of income earned from the activity of the operation. If material, the Group recognises on its Balance Sheet its share of the assets that it controls and the liabilities that it incurs.

1.16 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Property, Plant and Equipment held under finance leases are initially recognised at the inception of the lease at fair value or, if lower, present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor.

Finance lease payments are apportioned between:-

- A charge for the acquisition of the interest in the property applied to the writing down of the lease liability; and
- A finance charge debited to the Comprehensive Income and Expenditure Statement.

Where leases are classified as operating leases, the annual rentals are charged to revenue. The value of assets and related liability for future rental are not shown in the Balance Sheet.

1.17 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.

1.18 PCC Funding of the Chief Constable's Expenditure

As the Chief Constable has no resources with which to fulfil their 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.

1.19 Police Property Act Fund

The Group maintains a Police Property Act Fund, which is shown in the earmarked reserves (Note 7). The requirement to maintain a Police Property Act Fund was laid down in the Police (Property) Act, 1897 and governed by subsequent regulations issued in 1898 and 1975. The monies in the Police Property Act Fund are generated by the disposal of property, which remains in police possession, in connection with their investigations into a suspected offence, and the owner cannot be ascertained (and no order of a competent court has been made regarding such property) or the disposal of property of offenders in certain cases, which have been confiscated.

Under the terms of the Police (Disposal of Property) Regulations 1975, 7(c) the Group is able to dispose of funds, to make payments of such amounts as the PCC may determine for such charitable purposes as they may select, and also to meet the expenses incurred in the conveyance, storage, safe custody and sale of the property.

1.20 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 Group'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.

1.21 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are intended for use during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential, (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement and Valuation

Assets are initially measured at cost, comprising:-

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

- **Assets under construction** - historical cost;
- **Land and buildings** - current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV);
- **Depreciated Replacement Cost (DRC)** - Where there is no market-based evidence of the current value of land and buildings because of their specialist nature, Depreciated Replacement Cost (DRC) is used as an estimate of current value;
- **Other non-property assets** - such as vehicles and IT hardware have short useful lives or low values (or both), and depreciated historical cost basis is used as a proxy for current value; and
- **Surplus assets** - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

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

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

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

Material borrowing costs that are directly attributable to the construction of a long-term asset are capitalised, were they are not material the costs are charged to the Comprehensive Income and Expenditure Statement in the year to which they relate.

Subsequent Expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the assets carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to the Comprehensive Income and Expenditure Statement. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

Impairment

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

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

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

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

Componentisation

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

Specifically componentisation is considered for properties which have been the subject of significant refurbishment or improvement during the year. In this context significant expenditure is defined as ‘greater than 25% of the total cost of the asset and greater than £100,000’.

Depreciation

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

Depreciation is calculated on the following bases:

- **Buildings** - straight-line allocation over the useful life of the property as estimated by the valuer; and
- **Vehicles, plant and equipment** - straight-line allocation over the estimated useful life of the asset.

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

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

Charges to Revenue for Property, Plant and Equipment

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the real costs of holding property, plant and equipment during the year:-

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

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:-

The Group is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (Minimum Revenue Provision). Depreciation, impairment losses and amortisations are therefore replaced by the revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

The Group is also charged with the principal element of transferred debt taken over from the former Merseyside County Council, and managed by Wirral Metropolitan Borough Council on its behalf. This charge is included as another adjusting transaction between the General Fund Balance and the Capital Adjustment Account.

1.22 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Group 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 Group 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.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. 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 and credited back to the Comprehensive Income and Expenditure Statement.

Full details of provisions can be found at **Note 17** to the Balance Sheet.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Group 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 Group. 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 Group. The Group 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.

1.23 Redemption of Debt

Under the Local Government Act 1985, outstanding loan debt relating to police services was transferred to the Merseyside Police Authority on 1st April 1986. This debt is administered by Wirral Metropolitan Borough Council (WMBC). Loan charges are reimbursed by the PCC to WMBC.

Loan debt incurred from 1st April 1986 is directly administered by the Group.

1.24 Reserves and the General Fund Balance

The Group sets aside specific amounts as reserves for future policy purposes (earmarked reserves) or to cover general contingencies (The General Fund Balance). The earmarked reserves maintained by the Group are shown at **Note 7**. Other reserves are held to manage the accounting processes for property, plant and equipment and retirement benefits and are explained elsewhere in the statement of accounting policies and notes to the core financial statements.

1.25 VAT

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 2022 but will not be adopted by the Code until 2022/23.

2.1 Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC does not envisage them having a significant effect on local authority financial statements.

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 Group.

2.2 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.)

The effect of the changes will be assessed and where necessary, the comparative figures restated.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in **Note 1**, the PCC 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 PCC 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

Uncertainty	Effect If Actual Results Differ from Assumptions
Pensions Liability	
The pension liability is recognised on the CC and PCC 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 Group uses an independent firm of actuaries to assess the Local Government Pension Scheme assets and liabilities and the Government Actuary's 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 £111m, or a one year increase in the life expectancy would increase the pension liability by £201m. The effects on the net pensions liability of changes in individual assumptions are detailed in the actuarial assumptions (**Note 29.9**). 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.
Valuations of Operational Properties	
Land and building assets are held on the PCC and the Group Balance Sheet. In the 2021/22 financial year 25.1% of properties (by value) have been subject to a full valuation and 72.9% have been subject to a desktop valuation. The remaining 2.0% has not been valued for practical or strategic reasons. Revaluations of properties are carried out with sufficient regularity to ensure that the carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows: • **Land and non-specialised buildings** - current value, determined as the amount that would be paid for the asset in its existing use • **Specialised Buildings** - Depreciated Replacement Cost (DRC) • **Surplus assets** - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective. The Commissioner seeks professional advice from its valuer annually to determine the value of its land and buildings. The values in the valuer's reports have been used to inform the measurement of property assets at valuation in these financial statements. The valuer exercises his professional judgement in providing the valuation and it remains the best information available to the Commissioner. Intrinsic in these valuations are assumptions regarding obsolescence and rebuild rates which could change and have a material impact on the valuation.	The valuations of land and buildings (full valuations and desktop valuations) are made using assumptions and estimation techniques. Should the actual results differ from the estimates results the balance sheet values of Property, Plant and Equipment will increase or decrease accordingly. The net book value at 31st March 2022 of the Commissioner's properties valued by professional valuers and reflected in these financial statements is £352.6m. It is estimated that the carrying value of property, plant and equipment would increase or decrease by £3.53m for every 1% increase or decrease in valuation.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by John Riley, Chief Finance Officer to The Police & Crime Commissioner for Merseyside on 16th December 2022.

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

Where events have taken place on or before 16th December 2022 which provided information about conditions existing at 31st March 2022, 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 2022 and 16th December 2022 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 Group 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 Group to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Earmarked Reserves

Earmarked reserves are the amounts set aside from the General Fund Balance to provide financing for future expenditure plans.

Capital Receipts Reserve

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

The Capital Grants Unapplied Account (Reserve)

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the Group has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

6.1 Group Adjustments between Accounting Basis and Funding Basis 2020/21

	Note	General Fund Balance	Capital Receipts Reserve
		£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	**19.2**	16,564	0
Capital Grants and Contributions and Revaluation losses	**19.2**	(1,061)	0
Pensions costs (transferred to or from the Pensions Reserve)	**19.3**	87,258	0
Council tax (transfers to or from Collection Fund)	**19.5**	2,608	0
Holiday Pay (transferred to the Accumulated Absences Reserve)	**19.6**	4,983	0
Total Adjustments to Revenue Resources		**110,352**	**0**
Adjustments between capital and revenue resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	**19.2**	(77)	219
Amounts from reserves used to fund Capital Expenditure	**19.2**	(828)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	**19.2**	(3,335)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment	**19.2**	(1,604)	0
Total Adjustments between Revenue and Capital Resources		**(5,844)**	**219**
Adjustments to capital resources			
Use of the Capital Receipts Reserve to finance capital expenditure	**19.2**	0	(219)
Total Adjustments between Revenue and Capital Resources		**0**	**(1,505)**
Total Adjustments		**104,508**	**0**

6.2 Group Adjustments between Accounting Basis and Funding Basis 2021/22

	Note	General Fund Balance	Capital Receipts Reserve
		£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	**19.2**	20,206	0
Capital Grants and Contributions and Revaluation losses	**19.2**	(861)	0
Pensions costs (transferred to or from the Pensions Reserve)	**19.3**	102,946	0
Council tax (transfers to or from Collection Fund)	**19.5**	(1,906)	0
Holiday Pay (transferred to the Accumulated Absences Reserve)	**19.6**	(2,144)	0
Total Adjustments to Revenue Resources		**118,242**	**0**
Adjustments between capital and revenue resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	**19.2**	101	206
Amounts from reserves used to fund Capital Expenditure	**19.2**	(2,212)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	**19.2**	(4,675)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment	**19.2**	(1,249)	0
Total Adjustments between Revenue and Capital Resources		**(8,036)**	**206**
Adjustments to capital resources			
Use of the Capital Receipts Reserve to finance capital expenditure	**19.2**	0	(206)
Total Adjustments between Revenue and Capital Resources		**0**	**(206)**
Total Adjustments		**110,206**	**0**

6.3 PCC Adjustments between Accounting Basis and Funding Basis 2020/21

	Note	General Fund Balance	Capital Receipts Reserve
		£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	**19.2**	16,564	0
Capital Grants and Contributions and Revaluation losses	**19.2**	(1,061)	0
Pensions costs (transferred to or from the Pensions Reserve)	**19.3**	112	0
Council tax (transfers to or from Collection Fund)	**19.5**	2,608	0
Total Adjustments to Revenue Resouces		**18,223**	**0**
Adjustments between capital and revenue resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	**19.2**	(77)	219
Amounts from reserves used to fund Capital Expenditure	**19.2**	(828)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	**19.2**	(3,335)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment	**19.2**	(1,604)	0
Total Adjustments between Revenue and Capital Resources		**(5,844)**	**219**
Adjustments to capital resources			
Use of the Capital Receipts Reserve to finance capital expenditure	**19.2**	0	(219)
Total Adjustments between Revenue and Capital Resources		**0**	**(219)**
Total Adjustments		**12,379**	**0**

6.4 PCC Adjustments between Accounting Basis and Funding Basis 2021/22

	Note	General Fund Balance	Capital Receipts Reserve
		£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	**19.2**	20,206	0
Capital Grants and Contributions and Revaluation losses	**19.2**	(861)	0
Pensions costs (transferred to or from the Pensions Reserve)	**19.3**	139	0
Council tax (transfers to or from Collection Fund)	**19.5**	(1,906)	0
Total Adjustments to Revenue Resources		**17,578**	**0**
Adjustments between capital and revenue resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	**19.2**	101	206
Amounts from reserves used to fund Capital Expenditure	**19.2**	(2,212)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment	**19.2**	(4,675)	0
Capital expenditure financed from revenue balances (transfer to the Capital	**19.2**	(1,249)	0
Total Adjustments between Revenue and Capital Resources		**(8,036)**	**206**
Adjustments to capital resources			
Use of the Capital Receipts Reserve to finance capital expenditure	**19.2**	0	(206)
Total Adjustments between Revenue and Capital Resources		**0**	**(206)**
Total Adjustments		**9,543**	**0**

7 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

Group and PCC		Transfers			Transfers		
Reserve	Balance as at 31st March 2020	Transfers In	Transfers Out	Balance as at 31st March 2021	Transfers In	Transfers Out	Balance as at 31st March 2022
	£000	£000	£000	£000	£000	£000	£000
Restructure Reserve	8,376	0	0	8,376		(0)	8,376
Invest to Save Reserve	1,100	0	(420)	680		(44)	636
Budget Support Reserve	3,647	2,173	0	5,820	3,933	(127)	9,625
NWROCU TSU Capital Reserve	73	12	(58)	26	0	(26)	0
ESN Reserve	1,262	587	(202)	1,647		(904)	743
Insurance Reserve	505	4,256	(786)	3,975		(279)	3,695
POCA Reserve	750	0	(165)	586	605	(257)	934
Estate Strategy Reserve	0	0	0	0	888	0	888
CC Priority Fund	884	0	(331)	553	173	0	726
PCC Crime Prevention Strategy Resv	260	112	(26)	345	106	(10)	441
Civil Litigation Fund	381	0	0	381	0	0	381
Section 152 Reserve	905	451	(187)	1,168	589	(385)	1,372
NWROCU Asset Reserve	870	407	(62)	1,216	409	(160)	1,465
Covid-19 Support Reserve	0	1,930	0	1,930		(1,930)	0
Drugs & Serious Violence Reserve	0	4,700	0	4,700		(880)	3,820
Victim Support Reserve	118	0	(7)	111	0	0	111
Police Property Act Fund	208	533	(80)	662	302	(90)	873
Uplift Reserve	0	0	0	0	2,794		2,794
	19,337	15,161	(2,325)	32,174	9,799	(5,092)	36,881
Net Movement in Year		12,837			4,707		

Details of reserves with individual balances of more than £1.000m, or whose additional explanation are considered beneficial to the user of the accounts, are provided below:-

- The **Restructure Reserve** is to be utilised to fund the potential redundancy or redeployment protection costs associated with the work of the Community First Programme. The utilisation of this reserve allows for the immediate release of savings from the revenue account, thus ensuring continued financial resilience.
- The **Budget Support Reserve** has been established to carry over planned budget surpluses to be released to support the revenue budget.
- The **Insurance Reserve** was created to recognise the fluctuations in the valuation of insurance liabilities at the year end.
- The **Section 152 Reserve** is used to hold proceeds of vehicle auction sales, where the vehicle has been seized under Section 152 legislation.
- The **NWROCU Asset Reserve** holds in reserve revenue budget and capital programme underspends arising within the NWROCU collaboration, until the Joint Oversight Committee decide how best to utilise these resources.
- The **Drugs & Serious Violence Reserve** has been created to set aside additional funding of £4.700m received during 2020/21. The Chief Constable is currently assessing how best these additional resources can be utilised by the Force.
- The **Uplift Reserve** has been created to set aside an underspend on uplift funding, arising from delays in recruitment as a result of Covid-19.

8 OTHER OPERATING INCOME AND EXPENDITURE

PCC 2020/21	Group 2020/21		PCC 2021/22	Group 2021/22
£000	£000		£000	£000
(74,083)	(74,083)	Home Office grant receivable towards retirement benefit costs	(73,769)	(73,769)
(77)	(77)	(Gains)/losses on the disposal of non-current assets	98	98
0	0	Home Office grant payable to the pension fund	0	0
4	339	IAS 19 administrative fees	3	356
(74,156)	**(73,821)**		**(73,667)**	**(73,314)**

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

PCC 2020/21	Group 2020/21		PCC 2021/22	Group 2021/22
£000	£000		£000	£000
1,539	1,539	Interest payable and similar charges	1,846	1,846
36	108,173	Net pensions interest cost	40	105,792
(34)	(34)	Interest income	(20)	(20)
1,541	**109,678**		**1,866**	**107,618**

10 TAXATION AND NON-SPECIFIC GRANT INCOME

Group and PCC 2020/21		Group and PCC 2021/22
£000		£000
	Credited to Taxation and Non Specific Grant Income	
(133,069)	Police specific revenue grant	(142,182)
(80,110)	Precepts	(83,426)
2,608	Deficit/(Surplus) on collection fund	(1,906)
(14,103)	Council tax support funding	(16,603)
(121,553)	DCLG formula funding	(128,490)
(3,570)	Pensions Grant	(3,570)
(1,538)	Council tax freeze grant	(1,538)
(1,061)	Capital grants and contributions	(1,031)
(352,395)		**(378,746)**
	Credited to Cost of Services	
(2,906)	Terrorism grant	(3,684)
(4,639)	Regional grants	(458)
(1,714)	Victims Support Services grant	(3,069)
(2,783)	Serious Violence Funding	(3,148)
(3,370)	Violence Reduction Units	(4,223)
(3,200)	County Lines	(4,276)
(4,700)	Drugs and Serious Violence grant	0
(1,422)	BTAC Home Office grant	(1,448)
(771)	Covid-19 grant	0
(550)	Safer Streets fund	(1,089)
(200)	Domestic Abuse Perpertrator Programme grant	(818)
0	Uplift Grant	(3,333)
0	RPU/ANPR County Lines	(1,342)
(1,362)	Other grants	(1,089)
(27,617)		**(27,977)**

11 PROPERTY PLANT AND EQUIPMENT

11.1 Group and PCC Movement on Balances 2020/21

	Land & Buildings	Plant & Equipment	Vehicles	Assets Under Construction	Surplus Assets	Total	Intangibles	Held for Sale	Grand Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Value as at 1st April 2020	**272,219**	**34,273**	**20,869**	**34,720**	**2,566**	**364,647**	**15,500**	**1,436**	**381,583**
Additions	794	2,155	3,276	28,212	0	**34,437**	799	0	**35,236**
Transfers	16,995	11	0	(14,330)	(2,566)	**110**	0	(110)	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,244)	0	0	0	0	**(4,244)**	0	0	**(4,244)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	428	0	0	0	0	**428**	0	(157)	**271**
Derecognition - disposals	(10)	0	(1,381)			**(1,391)**		0	**(1,391)**
Derecognition - other	0	(1,523)	(125)	0	0	**(1,648)**	(40)	0	**(1,688)**
Gross Value as at 31st March 2021	**286,182**	**34,916**	**22,639**	**48,602**	**0**	**392,338**	**16,259**	**1,169**	**409,766**
Depreciation and Impairment as at 1st April 2020	**(461)**	**(25,229)**	**(14,409)**	**0**	**0**	**(40,099)**	**(11,137)**	**0**	**(51,236)**
Depreciation charge for year	(10,335)	(3,584)	(2,067)	0	0	**(15,986)**	(1,366)	0	**(17,352)**
Depreciation written out to the Revaluation Reserve	9,343	0	0	0	0	**9,343**	0	0	**9,343**
Depreciation written out to the Surplus/Deficit on Provision of Services	583	0	0	0	0	**583**	0	0	**583**
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	(65)	0	0	**(65)**	0	0	**(65)**
Derecognition - disposals	4	0	1,246	0	0	**1,250**	0	0	**1,250**
Derecognition - other	0	1,523	125	0	0	**1,648**	40	0	**1,688**
Depreciation and Impairment as at 31st March 2021	**(866)**	**(27,290)**	**(15,170)**	**0**	**0**	**(43,326)**	**(12,463)**	**0**	**(55,789)**
Carrying Value as at 31st March 2021	**285,316**	**7,626**	**7,469**	**48,602**	**0**	**349,012**	**3,796**	**1,169**	**353,978**
Carrying Value as at 31st March 2020	**271,758**	**9,044**	**6,460**	**34,720**	**2,566**	**324,548**	**4,363**	**1,436**	**330,347**

11.2 Group and PCC Movement on Balances 2021/22

	Land & Buildings	Plant & Equipment	Vehicles	Assets Under Construction	Surplus Assets	Total	Intangibles	Held for Sale	Grand Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Value as at 1st April 2021	**286,182**	**34,916**	**22,639**	**48,602**	**0**	**392,338**	**16,259**	**1,169**	**409,766**
Additions	741	5,346	1,952	7,294	0	**15,333**	5,092	0	**20,425**
Transfers	46,880	0	0	(51,148)	0	**(4,269)**	4,269	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	21,637	0	0		0	**21,637**	0	2	**21,639**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services	(295)	0	0	0	0	**(295)**	0	0	**(295)**
Derecognition - disposals	0	(6,728)	(2,153)	0	0	**(8,881)**	(1,736)	0	**(10,617)**
Derecognition - other	0	0	0	0	0	**0**	0	0	**0**
Assets reclassified to held for sale/surplus	(600)	0	0	0	0	**(600)**	0	600	**0**
Gross Value as at 31st March 2022	**354,545**	**33,534**	**22,438**	**4,747**	**0**	**415,263**	**23,884**	**1,771**	**440,918**
Depreciation and Impairment as at 1st April 2021	**(866)**	**(27,290)**	**(15,170)**	**0**	**0**	**(43,326)**	**(12,463)**	**0**	**(55,789)**
Depreciation charge for year	(10,123)	(4,594)	(2,415)	0	0	**(17,133)**	(2,781)	0	**(19,914)**
Depreciation written out to the Revaluation Reserve	9,740	0	0	0	0	**9,740**	0	0	**9,740**
Derecognition - disposals	0	6,642	1,930	0	0	**8,572**	1,736	0	**10,308**
Depreciation and Impairment as at 31st March 2022	**(1,249)**	**(25,243)**	**(15,655)**	**0**	**0**	**(42,147)**	**(13,508)**	**0**	**(55,655)**
Carrying Value as at 31st March 2022	**353,296**	**8,291**	**6,783**	**4,747**	**0**	**373,117**	**10,376**	**1,771**	**385,264**
Carrying Value as at 31st March 2021	**285,316**	**7,626**	**7,469**	**48,602**	**0**	**349,012**	**3,796**	**1,169**	**353,978**

11.3 Capital Commitments

As at 31st March 2022, the Group and the PCC had entered into a number of capital contracts (with values in excess of £0.100m) for the construction, purchase or enhancement of Property, Plant and Equipment upon which there were outstanding amounts of £2.043m; of which £1.856m relates to expenditure connected to the Group Estate Strategy.

Similar commitments at 31st March 2021 were £4.660m.

11.4 Revaluations

The Group and the PCC carry out a rolling programme that ensures that all land and buildings are revalued at least once every five years. The valuations have been undertaken by an external valuer – Tim Ellams BSc (Est Man), MRICS , and Colliers International Property Consultants Ltd - during the period February and March 2022. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating current values for land and buildings are:-

- That all required valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with;
- That no deleterious or hazardous materials or techniques have been used, that there is no contamination in or from the ground, and it is not landfilled ground;
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown;
- That the properties and their values are unaffected by any matters which would be revealed by local searches, replies to the usual pre-contract enquiries, or by any statutory notices which may indicate that neither the properties, nor their condition, use, or intended use, is or will be unlawful;
- That inspections of those parts that have not been inspected, or a survey inspection, would not reveal material defects or cause the valuers to alter the valuations materially;
- That the properties are connected to, and there is a right to use, the reported mains services on normal terms; and
- That sewers, main services and the roads giving access to the property have been adopted.

Vehicles and plant and equipment are valued at depreciated historical cost as this valuation is deemed to be a reasonable estimate of current value.

The table below shows the date at which land and building assets, which are valued at current value, were last subject to a desktop or a full valuation by the external valuer :-

Group and PCC	Land & Buildings	Plant & Equipment	Vehicles	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Carried at historical cost	1,457	33,534	22,438	4,747	0	62,176
Valued at fair value as at:						
31st March 2015	162	0	0	0	0	162
31st March 2016	0	0	0	0	0	0
31st March 2017	0	0	0	0	0	0
31st March 2018	0	0	0	0	0	0
31st March 2019	0	0	0	0	0	0
31st March 2020	7,250	0	0	0	0	7,250
31st March 2021	0	0	0	0	0	0
31st March 2022	345,675	0	0	0	0	345,675
Total cost or valuation as at 31st March 2022	**354,545**	**33,534**	**22,438**	**4,747**	**0**	**415,263**

11.5 Non-Operational Property, Plant and Equipment (Surplus Assets)

The Group and PCC hold surplus assets valued at £0.000m (2020/21 £0.000m)

11.6 Finance Leases

The PCC holds two properties and one piece of land under finance leases. The net carrying amount reported in the PCC and Group Balance Sheets for these assets is £7.304m (2020/21 £6.075m).

The PCC has made capital contributions towards the building works for the two properties and in both instances the liability for payment of the lease has been considered paid in full at the lease inception. The PCC paid the sum of the total lease payments on the land at the date of acquisition.

The PCC therefore does not recognise any liability on the PCC and Group balance sheets for future minimum lease payments.

11.7 Depreciation

In line with IAS16, depreciation is defined as the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation is charged as follows:

- Land and Buildings - straight-line allocation over 4 to 50 years
- Plant and Equipment – straight-line allocation over 4 years
- Vehicles – straight-line allocation over 4 to 10 years

11.8 Operating Leases

The present value of payments on current premise operating leases held by the Group and PCC are estimated at £0.457m, based-upon the expected terms of the leases.

12 FINANCIAL INSTRUMENTS

12.1 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). The following categories of financial instruments are carried in the Balance Sheets of the PCC and the Group:-

Long Term		Short Term			Long Term		Short Term	
PCC 31st March 2021	Group 31st March 2021	PCC 31st March 2021	Group 31st March 2021		PCC 31st March 2022	Group 31st March 2022	PCC 31st March 2022	Group 31st March 2022
£000	£000	£000	£000		£000	£000	£000	£000
				Investments				
0	0	0	0	Financial assets at amortised cost	0	0	12,915	12,915
0	**0**	**0**	**0**	**Total Investments**	**0**	**0**	**12,915**	**12,915**
				Assets at amortised cost				
0	0	60	60	Financial Assets at Amortised Cost	0	0	4,345	4,345
0	0	21,850	21,850	Fair Value through profit and Loss	0	0	10,780	10,780
0	**0**	**21,910**	**21,910**	**Total Cash and Cash Equivalents**	**0**	**0**	**15,125**	**15,125**
				Debtors				
0	0	36,626	36,626	Financial Assets at Amortised Cost	0	0	38,465	38,465
0	0	8,553	8,921	Non financial instrument debtors	0	0	11,510	11,629
0	**0**	**45,179**	**45,547**	**Total Debtors**	**0**	**0**	**49,975**	**50,094**
0	**0**	**67,089**	**67,457**	**Total All financial assets**	**0**	**0**	**78,015**	**78,134**
				Borrowings				
0	0	(75,000)	(75,000)	Financial Liabilities at Amortised Cost	0	0	(84,000)	(84,000)
(62,410)	(62,410)	(674)	(674)	Financial Liabilities at Amortised Cost - PWLB	(61,719)	(61,719)	(692)	(692)
(62,410)	**(62,410)**	**(75,674)**	**(75,674)**	**Total Borrowing**	**(61,719)**	**(61,719)**	**(84,692)**	**(84,692)**
				Creditors				
0	0	(32,415)	(32,415)	Financial Liabilities at Amortised Cost	0	0	(40,511)	(40,511)
0	0	(8,024)	(18,409)	Non financial instrument creditors	0	0	(7,407)	(15,404)
0	**0**	**(40,439)**	**(50,824)**	**Total Short term Creditors**	**0**	**0**	**(47,918)**	**(55,915)**
(62,410)	**(62,410)**	**(116,113)**	**(126,498)**	**Total all financial Liabilities**	**(61,719)**	**(61,719)**	**(132,610)**	**(140,607)**

The following assets/liabilities are excluded from the financial instruments balances because they arise under legislation and are therefore statutory in nature rather than contractual:-

- Transferred debt arising from local government reorganisation in 1986 that is administered by Wirral MBC on behalf of the Group; and
- Amounts included within debtors and creditors for the Group's share of Council Tax debtors and overpaid/pre-paid Council Tax.

Prepayments are also excluded because they are contractual rights to receive goods or services rather than to receive cash or another financial asset.

The Fair Value of the PWLB loan is £63.200m

12.2 Financial Instruments Gains and Losses

The Comprehensive Income and Expenditure Statements of the Group and the PCC recognise £0.020m (£0.034m 2020/21) of gains relating to interest income and £1.846m (£1.539m 2020/21) of losses relating to interest expenses. These gains and losses have been incurred in relation to Financial Instruments.

12.3 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. Likewise, investments held 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.

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, and therefore information about the fair values of those financial instruments has not been disclosed. The exception to this is the PWLB loan, which is disclosed at fair value. For loans from the PWLB, Knowsley MBC Treasury Management Services (the Commissioner's advisors) have used the Net Present Value (NPV) approach to arrive at a calculated fair value, which provides an estimate of the value of future payments in today's terms. Inputs to these measurement methods are those defined in IFRS13 as Level 2 – inputs that are observable for the asset or liability either directly or indirectly.

These balances are shown in **Note 12.1**.

12.4 Financial Instruments – Nature and Extent of Risks Arising

Knowsley MBC Treasury Management Section undertakes the Treasury Management function for the Group and the PCC. The Group's activities expose it to a variety of financial risks:-

Credit Risk

This is the risk that other parties may fail to pay amounts due and arises from the short term lending of surplus funds to banks and financial institutions as well as credit exposure to customers. The Group and the PCC have adopted CIPFA's Code of Practice for Treasury Management and this is enshrined in its Financial Regulations. This code includes key controls in respect of investment and borrowing in line with CIPFA's Prudential Code. The potential of impairment arising from future events has been considered for all classifications of Financial Assets and Liabilities, in line with the requirements of IFRS9; and any such impairments have been provided for explicitly within the Accounts. As at 31 March 2022 the Commissioner had £10.780m of deposits with Money Market Funds all of which carry AAA credit ratings. Under IFRS 9 the Expected Credit Loss on these is negligible.

The amounts owed to the Group and the PCC in respect of general sundry debtors are kept continually under review and particularly in respect of the likelihood that some debts may not be repaid. The Group and the PCC provide for bad debts each year, as at 31st March 2022 the provision was £0.084m (2020/21 £0.070m).

The total value of sundry debtors as at 31st March 2022 is £1.296m (2020/21 £2.297m) analysed as follows:-

Group and PCC 2020/21		Group and PCC 2021/22
£000		£000
1,739	Current	540
406	Less than 12 months overdue	610
153	More than 12 months overdue	146
2,297		**1,296**

Liquidity Risk

This is the risk that the Group or the PCC may not have funds available to meet its commitments to make payments. The Group produces cash flow projections on a regular basis to mitigate this risk. The projections allow for cash management including the repayment profile of any borrowings. Knowsley MBC Treasury Management Section is able to secure access to overdraft facilities and short term borrowing through Money Markets on behalf of the Group and the PCC.

The following table shows the borrowing outstanding at 31 March 2022. No new PWLB borrowing has been taken out during 2021/22:-

31st March 2021		31st March 2022
£000		£000
	Analysis of Loans by Maturity	
(75,674)	Less than 1 year	(84,692)
(692)	Between 1 and 2 years	(711)
(2,193)	Between 2 and 5 years	(3,046)
(4,076)	Between 5 and 10 years	(4,302)
(55,449)	More than 10 years	(53,658)
(138,084)	**Total outstanding**	**(146,410)**

Market Risk

This is the risk that financial loss might arise as a result of changes in such measures as interest rates or stock market movements. Investments and borrowings held in the Balance Sheet are at fixed interest rates and therefore the Group and the PCC are not exposed to movements in interest payable/receivable on investments and borrowings. The Group and the PCC have no financial assets or liabilities denominated in foreign currencies, and therefore has no exposure to loss arising from movements in exchange rates.

13 DEBTORS

PCC 31st March 2021	Group 31st March 2021		PCC 31st March 2022	Group 31st March 2022
£000	£000		£000	£000
28,834	**28,834**	**Central Government Bodies**	**30,643**	**30,643**
30,800	30,800	Other Local Authorities	36,763	36,763
(19,939)	(19,939)	Impairment allowance for (council tax) doubtful debtors	(23,628)	(23,628)
10,861	**10,861**	**Other Local Authorities (net of impairment)**	**13,135**	**13,135**
2,297	2,297	Sundry debtors	1,357	1,357
(70)	(70)	Impairment allowance for doubtful debtors	(84)	(84)
2,227	**2,227**	**Sundry debtors (net of impairment)**	**1,272**	**1,272**
3,258	**3,258**	**Prepayments**	**4,925**	**4,925**
0	**368**	**Short term accumulating absences**	**0**	**119**
45,179	**45,547**	**Total Debtors**	**49,975**	**50,094**

14 CASH AND CASH EQUIVALENTS

Group and PCC 31st March 2021		Group and PCC 31st March 2022
£000		£000
30	Imprests	30
30	Bank current accounts	4,315
21,850	Short term investments	10,780
21,910	**Total Cash and Cash Equivalents**	**15,125**

As at 31st March 2022, the Group and the PCC held a total of £10.907m (2020/21 £9.690m) under the Proceeds of Crime Act 2002, representing cash seized by Police and retained as evidence in support of crimes or cash handed into the Police as found property awaiting claim by the owner or finder.

The amount is not under the ownership of the Group or the PCC which acts as steward on behalf of various parties, and as such does not form part of the accounts of the Group or the PCC.

Within the accounts of the Group and the PCC, there is £0.873m (2020/21 £0.662m) held under the Police Property Act 1997 which applies to property that is in the possession of police where the owner of the property cannot be identified and where no order of a competent court has been made. This amount is shown in **Note 7**, earmarked reserves, under the heading Police Property Act Fund. The Fund is used to meet expenses incurred in the conveyance, storage, safe custody and sale of the property and to make payments for charitable purposes.

15 CREDITORS

15.1 Short Term Creditors

PCC 31st March 2021	Group 31st March 2021		PCC 31st March 2022	Group 31st March 2022
£000	£000		£000	£000
(715)	(715)	Government departments	(520)	(520)
0	(6,160)	HM Revenue & Customs	0	(6,359)
(16,674)	(16,674)	Other local authorities	(18,281)	(18,281)
(14,522)	(16,890)	Bodies external to general government	(21,118)	(22,758)
0	(10,384)	Short term accumulating absences	0	(7,997)
(8,529)	0	Intra-group account	(7,999)	0
(40,439)	**(50,824)**	**Total External Creditors**	**(47,918)**	**(55,915)**

15.2 Long Term Borrowing

Group and PCC 31st March 2021		Group and PCC 31st March 2022
£000		£000
(63,740)	**Balance brought forward**	**(63,084)**
0	Borrowing in Year	0
656	Repayments in Year	673
(63,084)	**Balance carried forward**	**(62,411)**
(674)	Payable within one year	(692)
(62,410)	Payable in more than one year	(61,719)
(63,084)		**(62,411)**

16 DEFERRED LIABILITIES

The figure for deferred liabilities in the Group and the PCC Balance Sheets relates to inherited debt administered by Wirral Metropolitan Borough Council. Similar debts are administered on behalf of all Authorities comprising the former Merseyside County Council. As such it is not possible to provide an analysis of the amount outstanding for an individual Authority by lender category and maturity, the overall debt being managed as a single sum. However, in line with the Redemption of Debt Order (1986), the loans are being repaid on a straight line basis over 40 years.

Group and PCC 31st March 2021		Group and PCC 31st March 2022
£000		£000
(1,410)	**Balance brought forward**	**(1,175)**
235	Repayment of principal	235
(1,175)	**Balance carried forward**	**(940)**
(235)	Payable within one year	(235)
(940)	Payable in more than one year	(705)
(1,175)		**(940)**

17 PROVISIONS

17.1 Insurance Provision

In 2021/22 the Group and the PCC made a contribution of £2.250m to the Insurance Provision. The contributions made each year are based upon best advice received from the Group's insurance brokers. This takes account of the previous claims history and the anticipated outcomes of known claims. Self-insurance currently substantially assumes the risk in respect of public, employer and motor liabilities. The level of the Insurance Provision is continually reviewed to ensure it is at an appropriate level.

17.2 Other Provisions

The Group and the PCC also hold a number of other provisions including a provision of £2.847m to provide for the potential claw back of claims paid by the Group's former insurance company Municipal Mutual Insurance Ltd.

Provisions	Balance as at 1st April 2020	Additional Provisions Made 2020/21	Amounts Used in 2020/21	Unused Amounts Reversed 2020/21	Balance as at 31st March 2021	Additional Provisions Made 2021/22	Amounts Used in 2021/22	Unused Amounts Reversed 2021/22	Balance as at 31st March 2022
	£000s	£000s	£000s	£000s	**£000s**	£000s	£000s	£000s	**£000s**
Insurance Provision	(6,955)	(2,500)	1,763	4,256	**(3,436)**	(2,250)	2,166	(276)	**(3,797)**
MMI Provision	(2,847)	0	0	0	**(2,847)**	0	0	0	**(2,847)**
Other Provisions	(887)	(850)	167	0	**(1,570)**	0	198	0	**(1,372)**
Total Provisions	**(10,689)**	**(3,350)**	**1,930**	**4,256**	**(7,853)**	**(2,250)**	**2,364**	**(276)**	**(8,016)**
Estimated to be payable within one year	(2,690)				**(3,099)**				**(3,220)**
Estimated to be payable in more than one year	(7,999)				**(4,754)**				**(4,796)**
Total Provisions	(10,689)				**(7,853)**				**(8,016)**

18 USABLE RESERVES

Movement in the Group's usable reserves are detailed in the Movement in Reserves Statement.

19 UNUSABLE RESERVES

PCC 2020/21	Group 2020/21		Note	PCC 2021/22	Group 2021/22
£000	**£000**			**£000**	**£000**
104,685	104,685	Revaluation Reserve	**19.1**	132,415	132,415
86,305	86,305	Capital Adjustment Account	**19.2**	78,642	78,642
(1,964)	(5,292,776)	Pensions Reserve	**19.3**	(1,821)	(5,293,981)
0	0	Deferred Capital Receipts Reserve	**19.4**	0	0
(2,729)	(2,729)	Collection Fund Adjustment Account	**19.5**	(823)	(823)
0	(10,022)	Accumulated Absences Account	**19.6**	0	(7,878)
186,297	**(5,114,537)**			**208,413**	**(5,091,625)**

19.1 REVALUATION RESERVE

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

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

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

2020/21	Group & PCC	2021/22	
£000		£000	£000
104,306	**Balance as at 1st April**		**104,685**
5,099	Upward revaluation of assets	31,377	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
5,099	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**31,377**
(4,720)	Difference between fair value depreciation and historical cost depreciation	(3,647)	
0	Accumulated gains on assets sold or scrapped	0	
(4,720)	**Amount written off to the Capital Adjustment Account**		**(3,647)**
104,685	**Balance at 31st March**		**132,415**

19.2 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The account is credited with the amounts set aside by the Group as finance for the costs of acquisition, construction and enhancement. The account also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

2020/21	Group & PCC	2021/22	
£000		£000	£000
91,244	**Balance as at 1st April**		**86,305**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(17,352)	Charges for depreciation and impairment of non-current assets	(19,913)	
788	Revaluation losses / (gains) on Property, Plant and Equipment	(293)	
0	Amortisation of intangible assets	0	
(142)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(307)	
(16,706)			**(20,514)**
4,720	Adjusting amounts written out of the Revaluation Reserve		**3,647**
(11,986)	**Net written out amount of the cost of non-current assets consumed in the year**		**(16,867)**
	Capital financing applied in the year:		
219	Use of the Capital Receipts Reserve to finance new capital expenditure	206	
1,061	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	861	
3,335	Statutory provision for the financing of capital	4,675	
1,604	Capital expenditure charged against the General Fund balance	1,249	
828	Use of Earmarked Reserves to fund capital expenditure	2,212	
7,047			**9,204**
0	Donated assets credited to the Comprehensive Income and Expenditure Statement		0
86,305			78,642

19.3 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. The Group accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the cost. However, the charge made against the precept is based upon the Group's contributions to pension funds in the financial year and retirement benefits paid to pensioners for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Group has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

PCC 2020/21	Group 2020/21		PCC 2021/22	Group 2021/22
£000	£000		£000	£000
(1,615)	**(4,816,446)**	**Balance as at 1st April**	**(1,964)**	**(5,292,776)**
(237)	(389,072)	Remeasurements of the net defined benefit liability	282	101,741
0	0	Transfer of pension liabilities to CC	0	0
(272)	(225,881)	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	(293)	(244,538)
160	138,623	Employer's pension contributions and direct payments to pensioners payable in the year	154	141,592
(1,964)	**(5,292,776)**	**Balance at 31st March**	**(1,821)**	**(5,293,981)**

19.4 DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement is yet to take place. Under statutory arrangements, the PCC does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Group and PCC 2020/21		Group and PCC 2021/22
£000		£000
0	**Balance as at 1st April**	**0**
0	Transfer of deferred sale proceeds credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve on receipt of cash	0
0	**Balance at 31st March**	**0**

19.5 COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Group and PCC 2020/21		Group and PCC 2021/22
£000		£000
(121)	**Balance as at 1st April**	**(2,729)**
(2,608)	Amount by which precept income credited to the Comprehensive Income and Expenditure Statement on an accruals basis is different remuneration chargeable in the year in accordance with statutory requirements	1,906
(2,729)	**Balance at 31st March**	**(823)**

19.6 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 2022). 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.

PCC 2020/21	Group 2020/21		PCC 2021/22	Group 2021/22
£000	£000		£000	£000
0	**(5,039)**	**Balance as at 1st April**	**0**	**(10,022)**
0	5,039	Settlement or cancellation of accrual made at the end of the preceding year	0	10,022
0	**0**		**0**	**0**
0	(10,022)	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	0	(7,878)
0	**(10,022)**	**Balance at 31st March**	**0**	**(7,878)**

20 OFFICERS' REMUNERATION

20.1 Remuneration Banding

The number of police officers and staff (including Senior Officers listed at Note 20.2) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

PCC 2020/21	Group 2020/21				PCC 2021/22	Group 2021/22
1	438	£50,000	-	£55,000	1	498
1	340	£55,001	-	£60,000	1	383
0	122	£60,001	-	£65,000	0	165
0	55	£65,001	-	£70,000	0	70
0	19	£70,001	-	£75,000	1	39
1	12	£75,001	-	£80,000	2	21
0	10	£80,001	-	£85,000	1	9
1	8	£85,001	-	£90,000	0	9
0	5	£90,001	-	£95,000	0	5
1	3	£95,001	-	£100,000	0	3
0	2	£100,001	-	£105,000	0	3
0	0	£105,001	-	£110,000	0	0
0	2	£110,001	-	£115,000	0	1
0	5	£115,001	-	£120,000	0	0
0	0	£120,001	-	£125,000	0	4
0	0	£125,001	-	£130,000	0	1
0	0	£130,001	-	£135,000	0	1
0	0	£140,001	-	£145,000	0	3
0	1	£145,001	-	£150,000	0	1
0	0	£160,001	-	£165,000	0	1
0	1	£200,001	-	£205,000	0	1
5	1023				6	1218

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.

20.2 Senior Officers Remuneration

The table below shows remuneration of defined senior and statutory officers for the years 2020/21. Expenses allowances disclosed are those chargeable under UK income tax.

Post Holder information	Notes	Salaries (incl. Fees and Allowances)	Expenses Allowances	Benefits in Kind	Total Remuneration excluding pension contributions 2020/21	Pension Contribution	Total Remuneration including pension contributions 2020/21
PCC		**£**	**£**	**£**	**£**	**£**	**£**
Police and Crime Commissioner - J Kennedy		86,700	0	0	86,700	15,086	101,786
Chief Executive and Monitoring Officer		94,561	84	0	94,645	16,310	110,955
Chief Finance Officer		75,933	0	0	75,933	13,212	89,145
Total PCC single entity statements		**257,194**	**84**	**0**	**257,278**	**44,608**	**301,886**
Chief Constable (CC)							
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	*1,2*	107,480	7,920	0	115,400	28,292	143,692
Assistant Chief Constable	*1,3*	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 CC single entity statements		**1,011,545**	**35,262**	**2,513**	**1,049,319**	**232,409**	**1,281,728**
Total Group		**1,268,739**	**35,346**	**2,513**	**1,306,597**	**277,017**	**1,583,614**

Note	Detail
1	The expenses allowance paid to the Chief Constable, indicated Assistant Chief Constables and Directors of Resources is a car allowance
2	Temporary Assistant Chief Constable in post from 19/08/19
3	Assistant Chief Constable Regional Collaboration Lead *

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

The table below shows remuneration of defined senior and statutory officers for the years 2021/22. Expenses allowances disclosed are those chargeable under UK income tax.

Post Holder information	Notes	Salaries (incl. Fees and Allowances)	Expenses Allowances	Benefits in Kind	Total Remuneration excluding pension contributions 2021/22	Pension Contribution	Total Remuneration including pension contributions 2021/22
PCC		£	£	£	£	£	£
Police and Crime Commissioner - E E Spurrell	*Note 11*	76,678	15	0	76,693	13,342	90,035
Police and Crime Commissioner - J Kennedy	*Note 12*	10,022	0	0	10,022	1,744	11,766
Chief Executive and Monitoring Officer	*Note 13*	72,001	144	0	72,145	8,283	80,428
Chief Executive and Monitoring Officer	*Note 14*	45,099	0	0	45,099	7,542	52,641
Chief Finance Officer		78,636	0	0	78,636	13,683	92,319
Total PCC single entity statements		**282,436**	**159**	**0**	**282,595**	**44,593**	**327,188**
Chief Constable (CC)							
Chief Constable - S Kennedy	*Note 1,2*	188,001	16,461	0	204,462	57,619	262,081
Deputy Chief Constable	*Note 3*	146,374	0	0	146,374	44,089	190,464
Assistant Chief Constable	*Note 4*	121,142	0	0	121,142	36,958	158,100
Assistant Chief Constable		120,577	0	0	120,577	36,612	157,188
Assistant Chief Constable	*Note 5*	28,844	0	0	28,844	8,942	37,785
Assistant Chief Constable	*Note 6*	121,859	0	0	121,859	37,009	158,869
Assistant Chief Constable	*Note 1,7*	104,923	6,314	0	111,237	28,442	139,679
Assistant Chief Constable	*Note 1,8*	98,977	6,006	0	104,983	28,442	133,425
Assistant Chief Constable	*Note 9*	96,928	0	0	96,928	28,582	125,510
Assistant Chief Constable	*Note 1,10*	96,741	1,914	0	98,655	28,442	127,097
Director of Resources	*Note 1*	111,493	7,920	632	120,046	17,174	137,220
Total CC single entity statements		**1,235,859**	**38,615**	**632**	**1,275,106**	**352,312**	**1,627,418**
Total Group		**1,518,295**	**38,774**	**632**	**1,557,701**	**396,905**	**1,954,606**

Detail
Note 1 - The expenses allowance paid to the Chief Constable, indicated Assistant Chief Constables and Director of Resources is a car allowance
Note 2 - Promoted to Chief Constable from Deputy Chief Constable April 2021
Note 3 - Deputy Chief Constable appointed April 2021
Note 4 - Assistant Chief Constable Regional Collaboration Lead from April 2021 to February 2022 *
Note 5 - Assistant Chief Constable appointed January 2022
Note 6 - Assistant Chief Constable seconded to Cumbria from February 2022 - employee costs from this period have been fully recharged
Note 7 - Acting Assistant Chief Constable from June 2021 to January 2022
Note 8 - Acting Assistant Chief Constable from June 2021 to December 2021
Note 9 - Acting Assistant Chief Constable from March 2022
Note 10 - Acting Assistant Chief Constable to May 2021
Note 11 - PCC E Spurrell in post from May 2021
Note 12 - PCC J Kennedy in post until May 2021
Note 13 - Chief Executive and Monitoring Officer retired October 2021
Note 14 - Acting Chief Executive and Monitoring Officer approved from October 2021

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

21 TERMINATION BENEFITS

21.1 TERMINATION BENEFITS - GROUP

Employee contracts terminated by the Group in 2021/22, 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£	£
Less than £20,000	0	0	1	0	1	0	13,581	0
£20,001 - £40,000	0	0	0	3	0	3	0	104,807
£40,001 - £60,000	0	0	0	4	0	4	0	194,447
Total	**0**	**0**	**1**	**7**	**1**	**7**	**13,581**	**299,255**

The total cost of £0.299m (£0.014m 2020/21) in the table above represents the charge for exit packages that have been agreed, accrued for, and charged to the Group Comprehensive Income and Expenditure Statement for the current year. Accrued costs for 2021/22 included above are £0.065m and are based on the estimated cost to the Group.

21.2 TERMINATION BENEFITS - PCC

There have been no costs charged or incurred in the PCC Comprehensive Income and Expenditure Statement for exit packages for 2020/21 or 2021/22.

22 AUDIT COSTS

PCC 2020/21	Group 2020/21		PCC 2021/22	Group 2021/22
£000	**£000**		**£000**	**£000**
38	55	Fees payable to Grant Thornton UK LLP with regard to external audit services	46	69
0	0	Fees payable in respect of other services provided by Grant Thornton UK LLP during the year	0	0
39	**56**	**Total**	**46**	**69**

The Group audit fee set out above of £69k comprises the £46k fee payable relating to the audit of the PCC and a £23k fee payable in relation to the audit of the Chief Constable.

The audit fee proposed in the 2021/22 Audit Plan is £61,453 for the PCC and £26,588 for the CC with these additional amounts subject to approval by Public Sector Audit Appointments and therefore not disclosed in the amounts above for 2021/22.

23 RELATED PARTIES

The Group and the PCC are required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Group or the PCC, or to be controlled or influenced by the Group or the PCC. Disclosure of these transactions allows readers to assess the extent to which the Group or the PCC might have been constrained in their ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Group or the PCC.

The Chief Constable for Merseyside Police

The PCC has direct control over the Chief Constable'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 effective control over the general operations of the Group and the PCC – it is responsible for providing the statutory framework within which the Group and the PCC operate and provides the majority of funding in the form of grants. Grants received from government departments are set out in **Note 10** Grant Income.

Local Authorities

Funding from Local Authorities in the Merseyside area has been included on the basis of materiality:-

Group and PCC 2020/21		Group and PCC 2021/22
£000		**£000**
	Precepts	
20,128	Wirral MBC	21,111
17,745	Sefton MBC	18,585
23,210	Liverpool City Council	23,447
11,127	St. Helens MBC	11,774
7,900	Knowsley MBC	8,508
80,110		**83,426**

Senior Officers of the Chief Constable and the Police and Crime Commissioner

The Group and the PCC have considered transactions with:

- The PCC;
- The CC;
- Senior officers of the CC; and
- Senior officers of the PCC.

It has been concluded that there are no material transactions to disclose.

24 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Group that has yet to be financed. The CFR is analysed below:-

Group and PCC 31st March 2021		Group and PCC 31st March 2022
£000		£000
134,799	**Opening Capital Financing Requirement**	**162,988**
	Capital Investment	
35,236	Operational assets	20,425
	Sources of Finance	
(1,061)	Government grants and other contributions	(861)
(1,604)	Revenue financing	(1,249)
(828)	Use of reserves	(2,212)
(219)	Capital receipts	(206)
(3,100)	Minimum revenue provision	(4,440)
(235)	Repayment for inherited debt	(235)
162,988	**Closing Capital Financing Requirement**	**174,209**
	Explanation of Movements in Year	
28,189	(Decrease) / Increase in underlying need to borrow	11,222
28,189	**(Decrease) / Increase in Capital Financing Requirement**	**11,222**

25 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 2020/21		PCC 2021/22
£000		£000
15,986	Depreciation	17,133
(788)	Impairment and upward/downward valuations	293
1,366	Amortisation	2,781
16,564		**20,207**

26 JOINT ARRANGEMENTS

The Group 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 Group Accounts.

27 EXPENDITURE AND FUNDING ANALYSIS (EFA)

27.1 The Group 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 Group in comparison with those resources consumed or earned by the Group 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.

2020/21	Adjustments between funding and accounting basis							2021/22	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	Group	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
524,500	16,564	(138,623)	4,983	(117,076)	407,423	Police Services		573,469	20,206	(141,592)	(2,144)	(123,529)	449,940
524,500	**16,564**	**(138,623)**	**4,983**	**(117,076)**	**407,423**	**Net Cost of Services**		**573,469**	**20,206**	**(141,592)**	**(2,144)**	**(123,529)**	**449,940**
(538,122)	**(6,905)**	**225,881**	**2,608**	**221,584**	**(316,538)**	Other Income and expenditure		(578,177)	(8,897)	244,538	(1,906)	233,735	(344,442)
(13,622)	**9,659**	**87,258**	**7,591**	**104,508**	**90,885**	**(Surplus) / Deficit**		**(4,708)**	**11,310**	**102,946**	**(4,050)**	**110,206**	**105,498**
(31,560)						**Opening General Fund Balance**		**(45,182)**					
(13,622)						(Surplus)/Deficit on General Fund Balance	**MiRS**	(4,708)					
(45,182)						**Closing General Fund Balance**		**(49,890)**					

27.2 The PCC 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 PCC in comparison with those resources consumed or earned by the PCC 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.

2020/21	Adjustments between funding and accounting basis							2021/22	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	PCC	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
410,462	16,564	(160)	(3,100)	13,304	423,766	Police Services		439,766	20,207	(154)	(4,440)	15,613	455,378
410,462	**16,564**	**(160)**	**(3,100)**	**13,304**	**423,766**	**Net Cost of Services**		**439,766**	**20,207**	**(154)**	**(4,440)**	**15,613**	**455,378**
(424,084)	(3,805)	272	2,608	(925)	(425,010)	Other Income and expenditure		(444,477)	(4,456)	293	(1,906)	(6,069)	(450,547)
(13,622)	**12,759**	**112**	**(492)**	**12,379**	**(1,243)**	**(Surplus) / Deficit**		**(4,708)**	**15,750**	**139**	**(6,346)**	**9,543**	**4,831**
(31,560)						**Opening General Fund Balance**		**(45,182)**					
(13,622)						(Surplus)/Deficit on General Fund Balance	MiRS	(4,708)					
(45,182)						**Closing General Fund Balance**		**(49,890)**					

28 EXPENDITURE AND INCOME ANALYSED BY NATURE & DISAGGREGATION OF REVENUE

28.1 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 PCC and the Group, and further analyses it by nature.

2020/21			2021/22	
PCC 2020/21	Group 2020/21		PCC 2021/22	Group 2021/22
£000	£000		£000	£000
1,212	378,871	Employees	1,244	415,466
19	10,887	Premises	24	11,461
0	6,225	Transport	0	7,736
113	25,340	Supplies & Services	131	29,873
17,417	17,417	Depreciation & Amortisation	19,913	19,913
(853)	(853)	Revaluation Losses	293	293
497	23,728	Other Services Expenses	431	22,271
476,117	0	Funding to the CC	510,622	0
494,522	**461,616**	**Gross Cost of Service**	**532,658**	**507,014**
(70,756)	(54,192)	Service Income	(77,281)	(57,074)
423,766	**407,423**	**Net Cost of Service**	**455,378**	**449,940**
(77)	(77)	(Profit)/Loss on Disposal of Assets	98	98
1,539	1,539	Interest Payable and Similar	1,846	1,846
(34)	(34)	Interest and Investment Income	(20)	(20)
36	108,173	IAS 19 Pension Net Interest	40	105,792
(74,083)	(74,083)	Pension Top Up Grant	(73,769)	(73,769)
4	339	IAS 19 Admin Fees	3	356
351,152	**443,281**		**383,576**	**484,243**
(133,069)	(133,069)	Police Specific Revenue Grant	(142,182)	(142,182)
(80,110)	(80,110)	Precept Income	(83,426)	(83,426)
2,608	2,608	Deficit/Surplus on Collection Fund	(1,906)	(1,906)
(1,061)	(1,061)	Capital Grants and Contribution	(1,031)	(1,031)
(121,553)	(121,553)	Formula Funding	(128,490)	(128,490)
(3,570)	(3,570)	Pensions Grant	(3,570)	(3,570)
(1,538)	(1,538)	Council Tax Freeze Grant	(1,538)	(1,538)
(14,103)	(14,103)	Council Tax Support Funding	(16,603)	(16,603)
(1,244)	**90,885**	**Deficit / (Surplus) on Provision of Services**	**4,831**	**105,498**

28.2 Disaggregation of Revenue from Contracts with Customers

This note considers revenue from contracts with customers under IFRS15, and disaggregates revenue from these customers into primary product lines and timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

2020/21 GROUP & PCC Policing Services		2021/22 GROUP & PCC Policing Services
£000		£000
11,615	Services transferred over time	17,916
11,615	**Deficit / (Surplus) on Provision of Services**	**17,916**

29 DEFINED BENEFIT PENSION SCHEMES

29.1 The Police Pension Scheme (Police Officers)

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 £19.111m in 2021/22 (2020/21 £18.310m) of members contributions have been netted off against retirement benefits payable to pensioners in the Group financial statements. The cost to the Group of employer's contributions for police officers was £54.347m in 2021/22 (2020/21 £52.823m). The PCC does not recognise the cost of employing police officers and therefore does not recognise any associated pension costs.

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 Group offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Group 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 29.10**.

29.2 The Local Government Pension Scheme (Police Staff)

The Local Government Pension Scheme (LGPS) for police staff is administered by Merseyside Superannuation Fund. This is a defined benefit scheme, which is funded by a dedicated portfolio of assets to fund any liabilities of the scheme. The Group and employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets. In addition, the Group has made arrangements for the payment of added years to certain retired employees outside the provision of the scheme. The cost to the

Group of employer's contributions for police staff was £12.172m in 2021/22 (2020/21 £11.533m) **Note 29.11**. Details of liabilities for Police Staff are shown at **Note 29.10**.

The duration of the defined benefit obligation for the Police Staff Pension Scheme is estimated at 19 years for the Group and 22 years for the PCC.

29.3 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 29.9**). 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.

29.4 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.

29.5 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).

29.6 Pension Costs Group

The Group recognises the cost of retirement benefits in the Cost of Services when employees earn them rather than when they 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. The following transactions have been made during the year:-

Group	Local Government Pension Scheme		Police Pension Scheme								TOTAL
	2020/21	2021/22	2020/21	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22	2021/22	2021/22
	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	20,450	27,406	12,450	490	82,990	95,930	6,190	360	103,110	109,660	137,066
Past service cost	29	24	110	10	840	960	60	10	1,230	1,300	1,324
Administrative expenses	339	356	0	0	0	0	0	0	0	0	356
Net Operating Expenditure											
Interest cost	14,965	15,939	91,700	4,780	7,300	103,780	85,550	5,700	9,590	100,840	116,779
Expected return on assets	(10,572)	(10,987)	0	0	0	0	0	0	0	0	(10,987)
Loss on curtailments	0	0	0	0	0	0	0	0	0	0	0
Net charge to the CIES*	25,211	32,738	104,260	5,280	91,130	200,670	91,800	6,070	113,930	211,800	244,538
Movement in Reserves Statement											
Reversal of net charges made for retirement benefits in accordance with IAS19	(25,211)	(32,738)	(104,260)	(5,280)	(91,130)	(200,670)	(91,800)	(6,070)	(113,930)	(211,800)	(244,538)
Actual amount charged against revenue for pensions in the year:											
Employers contributions payable to the scheme and retirement benefits payable to pensioners	11,533	12,172	140,780	360	(14,050)	127,090	145,450	270	(16,300)	129,420	141,592
IAS 19 remeasurements charged against other comprehensive income and expenditure	(39,382)	58,761	379,320	28,790	33,360	441,470	22,520	13,490	6,970	42,980	101,741

* Comprehensive Income and Expenditure Statement

29.7 Pension Assets and Liabilities Recognised in the Balance Sheet

The liabilities show the underlying commitments that the Group has in the long-run to pay retirement benefits. The total net liability of £5,294m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in a Group net liability of £5,042m. However, statutory arrangements for funding the deficit means that the financial position of the Group 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 Actuary's Department using data provided by Group.

The amount included in the Group Balance Sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Police Pension Scheme								Total	
	31st March 2021	31st March 2022	31st March 2021	31st March 2021	31st March 2021	31st March 2021	31st March 2022	31st March 2022	31st March 2022	31st March 2022	31st March 2021	31st March 2022
	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	GRAND TOTAL £000
Estimated liabilities in scheme	**(762,889)**	**(777,047)**	(4,346,736)	(284,740)	(419,410)	**(5,050,886)**	(4,270,566)	(277,050)	(542,670)	**(5,090,286)**	**(5,813,775)**	**(5,867,333)**
Estimated assets in scheme	**520,999**	**573,352**	0	0	0	**0**	0	0	0	**0**	**520,999**	**573,352**
Net liability	**(241,890)**	**(203,695)**	**(4,346,736)**	**(284,740)**	**(419,410)**	**(5,050,886)**	**(4,270,566)**	**(277,050)**	**(542,670)**	**(5,090,286)**	**(5,292,776)**	**(5,293,981)**

29.8 Actuarial Assumptions

The main assumptions used in the calculations for the Group and the PCC have been:

	Local Government Pension Scheme - CC		Local Government Pension Scheme - PCC		Police Pension Scheme	
	31st March 2021	31st March 2022	31st March 2021	31st March 2022	31st March 2021	31st March 2022
Rate of inflation	2.7%	3.3%	2.7%	3.2%	2.4%	3.0%
Short term rate of increase in salaries	4.2%	4.8%	4.2%	4.7%	4.2%	4.8%
Long term rate of increase in salaries	n/a	n/a	n/a	n/a	4.2%	4.8%
Rate of increase in pensions	2.8%	3.4%	2.8%	3.3%	2.4%	3.0%
Rate for discounting scheme liabilities	2.1%	2.8%	2.2%	2.8%	2.0%	2.7%
Mortality Rates (in years)						
Longevity at 65 for future pensioners (Men)	22.6	22.4	22.6	22.4	23.7	22.1
Longevity at 65 for future pensioners (Women)	26.0	25.9	26.0	25.9	25.3	23.8
Longevity at 65 for current pensioners (Men)	21.0	20.9	21.0	20.9	22.0	23.8
Longevity at 65 for current pensioners (Women)	24.1	24.0	24.1	24.0	23.7	25.4

29.9 Actuarial Assumptions – Sensitivity Analysis

	2021/22				
	Local Gov't Pension Scheme	Police Pension Scheme			TOTAL
		1987 SCHEME	2006 SCHEME	2015 SCHEME	
Change in Actuarial Assumption	**£000**	**£000**	**£000**	**£000**	**£000**
Unadjusted deficit	(203,695)	(4,270,566)	(277,050)	(542,670)	**(5,293,981)**
+0.1% change in discount rate	14,609	70,400	8,600	17,200	**110,809**
+0.1% change in pay growth (salaries)	(2,502)	(5,000)	(4,000)	0	**(11,502)**
+0.1% change in inflation (pensions)	(14,889)	(63,400)	(5,400)	(19,200)	**(102,889)**
+1 year increase in life expectancy	(23,085)	(154,000)	(8,000)	(16,000)	**(201,085)**

29.10 Reconciliation of Present Value of Scheme Liabilities Group

	LGPS Funded Liabilities		Police Pension Scheme Unfunded Liabilities								TOTAL
	2020/21	2021/22	2020/21				2021/22				
			1987 SCHEME	2006 SCHEME	2015 SCHEME	TOTAL	1987 SCHEME	2006 SCHEME	2015 SCHEME	TOTAL	GRAND TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at 1st April	(627,516)	**(762,889)**	(4,139,386)	(212,250)	(275,980)	**(4,627,616)**	(4,346,736)	(284,740)	(419,410)	**(5,050,886)**	**(5,813,775)**
Current service costs	(20,450)	**(27,406)**	(12,450)	(490)	(82,990)	**(95,930)**	(6,190)	(360)	(103,110)	**(109,660)**	**(137,066)**
Interest costs	(14,965)	**(15,939)**	(91,700)	(4,780)	(7,300)	**(103,780)**	(85,550)	(5,700)	(9,590)	**(100,840)**	**(116,779)**
Members contributions	(4,448)	**(4,674)**	(2,140)	(120)	(16,050)	**(18,310)**	(960)	(90)	(18,230)	**(19,280)**	**(23,954)**
IAS 19 remeasurements	(107,674)	**21,135**	(243,870)	(67,570)	(38,250)	**(349,690)**	22,520	13,490	6,970	**42,980**	**64,115**
Benefits paid	12,193	**12,750**	142,920	480	2,000	**145,400**	146,410	360	1,930	**148,700**	**161,450**
Past service costs	(29)	**(24)**	(110)	(10)	(840)	**(960)**	(60)	(10)	(1,230)	**(1,300)**	**(1,324)**
As at 31st March	**(762,889)**	**(777,047)**	**(4,346,736)**	**(284,740)**	**(419,410)**	**(5,050,886)**	**(4,270,566)**	**(277,050)**	**(542,670)**	**(5,090,286)**	**(5,867,333)**

29.11 Reconciliation of Present Value of Scheme Assets Group

	LGPS Funded Assets	
	2020/21	2021/22
	£000	£000
As at 1st April	**438,686**	**520,999**
Expected return on assets	**10,572**	**10,987**
Administrative expenses	**(339)**	**(356)**
IAS 19 remeasurements	**68,292**	**37,626**
Employers contributions	**11,533**	**12,172**
Members contributions	**4,448**	**4,674**
Benefits paid	**(12,193)**	**(12,750)**
As at 31st March	**520,999**	**573,352**

29.12 Fair Value of Plan Assets Group

	Assets as at 31st March 2021		Assets as at 31st March 2022	
	£000	%	£000	%
Equity investments	264,820	50.8%	**284,517**	**49.6%**
Government bonds	6,720	1.3%	**6,175**	**1.1%**
Other bonds	59,707	11.5%	**65,646**	**11.4%**
Property	46,735	9.0%	**54,927**	**9.6%**
Cash/liquidity	11,775	2.3%	**12,300**	**2.1%**
Other	131,242	25.2%	**149,787**	**26.1%**
Total	**520,999**	**100.0%**	**573,352**	**100.0%**

29.13 Scheme History Group

Group	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£001	£000
Present Value of Scheme Liabilities						
Local Government Pension Scheme	(597,297)	(593,357)	(667,229)	(627,516)	(762,889)	(777,047)
Police Pension Scheme	(4,606,490)	(4,588,700)	(4,990,550)	(4,627,616)	(5,050,886)	(5,090,286)
	(5,203,787)	**(5,182,057)**	**(5,657,779)**	**(5,255,132)**	**(5,813,775)**	**(5,867,333)**
Fair Value of Assets (LGPS)						
Local Government Pension Scheme	**396,729**	**410,494**	**438,554**	**438,686**	**520,999**	**573,352**
Deficit in Scheme						
Local Government Pension Scheme	(200,568)	(182,863)	(228,675)	(188,830)	(241,890)	(203,695)
Police Pension Scheme	(4,606,490)	(4,588,700)	(4,990,550)	(4,627,616)	(5,050,886)	(5,090,286)
	(4,807,058)	**(4,771,563)**	**(5,219,225)**	**(4,816,446)**	**(5,292,776)**	**(5,293,981)**

29.14 Remeasurements of the Net Defined Benefit Liability Group

Group	2016/17		2017/18		2018/19		2019/20		2020/21		2021/22	
Local Government Scheme	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on assets	55,553	14.0	(380)	(0.1)	12,731	2.9	(14,354)	2.9	68,292	15.6	37,626	7.2
Differences between actuarial assumptions about liabilities and actual experience	0		0		0		0		0		0	
Changes in the demographic and financial assumptions used to estimate liabilities	(100,551)	25.3	29,238	(7.1)	(40,402)	9.2	70,138	9.2	(107,674)	24.5	21,135	(4.1)
	(44,998)		28,858		(27,671)		55,784		(39,382)		58,761	
Police Pension Scheme												
Difference between the expected and actual return on assets	0		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	2.6	(349,690)	8.1	42,980	(0.9)
	(774,580)		87,950		(131,600)		441,470		(349,690)		42,980	
Total IAS 19 Remeasurements	(819,578)		116,808		(159,271)		497,254		(389,072)		101,741	

29.15 Plan Asset Fair Value Disaggregation Group

Group	2020/21			2021/22		
Asset Classification	£000 Quoted Market price	£000 No Quoted Market price	£000 TOTAL	£000 Quoted Market price	£000 No Quoted Market price	£000 TOTAL
Equities						
UK	78,823	10,368	89,191	84,214	9,527	93,741
Global	122,018	53,611	175,629	127,968	62,808	190,776
	200,841	**63,979**	**264,820**	**212,182**	**72,335**	**284,517**
Bonds						
UK Government	6,720	0	6,720	6,175	0	6,175
UK Corporate	17,350	0	17,350	16,769	0	16,769
UK Index Linked	41,263	0	41,263	47,947	0	47,947
Overseas Corporate	2,814	0	2,814	2,812	0	2,812
Derivative Contracts	(1,720)	0	(1,720)	(1,882)	0	(1,882)
	66,427	**0**	**66,427**	**71,821**	**0**	**71,821**
Property						
UK Direct Property	0	24,696	24,696	0	31,051	31,051
UK Property Managed	938	9,170	10,108	706	8,821	9,527
Global Property Managed	0	11,931	11,931	0	14,349	14,349
	938	**45,797**	**46,735**	**706**	**54,221**	**54,927**
Other						
UK Private Equity	0	10,420	10,420	59	16,290	16,349
Global Private Equity	0	33,813	33,813	0	35,756	35,756
UK Hedge Funds	833	3,126	3,959	883	2,353	3,236
Global Hedge Funds	0	19,381	19,381	0	20,113	20,113
Global Infrastructure	0	14,848	14,848	0	17,207	17,207
UK Infrastructure	678	18,913	19,591	0	25,664	25,664
UK Opportunities	157	10,212	10,369	0	10,585	10,585
Global Opportunities	730	18,131	18,861	941	19,936	20,877
	2,398	**128,844**	**131,242**	**1,883**	**147,904**	**149,787**
Cash						
Cash Accounts	**11,775**	**0**	**11,775**	12,300	0	12,300
Cash Instruments	0	0	**0**	0	0	0
	282,379	**238,620**	**520,999**	**298,892**	**274,460**	**573,352**

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

Claims of age discrimination were brought in relation to the terms of transitional protection by groups of firefighters and members of the Judiciary in the McCloud/Sargeant legal case (referred herein as "McCloud") and the Court of Appeal handed down its judgment on this claim on 20 December 2018, ruling that the transitional protection arrangements were discriminatory on the basis of age. As a result, the cost control element of the 2016 valuation was paused whilst the Government addressed the need to remedy this discrimination across all public service pension schemes. The cost cap mechanism for the 2016 valuation has since been un-paused and the calculations complete, with the outcome being no changes to benefits or contributions.
Past service costs were included in the 2018/19, 2019/20 and 2020/21 accounts and the 2021/22 service cost allows for the higher expected cost of accrual under McCloud.

30 CONTINGENT ASSETS & LIABILITIES

30.1 Contingent Assets

There are no contingent assets at 31st March 2022.

30.2 Contingent Liabilities

There are no contingent liabilities at 31st March 2022.

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 pension arrangements from 1st April 2021 to 31st March 2022 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 PCC or Group Statement of Accounts.

2020/21	Pension Fund Account	2021/22
£000		£000
	Income	
	Contributions Receivable	
(42,505)	Police employers pension contribution income	(44,854)
(2,141)	Employees pension contributions (Police Pension Scheme 1987)	(959)
(115)	Employees pension contributions (Police Pension Scheme 2006)	(93)
(15,999)	Employees pension contributions (Police Pension Scheme 2015)	(18,058)
	Other	
(952)	Police transfer value receivable	(1,293)
(1,099)	Capital equivalent income - ill health pensions	(1,273)
(62,811)	**Total Income**	**(66,531)**
	Expenditure	
	Benefits Payable	
118,234	Police pensions	120,796
1,099	Police ill health commutations	1,273
17,394	Police ordinary commutations	18,222
0	Additional commutation in respect of GAD v Milne	0
113	Police death in service grant	0
	Other	
0	Refunds of contributions	0
54	Police transfer value payable	9
136,894	**Total Expenditure**	**140,300**
74,083	**Net Amount Payable/(Receivable) before top-up grant**	**73,769**
(74,083)	Additional contribution from the PCC	(73,769)
(0)	**Net Amount Payable/(Receivable)**	**0**

31st March 2021	Net Assets Statement	31st March 2022
£000	**Net Current Assets and Liabilities**	£000
	Creditors/Receipts in Advance	0
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

Office of the Police and Crime Commissioner for Merseyside

Annual Governance Statement

1. Scope of Responsibilities

The Police and Crime Commissioner for Merseyside ('the PCC') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The PCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the PCC is also responsible for putting into place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring that a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable to support the governance and risk management processes.

The PCC and Chief Constable have approved and adopted a Joint Code of Corporate Governance, consistent with the principles of The Chartered Institute of Public Finance and Accountancy (CIPFA)/ The Society of Local Authority Chief Executives (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. A copy of the Code is available on the PCC's website at www.merseysidepcc.info.

This statement explains how the PCC has complied with the Code and also meets the requirements of Regulation 6 and 10 of the Accounts and Audit regulations 2015 in relation to the review of the internal control system and the publication of the Annual Governance Statement.

In drafting the PCCs Annual Governance Statement reliance has been placed on the governance processes within the Merseyside Police Service, as reflected in the Chief Constable's Annual Governance Statement which is published alongside the accounts of the Chief Constable.

2. The Purpose of the Governance Framework

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.

Although the Chief Constable is responsible for operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force, the PCC is required to hold them to account for the exercise of those functions, and those of the persons under their direction and control. It therefore follows that the PCC must satisfy herself that the Force has appropriate mechanisms in place for the maintenance of good governance, and that these operate in practice.

3. The Governance Framework

The Governance Framework comprises the systems, processes, culture and values by which the PCC is directed and controlled, and the activities through which she accounts to and engages with the community. It enables the PCC to monitor the achievement of her strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

The system of internal control is a significant part of that 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 an absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the PCC'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.

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.

The core principles that underpinned the governance framework are detailed below, as well as examples of the behaviours and outcomes that demonstrated recognition that the relevant principles were in place during the year.

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

The PCC signed a personal code of conduct on how she would act when fulfilling her role and to abide by the seven Nolan principles, as well as treat all people with fairness and respect at all times.

The PCC also disclosed details of all expenses claimed and gifts and hospitality received or given on the PCCs web site. Procedures were also in place to enable any conflicts of interest to be recorded if required.

The PCCs Chief Executive acted as Monitoring Officer to ensure that the PCC and the OPCC act within the law at all times. The PCC has established policies and procedures for dealing with complaints against the Chief Constable and the PCC and her staff. During the year there were no reports to the Monitoring Officer with regard to illegal or inappropriate conduct. A complaint was received regarding the Chief Executive and this was dealt with by the PCC under the approved complaints procedures.

Compliance to the Corporate Governance Framework and the Home Office Financial Management Code of Practice ensured that the good governance principles were embedded within the way the Office of the Police and Crime Commissioner for Merseyside (OPCCM) 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.

B. Ensuring openness and comprehensive stakeholder engagement.

The PCC was fully compliant with the Elected Local Policing Bodies (Specified Information) Order 2011 which sets out the information all Police and Crime Commissioners must make public. This information was published on the PCCs web site. In addition, during the course of the year the PCC published 53 key and other decisions on her web site. All the key decisions were scrutinised and endorsed by the Police & Crime Panel.

The PCC published a detailed Reserves Strategy to provide greater clarification on what reserves were being held and demonstrated that the PCC was compliant with Home Office guidance on police reserves.

In January 2022, the PCC commissioned an independent research company to undertake a robust and representative telephone survey to ask the general public whether they would support increasing the precept by £10. Overall, a total of 59% of the respondents said they would be willing to support the increase. The Police & Crime Panel were notified of the proposal to increase the precept and following consideration of the evidence presented, the panel issued a report and 'unanimously agreed to endorse the Commissioners proposal for a £10 (1.e. 4.41%) increase in precept. Consequently, the precept was increased to the maximum allowable without the need to hold a referendum.

The PCCs Community Engagement team were successfully embedded into the local policing areas and corresponding local authorities. They were fully engaged with the public, with partner agencies and the police, and had a clear view of the local picture in relation to crime reduction and community safety.

During the year, the Community Engagement Team and the PCC attended 373 community and wider community safety related meetings. This included talking to 4,691 members of the public and a further 5,649 community safety partners on a wide range of issues, including consulting on the PCC's Police and Crime Plan, Violence Against Women and Girls strategy and wider issues such as hate crime, anti-social behaviour and road safety. In compliance with the Government's Covid-19 guidelines many of these meetings were completed virtually via Skype, Teams or Zoom.

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

The PCC is required by law to produce a Police and Crime Plan for Merseyside. The Plan sets out the clear priorities on which the PCC and her partners will focus their work and the ways in which Merseyside Police will use its resources to deliver excellent policing for the communities of Merseyside. In October 2021 the PCC published the Police and Crime Plan covering 2021 to 2025. The plan sets out three clear priorities which will set the strategic direction for the PCC's work during her term of office and how she will work with Merseyside Police and partners to deliver your policing and community safety priorities. The Plan focuses on three key priority areas:-

- Fighting Crime; Proactive Policing
- Supporting Victims; Safer Communities
- Driving Change; Prevent Offending

At the time of writing the PCC was finalizing the 2021/22 Annual Report following consideration by the Police & Crime Panel. The report details the extensive work carried out by the PCC over the last financial year and gives the public the chance to review and appraise her progress in delivering her police and crime priorities. It also covers the PCC's work to engage with the communities of Merseyside, including her campaigns and the work she carries out in partnership with Merseyside's community safety organisations and the progress of her Victim Care Merseyside service.

The PCC also submitted progress reports to the Police and Crime Panel on each priority during the year.

The PCC, after careful consideration of the options available to her regarding the precept, increased the precept to the referendum threshold, the level at which the PCC could without the need to hold a referendum. Despite maximising the precept, the Chief Constable is still required to identify £2.934m of savings and the PCC approved the utilisation of £2.253m of earmarked reserve to balance the budget in 2022/23. These decisions enabled the Chief Constable to maintain the 660 Police Officers under 'Operation Uplift', but also more importantly provides the PCC and Chief Constable with more time to identify and implement the necessary savings plans to balance the budget over the medium term. With regard the medium term, the assumptions underpinning the financial strategy have been updated and it is now estimated that over the medium term an overall savings requirement of 13.733m will be required.

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

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

The PCC and the Chief Constable maintained and reviewed the Medium-Term Financial Strategy which formed the basis of the annual budget and will provide a framework for evaluating future proposals. The Medium-Term Financial Strategy highlighted 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.

The PCC also reviewed the OPCCM Risk Register ensuring that all key strategic risks had been identified and controls were put in place to mitigate the potential risks identified. The PCC also had oversight of the Forces Risk Register and strategies to reduce the risks identified.

The Estate Strategy continued to be implemented and a number of key decisions were taken during the year including the approval of additional budget, due to an increase in costs brought about via a combination of the Covid-19 pandemic and Brexit, to enable the completion of the redevelopment of St Anne's Street Police Station.

The PCC Change Governance Group met on several occasions to consider detailed savings and reinvestment proposals from the Chief Constable and endorsed a number of significant changes to the Force operating model, including the reviews of People Services, the OHU/Wellbeing and the print unit.

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

The performance development review processes ensured that effective arrangements were in place for reviewing performance and agreeing action plan(s) which included any training and development needs.

Training and awareness sessions were held for the members of the Joint Audit Committee.

The PCC was a member of the national Association of Police and Crime Commissioners (APCC).

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

The PCC holds the Chief Constable to account for the performance of the Force against her key priorities. The Forces performance was monitored through the PCCs quarterly Force Scrutiny meetings. The Police & Crime Panel and the HMICFRS also monitored the performance of the PCC and the Force respectively.

The PCCs scheme of corporate governance defined the parameters for key roles in the corporations' sole including schemes of delegations and/or consents from the PCC or Chief Constable, financial regulations and contract standing orders.

The Joint Audit Committee oversaw the completion of the work of Internal and External Audit during the year and ensured that actions arriving from their work had been addressed. In compliance with the Government's Covid-19 guidelines these meetings were completed virtually via Skype.

The OPCCM manages its data within the bounds of legislation governing the protection of data, ensuring that all data was appropriately stored and shared where necessary. The OPCCM utilised the Force IT system to store electronic data and complied with the Forces policies and procedures relating to ICT Acceptable Use and Record Management to safeguard the confidentiality, integrity and availability of its information. Physical data within the OPCCM was held securely with appropriate office and cabinet security provided. In addition, information was provided to members of the public under the Freedom of Information Act, with requests and responses published on the PCC's website, the Accounts and Audit Regulations and the Local Audit and Accountability Act 2014.

The PCC had a number of arrangements in place to minimise the possibility of fraud, these included having a whistleblowing policy and procedure 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.

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

The PCC has a well-established web site on which all key decisions made during the year were published, along with the Annual Report. The Police and Crime Panel scrutinised and endorsed all the key decisions taken, as well as the Annual Report. All the information required under the Elected Local Policing Bodies (Specified Information) Order 2011 was also published on the web site.

The PCCs Force Scrutiny meetings were held during the year in order to hold the Chief Constable to account and the agenda's, Force presentations and minutes from the meetings were published on the PCC's web site.

The Joint Audit Committee oversaw the completion of the work of Internal and External Audit during the year and ensured that actions arriving from their work was addressed. The Unaudited Draft Annual Statement of Accounts have also been produced and published on time.

In accordance with the Accounts and Audit Regulations 2015 the Annual Statement of Accounts includes a Narrative Statement. The statement provides information on the financial and non-financial performance, as well as the economy, efficiency and effectiveness in its use of resources over the financial year.

In accordance with the Police Act 1996 the PCC is required to formally comment on the HMICFRS inspection reports that relate to their Force. During the year, the PCC made and published comments on 11 reports received from the HMICFRS, along with the reports and the Forces responses, on the PCC's web site. These responses include a review of the policing of domestic abuse during the pandemic, the annual state of policing report and the criminal justice journey for individuals with mental health issues. These inspection reports form part of the PCC's scrutiny meetings, particularly regarding the progress against the implementation of recommendations and areas for improvement.

4. Review of Effectiveness

The PCC 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. The Chief Officers within the OPCCM have undertaken these reviews by reviewing the Assurance Framework, in particular taking into account the work of the Joint Audit Committee and Shared Internal Audit Service. Reports and comments made by the External Auditors Grant Thornton, the Police and Crime Panel and Her Majesty's Inspectorate of Constabularies and

Fire & Rescue Service (HMICFRS) have also informed this review, as well as observations and evidence from the PCC Governance meetings.

Assurance Framework

The PCC has an **Assurance Framework**, which is a structured means of identifying and mapping the key sources of assurance within the OPCCM and comprises of evidence to support the Annual Governance Statement. The key assurances are:-

(i) OPCC Chief Officers Annual Assurance Statements

The PCC has appointed two Statutory Officers, i.e., the Chief Executive (who also acts as the Monitoring Officer) and Chief Finance Officer, to support the PCC in ensuring compliance.

Chief Executive – is the Head of Paid Service and undertakes the responsibilities of Monitoring Officer. The Monitoring Officer is responsible for ensuring that, at all times, the PCC acts within its legal powers.

Chief Finance Officer - similarly, in accordance with Section 151 of the Local Government Act 1972, the Chief Finance Officer is the Officer responsible for ensuring the proper administration of the PCC's financial affairs. In addition, the PCC's financial management arrangements conformed to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014).

There is a requirement for both statutory Officers to complete an annual assurance statement confirming the effectiveness of the governance arrangements that were in place during the past year. Both Chief Officers have completed their annual assurance statements certifying that they are confident that the systems of internal control that existed during 2021/22 enabled the PCCs objectives to be met. In addition, during the year there have been no reports from the Monitoring Officer with regard to illegal or inappropriate conduct.

(ii) 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 Report.

Internal Audit's plans and performance are reported annually to the Joint Audit Committee. The Internal Audit plan for 2021/22 included the reviews of the effectiveness of the governance arrangements covering areas such as compliance to Home Office grants terms and conditions, a review of the key process and controls relating to the delivery of the PCC's Treasury Management Strategy to ensure they are working effectively, and reviews of the internal controls and governance arrangements for relating to the general ledger and accounts payable financial system.

On the basis of the internal audit work undertaken in 2021/22, 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 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 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 has been arranged for completion in 2022 to be undertaken by the Head of Internal Audit of Greater Manchester Police. The Head of Internal Audit will present their independent assessment at a future meeting of the Committee. The principal objectives of the assessment are:-

- 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 will adopt The Institute of Internal Auditor's (IIIA) Quality Assessment Manual ratings: "Generally Conforms," "Partially Conforms," and "Does Not Conform."

(iii) External Audit

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

During 2021/22 Grant Thornton published its Joint Audit Finding Report and Annual Report relating to 2020/21. They gave an unqualified opinion on the Group, PCC and Chief Constables financial statements in

November 2021. In addition, in April 2022 Grant Thornton published their assessment of the PCC's and Chief Constable's arrangements to secure economy, efficiency and effectiveness in their use of resources. Under the National Audit Office guidance, external auditors are required to assess the arrangements under three areas, financial sustainability, Governance and improving economy, efficiency and effectiveness. Grant Thornton found no significant weaknesses in the arrangements identified, but five improvement recommendations were made.

At the time of writing Grant Thornton were undertaking their audit review of 2021/22, with the aim of issuing their opinions by 30th November 2022.

(iv) Joint Audit Committee

The PCC and Chief Constable 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 produced its annual report setting out how the Committee fulfilled its responsibilities in 2021/22. 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 identifying fresh champion roles, the Committee aims to become more effective during 2022/23.

The Committee recognises the significant challenges facing the Chief Constable and the PCC. In addition to dealing with Operation Uplift, the Violence Reduction Partnership and what is hoped is the aftermath of 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 remain risks and uncertainties that could have an adverse effect on this. The Committee looks forward to continuing to support the Chief Constable and the PCC in developing governance arrangements as they address these challenges.

(v) Merseyside Police and Crime Panel

In accordance with the Police Reform and Social Responsibility Act 2011 each police area has to have a Police and Crime Panel (PCP). Consequently, Merseyside PCP has been established. The PCP is made up of 10 elected representatives from the local authorities within the Merseyside police force area plus two independent co-opted members. Knowsley MBC is the host authority.

The Panel's responsibilities include:-

- Reviewing the PCC draft Police and Crime Plan (or a variation of it) and submit a report/recommendation on it;
- Reviewing the PCC Annual Report and submit a report /recommendation on it (this requires the Panel to have a public meeting at which it will question the PCC on the content of the document);
- Reviewing the PCC proposed precept for the financial year and submit a report/recommendation on it – this includes the Panel having the power of veto;

- Holding confirmation hearings for the following:-
  - the PCC proposed appointment of a Chief Executive and Chief Finance Officer (two separate statutory roles);
  - the appointment of a new Chief Constable (this includes the Panel having a power of veto over the PCC initially proposed candidate); and
  -the PCC proposed appointment of a Deputy PCC; and
- Reviewing or scrutinising decisions made, or other action taken, by the PCC in connection with the discharge of the PCC functions;

During 2021/22 the Police and Crime Panel approved the 2022/23 precept proposed by the PCC and endorsed all the key strategic decisions taken by the PCC.

(vi) Her Majesty's Inspectorate of Constabulary & Fire and 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 is independent of Government and the police service:-

- HM Inspectors of Constabulary are appointed by the Crown – they are not employees of the police service or government.
- HM Chief Inspector of Constabulary reports to Parliament on the efficiency and effectiveness of police forces in England and Wales.
- HM Inspectors have powers to seek information from police forces and to access their premises.

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.

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.

In 2020, HMICFRS amended the PEEL Assessment process. Merseyside was chosen as one of three forces to pilot this new approach, which in practice 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 are 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. In October 2021, the Force received an initial draft report which included indicative grades. However, this report was not published by HMICFRS due to changes to the revised PEEL assessment methodology as a result of learning from the three pilot forces.

In the interests of fairness, and to ensure consistency with the approach adopted for other forces, the Force was given a further period of time to submit additional evidence and to allow HMICFRS to further inspect the Force in accordance with further revisions to their approach. The final report, including grades, is not expected until late July 2022.

In addition to the PEEL assessment, the Force was also subject to the following thematic inspections:-
- Tees Valley Super Complaint regarding the police response to BAME victims of sexual abuse; and
- Police handling of serious youth violence.

HMICFRS published a number of thematic inspection reports including the following:-
- Custody Services in a Covid-19 Pandemic;
- Policing in the pandemic – The police response to the coronavirus pandemic during 2020; and
- Review of domestic abuse during the pandemic – 2021;

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.

In accordance with the Police Act 1996 the PCC is required to formally comment on the inspection reports that relate to their Force. The PCC comments and the Force's responses are published on the PCC web site.

(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, the existing framework is retained. Consequently, the Corporate Governance Framework for 2022/23 was approved by the PCC and Chief Constable. The Corporate Governance Group also developed this Annual Governance Statement for 2021/22.

(viii) Crime Data integrity

Merseyside Police employ a Force Crime Registrar, who has oversight of the Crime Audit Team, who carry out audits and dip samples on crime recording data ensuring compliance with crime recording standards and conversation rates. The most recent inspection of Crime Data took place as part of the PEEL assessment in January 2021 in which the force was rated good. Crime Data Integrity has been subject of robust scrutiny by HMICFRS since 2016.

(ix) 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 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 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 assessment was that overall, both organisations generally comply with the principles. However, a number of minor to moderate improvements are required to demonstrate full compliance, particularly around work to identify a credible and transparent financial resilience assessment.

Alongside 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. The action plan is currently being implemented with a view that CIPFA will undertake a reassessment once complete. This work will further demonstrate compliance with the FM Code.

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

At the start of the pandemic the OPCC, and the Force, implemented business continuity plans which enabled the PCC and OPCC to undertake its business as usual. As we now come out of the pandemic governance arrangements have returned to pre pandemic days, albeit with greater use of agile working practices.

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 internal audit, is operating effectively and continues to be fit for purpose.

5. Significant Governance Issues

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

Governance Issue	Action
Implementation of the Home Office review(s) into the role of the PCCs. Changes to legislation, the Specified Information Order and the Strategic Policing Protocol. Mayoral devolution and changes to Fire Governance arrangements.	The Elected Local Policing Bodies (Specified Information) (Amendment) Order 2021 ('the amending Order), came into force on 31st May 2021. The order provides that information relating to the force's performance against the Government's national priorities for policing, HMICFRS performance reports on the force, and complaint handling must also be published. The OPCC has complied with this order and the information is published on the PCC's website. In May 2022 the Government commenced a public consultation period seeking views on proposals to strengthen fire and rescue services in England, including transferring responsibility for fire and rescue to a single elected individual, were appropriate. At the time of writing the PCC is considering how best to contribute to the consultation exercise.
Demonstrate full compliance to the new CIPFA Financial Management Code.	A 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 assessment was that overall, both organisations can demonstrate compliance to the FM Code. However, a number of minor to moderate improvements are required to demonstrate compliance, particularly around work to identify a credible and transparent financial resilience assessment.

The following have been identified as significant governance issue for the PCC in 2022/23 and beyond.

Governance Issue	Action
The relationships between the PCC and the Chief Constable breaks down	The PCC has set the Police and Crime Plan which the Chief Constable has a duty to have regard to. The Chief Constable's priorities are aligned to the PCC's Police and Crime Plan. The PCC and Chief Constable have approved the Joint Corporate Governance Framework for 2022/23 on how they will discharge their responsibilities. The PCC has retained the governance meetings with the Chief Constable, in particular the 'one to one meetings'.
Mayoral devolution and changes to Fire Governance arrangements.	The OPCC is actively contributing to the Home Office reviews.

Over the coming year the action identified will be undertaken to address the issues above in order to further enhance the PCC's governance arrangements. We are satisfied that these steps will address the need for the improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Emily Spurrell

Police & Crime Commissioner
Office of the Police and Crime Commissioner for Merseyside
16th December 2022

Susan McTaggart MBE

Interim Chief Executive
Office of the Police and Crime Commissioner for Merseyside
16th December 2022

John Riley

Chief Finance Officer
Office of the Police and Crime Commissioner for Merseyside
16th December 2022

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 PCC and Group.

BILLING AUTHORITY
This is an Authority which is responsible for the collection of Council Tax on behalf of Precepting Authorities, and maintains a Collection Fund for this purpose.

CAPITAL EXPENDITURE
This is expenditure on the acquisition of a fixed asset, or expenditure that adds to the value, or extends the useful life of an existing asset. Capital expenditure is not usually a direct charge to the Comprehensive Income and Expenditure Statement, being normally met by loan, grant, external contribution or capital receipts.

CAPITAL RECEIPTS
Income from the sale of assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets, financed from loans.

CASH
Comprises cash on hand and demand deposits.

CASH EQUIVALENTS
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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 PCC Accounting in the United Kingdom 2021/22)
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 2021.

COLLECTION FUND
An amount received from or paid to a Billing Authority based on the actual amount of council tax collected by the Billing Authority above or below the expected collection levels.

COMPONENTISATION
Identifying and depreciating the components of an asset separately if they have differing patterns of benefits relative to the total cost of the asset.

THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
The account which summarises the income and costs of all the functions for which the PCC/ Group is responsible. It also includes notional depreciation charges for assets and the notional cost of retirement benefits earned by employees in the year.

CREDITORS
Individuals or organisations to whom the PCC/Group 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
Curtailment 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 PCC/Group money at the end of the financial year.

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

DEPRECIATED REPLACEMENT COST
Depreciated replacement cost is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

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

DERECOGNITION
An asset is derecognised in the Balance Sheet when it is disposed of or where no future economic benefits or service potential are expected from its use.

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.

FINANCE LEASE
A lease where substantially all the risks and rewards of ownership are transferred to the lessee.

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.

FINANCIALLY ACCOUNTABLE UNIT
A Financially Accountable Unit (FAU) is a unit of the Devolved Financial Management structure to which Budgets are allocated, and against which Income and Expenditure is charged. Each FAU has a Budget Holder responsible for managing that Budget.

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.

IMPAIRMENT
A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INTANGIBLE FIXED ASSETS
These are fixed assets such as software licences that do not have physical substance but are identifiable and controlled through legal or custody rights.

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.

LESSEE
An organisation which holds a property by lease.

LESSOR
An organisation which lets a property by lease.

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

OPERATING ACTIVITIES (CASH FLOW)
Operating activities are the activities of the entity that are not investing or financing activities.

OPERATING LEASE
Any lease which is not a finance lease.

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.

PRECEPT
This is the amount of Council Tax income which County Councils, Police and Crime Commissioners, the Greater London Authority, Parish Councils and some Fire Authorities need to provide their services. The amounts for all Local Authorities providing services in an area appear on one Council Tax bill, which comes from the Billing Authority.

PRECEPTING AUTHORITY
This is any body which sets a precept to be collected by billing authorities through the Council Tax bill. County councils, Police and Crime Commissioners, the Greater London Authority, some Fire Authorities and Parish Councils are all precepting authorities.

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 gain and losses, remeasurements represent 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).

RESIDUAL VALUE
The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

REVENUE ACCOUNTS
The day-to-day expenditure and income of the PCC on such items as salaries and wages of employees, running costs of services, and the purchase of consumable materials and equipment, together with the financing costs of capital assets.

REVENUE SUPPORT GRANT
A General Government Grant that supports Police and Crime Commissioners' expenditure.

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 GRANTS
Targeted or ring-fenced grants are sometimes referred to as specific grants.

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.

USEFUL LIFE
The period which an asset is expected to be available for use by an entity.

UK GAAP (Generally Accepted Accounting Principles)
Compliance with UK company law, UK accounting standards and best practice.