Unaudited Annual Financial Report 2022-23

The Chief Constable of Merseyside Police

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Narrative Statement by the Director of Resources

The Statement of Accounts provide details of the Chief Constable's (CC) financial activities for the year ending 31st March 2023. The accounts are published in accordance with the Accounts and Audit Regulations 2015.

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

1. Explanation of the CC and Group;
2. An Introduction to Merseyside;
3. Financial performance;
4. Non-financial performance;
5. People;
6. Explanation of the Statement of Accounts;
7. Summary and conclusion; and
8. Acknowledgements.

1. EXPLANATION OF THE CC AND GROUP

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

The 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; Preventing Offending

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

2. AN INTRODUCTION TO MERSEYSIDE

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

3. FINANCIAL PERFORMANCE

Background

Since 2010/11, the Police Service has faced significant financial and operational challenges due to reductions in Government funding and changes in Government policies, e.g. Austerity and the Police Uplift Programme. In addition, the police service has also seen significant cost pressures and continual changes in the demand for policing.

In terms of funding, Central Government funding to PCCs fell by 22.2% 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 2022/23 than they received in 2010/11. Police forces' experiences of funding reductions varied and the forces that relied on Government funding experienced the greatest cuts.

Merseyside Police is one of those forces that is dependent on Government funding and during this period Merseyside's Government funding was reduced by 21.2% in real terms and overall funding, when taking account of increases in precept, reduced by 14.6% in real terms, which was well above the national average.

As a result of the Government's austerity programme, the PCC and Merseyside Police had to make significant savings to ensure that a balanced budget was achieved annually. The delivery of the savings meant reductions in the strength of the Force. In 2010/11, Merseyside Police had a Police Officer establishment of 4,588 full time equivalents (fte). By 2019/20 Police Officer numbers had fallen by 24.4% (1,121fte) to 3,467fte. The impact of these reductions was felt in every area/department of the Force, particularly Neighbourhood Policing, Investigations and Preventative Policing.

However, in July 2019 the Government recognising that policing had been cut too far introduced a new policy called the 'Police Uplift Programme' (PUP) to recruit an additional 20,000 police officers nationally by the end of March 2023.

To monitor the programme, the Home Office established a baseline establishment for each Force as at 31st March 2020. Merseyside's baseline was set at 3,447 police officers.

Subsequently, by the end of March 2023 the Government had provided funding for 20,000 police officers nationally. Merseyside's overall 'Uplift' recruitment target was 665 police officers. It is noted that no additional Government funding was provided to fund inflationary and cost pressures during this period, these were expected to be funded by PCCs maximising their precepts and Forces continuing to make cashable savings. The PCC has previously adopted a strategy of maximising the precept, in line with the Governments expectations, and with the support of the general public and the PCP, which along with savings by the Force and the utilisation of one-off reserves has enabled balanced budgets to be set. In addition, it also enabled the Force to achieve their recruitment targets of 665 additional police officers by the end of March 2022, a full year ahead of schedule. However, it is noted that Merseyside still has 450 Police Officers less than it did in 2010/11, i.e., before the Government's austerity programme.

Despite the significant challenges faced by the Force, Merseyside Police continues to provide an effective and efficient police service. In the most recent PEEL inspection by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), Merseyside Police was judged to be 'Good' in 11 of the 13 areas of policing inspected, 1 area was judged 'Adequate' and the Force was judged 'Outstanding' in 'Disrupting Serious and Organised Crime'. With regard to strategic planning, organisational management and value for money, Merseyside was found to be good at operating efficiently.

Revenue Outturn

The CC Budget for 2022/23 was constructed under the principle of financial devolution, which allows budget holders to better manage the resources at their disposal and improve accountability to the Chief Constable, and ultimately the PCC. The net revenue expenditure of the CC during 2022/23 amounted to £472.716m. In broad terms the following narrative shows where the CC and the Group's money came from and how it was spent.

Where did our Money Come From?

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

What did we spend the Money on?

Most money is spent on Employee Expenses, including Police Officers, Police Staff, including Police and Community Support and Traffic Officers, and Pensions. Other money is spent in various ways including forensics, uniforms and ICT. The table below shows where the money was spent in 2022/23.

Type	£m	%
Employee Expenses	362.590	76.7
Other	110.217	23.3
Total Net Operating Expenses	**472.716**	**100.0**

CC Balance Sheet

The Balance Sheet is a snapshot of the CC's assets, liabilities, cash balances and reserves at the balance sheet date. The following table shows the value as at the 31st March 2023 of the assets and liabilities recognised by the CC. The net assets of the CC (assets less liabilities) are matched by the reserves held by the CC. Unusable reserves arise from accountancy adjustments, e.g. used to remove notional debits and credits for retirement benefits, and cannot be used to support the budget.

Type	As at 31st March 2023 £m
Current Assets	10,281
Current Liabilities	(16,850)
Long term Liabilities	(3,655,705)
Net Assets and (Liabilities)	**(3,662,275)**
Represented by:-	
Unusable Reserves	(3,662,275)
Total Reserves	**(3,662,275)**

At 31st March 2023 the CC had negative net assets of £3,662m which implies that the Group is technically bankrupt. Fortunately this is not the case. The primary reason the Group had negative net assets is because of the net pension liabilities associated with the unfunded police officer pension scheme of £3,674m coupled with the surplus of £18m in the funded Local Government Pension Scheme (LGPS) for police staff.

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

Excluding these pension liabilities the CC's Balance Sheet has net liabilities of £6.570m which is entirely explained by the existence of a short term accumulating absences liability, an accounting entry made to reflect the liability of the Force relating to leave owing to employees.

Loans and Investments

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

Pension Liabilities

Police Officers and Police Staff are offered retirement benefits by the PCC and Group as part of their terms and conditions of employment. In accordance with International Accounting Standard (IAS) 19, the PCC and Group are required to ensure that its accounts and that of the CC reflect the fair value of the assets and liabilities of the schemes and that benefits earned are recognised in the accounting periods in which they arise. As at the 31st March 20233 the CC had the following net pension liabilities:-

Type	£m
Police Pension Scheme (i.e. Police Officers)	(3,673.776)
Local Government Pension Scheme (i.e. PCC and Staff)	18.071
Total	**(3,655.705)**

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

- The police officer pension scheme is a statutory scheme, as specified by Police Regulations, whereby the Group pays an employer's contribution of 31.0% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there is insufficient money in the Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice, therefore, the significant liability of £3.674 billion will be covered by future employer contributions and the receipt of Home Office grant monies.

- PCC and Police Staff are entitled to join the Local Government Pension Scheme (LGPS) as administered by Wirral Metropolitan Borough Council. There is a disclosed surplus of £18.071m in respect of LGPS.

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

2023/24 and Beyond

Despite historically high and persistent inflation, and below real terms increases in Government grant funding, the PCC has set a balanced budget for 2023/24. To balance the budget it was necessary for the PCC to maximise the precept and for the Chief Constable to identify cashable savings. Notwithstanding this there was still a net budget deficit of £8.153m. In order to bridge this deficit the PCC approved the utilization of earmarked reserves and one-off savings. Setting a balanced budget in this manner ensures that police officer, PCSTOs and police staff jobs are protected. However, it is important to noted that the use of reserves and one-off savings in this way only has the effect of pushing the savings requirement into future years, but does provide the PCC and the Chief Constable with more time to identify and implement the necessary savings plans.

With regard to the medium term, the assumptions underpinning the medium-term financial strategy have been updated and it is now forecast that over the period there will be an overall savings requirement of £15.275m. This is a position that will provide significant challenges for the PCC and Chief Constable to continue to balance the budget without impacting on the efficiency and effectiveness of the Force. The potential extent of the savings requirement is likely to result in the decivilianisation of police staff posts in the future if real terms funding settlements are not provided by the Government and the Home Office insist on Forces maintaining their current police officers numbers as a consequence of 'Operation Uplift,' the Government's policy to recruit 20,000 police officers nationally by the 31st March 2023.

Under Operation Uplift, the Force has been set a target of recruiting an additional 665 police officers by 31st March 2023. This target was achieved by 31st March 2022 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.

It is important to note that every endeavour has been made to accommodate all known cost pressures within the 2023/24 budget and the latest medium-term financial strategy. However, some issues remain, some of which are out of the control of the PCC or Force, which could in the future represent a risk and/or create significant budget pressures, these include future pay awards, persistent high non-pay inflation and real terms cuts and/or reallocations in police grant funding. Of immediate concern, is the potential outcome of the 2023 pay award, the Police Renumeration Review Body is currently undertaking its annual review and is expected to make its recommendations to the Home Secretary in the Autumn. For planning purposes, the PCC is assuming the pay award will be 2.5%, slightly more than the 2% that the Government provided for within the last grant settlement. However, there is a real risk that the assumption around pay may be understated. Any unfunded award above this assumed level would lead to a cost pressure in year, as well as have an impact on 2024/25 and beyond.

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. In order to address this the estimated savings requirement over the medium term, the Chief Constable's Community First Transformation 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 also 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 continue to utilise reserves and in year underspends to address any immediate budget pressures to protect and maintain current service levels and to provide more time to deliver the savings required, as well enable the immediate release of savings from the revenue account.

4. NON-FINANCIAL PERFORMANCE

Annual Review of Governance Arrangements

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

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

Merseyside Police

Crime recording during the 2022/23 financial year observed a slight increase compared to the previous year. Overall, all crime increased by 2.24%, with 168,570 crimes recorded during 2022/23 compared to 164,879 during 2021/22.

Burglary crimes reduced by 14.62%, and Serious Acquisitive Crime overall reduced by 6.05%, which is a continued reduction from previous years. Robbery crimes also reduced by 5.58%.

One category that had increased in previous years was Hate Crime, which has now reduced by 3.03%. Sexual offences similarly reduced slightly, by 1.73%.

Reports of Anti-Social behaviour reduced significantly, by 32.23%, however Public Order crimes increased by 8.08%.

There have also been increases in homicide, with some tragic events occurring and featuring within national media reports. This is despite gun crime decreasing by 28.76%, knife crime decreasing by 15.33%, and overall Serious Violence offences decreasing by 13.97%.

Stealing increased by 3.86% and Theft Shop by 10.61%, likely as a consequence to cost-of-living increases and additional reporting by certain retailers.

Drugs offences increased by 2.96%; with such crimes often identified through proactive policing, such as Stop and Search powers, as well as Police responding to community intelligence.

Domestic Abuse increased slightly, by 1.57%, and Stalking and Harassment crimes increased by 2.14%. Overall Violence increased by 0.49%; however, Violence With Injury decreased by 4.67%.

For some specific crime categories, 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.

Overall solved outcomes have increased by 25.87%, with 4,504 additional detections compared to the previous year.

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 over 32,300 victims of crime. The support provided to victims included the following:-

- As providers for the PCC's vulnerable victims service during the first half of 2022/23 (following which the VCM hub service was launched), Victim Support provided support to 1,870 vulnerable victims of crime.
- Following its launch during October 2022, the VCM hub service made an offer of support to 18,416 victims of crime, with 3,546 individuals going on to receive direct support from a Victim Care Officer and a care plan and/or Victim Needs Assessment completed.
- Catch 22 were commissioned to deliver support to victims of Child Exploitation, including both Child Sexual & Child Criminal Exploitation. A total of 45 Children & Young People were supported.
- The Anthony Walker Foundation supported 954 victims of racially and religiously aggravated Hate Crime.
- Citizens Advice Liverpool supported 188 victims of Hate crime related to Sexual Orientation and/or Gender Identity.
- Daisy Inclusive UK provided bespoke support for victims of Disability-related Hate Crime, with 71 people being supported through this service.
- Stop Hate UK provided 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 88 victims.
- RASA and RASASC provided dedicated aftercare support to 4,920 survivors of rape or sexual assault/abuse.
- 133 individuals having been referred and contacted by Restorative Solutions over the year.
- Savera UK provided support to people who have been subjected to Harmful Practices, including Forced Marriage, so-called Honour-based Abuse and/or Female Genital Mutilation. This service supported 159 individuals through their experience.
- Families Fighting for Justice provided a one-stop shop/signposting support service to bereaved families of Homicide victims and those affected by culpable road death. A total of 763 individuals were supported through this service.
- Additional IDVA and ISVA posts were supported across Merseyside. As a result over 7,600 victims/survivors were supported out in the community, with over 4,400 victims and survivors being supported through the Criminal Justice process by a specialist IDVA or ISVA.

5. PEOPLE

As at the 31st March 2023 the actual number of people employed by Merseyside Police is detailed in the table below.

Type	Total FTE
Merseyside Police	
Police Officers	4,120
Police Staff	2,216
PCSOs	175
TOTAL Group Employees	**6,511**

6. EXPLANATION OF THE STATEMENT OF ACCOUNTS

The purpose of the Statement of Accounts is to provide details of the CC financial activities for the year ending 31st March 2023. The financial statements for 2022/23 have been prepared in accordance with The Code of

Practice on Local Authority Accounting in the UK 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice. This Code of Practice is based on International Financial Reporting Standards (IFRS) and also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

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

- **Independent Auditor's Report**, this sets out the opinion of the external auditor, Grant Thornton UK LLP, on whether the accounts presented give a 'true and fair view' of the financial position and operations of the CC for 2022/23;
- **Statement of Responsibilities for the Statement of Accounts**, this statement sets out the responsibilities of the CC and the CC's Chief Finance Officer;
- the **Comprehensive Income and Expenditure Statement,** this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Elected Policing Bodies, i.e. PCC's, raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The CIES is reconciled to the net expenditure that is chargeable to taxation and rents in the Expenditure and Funding Analysis (EFA) contained in the notes to the accounts. The EFA shows how annual expenditure is used and funded in comparison with those resources consumed or earned in accordance with generally accepted accounting practices;
- the **Balance Sheet**, this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the CC. The net assets of the CC (assets less liabilities) are matched by the reserves held by the CC;
- the **Movement in Reserves Statement**, this statement shows the movement in the year on the different reserves held by the CC analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce the council tax precept) and unusable reserves (i.e. those that the CC are not able to use to provide services);
- **Notes to the Financial Statements**, these notes include a Statement of the Accounting Policies used as the basis of preparing the financial statements, information required by the Code of Practice that is not presented elsewhere in the financial statements, i.e. notes that break down lines presented on the face of the financial statements into their significant components and information that is not provided elsewhere in the financial statements, but is relevant to an understanding of any of them (e.g. transactions with related parties). Please note that occasionally minor differences occur between the primary statements detailed above and the notes to the accounts, this is due to unavoidable rounding discrepancies;
- the **Pension Fund Account**, which summarises the amounts received into and paid out of the police officer pension fund operated by the CC during the year;
- A **glossary** of terms has also been prepared and is included at the end of the Statement of Accounts to assist readers in understanding the technical accounting terminology.

Events After the Reporting Period

The Unaudited Statement of Accounts were authorised for issue on the 31st May 2023. Events taking place after this date are not reflected in the unaudited financial statements or notes. Where events have taken place on or before 31st May 2023 which provided information about conditions existing at 31st March 2023, the figures in the financial statements were adjusted in all material respects to reflect the impact of this information. The Statement of Accounts were not adjusted for events that have taken place between 1st April 2023 and 31st May 2023 which are indicative of conditions that arose after the reporting period.

7. 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 2023/24. 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 665 police officers recruited under 'Operation Uplift'.

However, despite balancing the budget in 2023/24, there still remains a significant financial and policing challenge for the PCC and Merseyside Police in the years ahead. It is now forecast that over the medium term there will be an overall savings requirement of £15.275m. This is a position that will provide significant challenges for the PCC and Chief Constable to continue to balance the budget over the period without impacting on the efficiency and effectiveness of the Force. The potential extent of the savings requirement is likely to result in the decivilianisation of police staff posts in the future if real terms funding settlements are not provided by the Government and the Home Office insist on Forces maintaining their current police officers numbers.

8. 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.

Helen Stafford FCA
Head of Finance for the Chief Constable of Merseyside Police
On behalf of the Director of Resources for the Chief Constable of Merseyside Police
31st May 2023

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

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Statement of Responsibilities for the Statement of Accounts

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Director of Resources for the Chief Constable of Merseyside Police

The Chief Constable's Director of Resources is responsible for securing the preparation and production of the Statement of Accounts for the Chief Constable of Merseyside Police which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present a 'true and fair view' of the financial position of the Chief Constable of Merseyside Police at the accounting date and its Income and Expenditure for the year ended 31st March 2023.

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

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

The Director of Resources has also:-

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Chief Constable of Merseyside Police at the accounting date and of the income and expenditure for the year ended 31st March 2023.

Helen Stafford FCA
Head of Finance for the Chief Constable of Merseyside Police
On behalf of Director of Resources for the Chief Constable of Merseyside Police
31st May 2023

The Comprehensive Income and Expenditure Statement (CIES)

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

2021/22					2022/23		
Gross Expenditure	Gross Income	Net Expenditure	`	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
505,184	(510,622)	(5,438)	Policing Services	20	523,891	(552,533)	(28,642)
505,184	**(510,622)**	**(5,438)**	**Cost of services**		**523,891**	**(552,533)**	**(28,642)**
353	0	353	Other operating expenditure	7	378	0	378
105,752	0	105,752	Financing and investment income and expenditure	8	139,793	0	139,793
611,289	**(510,622)**	**100,667**	**Deficit on Provision of Services**		**664,062**	**(552,533)**	**111,529**
(101,459)	0	(101,459)	Remeasurements of the net defined benefit liability	21.14	(1,749,292)	0	(1,749,292)
509,830	**(510,622)**	**(792)**	**Total Comprehensive Income and Expenditure**		**(1,085,230)**	**(552,533)**	**(1,637,763)**

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

The Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the CC. The assets and liabilities recognised relate to police officers and police staff under the direction and control of the CC. The net liabilities of the CC are matched by the reserves held. The unaudited accounts were issued on 31st May 2023.

Signed
Helen Stafford, Head of Finance for the Chief Constable of Merseyside Police
On behalf of Director of Resources for the Chief Constable of Merseyside Police

As at 31st March 2022		Note	As at 31st March 2023
£000			£000
	Long Term Assets		
0	Property, plant and equipment		0
0	**Total Long Term Assets**		**0**
	Current Assets		
8,118	Short-term debtors	**10**	10,281
8,118	**Total Current Assets**		**10,281**
	Current Liabilities		
(15,996)	Short-term creditors	**11**	(16,850)
(15,996)	**Total Current Liabilities**		**(16,850)**
	Long-term Liabilities		
(5,292,160)	Liability relating to defined benefit pension scheme	**21.7**	(3,655,705)
(5,292,160)	**Total Long-term Liabilities**		**(3,655,705)**
(5,300,038)	**Net Assets/(Liabilities)**		**(3,662,275)**
	Reserves		
0	Usable reserves	**MiRS**	0
(5,300,038)	Unusable reserves		(3,662,275)
(5,300,038)	**Total Reserves**		**(3,662,275)**

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

The Cash Flow Statement

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

The Movement in Reserves Statement 2021/22 and 2022/23

This statement shows the movement in the 2021/22 and 2022/23 financial years on the different reserves held by the CC, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and 'usable' reserves. At present, the only transactions shown in this statement relate to the pensions reserve and the accumulated absences account (reflecting movements relating to police officers and police staff under the direction and control of the CC). All other reserves are managed by the PCC. The financial consequences of the operational activities undertaken by the CC can be seen in the CIES.

		Usable Reserves	Unusable Reserves			
	Note	General Fund Balance	Pensions Reserve	Accumulated Absences Account	Total	Total Reserves
		£000	£000	£000	£000	£000
Balance as at 1st April 2021		**(0)**	**(5,290,812)**	**(10,017)**	**(5,300,829)**	**(5,300,829)**
Deficit on provision of services on an accounting basis		(100,667)		0	**0**	**(100,667)**
Remeasurements of the net defined benefit liability		0	101,459	0	**101,459**	**101,459**
Total Comprehensive Income and Expenditure		**(100,667)**	**101,459**	**0**	**101,459**	**792**
Actual amounts charged against the Pension Fund for the year		(141,438)	141,438	0	**141,438**	**0**
Difference in pension costs between accounting basis (IAS 19) and funding basis		244,245	(244,245)	0	**(244,245)**	**0**
Difference in employee remuneration costs (between accounting and funding basis)		(2,140)	0	2,140	**2,140**	**0**
Adjustments between accounting basis and funding basis under regulations:		**100,667**	**(102,807)**	**2,140**	**(100,667)**	**0**
Net increase or (decrease)		**(0)**	**(1,348)**	**2,140**	**792**	**792**
Balance as at 31st March 2022 and 1st April 2022	6	**(0)**	**(5,292,160)**	**(7,877)**	**(5,300,037)**	**(5,300,037)**
Deficit on provision of services on an accounting basis		(111,529)		0	**0**	**(111,529)**
Remeasurements of the net defined benefit liability		0	1,749,292	0	**1,749,292**	**1,749,292**
Total Comprehensive Income and Expenditure		**(111,529)**	**1,749,292**	**0**	**1,749,292**	**1,637,763**
Actual amounts charged against the Pension Fund for the year		(143,979)	143,979	0	**143,979**	**0**
Difference in pension costs between accounting basis (IAS 19) and funding basis		256,816	(256,816)	0	**(256,816)**	**0**
Difference in employee remuneration costs (between accounting and funding basis)		(1,308)	0	1,308	**1,308**	**0**
Adjustments between accounting basis and funding basis under regulations:		**111,529**	**(112,837)**	**1,308**	**(111,529)**	**0**
Net increase or (decrease)		**0**	**1,636,455**	**1,308**	**1,637,763**	**1,637,763**
Balance as at 31st March 2023	6	**0**	**(3,655,705)**	**(6,568)**	**(3,662,274)**	**(3,662,274)**

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

Notes to the Financial Statements

1 ACCOUNTING POLICIES

1.1 General Principles

Accounting policies are the principles applied to show the effect of transactions and events on the financial statements. The Accounts and Audit (England) Regulations 2015 require the Chief Constable to prepare an annual Statement of Accounts, and those regulations require them to be prepared in accordance with proper accounting practices. The financial statements have been prepared in accordance with The Code of Practice on Local Authority Accounting in the UK 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised by statute as representing proper accounting practice. This Code of Practice is based on International Financial Reporting Standards (IFRS) and also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board, where these provide additional guidance. The Accounts have been prepared on a Going Concern basis.

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

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

The Financial Statements included here represent the accounts for the CC. The financial statements cover the 12 months to 31st March 2023. The identification of the PCC as the holding organisation and the requirements to produce Group accounts stems from the powers and responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011.

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

1.2 Accruals of Income and Expenditure

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

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

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

1.3 Cost and Income Recognition

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

1.4 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees. These benefits are recognised as an expense for services in the year in which the employee renders service to the CC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits (Pensions)

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

Police Officers

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

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

Police Staff

Police staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS), which is a funded defined benefit scheme. Pensions and other retirement benefits are paid from the fund and employers and employees make regular contributions into the fund so that the liabilities are paid for evenly, over the employment period. Actuarial valuations of the fund are undertaken every three years to determine the contribution rates needed to meet its liabilities, the last valuation having been at 31st March 2022. The Governance arrangements for the Merseyside Pension Fund (MPF) are contained within the MPF Governance Policy, which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (England and Wales) (Amendment no. 2) Regulations 2005 and is available on the MPF website.

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

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

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

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

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

- **Current Service Cost** – the increase in liabilities as a result of service earned by employees in the current year. This is charged to cost of services within the Comprehensive Income and Expenditure Statement;

- **Past Service Cost** – the increase in liabilities arising from current year decisions, the effect of which relate to service in earlier years. This is charged to non-distributed costs in the Comprehensive Income and Expenditure Statement in the period when an entity amends a benefit plan;

- **Net Pensions Interest Cost** - replacing the interest cost and the expected return on assets (previously disclosed separately). The net interest expense or income on the net pension liability or asset represents the financing cost or income of deferring payment or pre paying employee services. It is calculated by multiplying the net pension liability or the net pension asset by the discount rate used to measure the pension liability. If the interest on the pension liability exceeds the interest on the plan assets, it will be net interest expense. If the interest on the plan assets exceeds the interest on the pension liability, it will be net interest income. Net interest income or expense will be presented in financing and investment income and expenditure;

- **Remeasurements** – these are changes in the net pension liabilities that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions. Remeasurements are made up of actuarial gains and losses on the defined benefit obligation, differences between actual investment returns and the return implied by the net interest cost, and the effect of the asset ceiling. Remeasurements are recognised in the Balance Sheet immediately, with a corresponding charge or credit to the Comprehensive Income and Expenditure Statement in the period in which they occur;

- **Administration Costs and other Expenses** – administration costs are directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligation, are recognised as a reduction in the return on plan assets and recorded in other comprehensive income and expenditure. Other administration costs must not be deducted from the return on plan assets and are recognised in surplus or deficit on the provision of services.

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

Long Term Employee Benefits

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

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

1.5 Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

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

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

1.6 Exceptional Items

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

1.7 Jointly Controlled Operations

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

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

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

1.8 Pension Top Up Grant

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

1.9 PCC Funding of the Chief Constable's Expenditure

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

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

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

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

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

1.11 Financial Assets and Liabilities

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

1.12 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

1.13 VAT

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

2 ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The following sets out amendments to accounting standards or new accounting standards that have been issued on or before 1st January 2023 but will not be adopted by the Code until 2023/24.

2.1 Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty";
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error.
- In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

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

2.2 Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The effect of the changes will be assessed, and revised Accounting Policies will be drafted for approval for disclosure in 2023/24.

2.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issues in May 2021.

- An exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24.
- Accordingly, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on initial recognition that result in the recognition of equal deferred tax assets and liabilities.

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

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in **Note 1**, the CC has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:-

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

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

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

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

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

The pension liability is recognised on the CC and Group Balance Sheet. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality and expected returns on pension fund assets. The CC and the Group use an independent firm of actuaries to assess the Local Government Pension Scheme assets and liabilities and the Government Actuaries Department to assess the Police Scheme liabilities.

The pensions' liability and the reserve will vary significantly should any of the assumptions prove to be inaccurate. For instance, a 0.1% increase in the discount rate would decrease the pension liability by £185m or a one year increase in life expectancy would increase the pension liability by £87m. The effects on the net pensions liability of changes in individual assumptions are shown in **Note 21.9**. The Group recognises the cost of retirement benefits in the cost of services when the benefits are eventually paid as pensions. However, the charge required to be made against the precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. Any revisions to the estimation of the net liability to pay pensions would not impact upon the Revenue Account of the Group.

5 EVENTS AFTER THE REPORTING PERIOD

The Unaudited Statement of Accounts was authorised for issue by Helen Stafford, Head of Finance for the Chief Constable of Merseyside Police on behalf of Director of Resources to the Chief Constable of Merseyside Police on 31st May 2023.

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

Where events have taken place on or before 31st May 2023 which provide information about conditions existing at 31st March 2023, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

The Unaudited Statement of Accounts is not adjusted for events that have taken place between 1st April 2023 and 31st May 2023 which are indicative of conditions that arose after the reporting period.

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

6.1 General Fund Balance

The CC does not hold any General Fund Balances.

6.2 The Pensions Reserve

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

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

2021/22		2022/23
£000		**£000**
(5,290,812)	**Balance as at 1st April**	**(5,292,160)**
101,459	Remeasurements of the net defined benefit liability	1,749,292
(244,245)	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	(256,816)
141,438	Employer's pension contributions and direct payments to pensioners payable in the year	143,979
(5,292,160)	**Balance at 31st March**	**(3,655,705)**

6.3 The Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance for accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31st March 2023). 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.

2021/22		2022/23
£000		**£000**
(10,017)	**Balance as at 1st April**	**(7,878)**
10,017	Settlement or cancellation of accrual made at the end of the preceeding year	7,878
0		**0**
(7,878)	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	(6,570)
(7,878)	**Balance at 31st March**	**(6,570)**

7 OTHER OPERATING INCOME AND EXPENDITURE

2021/22		2022/23
£000		£000
353	Administrative expenses	378
353		378

8 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021/22		2022/23
£000		**£000**
105,752	Net pensions interest cost	139,793
105,752		**139,793**

9 FINANCIAL INSTRUMENTS

9.1 Categories of Financial Instruments

The definition of a financial instrument is 'any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity'. The term 'financial instrument' covers both financial assets and liabilities. The definition is broad and covers instruments used in treasury management including the borrowing and lending of money and making of investments. However it also extends to include such items as trade receivables (debtors) and trade payables (creditors). There were no such financial instruments carried in the Balance Sheets of the CC.

31st March 2022		31st March 2023
£000		**£000**
	Debtors	
8,118	Non financial instrument debtors	10,281
8,118	**Total Debtors**	**10,281**
	Creditors	
(1,640)	Financial Liabilities at Amortised Cost	(1,697)
(14,356)	Non financial instrument creditors	(15,154)
(15,996)	**Total Creditors**	**(16,850)**

9.2 Financial Instruments Gains and Losses

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

9.3 Fair Value of Assets and Liabilities carried at Amortised Cost

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

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

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

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

9.4 Financial Instruments – Nature and Extent of Risks Arising

Credit Risk

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

Liquidity Risk

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

Market Risk

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

10 DEBTORS

31st March 2022		31st March 2023
£000		**£000**
119	Short term accumulated absences	348
7,999	Intra-group account	9,933
8,118	**Total**	**10,281**

11 CREDITORS

31st March 2022		31st March 2023
£000		**£000**
(1,640)	Bodies external to general government	(1,697)
(6,359)	HM Revenue and Customs	(8,236)
(7,997)	Short term accumulating absences	(6,918)
(15,996)	**Total**	**(16,850)**

12 PCC FUNDING FOR FINANCIAL RESOURCES CONSUMED

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

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

The funding does not take account of:-

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

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

As the PCC funding does not take account of these charges or credits, the Comprehensive Income and Expenditure Statement has a surplus of £1,637.763m (2021/22 surplus of £0.792m).

2021/22			2022/23	
£000	£000		£000	£000
611,289		Expenditure to Deficit on Provision of Services	664,062	
(101,459)		Pension Remeasurements	(1,749,292)	
	509,830	**CIES Total Gross Expenditure**		(1,085,230)
(510,622)		PCC funding	(552,533)	
		Pension Remeasurements		
	(510,622)	**CIES Total Gross Income**		(552,533)
	(792)	**CIES Total Comprehensive Income and Expenditure**		**(1,637,763)**
		Pension (IAS 19) charges		
(141,438)		Employers pensions contributions paid in year	(143,979)	
136,816		Current service cost	116,396	
1,324		Past service cost	244	
353		Administrative expenses	378	
(101,459)		IAS 19 remeasurements	(1,749,292)	
105,752		Pensions interest cost and expected return on plan assets	139,793	
	1,348			**(1,636,455)**
		Compensated absences charges/(credits)		
(2,388)		Decrease in creditor for short term accumulated absenc	(1,080)	
248		Decrease in debtor for short term accumulated absences	(228)	
	(2,140)			**(1,308)**
	(792)	**CIES Total Comprehensive Income and Expenditure**		**(1,637,763)**

13 OFFICERS' REMUNERATION

13.1 Remuneration Banding

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

2021/22				2022/23
497	£50,000	-	£55,000	569
382	£55,001	-	£60,000	424
165	£60,001	-	£65,000	242
70	£65,001	-	£70,000	95
38	£70,001	-	£75,000	36
19	£75,001	-	£80,000	19
8	£80,001	-	£85,000	18
9	£85,001	-	£90,000	11
5	£90,001	-	£95,000	8
3	£95,001	-	£100,000	5
3	£100,001	-	£105,000	0
1	£110,001	-	£115,000	1
0	£115,001	-	£120,000	1
4	£120,001	-	£125,000	3
1	£125,001	-	£130,000	1
1	£130,001	-	£135,000	0
3	£140,001	-	£145,000	0
1	£145,001	-	£150,000	1
1	£160,001	-	£165,000	0
1	£200,001	-	£205,000	1
1,212				1,435

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

13.2 Senior Officers Remuneration

The table below shows remuneration of defined senior and statutory officers for the years 2021/22 and 2022/23.

Post Holder information	Notes	Salaries (incl. Fees and Allowances)		Expenses Allowances	Benefits in Kind	Total Remuneration excluding pension contributions	Pension Contribution	Total Remuneration including pension contributions
Chief Constable - S Kennedy	*Note 1,2*	188,001	0	16,461	0	204,462	57,619	262,081
Deputy Chief Constable	*Note 3*	146,374	0	0	0	146,374	44,089	190,463
Assistant Chief Constable	*Note 4*	121,142	0	0	0	121,142	36,958	158,100
Assistant Chief Constable		120,577	0	0	0	120,577	36,612	157,189
Assistant Chief Constable	*Note 5*	28,844	0	0	0	28,844	8,942	37,786
Assistant Chief Constable	*Note 6*	121,859	0	0	0	121,859	37,009	158,868
Assistant Chief Constable	*Note 1, 7*	104,923	0	6,314	0	111,237	28,442	139,679
Assistant Chief Constable	*Note 1,8*	98,977	0	6,006	0	104,983	28,442	133,425
Assistant Chief Constable	*Note 9*	96,928	0	0	0	96,928	28,582	125,510
Assistant Chief Constable	*Note 1,10*	96,741	0	1,914	0	98,655	28,442	127,097
Director of Resources	*Note 1*	111,493	0	7,920	632	120,045	17,174	137,219
Total 2021/22		1,235,859	0	38,615	632	**1,275,106**	**352,311**	**1,627,417**
Chief Constable - S Kennedy	*Note 1*	190,361	0	17,803	766	208,930	58,351	267,281
Deputy Chief Constable		148,306	0	0	0	148,306	45,644	193,950
Assistant Chief Constable		122,463	0	0	0	122,463	37,302	159,765
Assistant Chief Constable		122,804	0	0	0	122,804	37,302	160,106
Assistant Chief Constable		123,403	0	0	0	123,403	37,302	160,705
Assistant Chief Constable	*Note 1,10,11*	33,966	0	0	0	33,966	10,321	44,287
Assistant Chief Constable	*Note 1*	109,763	654	8,580	0	118,997	33,256	152,253
Director of Resources	*Note 1*	120,466	0	7,920	1,265	129,651	18,681	148,332
Total 2022/23		971,531	654	34,303	2,031	**1,008,519**	**278,159**	**1,286,679**

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 2020 to February 2022 *
Note 5 - Assistant Chief Constable appointed January 2022
Note 6 - Assistant Chief Constable seconded to Cumbria from February 2022 to June 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 - Assistant Chief Constable left the Force June 2022

14 TERMINATION BENEFITS

Employee contracts terminated by the CC in 2022/23, and the total number of exit packages, with total cost per band and total cost of the compulsory and other redundancies, are set out in the table below.

Exit Package cost band (including special payments)	No. of compulsory redundancies 2021/22	No. of compulsory redundancies 2022/23	No. of other departures agreed 2021/22	No. of other departures agreed 2022/23	Total No. of exit packages 2021/22	Total No. of exit packages 2022/23	Total cost of exit packages 2021/22	Total cost of exit packages 2022/23
							£000	**£000**
Less than £20,000	0	0	0	0	0	0	0	**0**
£20,001 - £40,000	0	1	3	0	3	1	105	**26**
£40,001 - £60,000	0	0	4	0	4	0	194	**0**
Total	**0**	**1**	**7**	**0**	**7**	**1**	299	**26**

The total cost of £0.026m (£0.299m 2021/22) in the table above represents the charge for exit packages that have been agreed, accrued for, and charged to the Comprehensive Income and Expenditure Statement for the current year. There are no accrued costs for 2022/23 included above.

15 AUDIT COSTS

2021/22		2022/23
£000		£000
23	Fees payable to Grant Thornton UK LLP with regard to external audit services	44
23	**Total**	**44**

The audit fee proposed in the 2022/23 Audit Plan is £33,901 with the additional amount subject to approval by Public Sector Audit Appointments and therefore not disclosed in the amount above for 2022/23.

16 RELATED PARTIES

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

Police and Crime Commissioner

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

Central Government

Central Government has significant influence over the general operations of the CC. It is responsible for providing the statutory framework within which the CC operates and provides the majority of funding in the form of grants to the PCC. Grants received from government departments are set out in the PCC Group and the PCC Statement of Accounts 2022/23.

Local Authorities

Funding from Local Authorities in the Merseyside area is set out in the PCC Group and the PCC Statement of Accounts 2022/23.

Officers

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

17 CHARGE TO CC FOR ASSETS CONSUMED IN THE YEAR

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

2021/22		2022/23
£000		£000
17,133	Depreciation	18,184
293	Impairment and upward/downward valuations	(1,001)
2,781	Amortisation	3,259
20,207		**20,442**

18 JOINT ARRANGEMENTS

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

19 THE EXPENDITURE AND FUNDING ANALYSIS (EFA)

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

2021/22 Adjustments between funding and accounting basis								2022/23 Adjustments between funding and accounting basis					
Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other differences	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Note	Net Expenditure Chargeable to the General Fund Balance	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other differences	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	**£000**	**£000**	**£000**	**£000**	**£000**			**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
138,140	0	(141,438)	(2,140)	(143,578)	(5,438)	Police Services		116,645	0	(143,979)	(1,308)	(145,287)	(28,642)
138,140	**0**	**(141,438)**	**(2,140)**	**(143,578)**	**(5,438)**	**Net Cost of Services**		**116,645**	**0**	**(143,979)**	**(1,308)**	**(145,287)**	**(28,642)**
(138,140)	0	244,245	0	244,245	106,105	Other Income and expenditure		(116,645)	0	256,816	0	256,816	140,171
0	0	**102,807**	**(2,140)**	**100,667**	**100,667**	**Surplus or Deficit**		**0**	**0**	**112,837**	**(1,308)**	**111,529**	**111,529**
(0)						**Opening General Fund Balance**		**(0)**					
0						Surplus/(Deficit) on General Fund Balance	MiRS	0					
(0)						Transfers to / (from) Earmarked Reserves		0					
(0)						**Closing General Fund Balance**		**(0)**					

20 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2021/22		2022/23
£000		£000
414,222	Employees	410,955
11,438	Premises	13,781
7,736	Transport	7,338
29,742	Supplies & Services	47,635
20,206	Charges for Assets consumed	20,442
21,840	Other Services Expenses	23,741
505,184		**523,891**
(510,622)	Funding from the PCC	(552,533)
(5,438)	**Net Cost of Service**	**(28,642)**
105,752	IAS 19 Pension Net Interest	139,793
353	IAS 19 Admin Fees	378
106,105		**140,171**
100,667	**Deficit / (Surplus) on Provision of Services**	**111,529**

21 DEFINED BENEFIT PENSION SCHEMES

21.1 The Police Pension Scheme (Police Officers)

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

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

The police officers make a contribution of between 11.00% and 15.05% of their salary (depending on which scheme they are in and their annual earnings). In total £19.950m (2021/22 £19.280m) of members contributions have been netted off against retirement benefits payable to pensioners. The cost to the CC of employer's contributions for police officers was £53.315m (2021/22 £54.347m).

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 14 years for the Old 1987 Police Pension Scheme, at around 31 years for the 2006 Police Pension Scheme and at around 30 years for the 2015 Police Pension Scheme.

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

21.2 Police Staff Pensions

The Local Government Pension Scheme for police staff is administered by Merseyside Pension Fund (MPF). This is a defined benefit scheme which is funded by a dedicated portfolio of assets to fund any liabilities of the scheme. The CC and employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets. In addition, the CC has made arrangements for the payment of added years to certain retired employees outside the provision of the scheme. The cost of employer's contributions for police staff was £12.819m (2021/22 £12.018m) **Note 21.11**. Details of liabilities for police staff are shown at **Note 21.7**.

The duration of the defined benefit obligation for the Police Staff Pension Scheme is estimated at 20 years for the CC.

21.3 Sensitivity Analysis of Actuarial Assumptions

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

21.4 Pensions Risk – Police Staff Pensions Scheme

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

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

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

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

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

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

21.5 Pensions Risk – Police Pensions Scheme

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

21.6 Pension Costs

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

	Local Government Pension Scheme		Police Pension Scheme								TOTAL
	2021/22	2022/23	2021/22	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23
	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	27,156	29,236	6,190	360	103,110	**109,660**	2,100	100	84,960	**87,160**	**116,396**
Past service cost	24	14	60	10	1,230	**1,300**	52,400	8,050	(60,220)	**230**	**244**
Administrative Expenses	353	378	0	0	0	**0**	0	0	0	**0**	**378**
Net Operating Expenditure											
Interest cost	15,853	21,523	85,550	5,700	9,590	**100,840**	111,950	7,440	14,930	**134,320**	**155,843**
Expected return on assets	(10,941)	(16,050)	0	0	0	**0**	0	0	0	**0**	**(16,050)**
Net charge to the Comprehensive Income and Expenditure Statement	**32,445**	**35,106**	**91,800**	**6,070**	**113,930**	**211,800**	**166,450**	**15,590**	**39,670**	**221,710**	**256,816**
Movement in Reserves Statement											
Reversal of net charges made for retirement benefits in accordance with IAS19	**(32,445)**	**(35,106)**	**(91,800)**	**(6,070)**	**(113,930)**	**(211,800)**	**(166,450)**	**(15,590)**	**(39,670)**	**(221,710)**	**(256,816)**
Actual amount charged against revenue:											
Employers contributions and direct payments to pensioners payable in the year	**12,018**	**12,819**	**145,450**	**270**	**(16,300)**	**129,420**	**147,760**	**550**	**(17,150)**	**131,160**	**143,979**
IAS 19 Remeasurements charged against Other Comprehensive Income and Expenditure	**58,479**	**242,232**	**22,520**	**13,490**	**6,970**	**42,980**	**1,048,950**	**145,450**	**312,660**	**1,507,060**	**1,749,292**

21.7 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Police Pension Scheme								Total	
	31st March 2022	31st March 2023	31st March 2022	31st March 2022	31st March 2022	31st March 2022	31st March 2023	31st March 2023	31st March 2023	31st March 2023	31st March 2022	31st March 2023
	£000	£000	1987 SCHEME £000	2006 SCHEME £000	2015 SCHEME £000	TOTAL £000	1987 SCHEME £000	2006 SCHEME £000	2015 SCHEME £000	TOTAL £000	GRAND TOTAL £000	GRAND TOTAL £000
Estimated liabilities in scheme	(772,873)	(535,985)	(4,270,566)	(277,050)	(542,670)	(5,090,286)	(3,240,306)	(146,640)	(286,830)	(3,673,776)	(5,863,159)	(4,209,761)
Estimated assets in scheme	570,999	554,056	0	0	0	0	0	0	0	0	570,999	554,056
Net liability	(201,874)	18,071	(4,270,566)	(277,050)	(542,670)	(5,090,286)	(3,240,306)	(146,640)	(286,830)	(3,673,776)	(5,292,160)	(3,655,705)

The liabilities show the underlying commitments that the CC has in the long run to pay retirement benefits. The total net liability of £3,656m has a substantial impact on the net worth of the CC as recorded in the Balance Sheet, resulting in a net liability of £3,663m. However, statutory arrangements for funding the deficit means that the financial position of the CC remains healthy:-

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

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Scheme liabilities have been assessed by Mercer Ltd, an independent firm of actuaries. Estimates for the Local Government Scheme are based on the latest full valuation of the scheme as at 31st March 2022. The Police Scheme liabilities have been assessed by the Government Actuaries Department using data provided by the Group.

21.8 Actuarial Assumptions

The main assumptions used in the calculations have been:-

	Local Government Pension Scheme 31st March 2022	Local Government Pension Scheme 31st March 2023	Police Pension Scheme 31st March 2022	Police Pension Scheme 31st March 2023
Rate of inflation	3.3%	2.7%	3.0%	2.6%
Short term rate of increase in salaries	4.8%	4.2%	4.8%	3.9%
Long term rate of increase in salaries	n/a	n/a	4.8%	3.9%
Rate of increase in pensions	3.4%	2.8%	3.0%	2.6%
Rate for discounting scheme liabilities	2.8%	4.8%	2.7%	4.7%
Mortality Rates (in years)				
Longevity at 65 for future pensioners (Men)	22.4	22.4	22.1	21.9
Longevity at 65 for future pensioners (Women)	25.9	25.9	23.8	23.5
Longevity at 65 for current pensioners (Men)	20.9	20.9	23.8	23.5
Longevity at 65 for current pensioners (Women)	24.0	24.0	25.4	25.0

21.9 Actuarial Assumptions – Sensitivity Analysis

Change in Actuarial Assumption	2022/23 Local Govt Pension Scheme	Police Pension Scheme 1987 SCHEME	Police Pension Scheme 2006 SCHEME	Police Pension Scheme 2015 SCHEME	TOTAL
	£000	£000	£000	£000	£000
Unadjusted deficit	18,071	(3,240,306)	(146,640)	(286,830)	(3,655,705)
+0.1% change in discount rate	129,662	44,000	4,000	7,800	185,462
+0.1% change in pay growth (salaries)	51,528	(4,400)	(2,000)	0	45,128
+0.1% change in inflation (pensions)	(30,188)	(43,600)	(2,400)	(9,200)	(85,388)
+1 year increase in life expectancy	7,229	(86,000)	(3,000)	(5,000)	(86,771)

21.10 Reconciliation of Present Value of Scheme Liabilities

	LGPS Funded Liabilities		Police Pension Scheme Unfunded Liabilities								TOTAL
	2021/22	2022/23	2021/22				2022/23				
			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	**(758,952)**	**(772,873)**	(4,346,736)	(284,740)	(419,410)	**(5,050,886)**	(4,270,566)	(277,050)	(542,670)	**(5,090,286)**	**(5,863,159)**
Current service costs	**(27,156)**	**(29,236)**	(6,190)	(360)	(103,110)	**(109,660)**	(2,100)	(100)	(84,960)	**(87,160)**	**(116,396)**
Interest costs	**(15,853)**	**(21,523)**	(85,550)	(5,700)	(9,590)	**(100,840)**	(111,950)	(7,440)	(14,930)	**(134,320)**	**(155,843)**
Members contributions	**(4,622)**	**(4,959)**	(960)	(90)	(18,230)	**(19,280)**	0	0	(19,950)	**(19,950)**	**(24,909)**
IAS 19 remeasurements	**20,999**	**279,271**	22,520	13,490	6,970	**42,980**	1,048,950	145,450	312,660	**1,507,060**	**1,786,331**
Benefits paid	**12,735**	**13,354**	146,410	360	1,930	**148,700**	147,760	550	2,800	**151,110**	**164,464**
Past service costs	**(24)**	**(14)**	(60)	(10)	(1,230)	**(1,300)**	(52,400)	(8,050)	60,220	**(230)**	**(244)**
As at 31st March	**(772,873)**	**(535,985)**	**(4,270,566)**	**(277,050)**	**(542,670)**	**(5,090,286)**	**(3,240,306)**	**(146,640)**	**(286,830)**	**(3,673,776)**	**(4,209,761)**

21.11 Reconciliation of Present Value of Scheme Assets

	LGPS Funded Assets	
	2021/22	2022/23
	£000	£000
As at 1st April	**519,026**	**570,999**
Expected return on assets	**10,941**	**16,050**
Administrative expenses	**(353)**	**(378)**
IAS 19 remeasurements	**37,480**	**(37,039)**
Employers contributions	**12,018**	**12,819**
Members contributions	**4,622**	**4,959**
Benefits paid	**(12,735)**	**(13,354)**
As at 31st March	**570,999**	**554,056**

21.12 Fair Value of Plan Assets

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

	Assets as at 31st March 2022		Assets as at 31st March 2023	
	£000	%	£000	%
Equity investments	283,349	49.6%	272,261	49.1%
Government bonds	6,150	1.1%	6,150	1.1%
Other bonds	65,376	11.4%	57,013	10.3%
Property	54,702	9.6%	60,670	11.0%
Cash/liquidity	12,250	2.1%	11,857	2.1%
Other	149,172	26.1%	146,105	26.4%
Total	570,999	100.0%	554,056	100.0%

The asset values in the Local Government Pension Scheme were calculated as at 31st March 2023. A deduction of 0.25% in respect of expenses is made in calculating the expected return for the year.

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

21.13 Scheme History

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000	£000	£000
Present Value of Scheme Liabilities							
Local Government Pension Scheme	(594,396)	(590,257)	(663,452)	(624,424)	(758,952)	(772,873)	(535,985)
Police Pension Scheme	(4,606,490)	(4,588,700)	(4,990,550)	(4,627,616)	(5,050,886)	(5,090,286)	(3,673,776)
	(5,200,886)	(5,178,957)	(5,654,002)	(5,252,040)	(5,809,838)	(5,863,159)	(4,209,761)
Fair Value of Assets (LGPS)							
Local Government Pension Scheme	395,345	408,905	436,684	437,209	519,026	570,999	554,056
Deficit in Scheme							
Local Government Pension Scheme	(199,051)	(181,352)	(226,768)	(187,215)	(239,926)	(201,874)	18,071
Police Pension Scheme	(4,606,490)	(4,588,700)	(4,990,550)	(4,627,616)	(5,050,886)	(5,090,286)	(3,673,776)
	(4,805,541)	(4,770,052)	(5,217,318)	(4,814,831)	(5,290,812)	(5,292,160)	(3,655,705)

21.14 Remeasurements of the Net Defined Benefit Liability

	2018/19		2019/20		2020/21		2021/22		2022/23	
Local Government Scheme	£000	%	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on assets	12,678	2.9	(13,734)	(3.1)	68,044	15.5	37,480	7.2	(37,039)	(6.5)
Differences between actuarial assumptions about liabilities and actual experience	0		0		0		0		0	
Changes in the demographic and financial assumptions used to estimate liabilities	(40,124)	(6.0)	69,067	11.1	(107,189)	(18.3)	20,999	2.9	279,271	38.1
	(27,446)		55,333		(39,145)		58,479		242,232	
Police Pension Scheme										
Difference between the expected and actual return on assets	0		0		0		0		0	
Changes in the demographic and financial assumptions used to estimate liabilities	(131,600)	(2.6)	441,470	9.5	(349,690)	(8.1)	42,980	0.9	1,507,060	31.6
	(131,600)		441,470		(349,690)		42,980		1,507,060	
Total IAS 19 Remeasurements	(159,046)		496,803		(388,835)		101,459		1,749,292	

21.15 Plan Asset Fair Value Disaggregation

	2021/22			2022/23		
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	83,868	9,488	93,356	77,732	6,427	84,159
Global	127,443	62,550	189,993	121,061	67,041	188,102
	211,311	**72,038**	**283,349**	**198,793**	**73,468**	**272,261**
Bonds						
Overseas Government	0	0	0	332	0	332
Collateralized Bonds	0	0	0	332	0	332
UK Government	6,150	0	6,150	6,150	0	6,150
UK Corporate	16,700	0	16,700	11,137	0	11,137
UK Index Linked	47,750	0	47,750	45,433	0	45,433
Overseas Corporate	2,800	0	2,800	2,826	0	2,826
Derivative Contracts	(1,874)	0	(1,874)	0	(3,047)	(3,047)
	71,526	**0**	**71,526**	**66,210**	**(3,047)**	**63,163**
Property						
UK Direct Property	0	30,924	30,924	0	25,210	25,210
UK Property Managed	703	8,785	9,488	554	17,287	17,841
Global Property Managed	0	14,290	14,290	0	17,619	17,619
	703	**53,999**	**54,702**	**554**	**60,116**	**60,670**
Other						
UK Private Equity	59	16,223	16,282	55	19,060	19,115
Global Private Equity	0	35,609	35,609	0	35,626	35,626
UK Hedge Funds	879	2,343	3,222	55	0	55
Global Hedge Funds	0	20,030	20,030	0	13,851	13,851
Global Infrastructure	0	17,102	17,102	0	17,065	17,065
UK Infrastructure	0	25,594	25,594	0	30,418	30,418
UK Opportunities	0	10,542	10,542	0	8,311	8,311
Global Opportunities	937	19,854	20,791	997	20,667	21,664
	1,875	**147,297**	**149,172**	**1,107**	**144,998**	**146,105**
Cash						
Cash Accounts	**12,250**	**0**	**12,250**	**2,327**	**0**	**2,327**
Cash Instruments	**0**	**0**	**0**	**9,530**	**0**	**9,530**
	297,665	**273,334**	**570,999**	**278,521**	**275,535**	**554,056**

21.16 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.

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

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

Penningtons
As at 31 March 2022, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in these accounts.

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

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

Impact on pension liability
Allowing for all eligible members to accrue benefits from their legacy scheme during the remedy period would lead to an increase in the Police Pension Scheme liabilities. Scheme actuaries originally estimated the increase in scheme liabilities for the Merseyside Police to be 5.0% or £182.240m of pension scheme liabilities
The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgement will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Police Pension valuation is due to be reported in 2023/24, although this timetable is subject to change.
The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through the Police Pension Fund Regulations 2007. These require a police authority to maintain a pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

22 CONTINGENT ASSETS & LIABILITIES

22.1 Contingent Assets

There are no contingent assets at 31st March 2023.

22.2 Contingent Liabilities

There are no contingent liabilities at 31st March 2023.

PENSION FUND ACCOUNT

The CC is responsible for administering the Police Pension Fund in accordance with the Police Reform and Social Responsibility Act 2011. During the year all payments and receipts are made to and from the Police Fund. The Pension Fund Account reflects the pensions arrangements from 1st April 2022 to 31st March 2023 and does not take account of liabilities to pay pensions or other benefits after the period end. The pension transactions are split between two separate accounts. The Pension Fund Account has no investment assets and all of its transactions are reimbursed by a contribution from the PCC that the PCC recoups from central Government through the pensions top-up grant. The remainder of pensions expenditure resides within the Group, and can be found in the PCC, the CC and Group Statement of Accounts. The Pension Fund Account has been prepared in line with similar accounting policies to the PCC and Group. This statement does not form part of the CC Statement of Accounts.

2021/22	Pension Fund Account	2022/23
£000		£000
	Income	
	Contributions Receivable	
(44,854)	Police employers pension contribution income	(46,546)
(959)	Employees pension contributions (Police Pension Scheme 1987)	313
(93)	Employees pension contributions (Police Pension Scheme 2006)	0
(18,058)	Employees pension contributions (Police Pension Scheme 2015)	(20,000)
	Other	
(1,293)	Police transfer value receivable	(337)
(1,273)	Capital equivalent income - ill health pensions	(1,385)
(66,531)	**Total Income**	**(67,955)**
	Expenditure	
	Benefits Payable	
120,796	Police pensions	125,441
1,273	Police ill health commutations	1,595
18,222	Police ordinary commutations	15,603
0	Police death in service grant	307
	Other	
9	Police transfer value payable	30
140,300	**Total Expenditure**	**142,976**
73,769	**Net Amount Payable/(Receivable) before top-up grant**	**75,021**
(73,769)	Additional contribution from the PCC	(75,021)
0	**Net Amount Payable/(Receivable)**	**0**

31st March 2022	Net Assets Statement	31st March 2023
£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

Merseyside Police

Annual Governance Statement

1. Scope of Responsibility

1.1 The Chief Constable of Merseyside Police is responsible for maintaining the Queen's Peace and has direction and control over the officers and staff operating within the Merseyside Police Service. The Chief Constable of Merseyside holds office[1] under the Crown and is appointed by the Police and Crime Commissioner of Merseyside (PCC).

1.2 The Chief Constable of Merseyside Police is accountable to the law for the exercise of police powers, and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, police officers and staff, remain operationally independent in the service of the communities that they serve. In discharging overall responsibilities, the Chief Constable of Merseyside is responsible for establishing and maintaining appropriate governance arrangements, risk management processes and ensuring that there is a sound system of internal control, which facilitates the effective exercise of these functions.

1.3 The Chief Constable and the PCC have approved and adopted a Joint Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government 2016, which sets out the shared approach to integrating the core good governance principles into the conduct of the business and sets out the arrangements for reviewing their effectives. A copy of the Code is available on Merseyside Police's website at www.merseyside.police.uk.

1.4 This statement explains how Merseyside Police has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015 (Regulation 6 and 10), which requires all relevant bodies to review their internal control system and prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

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

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

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

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

3. The Governance Framework

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

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

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

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

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

The Chief Constable's Force Solicitor is the non-statutory Monitoring Officer for the Chief Constable and ensured that the Chief Constable and the force's officer and staff act within the law at all times.

The Force Strategy 2020 – 2025 sets out the vision for Merseyside Police – 'working as one team, we will put the needs of our communities first in everything that we do.' This commitment is consistent with the seven Nolan Principles, which are applicable to all who hold public office, and serve to ensure that those who hold public office act in the public interest.

Central to the Strategy is a commitment to upholding standards and values – expressed through the Force's Leadership Framework, which is underpinned by 'Just' - Just Talk, Just Think, Just Lead and Just Listen. 'Just' is a brand that has been used to effectively communicate expectations regarding standards and values to all staff, in a bespoke Merseyside way. The key messages embedded within 'Just' are consistent with the Police Service Code of Ethics, which is applicable to all forces in the discharge of their duties.

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

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

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

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

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

Police officers and police staff are subject to a formal, annual Professional Development Review (PDR), which is interspersed throughout the year with regular 1 to 1's with line managers which are held every 4 – 6 weeks. Combined, these measures promote the professionalisation of the police service through assessment against standards of behaviour set out in the Leadership Framework . The PDR also formally requires consideration of any secondary businesses and notifiable associations.

B. Ensuring openness and comprehensive stakeholder engagement.

The Force Strategy 2020 – 2025 includes strategic policing objectives to 'provide visible and accessible neighbourhood policing,' and to 'support victims and vulnerable people.' It also includes reference to standards and values expressed through the Force's Leadership Framework, which is underpinned by 'Just' - Just Talk, Just Think, Just Lead and Just Listen. Implicit within these commitments is a willingness to engage with our local communities where they reside. This is endorsed through the Force Vision which puts the needs of our communities first.

In September 2022, a revised Community Engagement Strategy was implemented. Consistent with the Force Strategy, this made it clear that to put communities first and build trust and confidence we will:

- Provide visible and accessible policing that aims to prevent crime, anti-social behaviour and vulnerability.
- Enable two-way communications which informs the community about policing issues and gives the community a voice to influence how Merseyside is policed.
- Work with the public and partners to create stronger and safer communities.
- Strengthen our network of police support volunteers to encourage citizen participation and grow our policing family.
- Work with under-represented groups to understand the diverse needs within our communities and promote cohesion.
- Ensure fair and appropriate public encounters.

The Community Engagement Unit continued to undertake engagement activities with the many diverse communities across Merseyside.

The Merseyside Independent Advisory Group (MIAG) have been active throughout the year and have been involved in several scrutiny panels regarding the appropriate and legitimate use of police powers relating to Stop and Search and use of force. During the year, a complaints scrutiny panel with the MIAG has also been established to provide scrutiny of allegations from each of the complaints examined. This includes reviews of body worn video footage, statements, use of force forms and officer's complaint responses.

Development of the Force's Police Race Action Plan is underpinned with engagement form a broad stakeholder group that has been constructed to be representative of the black community and to provide sustained high levels of challenge to provide a direction of travel for the programmes of work that support delivery of the Plan. This approach has also been supported by stakeholder briefing events involving the Force OPCC, alongside community members and stakeholders.

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

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

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

The Force Strategy 2020 – 2025 has a clearly defined:-

- Vision - 'working as one team, we will put the needs of our communities first in everything we do.'
- Purpose – preventing crime, protecting people, pursuing offenders.
- Strategic Objectives – prevent crime and ASB; provide visible and accessible neighbourhood policing; support victims and vulnerable people; investigate crime and bring offenders to justice; tackle serious and organized crime; and provide specialist capabilities.
- Goals – healthy people and healthy organisation.
- Standards and Values – Just: Just Listen; Just Lead; Just Think; Just Talk.

The Force Strategy is consistent with, and supports delivery of, the Police and Crime Plan.

Following the appointment of the Chief Constable in April 2021,-six priorities were identified, which sit within the above strategic framework, on which the Force was to focus. These are: Inclusion; Community Engagement; Preventative Policing; Tackling Organised Crime; Wellbeing; and Violence Against Women and Girls.

The performance framework that supports delivery of the Strategy reflects common sense measures that assess effectiveness at putting the community first, making quality decisions, and getting it right first time. During the year, the performance framework has evolved to monitor outcomes against National Crime and Policing Outcomes, which are consistent with the Government's Beating Crime Plan, and the Criminal Justice Dashboard suite of measures.

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

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

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

During the course of the year, the Force was one of only a few forces across the UK to publish a Sustainability Report 2022, which is accessible to the public via the website. As a responsible employer and a major stakeholder in the region, the Force is committed to investing in ensuring it is as sustainable as possible with the annual report setting out in detail the steps taken to achieve this in 2022.

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

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

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

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

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

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

During the year a number of Programme Boards supported delivery of the Chief Constable's priorities. These Boards, together with strand level governance meetings coordinate activity at a Force level to ensure the Force Strategy and the Chief Constable's priorities are delivered.

The Benefits Management Strategy aims to ensure benefits arising from change programmes, projects, initiatives, investment relating to Operation Uplift etc. are clearly identified, categorised, quantified and valued at the outset, and linked to one or more of the objectives set out in the Force Strategy.

The Force strategic planning cycle establishes the relationship between the key parts of the planning cycle and the periods during which they should be undertaken and completed to support delivery of the Medium-Term Financial Strategy and Annual Budget.

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

The Leadership Framework defines what is expected of all officers and staff in terms of how they behave as a role model for the Force's standards and values, when leading others, and when leading a department or strategy.

In support of the Framework, a First Line Leaders Programme - developed by the Force reflective of College of Policing standards - has been rolled out across the Force for first line leader development. The programme commenced in February 2022 and is targeted all sergeants and police staff with first line management responsibilities.

The Academy continued to deliver training requirements which in turn supported the development of the Force's capability across a range of policing disciplines, including leadership.

Chief Officers attended a number of CPD days to further hone their leadership skills. This includes using a coaching style of leading and reflective practice and through attendance at CPD events run with the support of the College of Policing and National Police Chiefs Council.

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

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

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

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

The Joint Audit Committee has overseen the completion of the work of the internal and external audit during the year and ensured that actions arising from their work have been addressed.

The forces's Strategic Performance Board, which highlights key strategic performance issues and risks, determines how each portfolio is contributing to priorities and identifies and resolves cross portfolio issues.

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

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

The force has a dedicated department to deal with complaints. The complaints process has been reviewed to fall in line with the changes to the police complaints system introduced by the Police

Reform and Social Responsibility Act 2011. The force publishes the outcomes of disciplines on its website, along with the outcome of misconduct hearings.

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

4. Review of Effectiveness

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

4.2 The review of effectiveness for 2021/22 has been informed by the work of senior managers within the force, who have responsibility for the development and maintenance of the governance environment; the Head of Internal Audit's annual report; and also, by comments made by external auditors and other review agencies and inspectorates. The review also comprises:

- An annual review of the key documents within the Chief Constable's corporate governance framework e.g., Financial Regulations. This provides assurance around potential vulnerability to fraud or breaches of financial regulations.

- An overarching review of the governance arrangements in place to support each of the core principles. As part of the review, the Chief Constable's Code of Corporate Governance is updated to reflect changes to the governance framework and the implementation of the prior year's AGS development plan.

- A review of what has happened during the past year to evidence how the governance framework has been complied with. The process includes consideration of the questions and challenges raised within the CIPFA Good Governance Guidance Note for Police and a discussion on how well existing arrangements meet the good practice guidance within the guidance.

4.3 **Assurance Framework** – this is a structured means of identifying and mapping the key sources of assurance in the organisation and comprises evidence to support the Annual Governance Statement. The key assurances are:-

(i) Shared Internal Audit Service

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

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

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

Internal Audit's plans and performance are reported annually to the Joint Audit Committee. The Internal Audit plan for 2022/23 included the reviews of the effectiveness of the governance arrangements covering areas such as custody records and Domestic Violence Protection Notices/Orders, compliance to Home Office grants terms and conditions, including counter terrorism policing grant, a review of the key process and controls relating to the imprest held at the persons at risk unit to provide assurance it was operating effectively, and reviews of the internal controls and governance arrangements for relating to the accounts receivable financial system, Smartforce People Services relating to payroll and overtime.

On the basis of the internal audit work undertaken in 2022/23, 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 SIAS 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 was completed during 2022/23 and was undertaken by the Internal Audit Manager of Greater Manchester Police & the GM Mayor's PCC functions. The principal objectives of the assessment were:-

- To review 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 the opinion of the assessor the internal audit activity undertaken **"Generally Conforms"** with the Definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards as revised in 2017. In making assessments the peer group adopted The Institute of Internal Auditor's (IIIA) Quality Assessment Manual ratings: "Generally Conforms," "Partially Conforms," and "Does Not Conform." "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. A number of minor recommendations were made from the review and have been incorporated into the Quality Assurance Improvement Programme.

(ii) External Audit

The Chief Constable's governance arrangements and the system of internal financial control are subject to external audit review, via the audit of the Chief Constable's statements of accounts and the outcome of its work to assess the Chief Constable's arrangements for securing value for money in its use of resources. The PCC's and Chief Constable's 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 Chief Constable and the Audit Committee at appropriate times during the annual cycle of meetings.

Grant Thornton published its Joint Audit Finding Report and Auditors Annual Report relating to 2021/22. They gave an unqualified opinion on the Group, PCC and Chief Constables financial statements in December 2022. In addition, in April 2023 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 three improvement recommendations were made.

At the time of writing Grant Thornton were planning to commence their audit review of 2022/23 at the beginning of July 2023, with the aim of issuing their opinions by 31st December 2023.

(iii) 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. At the time of writing the Joint Audit Committee were completing their annual assessment with the aim of reporting by 20th July 2023.

(iv) Force Evaluation Team

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

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

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

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

In August 2022, HMICFRS published its PEEL assessment of Merseyside Police: 'PEEL 2021/22, Police Effectiveness, Efficiency and Legitimacy. An Inspection of Merseyside Police.' The table below summarises HMICFRS judgments regarding the performance of the Force:

Criteria	**Grade**
Supporting Victims	Adequate
Recording Data and Crime	Good
Treatment of the Public	Good
Preventing Crime	Good
Responding to the Public	Good
Investigating Crime	Good
Protecting Vulnerable People	Good
Managing Offenders	Good
Disrupting Serious Organised Crime	Outstanding
Developing a Positive Workforce	Good
Good Use of Resources	Good

HMICFRS judgements can be one of the following: Outstanding; Good; Adequate; Requires Improvement; and Inadequate.

In addition to the PEEL assessment, the Force was also subject to the following thematic inspections:

- Section 60 Super Complaint;
- Race Disparity in Police Criminal Justice Decision Making;
- Homicide Prevention;
- Vetting and Counter Corruption; and
- Wirral Joint Targeted Area Inspection

HMICFRS published a number of thematic inspection reports relating to the following:

- Criminal Justice Joint Inspection report on the Impact of the C19 Pandemic on the Criminal justice System;
- Police Perpetrated Domestic Abuse: Super Complaint;
- Criminal Justice Joint Inspection report, Twenty Years On, Is MAPPA Achieving Its Objectives;
- Police Response to Burglary, Robbery and Other Acquisitive Crime;
- Police Response to Victims of Sexual Abuse When the Victim is From an Ethnic Minority Background and May Be At Risk of Honour Based Abuse: Super Complaint;
- Vetting, Misconduct and Misogyny in the Police Service;
- How Well the Police and Other Agencies Use Digital Forensics In Their Investigations; and
- How Well Police Tackle Serious Youth Violence.

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

(vi) Force decision making processes

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

(vii) Corporate Governance Group

The Corporate Governance Group completed its annual review of the Governance Framework and recommended that, subject to changes that were made as part of good housekeeping that the existing framework is retained. Consequently, the Corporate Governance Framework for 2023/24 was approved by the PCC and Chief Constable. The Corporate Governance Group also developed this Annual Governance Statement.

(viii) CIPFA Financial Management Code 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable and ensuring good governance, particularly achieving sustainable outcomes. The 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 was 2021/22.

Conclusion

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

5. Significant Governance Issues

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

Governance Issue	Action
The on-going identification and achievement of the savings identified in the Medium-Term Financial Strategy to ensure a balanced Budget over the period.	The Community First Programme Board continued to identify, develop, implement and quality review, robust savings plans. This ensures that the Force is appropriately structured to meet the needs of our communities and deliver the savings required over the MTFS. The Force has established a Savings, Productivity and Efficiency Programme to develop a comprehensive plan to deliver anticipated financial savings. Force has provided net savings of £2.4m in 2023/24 as part of the MTFS, and deployed reserves/ one-off funds in order to ensure that there is a balanced budget for the year.
Demonstrate full compliance to the new CIPFA Financial Management Code.	Force complies generally with the CIPFA FMC, noting some minor improvements still to be made.

5.2 The following have been identified as significant governance issues for the force in 2023/24 and beyond.

Governance Issue	Action
The on-going identification and achievement of the savings identified in the Medium-Term Financial Strategy to ensure a balanced Budget over the period.	Force has commenced a revised process for the MTFS savings challenge (£15.3m). Force has a £0.6m savings challenge for 2023/24, which it expects to achieve fully. The more significant savings requirements arise from 2025/26. A full launch of the savings programme will commence early summer 2023 and will have sufficient resource to support the required workstreams. Having achieved some £16m over the past five years, the Force believes that it has a good track record of the identification and delivery of savings plans.
Successful implementation of a new Force operation model.	The Community First Operational Review programme (CFOR) started in April 2022, and completed the planning phase in March 2023, and the full implementation process is underway. The implementation period is expected to take six months, and is being carried out on a strand by strand basis. The review has gathered evidence from the Force and external sources in order to ensure that the operational changes it will bring, will improve the way the Force: 1. Meets demand now and in the future 2. Works together between strands and portfolios 3. Investigates crimes 4. The way it engages with its stakeholders 5. Increases the numbers of officers into frontline services.
Demonstrate full compliance to the new CIPFA Financial Management Code.	Force complies generally with the CIPFA FMC, noting some minor improvements still to be made.

Signed

Helen Stafford FCA
Head of Finance for the Chief Constable of Merseyside Police
On behalf of Director of Resources for the Chief Constable of Merseyside Police
31st May 2023

Glossary of Terms

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

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

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

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

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

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

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

CURTAILMENTS & SETTLEMENTS
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 CC money at the end of the financial year.

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

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

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

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

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

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

FINANCING ACTIVITIES (CASH FLOW)
Financing activities are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

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

INVESTING ACTIVITIES (CASH FLOW)
Investing activities are the acquisition and disposal of long-term assets and other investments, not included in cash equivalents.

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

NON DISTRIBUTED COSTS (PENSIONS)
This covers past service costs settlements and curtailments in respect of IAS19 pension costs. It also covers costs associated with unused assets.

THE CHIEF CONSTABLE OF MERSEYSIDE POLICE (CC)
The Chief Constable of Merseyside Police is a separate corporation sole which was established on 22nd November 2012.

THE CODE (The Code of Practice on Local Accounting in the United Kingdom 2022/23)
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 2022.

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

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

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

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

POLICE AND CRIME COMMISSIONER FOR MERSEYSIDE (PCC)
The Police and Crime Commissioner for Merseyside is a separate corporation sole which was established on 22nd November 2012.

POLICE REFORM AND SOCIAL RESPONSIBILITY ACT 2011 (PRSR Act)
The Police Reform and Social Responsibility Bill was given Royal Assent on 13th September 2011. The Act changed Police accountability and governance and replaced Police Authorities with directly elected Police and Crime Commissioners.

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

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

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

REMEASUREMENTS
Previously called actuarial gains and losses, remeasurements are changes in the net pensions liability that arise because events have no coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions, and include actuarial gains or losses, expected rate of return on plan assets and effect on the asset ceiling.

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

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

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

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

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

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