APPENDIX F
(CFO/066/11)

FINAL ACCOUNTS

SUBJECT TO AUDIT

2010-11 FRONT SHEET

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2010 – 2011

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EXPLANATORY FOREWORD by the Assistant Chief Executive and Treasurer

The Authority is required at the end of each financial year to produce a number of financial statements that make up the Statement of Accounts. The financial statements, which are set out on the following pages, demonstrate the financial performance for the year 2010/11 (1st April 2010 to 31st March 2011) and the financial position at the end of the year in respect of Merseyside Fire and Rescue Authority.

These financial statements must be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and reflect the defined accounting practices for local authorities (including fire authorities) as set out in the Code.

2010/11 is the first year the Code is based on approved accounting standards issued by the International Accounting Standards Board. The Authority is therefore required to prepare its Statement of Accounts adopting International Financial Reporting Standards, (IFRS).

The accounts for 2010/11 therefore are the first to be prepared under these new arrangements. The move to an IFRS based system of accounting has resulted in a number of significant changes to the accounting policies and formats of the principle financial statements. The foreword includes a brief explanation of the major changes to the Statement of Accounts, a more detailed explanation is provided in the notes to the accounts.

The Explanatory Foreword is structured as follows:

1) Explanation of the Key Financial Statements
2) Background to Merseyside Fire and Rescue Service
3) The 2010/11 Approved Financial Plan and Budget
4) Budget compared to Actual Expenditure for 2010/11
5) Significant Changes in Accounting Policies (adoption of IFRS)
6) Financial Outlook 2011/12 – 2015/16

1. Explanation of the Key Financial Statements;

The accounts show the core financial statements grouped together followed by detailed disclosure notes. The core financial statements include:

The Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (those that have been created to reconcile the technical aspects of accounting which are not generally available to spend).

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority, 31 March each year. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

The Cash Flow Statement

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

2. Background to Merseyside Fire and Rescue Service

Merseyside is a metropolitan area in the North West of England covering the District Councils of Knowsley, Liverpool, Sefton, St. Helens and Wirral. It covers an area of 653 sq.km and has a resident population of some 1.5 million people.

Merseyside Fire & Rescue Authority (MFRA) is a local authority created by the Local Government Act 1985. It is made up of 18 elected representatives appointed by the constituent District Councils. The number of councillors from each district is determined by statute and in most cases is representative of the political composition of that Council. During 2010/11 this was as follows:

Knowsley………2 (2 Labour)
Liverpool……….6 (2 Liberal Democrat, 4 Labour)
Sefton…………4 (1 Conservative, 2 Labour, 1 Liberal Democrat)
St. Helens……..2 (2 Labour)
Wirral…………..4 (2 Conservative, 1 Labour, 1 Liberal Democrat)

There are also three Independent Members appointed to the Authority's Standards Committee.

The Authority has the following Purpose and Aims:-

Our Purpose
To make Merseyside a safer, stronger, healthier community.

Our Aims
To work in partnership with others to provide an excellent, affordable service to all the diverse communities of Merseyside that will:

- **Reduce** risk throughout the community by protective community safety services
- **Respond** quickly to emergencies with professional staff who reflect the diverse communities we serve
- **Restore**, maintain and improve the quality of life in our communities
- **Resource** the organisation in a manner which will provide an efficient, cost effective and sustainable service to the people of Merseyside.

The Authority's Fire and Rescue Service is managed by Executive and Corporate Leadership Teams. The Executive Leadership Team comprising of the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer and Assistant Chief Executive. The Corporate Leadership Team is comprised of the Executive Leadership Team plus functional directors leading a variety of service areas.

The service employed approximately 1,350 staff during the year. Most are involved in front line service delivery.

Forty two frontline fire appliances alongside a range of specialist vehicles and equipment are available to respond quickly to fires and all other emergency incidents, whilst also delivering the cornerstone of our Community Fire Safety Strategy; the free Home Fire Safety Check.

The Authority has twenty seven Community Fire Stations with a variety of duty systems. These stations act as hubs for providing services to our communities.

3. The 2010/11 Approved Financial Plan and Budget

The Authority determines its budget requirement by assessing the future year's service commitments that are financed through its General Fund. The General Fund is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council tax payers. The Authority then monitors and manages expenditure throughout the year against the General Fund budget to ensure all expenditure is affordable and planned. This is different to the financial position shown in the Consolidated Income and Expenditure Statement (CIES) in the accounting statements, the CIES shows the accounting position for the year as if the Authority was a commercial entity and includes such expenses as depreciation and amounts to reflect pension costs which are not charged to council tax. The General Fund position for the year is shown in the Movement in Reserves Statement.

In determining the General Fund budget position for the Authority for 2010/11, it recognised that to maintain its financial planning targets for council tax *(increases of no more than 4%)* then significant savings would have to be achieved since government grant increases were less than the forecast for expenditure inflationary growth. To deliver the required level of cost reduction the Authority acknowledged that as staff costs make up nearly 76% of its spending then it would have to reduce the number of its staff. At the same time the Authority was and is committed to avoiding compulsory redundancies and maintaining high performance levels in for the communities of Merseyside.

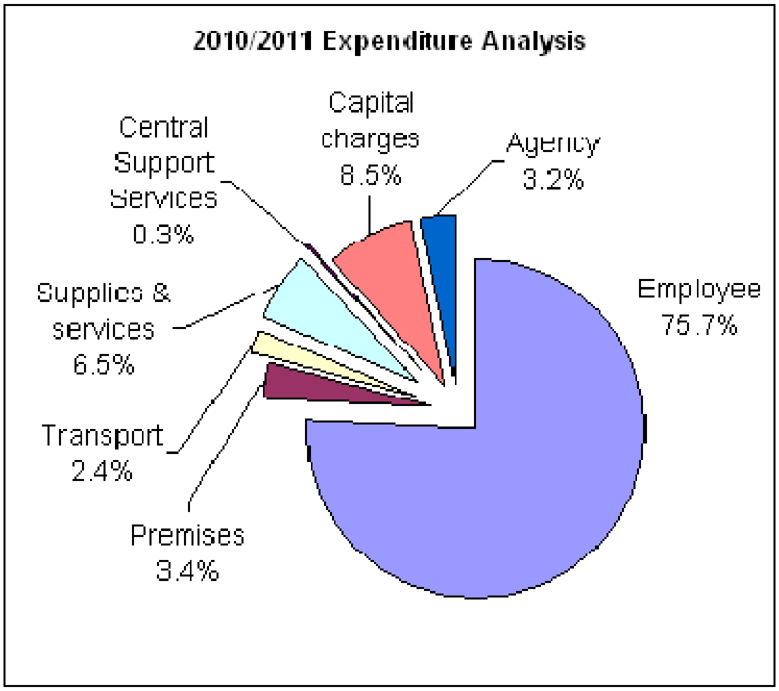
The Authority developed and approved in 2009/10 a medium term financial plan which included:-

- Introducing significant changes to staffing and working practices to deliver savings through staffing efficiencies, which will be achieved without redundancy by using natural retirement rates
- Maintaining service levels whilst continuing to deliver the Authority's vision of making Merseyside a Safer, Stronger, Healthier Community.
- The plan required the Authority to achieve £4.6m of savings by 2010/11.
- The Authority set a council tax increase for 2010/11 of 3.85%, and assumed a 4% increase for future years.

Some of the key elements of the Authority's **Financial Plan** were;

a) Revenue Budget:

- The Authority set a budget of £73.3million,
- The budget assumed a provision for pay bill and inflation increases of 2%
- The financial plan assumed the complete delivery of the £4.6m of saving approved in 2009/10 by the end of 2010/11.
- The table below shows a proportionate analysis of where the planned expenditure was directed;



- **Where the money comes from:**
  The Authority is funded mainly by government formula grant (Non Domestic rates and Revenue Support Grant). The table below summarises the income levels for 2010/11:-

	£'m	%
National Non Domestic Rates	40.4	55.1
Government Revenue Support Grant	5.9	8.1
Council Tax	27.0	36.8
Total	73.3	100

b) Capital Investment Programme:
The Authority maintains a capital programme for investing in its assets to support Community Safety. This includes:

- a five year capital investment programme, (2010/11 – 2014/15), of £36.8m
- planned expenditure in 2010/11 of £12.0m.

The main areas of our investment & funding are set out in the table below:

2010 - 15 Proposed Capital Investment

Type of Expenditure	Total Cost £	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Building/Land	**8,868,000**	5,745,500	816,000	1,005,500	306,000	995,000
Hydrants	**185,000**	37,000	37,000	37,000	37,000	37,000
Fire Safety	**8,762,000**	1,752,000	1,752,000	1,752,000	1,752,000	1,754,000
ICT	**2,170,000**	603,000	373,000	328,000	333,000	533,000
RCC - ICT investment	**70,000**	50,000	20,000	0	0	0
Operational Equipment	**951,700**	676,700	20,000	195,000	20,000	40,000
T.D.A.	**110,000**	110,000	0	0	0	0
Vehicles	**8,622,600**	2,978,400	1,553,600	1,008,600	1,672,800	1,409,200
Fire World	**7,035,000**	0	0	3,560,000	3,475,000	0
TOTAL	**36,774,300**	**11,952,600**	**4,571,600**	**7,886,100**	**7,595,800**	**4,768,200**
Financing Available:	**Total** £	**2010/11** £	**2011/12** £	**2012/13** £	**2013/14** £	**2014/15** £
Capital Receipts	900,000	900,000	0	0	0	0
External Contributions	6,035,000	0	0	3,060,000	2,975,000	0
R.C.C.O.	5,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Grant	1,072,000	1,072,000	0	0	0	0
	13,007,000	2,972,000	1,000,000	4,060,000	3,975,000	1,000,000
Borrowing Requirement						
supported	16,899,347	3,251,000	3,316,020	3,382,340	3,449,987	3,500,000
unsupported	6,867,953	5,729,600	255,580	443,760	170,813	268,200
Borrowing	23,767,300	8,980,600	3,571,600	3,826,100	3,620,800	3,768,200
Total Funding	36,774,300	11,952,600	4,571,600	7,886,100	7,595,800	4,768,200

- Most of the capital programme is funded by borrowing. The borrowing is managed in line with the Authority's strategy to make sure that the borrowing is prudent and affordable.

- The original capital budget for 2010/11 was approved on 18 February, 2010, at £11.953m. As with the nature of large capital schemes covering more than one year the programme was adjusted for schemes being re-phased from 2009/10 and into 2011/12 during the year, the final 2010/11 budget was set at £10.002m.

c) **Reserves**: The Authority maintains a general reserve of £2.5m as a hedge against risk as well as other specific risk related reserves.

d) 2010/11 Savings plan;

As part of its financial plan the Authority had to deliver its schedule of target savings as set out in the table below:

Description	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Saving Options:			
Effectively Reducing Ill Health Retirements	-200	-350	-350
Review Management Structures	-400	-400	-400
Non Uniform Support Costs	-150	-150	-150
Special Appliance provision/ORC	-280	-280	-280
Grey Book/Green Book Review	-250	-250	-250
Further Review of RRT (11 posts)	-400	-400	-400
LLAR * 1	-300	-300	-300
Apply Retirement Re-engagement	0	-175	-175
Income Generation through Social Enterprise	0	-175	-200
Procurement Efficiencies Target	-200	-250	-250
Self Rostering	-360	-360	-360
Reduce R & R team	-1,332	-1,332	-1,332
Engineering Centre of Excellence	0	-150	-150
	-3,872	-4,572	-4,597

Despite the financial pressures the Authority was keen to build upon its already excellent performance and continuing with Merseyside Fire & Rescue Service's world leading work whilst providing a cost effective service to the people of Merseyside. Some of the key areas for investment included:

- Invest in world leading community fire safety initiatives
- Invest in a full range of rescue services to make Merseyside safer including the inshore rescue service
- Invest in equality including a risk based programme of fire safety advocates
- Invest in the most modern and up to date equipment and vehicles to make fire fighting efficient and safe
- Invest in services like the Search & Rescue Team and the Small Fires Units
- Invest in prevention of Firework Incidents to build upon the significant reduction in nuisance incidents around Bonfire night

4. Budget compared to Actual Expenditure for 2010/11

a) General Fund

Throughout the year the Authority received regular financial review reports detailing the service's progress in implementing the approved saving options, any additional budget amendments required, plus the movements from and to reserves.

In 2010/11 it became apparent that (further to the financial challenge in place because of the previous spending review CSR2007) a significantly more challenging position loomed ahead for public services finances, and that it was likely that the next spending review in 2010 would result in a requirement for large-scale cuts in public services. In light of this significant uncertainty, the Authority decided to adopt a strategy that it would aim as far as possible to maximise its level of reserves ahead of the 2010 spending review in order to give it a buffer to manage any financial challenges ahead.

During the year savings were identified in the December 2010 financial review report (CFO/015/11) of £3.400m. These arose mainly from:-

- A pay freeze in 2010/11 for all staff, and
- Non filling of vacancies in anticipation of future cuts ahead.

The Authority set aside this money as part of its strategy of maximising reserves by; increasing the inflation reserve by £1.142m (in case of the risk of pay bill increases above and beyond that assumed in the financial plan) and the creation of a severance reserve of £2.258m to meet the anticipated costs of a scheme for Voluntary Severance and Voluntary Early Retirement the Authority was operating to help deliver savings.

The Authority continued to strive to maximise savings in 2010/11, by the end of the year an additional £1.206m of one-off savings had been achieved. By choosing to fund the capitalised cost of smoke alarm installation by borrowing the Authority reduced revenue costs by a further £0.934m. The final General Fund actual position for the Authority for 2010/11 was net expenditure on services of £71.186m compared to the £73.326m budget, resulting in a net saving in the General Fund of £2.140m.

There was an additional increase in specific reserves of £0.911m to fund schemes covering more than one year that had received specific funding in the year.

Year-End revenue summary:

	Budget £'m	Actual £'m	Variance £'m
Net Expenditure on Services	71.195	69.078	-2.117
Fund capitalised alarm installation via borrowing		-0.934	-0.934
Sub Total	71.195	68.144	-3.051
Contribution to Reserves	2.131	3.042	0.911
Increase in General Fund Balances		2.140	2.140
	73.326	73.326	0.000

The table below shows the variation in expenditure across different types of expenditure:

2010/11 Revenue Outturn by Expenditure Type

	Budget	Actual	Variance
	£'000	£'000	£'000
SPEND ANALYSIS:			
EMPLOYEE COSTS	56,657	56,367	-290
PREMISES	2,623	2,546	-77
TRANSPORT	1,802	1,728	-74
SUPP & SERVICES	4,916	4,398	-518
AGENCY SERVICES	2,479	2,432	-47
CENTRAL SUPPORT SERVICES	387	374	-13
CAPITAL FINANCING	6,485	5,211	-1,274
INCOME	-4,272	-4,912	-640
INFLATION PROVISION UNALLOCATED	118		-118
NET EXPENDITURE	**71,195**	**68,144**	**-3,051**
MOVEMENT on EARMARKED RESERVES	2,131	3,042	911
INCREASE in GENERAL FUND BALANCE		2,140	2,140
FINAL YEAR-END POSITION	**73,326**	**73,326**	**0**
FUNDED BY			
Precept Income	-27,022	-27,022	0
General Grant Income - NNDR/RSG	-46,304	-46,304	0
TOTAL GRANTS / PRECEPTS	**-73,326**	**-73,326**	**0**

The statements above reflect the 2010/11 outturn position on the General Fund Account. The analysis of income and expenditure by service on the Comprehensive Income and Expenditure Statement (CIES) in this Statement of Accounts is prepared on a different basis. The CIES shows the accounting cost in the year in accordance with the relevant generally accepted accounting practices, rather than the amount funded from taxation (General Fund analysis). The General Fund statements above exclude such costs as depreciation and amounts to reflect pension liabilities.

Note 28 "Amounts Reported for Resource Allocation Decisions" outlines in more detail the reconciliation of the General Fund and CEIS statements. (The net service expenditure figure in note 28 of £69.133m, is the Net Expenditure figure in the above table before the adjustment for smoke alarm capitalised salary costs, -£0.934m, and -£0.055m of investment income that have been included within the cost of service within the CEIS analysis).

b) Capital Investment

The Authority's revised capital budget for 2010/11 was set at £10.002m and the actual level of spending in the year was £8.604m, a net underspend of £1.398m. However, £1.280m of this variance is required to be carried forward into 2011/12 to cover the re-phasing of 2010/11 schemes into 2011/12. The remaining variance, £0.118m, is the value of the net cost reductions in scheme costs in 2010/11. A summary of the capital outturn position is shown in the table below:

2010/11Capital Programme Summary of Changes to Expenditure & Funding

Programme	Original Budget	Final Budget	Outturn	Year-end Re-phasing from 2009/10 into 2010/11	Variance after Re-Phasing Adjustment
	£'m	£'m	£'m	£'m	£'m
EXPENDITURE					
Building/Land	5.746	3.956	3.762	0.326	0.132
Fire Safety	1.752	1.837	1.709	0.000	-0.128
Hydrants	0.037	0.040	0.012	0.009	-0.019
ICT	0.603	1.293	0.842	0.426	-0.025
RCC ICT	0.050	0.267	0.213	0.054	0.000
Operational Equipment	0.677	0.446	0.306	0.133	-0.007
T.D.A.	0.110	0.286	0.257	0.029	0.000
Vehicles	2.978	1.877	1.503	0.303	-0.071
TOTAL	11.953	10.002	8.604	1.280	-0.118
FINANCING					
Capital Receipts	0.900	0.000	0.000		0.000
Revenue Contribution	1.000	1.485	0.484		-1.000
Grants	1.072	1.309	1.307		0.000
External Contributions	0.000	0.000	0.000		0.000
Supported Borrowing	3.251	3.251	3.251		0.000
Unsupported Borrowing	5.730	3.957	3.562	1.280	0.882
TOTAL	11.953	10.002	8.604	1.280	-0.118

Some of the major asset investments achieved in 2010/11 were:

- The completion of the new Kensington Community Fire Station, £1.7m
- New accommodation for staff at the Formby & Belle Vale LLAR stations, £0.6m
- Completion of the Engineering Centre of Excellence Workshop, £3.7m (of which £0.4m spend was in 2010/11)
- New joint accommodation building with NW Ambulance service at Croxteth Station, £0.4m
- Approximately 70,000 HFSC were carried out in homes across Merseyside. The investment in the HFSC's and installation of smoke alarms was £1.7m.
- £1.1m was spent on the development and continued roll out of the Authority's ICT strategy, and the majority of this spend was on updating ICT hardware and licences.
- £1.5m was spent on investing in new fire appliances and specialist response and rescue vehicles as part of the planned modernisation of the Authority's vehicle fleet.

The £8.604m capital spend was financed as follows;

	£'m
FINANCING	
Revenue Contribution	0.484
Grants	1.307
Supported Borrowing	3.251
Unsupported Borrowing	3.562
	8.604

When undertaking borrowing the Authority ensures that its plans are prudent and affordable in both the short and long term. The Authority adheres to CIPFA's Prudential Code and Treasury Management Guidelines and the Authority determines before the start of each financial year an agreed Treasury Management Strategy to set certain parameters and guidelines around which the treasury management function will operate. The strategy sets limits for the next three years on:-

- overall level of external debt;
- operational boundary for debt;
- upper limits on fixed interest rate exposure;
- upper limits on variable rate exposure;
- limits on the maturity structure of debt;
- limits on investments for more than 364 days.

The strategy covers:

- prospects for interest rates;
- capital borrowings and the portfolio strategy;
- annual investment strategy;
- debt rescheduling;
- external debt prudential indicators.

As short term interest rates were lower than long term borrowing rates the Authority, as part of its approved Treasury Management Strategy, agreed to reduce Authority investments and borrow for short periods when necessary. The Treasury Management activity continued in line with this strategy throughout 2010/11. The Authority's long term debt reduced from £45.6m at the start of the year to £43.1m at the end.

<u>c) Reserves</u>

At the end of 2010/11 the Authority's reserves were £3.051m higher than anticipated at £17.882m. This was as a consequence of additional earmarked reserves of £0.911m being required to carry forward funding for 2010/11 special projects being re-phased into 2011/12, and, the increase in the General Fund Balance as a result of the £2.140m year-end variance The table overleaf summarises the movement in reserves in 2010/11:

MOVEMENT ON RESERVES 2010/11

Reserve	Opening Balance	Anticipated Closing Balance	Actual Closing Balance	Year-End Variation to that Anticipated	Explained By; Specific Projects continuing into Year 2	Explained By; Year-End Saving
	01.04.10 £'000	31.03.11 £'000	31.03.11 £'000	£'000	£'000	£'000
Total Earmarked Reserves	10,096	12,227	13,138	911	911	
General Revenue Reserve	2,544	2,544	4,684	2,140	0	2,140
Total Reserves	12,640	14,771	17,822	3,051	911	2,140

Note 8 includes a full breakdown of the movements on the Authority's reserves and their purpose.

5. Significant Changes in Accounting Policies (adoption of IFRS)

From 1 April 2010 the Authority is required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS for the Authority is the first day of the preceding financial year, i.e.1 April 2009. Where the introduction of IFRS based accounting standards leads to a different financial treatment for assets and liabilities presented in the Balance Sheet, then those accounting standards are taken to apply retrospectively and the Balance Sheet at 1 April 2009 is restated. The first year of IFRS adoption therefore sees the Authority present three Balance Sheets: one giving the restated position as at 1 April 2009, a comparative Balance Sheet for 2009/10 and one for 2010/11. Along with this the Authority is required to explain how it's previously reported performance and financial position are affected by the transition to IFRS from UK GAAP.

The move to an IFRS-based Code has resulted in a considerable number of changes in accounting practices and disclosures but the more significant ones are set out below (a fuller explanation of the changes is provided in relevant notes under transition to IFRS)

Whilst the adoption of IFRS has had an impact on the previous reported financial position, regulations have been introduced which negate these changes thereby maintaining the previously reported General Fund position and available for use reserves.

a) Assets Held for Sale

Under IFRS 5 assets are re-categorised as Assets Held for Sale when they meet the requirement of being available for sale which are the:

- asset must be available for immediate sale in its present condition subject to the terms and conditions that are usual and customary for sales of such assets (or disposal groups);
- sale must be highly probable and the appropriate level of management must be committed to a plan to sell the asset with an active programme initiated to locate a buyer;

- asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- sale must be expected to be completed within one year from the date of classification;
- action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- value of the assets should be the lower of the value before being reclassified as held for sale or market value less cost to sell.

The Authority has identified in 2010/11 the value of those assets which it plans to sell in the following twelve months. The current value of these assets has had to be transferred out of fixed assets, and included in the current assets part of the Balance Sheet, under a new line entitled 'Assets Held For Sale'. The Authority has two properties which meet the criteria and are valued at £0.690m. (see note 20)

b) Employee Benefit Liabilities

The adoption of IAS19, *Employee Benefits*, has required the Authority to estimate the cost of untaken employee holidays and other compensatory absences at the end of the last three financial years and make an accrual in its Balance Sheet. The accrual is not taken into account when determining the Authority's statutory General Fund position, being reversed in the Movement in Reserves Statement and shown in the Accumulating Absences Adjustment Account in the Balance Sheet.

c) Leases and Lease-type Arrangements

Under IAS 17 (Leases) a lease can be split into a finance lease or an operating lease. The classification of finance and operating leases has changed under IFRS so that where a lease effectively gives the user of the assets most of the 'risks and rewards' of the asset, the capital value of the asset and associated debt will have to be calculated and included on the Authority's Balance Sheet.

The Authority has converted three operating leases to finance leases. Assets held under finance leases are recognised as assets and the corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

d) Recognition of Grant Income

The adoption of IAS20, *Accounting for Government Grants*, has required the Authority to review how it recognises and discloses grants in its revenue account and Balance Sheet. Grants now have to be considered as to whether they have a restriction or a condition on their use, i.e. whether there is a possibility that they will have to be paid back. Where there is no condition and the grant will not be paid back then it is recognised immediately in revenue even if there is no qualifying expenditure in the period. Where there is a condition and the grant remains unspent at the year end then it is shown either as a pre-payment (revenue grant) or as capital grant receipt in advance (capital grant).

e) Injury Pensions Valuations

Under paragraph 130 of IAS 19 any obligation arising from other long term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the firefighter schemes are dependent on service we have restated the liability expected to arise due to injury awards in respect of service prior to the valid date.

6. Financial Outlook 2011/12 – 2015/2016

The Authority has for many years maintained a robust financial plan and stuck to its value for money principles and in particular controlled council tax levels despite (in the last ten years) having to make major savings and structural changes because of government grant cuts.

Despite the financial pressures that have led it to (by some way) making the most efficiencies of any Fire and Rescue Service in the country, the Authority has managed to significantly improve the safety of the community of Merseyside and achieve more for less. This has resulted in the following reductions in the impact of fire since 2003/04:-

- Accidental Dwelling Fires -28%
- Injuries in ADF's -22%
- Fire Deaths -44%
- ASB Fires -65%

The resources available to the Authority for the future (2011/12 onwards) have been determined in the spending review 2010 conducted by Central Government. As a result the Authority has received the largest grant cut from Central Government in the country for any fire service – a reduction of 13% over the next two years (2011/12 – 2012/13). The Authority has already introduced significant efficiencies that mean the Authority's room for manoeuvre in dealing with further financial challenge is limited without impacting on service levels.

The Authority has developed a robust financial plan for dealing with the first two years of the spending review which includes the following key points:-

- Assumption of a three year pay bill freeze;
- Large savings in back office and support teams including a voluntary severance programme;
- Minimised the impact on front line services.

Central Government have indicated that savings in fire service expenditure are to be 'back loaded' and that therefore fire services might expect that there will be further, as yet unannounced, significant financial cuts for years 2013/14 and 2014/15. Even if the Authority does as well as the national average in those years the cuts will be very severe – up to £16.7m. If the Authority does as badly in 2013/14 & 2014/15 as it has in 2011/12 & 2012/13 compared to the national average it is possible that the savings might be even higher, £23.1m.

The Authority has adopted a two phase approach to the cuts that are required with the following strategy:-

a) 2011/13 – Years 1 & 2
Developed a savings plan for 2011/12 and 2012/13 which would balance the budget for those years by making cuts totalling £9.2m. That savings plan contains a relatively high level of risk and will be challenging to deliver.

b) 2013/15 - Years 3 & 4
Noting that the Government intends a "Resource Review" which will examine how local authorities are funded, adopt a lobbying strategy for 2013/14 and 2014/15 (in conjunction with other Metropolitan Fire and Rescue Services) with a view to minimising the level of grant cuts.

Depending upon the success of that lobby the Authority would face a stark choice between substantial service reductions or large-scale local taxation increases.

The Authority has prudently planned to meet its financial challenges over the medium term. The plan the Authority proposes is based upon the key assumptions around changes to grant, pay, tax and pension costs.

The Authority recognises that there are substantial risks associated with these assumptions and that, particularly in light of the significant economic turmoil; it is not unreasonable to expect a significant degree of financial uncertainty and risk which will vary across the life of the financial plan. The Authority has therefore set a medium term financial plan based upon these key assumptions recognising that it may need to vary that plan to cope with changes arising.

In light of the risks within the financial plan the Authority has agreed to continue with its strategy of managing its resources prudently and look for opportunities to increase its reserves in 2011/12 and 2012/13 so that it can use such sums as part of prudent medium term strategy.

FURTHER INFORMATION

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2009	**(2,143)**	**(7,685)**	**-**	**-**	**(9,828)**	**635,827**	**625,999**
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services	24,002	-	-	-	**24,002**	-	**24,002**
Other Comprehensive Expenditure and Income	-	-	-	-	**-**	220,626	**220,626**
Total Comprehensive Expenditure and Income	**24,002**	**-**	**-**	-	**24,002**	**220,626**	**244,628**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(26,814)	-	-	-	**(26,814)**	26,814	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(2,812)**	**-**	**-**	**-**	**(2,812)**	**247,440**	**244,628**
Transfers to/from Earmarked Reserves (Note 8)	2,411	(2,411)	-	-	-	-	**-**
Increase/Decrease in 2009/10	**(401)**	**(2,411)**	**-**	**-**	**(2,812)**	**247,440**	**244,628**
Balance at 31 March 2010 carried forward	**(2,544)**	**(10,096)**	**-**	**-**	**(12,640)**	**883,267**	**870,627**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2010 carried forward	**(2,544)**	**(10,096)**	**-**	**-**	**(12,640)**	**883,267**	**870,627**
<u>Movement in reserves during 2010/11</u>							
Surplus or (deficit) on provision of services	(58,280)	-	-	-	(58,280)	-	**(58,280)**
Other Comprehensive Expenditure and Income	-	-	-	-	**-**	(34,586)	**(34,586)**
Total Comprehensive Expenditure and Income	**(58,280)**	**-**	**-**	**-**	**(58,280)**	**(34,586)**	**(92,866)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	53,098	-	-	-	**53,098**	(53,098)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(5,182)**	**-**	**-**	**-**	**(5,182)**	**(87,684)**	**(92,866)**
Transfers to/from Earmarked Reserves (Note 8)	3,042	(3,042)	-	**-**	**-**	-	**-**
Increase/Decrease in Year	**(2,140)**	**(3,042)**	**-**	**-**	**(5,182)**	**(87,684)**	**(92,866)**
Balance at 31 March 2011 carried forward	**(4,684)**	**(13,138)**	**-**	**-**	**(17,822)**	**795,583**	**777,761**

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
11,670	(1,523)	10,147	Community Fire Safety	11,556	(1,305)	10,251
65,172	(3,769)	61,403	Firefighting and Rescue Operations	69,192	(3,607)	65,585
1,244	-	1,244	Corporate and Democratic Core	1,302	-	1,302
-	-	-	Non-Distributed Costs (Note 43)	-	(90,292)	(90,292)
-	-	-	Exceptional Items	-	-	-
78,086	**(5,292)**	**72,794**	**Cost Of Services**	**82,050**	**(95,204)**	**(13,154)**
-	-	-	Other Operating Expenditure (Note 9)	-	-	-
46,660	(1,865)	44,795	Financing and Investment Income and Expenditure (Note 10)	51,081	(2,462)	48,619
-	-	-	Surplus or Deficit of Discontinued Operations	-	-	-
-	(93,587)	(93,587)	Taxation and Non-Specific Grant Income (Note 11)	-	(93,745)	(93,745)
		24,002	**(Surplus) or Deficit on Provision of Services**			**(58,280)**
		(10,252)	Surplus or deficit on revaluation of fixed assets			-
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		230,878	Actuarial gains / losses on pension assets / liabilities			(34,586)
		220,626	**Other Comprehensive Income and Expenditure**			**(34,586)**
		244,628	**Total Comprehensive Income and Expenditure**			**(92,866)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
39,995	47,379	Property, Plant & Equipment	12	46,562
-	-	Investment Property	13	-
121	236	Intangible Assets	14	58
-	-	Assets Held for Sale	20	-
-	-	Long Term Investments	15	-
-	-	Long Term Debtors	15	-
40,116	**47,615**	**Long Term Assets**		**46,620**
8,334	1	Short Term Investments	15	-
-	-	Assets Held for Sale	20	690
408	427	Inventories	16	419
4,964	4,525	Short Term Debtors	18	3,985
5,123	9,071	Cash and Cash Equivalents	19	6,991
18,829	**14,024**	**Current Assets**		**12,085**
(1,131)	(3,016)	Short Term Borrowing	15	(2,511)
(6,697)	(6,548)	Short Term Creditors	21	(5,755)
-	-	Provisions	22	-
-	-	Liabilities in Disposal Groups	20	-
(7,828)	**(9,564)**	**Current Liabilities**		**(8,266)**
-	-	Long Term Creditors	15	-
(403)	(350)	Provisions	22	(308)
(49,575)	(43,075)	Long Term Borrowing	15	(41,075)
(627,023)	(879,027)	Other Long Term Liabilities	15	(786,817)
-	-	Donated Assets Account	35	-
(114)	(250)	Capital Grants Receipts in Advance	35	-
(677,115)	**(922,702)**	**Long Term Liabilities**		**(828,200)**
(625,998)	**(870,627)**	**Net Assets**		**(777,761)**
9,828	12,640	Usable reserves	23	17,822
(635,826)	(883,267)	Unusable Reserves	24	(795,583)
(625,998)	**(870,627)**	**Total Reserves**		**(777,761)**

Cash Flow Statement

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

2009/10 £000		2010/11 £000
24,002	Net (surplus) or deficit on the provision of services	(58,280)
(30,801)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	48,869
(1,123)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(731)
(7,922)	**Net cash flows from Operating Activities (Note 25)**	**(10,142)**
(2,915)	Investing Activities (Note 26)	7,227
6,889	Financing Activities (Note 27)	4,995
(3,948)	**Net increase or decrease in cash and cash equivalents**	**2,080**
(5,123)	Cash and cash equivalents at the beginning of the reporting period	(9,071)
(9,071)	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**(6,991)**

Notes to the Accounts

Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

a. Short-term accumulating compensated absences

Short term accumulated compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	Adjusted 2009/10 Statements £000	**Adjustments Made £000**
Accruals (Short Term Creditors)	(6,697)	(1,212)
Accumulated Absences Account (Unusable Reserves)	1,212	1,212

31 March 2010 Balance Sheet

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Accruals (Short Term Creditors)	(6,548)	(1,121)
Accumulated Absences Account (Unusable Reserves)	1,121	1,121

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net)

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Community Fire Safety	10,147	(13)
Firefighting and Rescue Operations	61,403	(76)
Corporate and Democratic Core	1,244	(2)

b. Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously being treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority has three leases where the accounting treatment has changed following the introduction of the Code. These leases were previously classed as operating but under the Code, they are now classed as finance leases.

As a consequence of classifying the three operating leases as finance leases, the financial statements have been amended as follows:

- The Authority has recognised the assets and finance lease liability.
- The operating lease charge within Firefighting and Rescue Operations has been reduced by the amount that relates to the building element of the lease payments.
- A depreciation charge has been included within Firefighting and Rescue Operations.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment income and expenditure line in Surplus of Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment (leased assets)	39,995	129
Finance Lease Liability (Other Long Term Liabilities)	(627,023)	(144)
Capital Adjustment Account (Unusable Reserves)	8,375	15

31 March 2010 Balance Sheet

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Property, Plant and Equipment (leased assets)	47,379	148
Finance Lease Liability (Other Long Term Liabilities)	(879,027)	(158)
Capital Adjustment Account (Unusable Reserves)	14,297	10

2009/10 Comprehensive Income and Expenditure Statement

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Firefighting and Rescue Operations	61,403	(12)
Interest Payable and Similar Charges (Note 10)	2,248	7

The net change to Firefighting and Rescue Operations consists of the removal of the operating lease charge for the buildings element of the lease £97,105 and the inclusion of the depreciation charge £85,546.

The net increase in Surplus on the provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account and the inclusion of the Minimum Revenue Provision charge of £90,640. These transfers are shown in the Movement in Reserves Statement.

c. Government grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the asset which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A grant was received in advance of work taking place in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Government Grants Deferred Account within the liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full and transferred to the Capital Receipts in Advance Account within the Liability section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Government Grants Deferred Account	-	114
Capital Grants Receipts in Advance	(114)	(114)

31 March 2010 Balance Sheet

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Government Grants Deferred Account	-	353
Capital Adjustment Account	14,297	(103)
Capital Grants Receipts in Advance	(250)	(250)

2009/10 Comprehensive Income and Expenditure Statement

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Firefighting and Rescue Operations	61,403	11
Capital Grants and Contributions (Note 11)	(919)	(114)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

d. Injury Pensions Valuations

Under paragraph 130 of IAS 19 any obligation arising from other long term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the firefighter schemes are dependent on service we have restated the liability expected to arise due to injury awards in respect of service prior to the valid date.

Accruing for this additional liability has resulted in the following changes being made to the 2009/10 financial statements

Opening 1 April 2009 Balance Sheet

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Other Long Term Liabilities	(627,023)	(17,550)
Pension Reserves (Usable Reserves)	626,229	17,550

31 March 2010 Balance Sheet

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Other Long Term Liabilities	(879, 027)	(26,990)
Pension Reserves (Usable Reserves)	878,261	26,990

2009/10 Comprehensive Income and Expenditure Statement

	Adjusted 2009/10 Statements £000	Adjustments Made £000
Firefighting and Rescue Operations	61,403	310
Pension Interest Cost (Note 10)	44,412	1210
Actuarial Gains / Losses on Pension Assets / Liabilities	230,878	7,920

The increase in deficit on the provision of services is removed by the transfer of pension costs to the Pension Reserve. These transfers are shown in the Movement in Reserves Statement.

1. Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii Cash and Cash Equivalents

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

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

iv 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 Authority's financial performance.

v 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 Authority'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. No such material errors have been identified.

The accounts have been restated following a move towards an IFRS based Code from a UK GAAP based SORP (IFRS – International Financial Reporting Standards and SORP - Statement of Recommended Practice).

vi Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance loans repayment, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.

vii 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, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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

Employees of the Authority are members of two separate pension schemes:

- The Firefighters Pension Scheme for uniformed employees, administered by Wirral Borough Council through Merseyside Pension Fund (Merseyside Pension Fund, 7th Floor, Castle Chambers, 43 Castle Street, Liverpool, L69 2NW).
- The Local Government Pensions Scheme for civilian employees, administered by Wirral Borough Council through Merseyside Pension Fund (Merseyside Pension Fund, 7th Floor, Castle Chambers, 43 Castle Street, Liverpool, L69 2NW).
- Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Firefighters Pension Scheme

The Firefighters Pension Scheme is an unfunded scheme meaning that there are no investment assets built up to meet pension liabilities. Cash has to be generated to meet actual pension payments as they fall due. The Government changed the funding mechanism for this scheme in 2006/07. This alleviated concerns about the possibility of large year on year fluctuations on local tax payers by creating a pension fund account. The primary objective is to allow the separation of the cost of providing pensions from the cost of running a fire and rescue service.

Transactions in the Firefighters Pension Fund include:

- Credits to the Pension Fund
- Employees' contributions from firefighters
- Transfer values received from other authorities
- The employer's contributions due from the Authority
- Additional contributions required from the Authority for ill health retirements
- Debits to the Pension Fund
- Awards payable under any provision of the pension scheme
- Transfer values payable to other Authorities
- Any repayment to the Authority of contributions towards ill health

The Pension fund account is balanced to Zero by either:

- Receipt of a top up grant from the Department for Communities and Local Government where income is less than expenditure, or
- Paying an amount to Department for Communities and Local Government where the expenditure of the fund is less than its income.

The Local Government Pension Scheme

- The Local Government Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Merseyside Pension Fund attributable to the Authority 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 projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond).
- The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- contributions paid to the Merseyside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii Events After the Balance Sheet Date

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

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

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

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

ix Financial Instruments

<u>Financial Liabilities</u>

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for -Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi Government Grants and Contributions

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

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

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

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

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

xii Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

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

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

xiii Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula. The Authority holds inventories of uniforms, smoke alarms, consumable items and vehicle parts. The Authority carries out free Home Fire Safety Checks in homes across Merseyside and fits smoke alarms where required for free.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. The Authority currently has no investment properties.

xv Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvi Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- 26 Fire Stations are measured on a Depreciated Replacement Cost basis as the property is classed as specialised with no readily made market available.
- the balance of the property portfolio consisting of Headquarters, Training Academy, Mobilising and Communications Centre, Engineering Centre of Excellence and Houses are valued on a fair value basis as buildings could be used for alternative purposes.
- assets under construction are valued on historical cost basis.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property as estimated by the valuer. The remaining life of the buildings range from 10 – 50 years

- Vehicles, plant and equipment – straight line allocation over the remaining useful life as estimated by a suitably qualified officer. Vehicles are depreciated over 5 – 16 years and plant and equipment is depreciated over 3 – 5 years

- Land – depreciation is not applied to land

- No residual value is accounted for

- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

In 2010/11 the Authority has had to accelerate it's depreciation on seven of its fire stations in order to incorporate the demolishing and rebuilding of them through the PFI scheme. As a result the buildings are being depreciated over a much shorter life and will result in additional depreciation charges of around £2.1m per year for the next 3 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

xix Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Authority is leading a North West PFI project to replace 16 fire stations in Merseyside, Lancashire and Cumbria. Merseyside Fire Service is getting 7 new PFI Stations. The building programme for Merseyside started in April 2011. The first station is due to for completion in May 2012 and the last station is due for completion in July 2013.

xx Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

Provisions are made where an event has taken place that gives the Authority 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxii Revenue Expenditure Funded from Capital under Statute

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

xxiii VAT

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

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in the accounting policy in relation to the treatment of heritage assets held by Authorities (FRS 30 Heritage Assets). This change will need to be adopted fully by Authorities in their 2011/12 financial statements.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the code of a new standard that has been issued, but is not yet adopted by the Authority, in this case, heritage assets. Merseyside Fire Authority has not got any heritage assets and therefore the new standard has no effect in these financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority 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:

- Insurance – The Authority's fleet of vehicles are insured for third party fire and theft only. Based on historical experience of incidents the decision was made to self insure vehicles.
- No Residual Value of Assets - The Authority assumes that the residual value of all property plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at time of disposal.
- Property valued at Depreciated Replacement Cost – The Authority has measured its fire stations as depreciated replacement cost as there is no market based evidence of fair value because of the specialist nature of the assets.
- Government Funding - There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. **Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may effect spending on repairs and maintenance, which might change the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £103,000 for every year that useful lives had to be reduced.
Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Pensions Liability	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 rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. (Note 43)	However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £92.075m as a result of estimates being corrected as a result of experience and increased by £90.292m attributable to updating of the assumptions.

Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £718,000. A review of significant balances suggested that an impairment of doubtful debts of 4.4% (£32,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £32,000 to set aside as an allowance.
Provisions	The Authority has made provision for Injury and damage Compensation claims based on estimation of potential payouts.	Claims are based on past experience and evaluations. All cases are not the same and could have an effect on the figures increasing or reducing.

5. Material Items of Income and Expense

The Authority's IT and communications services have been outsourced to an external provider.

2010/11	**2009/10**
£000	£000
1,952	1,908

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Chief Executive and Treasurer on 30th June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted as there have been no material events since the balance sheet date.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2010/11	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(6,779)	-	-	6,779
Revaluation losses on Property Plant and Equipment	(2,013)	-	-	2,013
Movements in the market value of Investment Properties	-	-	-	-
Amortisation of intangible assets	(236)	-	-	236
Capital grants and contributions applied	1,557	-	-	(1,557)
Movement in the Donated Assets Account	1,632	-	-	(1,632)
Revenue expenditure funded from capital under statute	(1,512)	-	-	1,512
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,479	-	-	(2,479)
Capital expenditure charged against the General Fund	484	-	-	(484)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)	-	-	53
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	48,300	-	-	(48,300)
Employer's pensions contributions and direct payments to pensioners payable in the year	9,189	-	-	(9,189)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	235	-	-	(235)
Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which 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	(185)	-	-	185

Total Adjustments	**53,098**	**-**	**-**	**(53,098)**

2009/10 Comparative Figures	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(2,953)	-	-	2,953
Revaluation losses on Property Plant and Equipment	(4,301)	-	-	4,301
Movements in the market value of Investment Properties	-	-	-	-
Amortisation of intangible assets	(121)	-	-	121
Capital grants and contributions applied	919	-	-	(919)
Movement in the Donated Assets Account	-	-	-	-
Revenue expenditure funded from capital under statute	(2,055)	-	-	2055
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,156	-	-	(2,156)
Capital expenditure charged against the General Fund	433	-	-	(433)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	90	-	-	(90)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(31,364)	-	-	31,364
Employer's pensions contributions and direct payments to pensioners payable in the year	10,210	-	-	(10,210)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	81	-	-	(81)
Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which 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	91	-	-	(91)
Total Adjustments	**(26,814)**	**-**	**-**	**26,814**

8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund in 2010/11.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Emergency Related Reserves:							
Bellwin Reserve	**147**	-	-	**147**	-	-	**147**
Insurance Reserve	**220**	-	-	**220**	-	-	**220**
Emergency Planning Reserve	**75**	-	-	**75**	-	-	**75**
Financial Management Reserves:							
Modernisation Reserve	**656**	(82)	-	**574**	(574)	-	**-**
Smoothing Cost Reserve	**2,158**	-	2,587	**4,745**	(1,742)	-	**3,003**
Severance Reserve	**-**	-	-	**-**	-	3,000	**3,000**
Inflation Reserve	**858**	-	-	**858**	-	1,142	**2,000**
Ill Health Penalty Reserve	**-**	-	-	**-**	-	38	**38**
Capital Investment Reserves:							
PFI Project Support Reserve	**118**	(118)	-	**-**	-	64	**64**
Capital Expenditure Reserve	**538**	-	396	**934**	-	1,101	**2,035**
TDA Refurbishment Reserve	**72**	-	21	**93**	(33)	-	**60**
Specific Projects:							
Job Evaluation Reserve	**430**	(200)	-	**230**	-	-	**230**
Community Sponsorship Reserve	**-**	-	44	**44**	(21)	-	**23**
Regional Reserve	**100**	-	-	**100**	-	-	**100**
Emerging Technologies Reserve	**60**	(13)	-	**47**	-	-	**47**
Fireboots/Clothing Reserve	**163**	(25)	-	**138**	(138)	-	**-**
Equipment Reserve	**125**	(11)	-	**114**	-	104	**218**
Contestable Research Fund	**15**	-	12	**27**	-	7	**34**
Training Reserve	**207**	(70)	-	**137**	-	156	**293**
Pre Retirement Reserve	**111**	-	32	**143**	-	36	**179**
FSN Reserve	**20**	(20)	-	**-**	-	-	**-**
Fire Service Direct Reserve	**22**	(8)	-	**14**	-	21	**35**
Healthy Living / Olympic Legacy	**280**	(20)	-	**260**	(148)	-	**112**
Water Rescue Reserve	**-**	-	-	**-**	-	45	**45**
Total	**6,375**	**(567)**	**3,092**	**8,900**	**(2,656)**	**5,714**	**11,958**
Ringfenced Reserves							
F.R.E.E Reserve	**17**	(13)	-	**4**	-	20	**24**
Princes Trust Reserve	**113**	(23)	-	**90**	-	34	**124**
Community Youth Team Reserve	**56**	(13)	-	**43**	-	-	**43**
Beacon Peer Project Reserve	**461**	(148)	-	**313**	(138)	-	**175**
Innovation Fund Reserve	**199**	(67)	-	**132**	-	12	**144**
Concept Knowsley	**58**	(41)	-	**17**	(17)	-	**-**
Regional Control Reserve	**273**	(73)	-	**200**	(55)	-	**145**
Energy Reserve	**37**	-	29	**66**	-	28	**94**
St Helen's District Reserve	**21**	-	23	**44**	-	2	**46**
New Dimensions Reserve	**75**	-	212	**287**	-	98	**385**
Total	**1,310**	**(378)**	**264**	**1,196**	**(210)**	**194**	**1,180**
Total Earmarked Reserves	**7,685**	**(945)**	**3,356**	**10,096**	**(2,866)**	**5,908**	**13,138**

Bellwin/Civil Emergency Reserve
This reserve is set aside for expenditure in exceptional circumstances, which is below the threshold for Central Government assistance under the Bellwin scheme.

Insurance Reserve
Due to an Authority decision to increase self insurance (particularly vehicle insurance) a reserve has been set up to hedge against the risk of unidentified future claims. A specific provision is made for claims that have already been lodged.

Emergency Planning Reserve
This reserve has been created due to the increased threat of terrorism and would give the Authority an immediate budget to spend in an emergency.

Modernisation Reserve
This reserve was created to cater for one off costs required as a result of modernising the Fire Service and issues arising from implementing the Government White Paper and integrated risk management planning. In particular it is to support “invest to save” schemes.

Smoothing Cost Reserve
This reserve is used to support the significant financial challenges that the Authority faces as public spending is reduced. It is intended to smooth out surges in cost variations.

Severance Reserve
This reserve is to be used to contribute towards the cost of voluntary severance packages and to meet the costs of any pension strain costs associated with staff having early access to pensions as part of the Authority’s approach to using VS/VER to make the required budget savings.

Inflation Reserve
To cope with variations in pay and price inflation compared to the rates assumed in the financial plan. This reserve would provide short term funding for any excessive inflationary cost.

Ill Health Penalty Reserve
This reserve has been created to contribute towards the cost of any ill health retirements the Authority may have. The Authority is required to contribute towards the pension costs when a firefighter retires on ill health.

PFI (Private Finance Initiative) Project Support Reserve
This reserve was created to carry forward project monies to be spent in 2010/11 to support the management and development of the scheme. The Authority is leading a North West PFI project to replace 16 fire stations across Merseyside, Lancashire and Cumbria.

Capital Expenditure Reserve
This reserve has been created to contribute towards unforeseeable costs associated with large strategic capital schemes such as the PFI project, and to provide a resource for future asset investment schemes.

Training & Development Academy (TDA) Refurbishment Reserve
This reserve was created to ring fence additional income earned above income targets set by the TDA to allow investment in buildings and equipment in 2011/12 in order to protect future revenue streams.

Job Evaluation Reserve
Job Evaluation has now been implemented. The Authority has a number of posts awaiting review and further evaluation. The Authority has received a number of appeals, the reserve has been maintained to provide a funding for any backdated evaluations/appeals.

Community Sponsorship Reserve
The Authority has had a successful and innovative partnership arrangement with private sector partners that often includes them making contributions toward community projects. This reserve has been created to allocate those resources in support of the Authority's community work.

Regional Reserve
This reserve has been created to allow for future investment in various regional working initiatives.

Emerging Technologies
This reserve has been created to allow investment in emerging technologies; to fund a pilot project between youth engagement and ICT which exploits the possibilities of emerging technologies like camera phones, SMS messaging, blogs, and online communities to engage with young people.

Fire Boots/Clothing Reserve
This reserve was created as an investment in Health and Safety for the purchase of protective equipment for all firefighters. The reserve was fully utilised in purchasing new personal protective equipment for fire fighters

Equipment Reserve
This reserve has been created to fund the purchase of equipment, furniture and some small community based schemes.

Contestable Research Fund Reserve
This reserve has been created for investment in fire related academic research.

Training Reserve
This reserve has been created to fund the training requirements of personnel in search and rescue technology.

Pre-Retirement Reserve
As part of the Authority's drive to reduce levels of sickness it operates an incentive scheme. This reserve has been created to provide employees who have obtained a 100% attendance within the year with a £50 payment per year. The payment is made in the year of retirement.

Fire Support Network (FSN) Reserve
This reserve was created to fund year two of a Youth Engagement project that will allow additional investment in various special projects mainly involving youth. This reserve was fully utilised in funding year two of the project.

Fire Service Direct Reserve
This reserve has been created to allow additional resources in 2010/11 for collation of statistical data in relation to Home Fire Risk Assessments.

Healthy Living / Olympic Legacy
To exploit and maximise opportunities and initiatives arising from the World Firefighter Games and build bridges with the 2012 Olympics event.

Water Rescue Reserve
The Marine 1 service is reliant upon other public and private support. In light of the financial challenge facing partners this reserve was created to provide a short term buffer if any partner withdraws their support.

Ringfenced Reserves
The Authority has a number of ringfenced reserves for specific initiatives for which dedicated funding / resources have been earmarked. These schemes often cover more than one financial year and therefore these reserves were created to cover the planned spend over more than one year.

9. Other Operating Expenditure

2009/10 £000		2010/11 £000
-	Gains/losses on the disposal of non current assets	-
-	**Total**	**-**

10. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
2,248	Interest payable and similar charges	2,356
44,412	Pensions interest cost	48,725
(1,678)	Expected return on pensions assets	(2,407)
(187)	Interest receivable and similar income	(55)
-	Income and expenditure in relation to investment	-
-	Other investment income	-
44,795	**Total**	**48,619**

11. Taxation and Non Specific Grant Incomes

2009/10 £000		2010/11 £000
(26,117)	Council tax income	(27,256)
(37,434)	Non domestic rates	(40,434)
(8,641)	Non-ringfenced government grants	(5,871)
(20,476)	Gain in relation to government grant payable to	(18,627)
(919)	Capital grants and contributions	(1,557)
(93,587)	**Total**	**(93,745)**

12. Property, Plant and Equipment Movements on Balances

Movements in 2010/11:

	Land & Buildings	Assets Under Construction	Vehicles & Equipment	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2010	33,677	3,372	17,929	54,978
Additions	3,976	-	3,058	7,034
Donations	-	-	1,632	1,632
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,013)	-	-	(2,013)
Derecognition Disposals	-	-	-	-
Derecognition Other	-	-	(943)	(943)
Assets reclassified (to)/from Held for sale	(690)	-	-	(690)
Other movements in Cost or Valuation	2,512	(3,372)	-	(860)
At 31 March 2011	**37,462**	**-**	**21,676**	**59,138**
Accumulated Depreciation and Impairment				
At 1 April 2010	-	-	(7,599)	(7,599)
Depreciation Charge	(3,553)	-	(2,366)	(5,919)
Depreciation written out to the Revaluation Reserve	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment losses/(reversals) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-
Derecognition – Disposals	-	-	-	-
Derecognition – Other	-	-	943	943
Other movements in Depreciation and Impairment	-	-	-	-
At 31 March 2011	**(3,553)**	**-**	**(9,022)**	**(12,575)**
Net Book Value				
At 31 March 2011	**33,909**	**-**	**12,654**	**46,563**
At 31 March 2010	**33,677**	**3,372**	**10,330**	**47,379**
Nature of asset holding				
Owned	33,909	-	12,592	46,501
Finance Lease	-	-	62	62
PFI	-	-	-	-
Total	**33,909**	**-**	**12,654**	**46,563**

Comparative Movements in 2009/10:

	Land & Buildings	Assets Under Construction	Vehicles & Equipment	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2009	30,523	2,379	17,300	50,202
Additions	613	993	2,781	4,387
Donations	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,233	-	-	7,233
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,301)	-	-	(4,301)
Derecognition Disposals	-	-	-	-
Derecognition Other	-	-	(2,152)	(2,152)
Assets reclassified (to)/from Held for sale	-	-	-	-
Other movements in Cost or Valuation	(391)	-	-	(391)
At 31 March 2010	**33,677**	**3,372**	**17,929**	**54,978**
Accumulated Depreciation and Impairment				
At 1 April 2009	(2,260)	-	(7,948)	(10,208)
Depreciation Charge	(759)	-	(1,803)	(2,562)
Depreciation written out to the Revaluation Reserve	3,019	-	-	3,019
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment losses/(reversals) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-
Derecognition – Disposals	-	-	-	-
Derecognition – Other	-	-	2,152	2,152
Other movements in Depreciation and Impairment	-	-	-	-
At 31 March 2010	**-**	**-**	**(7,599)**	**(7,599)**
Net Book Value				
At 31 March 2010	**33,677**	**3,372**	**10,330**	**47,379**
At 1 April 2009	**28,263**	**2,379**	**9,352**	**39,994**
Nature of asset holding				
Owned	33,677	3,372	10,182	47,231
Finance Lease	-	-	148	148
PFI	-	-	-	-
Total	**33,677**	**3,372**	**10,330**	**47,379**

Donated Assets

The Authority accounted for the transfer of various 'New Dimensions' vehicles and equipment from Central Government within 2010/11 equal to £1.632m

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – straight line allocation over the remaining life of the property as estimated by the valuer. The remaining life of the buildings range from 10 – 50 years

- Vehicles, plant and equipment – straight line allocation over the remaining useful life as estimated by a suitably qualified officer. Vehicles are depreciated over 5 – 16 years and plant and equipment is depreciated over 3 – 5 years

- Land – depreciation is not applied to land

- No residual value is accounted for

- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

In 2010/11 the Authority has had to accelerate the depreciation on seven of its fire stations in order to incorporate the demolishing and rebuilding of them through the PFI scheme. As a result the buildings are being depreciated over a much shorter life and will result in additional depreciation charges of around £2.1m per year for the next 3 years.

Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment. The value of these commitments in 2011/12 and future years is £1.229m. Similar commitments at 31 March 2010 were £1.568m. The major commitments are:

- Croxteth Fire Station refurbishment and Amalgamation of Ambulance Service £246,000
- Incident Ground Management System £256,000

Effects of Changes in Estimates

In 2010/11 the Authority has had to accelerate it's depreciation on seven of its fire stations in order to incorporate the demolishing and rebuilding of them through the PFI scheme. As a result the buildings are being depreciated over a much shorter life and will result in additional depreciation charges of around £2.1m per year for the next 3 years.

The Authority is building seven replacement fire stations under a PFI project. The life of the current stations has therefore been reduced to the length of building time for the new stations.

The Authority has also put up for sale two of its properties in 2010/11. As a result, the sales are imminent in 2011/12 and no depreciation has been charged on them in 2010/11. These two properties have been transferred to Assets Held for Sale in the Current Assets Section in the Balance Sheet. The two properties are Low Hill Fire Station and a vehicle workshop in Speke. The properties were re-valued for sales purposes and this has resulted in a revaluation loss in the year of £475,000

Revaluations

The Authority has its Property, Plant and Equipment revalued at fair value every five years. All properties were valued by an external valuer (Hardie Brack Chartered Surveyors). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The last valuation was completed in March 2010. Valuations of vehicles, plant, furniture and equipment are based on historical prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset. During 2010/11 two assets under construction became operational. These assets were immediately revalued, which resulted in a loss of £1.5m in the year.

Componentisation

Having consulted with the fire service valuers (Hardie Brack Chartered Surveyors). They have advised that no material changes to depreciation would be incurred by componentisation. All components have a similar asset life or value is not material. All fire stations have been valued on a depreciated replacement cost basis as there is no market value and the balance of property has been valued on a fair value basis. Due to the small portfolio of assets, all land and buildings are revalued as one so there is no rolling program. The last valuation was completed in March 2010. An additional two assets under construction were revalued in 2010/11 when they became operational.

	Land and Buildings £000	Vehicles & Equipment £000	Total £000
Carried at historical cost	-	21,676	**21,676**
Valued at Depreciated Replacement Cost (DRC) at:			
31 March 2011	1,550	-	**1,550**
31 March 2010	26,656	-	**26,656**
Values at fair value as at:			
31 March 2011	2,430	-	**2,430**
31 March 2010	6,826	-	**6,826**
Total Cost or Valuation	**37,462**	**21,676**	**59,138**

13. Investment Properties

The Authority currently has no investment properties within its property portfolio.

14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses only.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are one year following acquisition.

The movement on Intangible Asset balances during the year is as follows:

	2010/11 Software Licenses £000	2009/10 Software Licenses £000
Balance at start of year:		
• Gross carrying amounts	357	306
• Accumulated amortisation	(121)	(185)
Net carrying amount at start of year	236	121
Additions:		
• Internal development	-	-
• Purchases	58	236
• Acquired through business combinations	-	-
Assets reclassified as held for sale	-	-
Other disposals		
Revaluations increases or decreases	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services		
Amortisation for the period	(236)	(121)
Other changes	-	-
Net carrying amount at end of year	**58**	**236**

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term			Current	
	31 March 2011 £000	31 March 2010 £000		31 March 2011 £000	31 March 2010 £000
Investments					
Loans and receivables	-	-		-	-
Available-for-sale financial assets	-	-		-	-
Unquoted equity investment at cost	-	-		-	-
Financial assets at fair value through profit and loss	-	-		-	-
Total investments	**-**	**-**		**-**	**-**
Debtors					
Loans and receivables	-	-		-	1
Financial assets carried at contract amounts	-	-		-	-
Total Debtors	**-**	**-**		**-**	**1**
Borrowings					
Financial liabilities at amortised cost	(41,075)	(43,075)		(2,041)	(2,541)
Financial liabilities at fair value through profit and loss	-	-		-	-
Total borrowings	**(41,075)**	**(43,075)**		**(2,041)**	**(2,541)**
Other Long Term Liabilities					
Wirral Borough Council Residual Debt	(567)	(608)			
Pension Liability	(786,186)	(878,261)			
Finance lease liabilities	(64)	(158)			
Total other long term liabilities	**(786,817)**	**(879,027)**			
Creditors					
Financial liabilities at amortised cost	-	-		(470)	(475)
Total creditors	**-**	**-**		**(470)**	**(475)**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	2,356	-	-	-	**2,356**	2,248	-	-	-	**2,248**
Losses on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Reductions in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Impairment losses	-	-	-	-	**-**	-	-	-	-	**-**
Fee expense	-	-	-	-	**-**	-	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**2,356**	**-**	**-**	**-**	**2,356**	**2,248**	**-**	**-**	**-**	**2,248**
Interest income	-	(55)	-	-	**(55)**	-	(187)	-	-	**(187)**
Interest income accrued on impaired financial assets	-	-	-	-	**-**	-	-	-	-	**-**
Increases in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Gains on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Fee income	-	-	-	-	**-**	-	-	-	-	**-**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(55)**	**-**	**-**	**(55)**	**-**	**(187)**	**-**	**-**	**(187)**
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) for the year	**2,356**	**(55)**	**-**	**-**	**2,301**	**2,248**	**(187)**	**-**	**-**	**2,061**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. 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, using the following assumptions:

- actual ranges of interest rates at 31 March 2011 of 4.25% to 11.125% for loans from the PWLB
- no early repayment or impairment is recognised
- where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		**31 March 2010**	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
PWLB Short & Long term loans	43,075	51,458	45,575	52,766

The fair value of the liabilities is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

16. Inventories

	Clothing / Consumable Stores		Diesel / Engineering Centre of Excellence Stores		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	**299**	**282**	**128**	**126**	**427**	**408**
Purchases	850	562	900	776	1750	1338
Recognised as an expense in the year	(821)	(545)	(937)	(774)	(1,758)	(1,319)
Written off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**328**	**299**	**91**	**128**	**419**	**427**

17. Construction Contracts

The Authority currently has no construction contracts with third parties for which any incomes are due.

18. Debtors

	31 March 2011 £000	31 March 2010 £000
Central government bodies	338	359
Other local authorities	2,002	2,769
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,645	1,397
Total	**3,985**	**4,525**

19. Cash and Cash Equivalents

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

31 March 2010 £000		31 March 2011 £000
13	Cash held by the Authority	13
9,058	Bank current accounts	6,978
-	Short-term deposits with building societies	-
9,071	**Total Cash and Cash Equivalents**	**6,991**

20. Assets Held for Sale

	Current		Non Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	**-**	**-**	**-**	**-**
Assets newly classified as held for sale:				
• Property, Plant and Equipment	-	-	1,165	-
• Intangible Assets	-	-	-	-
• Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	(475)	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
• Property, Plant and Equipment	-	-	-	-
• Intangible Assets	-	-	-	-
• Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	-	-	-	-
Transfers from non current to current	690	-	(690)	-
[Other movements]	-	-	-	-
Balance outstanding at year-end	**690**	**-**	**-**	**-**

21. Creditors

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Central government bodies	(1,227)	(1,497)	(1,292)
Other local authorities	(1,894)	(2,655)	(2,597)
NHS bodies	-	-	-
Public corporations and trading funds	-	-	-
Other entities and individuals	(2,634)	(2,396)	(2,808)
Total	**(5,755)**	**(6,548)**	**(6,697)**

The accrual for Compensated Absences is included in other entities and individuals.

22. Provisions

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2010	**-**	**(350)**	**-**	**(350)**
Additional provisions made in 2010/11	-	(36)	-	(36)
Amounts used in 2010/11	-	78	-	78
Unused amounts reversed in 2010/11	-	-	-	-
Unwinding of discounting in 2010/11	-	-	-	-
Balance at 31 March 2011	**-**	**(308)**	**-**	**(308)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as individually insignificant. They relate to personal injuries sustained where the Authority is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Authority will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled in future years but no precise data can be estimated. The Authority will only be reimbursed by the insurers for claims above £1million.

23. Usable Reserves

31 March 2010 £000		31 March 2011 £000
-	Usable Capital Receipts Reserve	-
-	Deferred Capital Receipts Reserve	-
2,544	General Fund Balance	4,684
10,096	Earmarked Reserves (Note 8)	13,138
12,640	**Total Usable Reserves**	**17,822**

24. Unusable Reserves

31 March 2010 £000		31 March 2011 £000
10,252	Revaluation Reserve	8,756
-	Available for Sale Financial Instruments Reserve	-
(14,297)	Capital Adjustment Account	(17,189)
393	Financial Instruments Adjustment Account	340
(878,261)	Pensions Reserve	(786,186)
(233)	Collection Fund Adjustment Account	2
-	Unequal Pay Back Pay Account	-
-	Donated Assets Reserve	-
(1,121)	Accumulating Compensated Absences Adjustment Account	(1,306)
(883,267)	**Total Unusable Reserves**	**(795,583)**

Revaluation Reserve

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

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

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

2009/10 £000			**2010/11 £000**
-	**Balance at 1 April**		**10,252**
10,252	Upward revaluation of assets	-	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
10,252	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-
-	Difference between fair value depreciation and historical cost depreciation	(1,496)	
-	Accumulated gains on assets sold or scrapped	-	
-	Amount written off to the Capital Adjustment Account		(1,496)
10,252	**Balance at 31 March**		**8,756**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

The Authority had no available for sale financial instruments at 31 March 2011.

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

2009/10 £000			2010/11 £000
(8,375)	**Balance at 1 April**		**(14,297)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,953)	• Charges for depreciation and impairment of non current assets	(6,779)	
(4,301)	• Revaluation losses on Property, Plant and Equipment	(1,538)	
(121)	• Amortisation of intangible assets	(236)	
(2,055)	• Revenue expenditure funded from capital under statute	(1,512)	
-	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(475)	
(9,430)			**(10,540)**
-	Adjusting amounts written out of the Revaluation Reserve		**1,496**
(9,430)	Net written out amount of the cost of non current assets consumed in the year		**(9,044)**
	Capital financing applied in the year:		
-	• Use of the Capital Receipts Reserve to finance new capital expenditure	-	
-	• Use of the Major Repairs Reserve to finance new capital expenditure	-	
919	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,557	
-	• Application of grants to capital financing from the Capital Grants Unapplied Account	-	
2,156	• Statutory provision for the financing of capital investment charged against the General Fund	2,479	
433	• Capital expenditure charged against the General Fund	484	
3,508			**4,520**
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		**1,632**
(14,297)	**Balance at 31 March**		**(17,189)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense or income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 8 years.

2009/10 £000			2010/11 £000
303	**Balance at 1 April**		**393**
143	Discounts received in the year and charged to the Comprehensive Income and Expenditure Statement	-	
(53)	Proportion of discounts received in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(53)	
90	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		**(53)**
393	**Balance at 31 March**		**340**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
(626,229)	**Balance at 1 April**	**(878,261)**
(230,878)	Actuarial gains or losses on pensions assets and liabilities	34,586
(31,364)	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	48,300
10,210	Employer's pensions contributions and direct payments to pensioners payable in the year	9,189
(878,261)	**Balance at 31 March**	**(786,186)**

Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000
(314)	**Balance at 1 April**	**(233)**
81	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	235
(233)	**Balance at 31 March**	**2**

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. The Authority has no back pay claims in relation to equal pay.

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2008/09 £000	2009/10 £000		2010/11 £000	
-	**(1,212)**	**Balance at 1 April**		**(1,121)**
-	810	Settlement or cancellation of accrual made at the end of the preceding year	609	
(1,212)	(719)	Amounts accrued at the end of the current year	(794)	
-	**91**	Amount by which 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		**(185)**
(1,212)	**(1,121)**	**Balance at 31 March**		**(1,306)**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(187)	Interest received	(55)
2,248	Interest paid	2,356
-	Dividends received	-

26. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
6,678	Purchase of property, plant and equipment, investment property and intangible assets	8,603
-	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
(19)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(13)
(8,000)	Proceeds from short-term and long-term investments	-
(1,574)	Other receipts from investing activities	(1,363)
(2,915)	Net cash flows from investing activities	**7,227**

27. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
-	Cash receipts of short- and long-term borrowing	-
(143)	Other receipts from financing activities	-
(13)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	94
4,640	Repayments of short term and long term borrowing	2,541
2,405	Other payments for financing activities	2,360
6,889	**Net cash flows from financing activities**	**4,995**

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service appearing on the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across Fire Service and Corporate Management. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the Authority recorded in the budget reports for the year is as follows:

Services Income and Expenditure 2010/11	**Fire Service £000**	**Corporate Management £000**	**Total £000**
Fees, charges & other service income	(3,312)	-	**(3,312)**
Grants and Contributions	(1,600)	-	**(1,600)**
Total Income	**(4,912)**	**-**	**(4,912)**
Employee Costs	56,961	339	**57,300**
Premises Costs	2,546	-	**2,546**
Transport Costs	1,728	-	**1,728**
Supplies & Services	4,270	128	**4,398**
Agency Services	2,432	-	**2,432**
Central Support Services	238	137	**375**
Capital Financing – Debt Charges / MRP	5,266	-	**5,266**
Total Expenditure	**73,441**	**604**	**74,045**
Net Expenditure	**68,529**	**604**	**69,133**

Services Income and Expenditure 2009/10 Comparative Figures	**Fire Service £000**	**Corporate Management £000**	**Total £000**
Fees, charges & other service income	(3,287)	-	**(3,287)**
Grants and Contributions	(2,005)	-	**(2,005)**
Total Income	**(5,292)**	**-**	**(5,292)**
Employee Costs	59,628	356	**59,984**
Premises Costs	2,547	-	**2,547**
Transport Costs	1,635	-	**1,635**
Supplies & Services	4,087	116	**4,203**
Agency Services	2,453	-	**2,453**
Central Support Services	229	139	**368**
Capital Financing – Debt Charges / MRP	4,829	-	**4,829**
Total Expenditure	**75,408**	**611**	**76,019**
Net Expenditure	**70,116**	**611**	**70,727**

Reconciliation of Services Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/10 £000		**2010/11 £000**
70,727	Net expenditure in the Service Analysis	69,133
17,106	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in Analysis	(67,832)
(15,039)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Account	(14,455)
(72,794)	**Cost of Services in Comprehensive Income and Expenditure Account**	**(13,154)**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Service Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(3,312)	-	-	-	**(3,312)**	-	(3,312)
Grants and Contributions	(1,600)	-	-	-	**(1,600)**	(47,862)	(49,462)
Pension Fund Grant	-	-	-	-	**-**	(18,627)	(18,627)
Interest and investment income	-	-	-	-	**-**	(55)	(55)
Income from council tax	-	-	-	-	**-**	(27,256)	(27,256)
Non Distributable Costs	-	(90,292)	-	-	**(90,292)**	-	(90,292)
Total Income	**(4,912)**	**(90,292)**	**-**	**-**	**(95,204)**	**(93,800)**	**(189,004)**
Employee Costs	57,300	(749)	(9,189)	-	**47,362**	-	**47,362**
Premises Costs	2,546	-	-	-	**2,546**	-	**2,546**
Transport Costs	1,728	-	-	-	**1,728**	-	**1,728**
Supplies & Services	4,398	-	-	-	**4,398**	-	**4,398**
Agency Services	2,432	-	-	-	**2,432**	-	**2,432**
Central Support Services	375	-	-	-	**375**	-	**375**
Capital Financing – Debt Charges / MRP	5,266	-	(5,266)	-	**-**	2,356	**2,356**
Depreciation, impairments and revaluation losses	-	9,028	-	-	**9,028**	-	**9,028**
Donated Assets	-	(1,632)	-	-	**(1,632)**	-	**(1,632)**
Revenue Expenditure Funded through Capital under Statute	-	1,512	-	-	**1,512**	-	**1,512**
Pension Costs calculated in accordance with IAS 19	-	14,301	-	-	**14,301**	-	**14,301**
Net Pension Interest Costs FRS17	-	-	-	-	**-**	46,318	**46,318**
Total expenditure	**74,045**	**22,460**	**(14,455)**	**-**	**82,050**	**48,674**	**130,724**
Surplus or deficit on the provision of services	**69,133**	**(67,832)**	**(14,455)**	**-**	**(13,154)**	**(45,126)**	**(58,280)**

2009/10 Comparatives	**Service Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(3,287)	-	-	-	(3,287)	-	(3,287)
Grants and Contributions	(2,005)	-	-	-	(2,005)	(46,994)	(48,999)
Pension Fund Grant	-	-	-	-	-	(20,476)	(20,476)
Interest and investment income	-	-	-	-	-	(187)	(187)
Income from council tax	-	-	-	-	-	(26,117)	(26,117)
Non Distributable Costs	-	-	-	-	-	-	-
Total Income	**(5,292)**	**-**	**-**	**-**	**(5,292)**	**(93,774)**	**(99,066)**
Employee Costs	59,984	(1,431)	(10,210)	-	**48,343**	-	**48,343**
Premises Costs	2,547	-	-	-	**2,547**	-	**2,547**
Transport Costs	1,635	-	-	-	**1,635**	-	**1,635**
Supplies & Services	4,203	-	-	-	**4,203**	-	**4,203**
Agency Services	2,453	-	-	-	**2,453**	-	**2,453**
Central Support Services	368	-	-	-	**368**	-	**368**
Capital Financing – Debt Charges / MRP	4,829	-	(4,829)	-	**-**	2,248	**2,248**
Depreciation, impairments and revaluation losses	-	7,376	-	-	**7,376**	-	**7,376**
Donated Assets	-	-	-	-	**-**	-	**-**
Revenue Expenditure Funded through Capital under Statute	-	2,055	-	-	**2,055**	-	**2,055**
Pension Costs calculated in accordance with IAS 19	-	9,106	-	-	**9,106**	-	**9,106**
Net Pension Interest Costs FRS17	-	-	-	-	**-**	42,734	**42,734**
Total expenditure	**76,019**	**17,106**	**(15,039)**	**-**	**78,086**	**44,982**	**123,068**
Surplus or deficit on the provision of services	**70,727**	**17,106**	**(15,039)**	**-**	**72,794**	**(48,792)**	**24,002**

29. Trading Operations

The Authority does not currently have any trading operations.

30. Agency Services

The Authority does not currently provide services to any external organisation.

31. Pooled Budgets

The Authority does not currently have any pooled budget with NHS bodies.

32. Members' Allowances

The Authority comprises of 18 councillors from the 5 districts of Merseyside. The total allowances paid to members within the year were:

	2010/11 £000	2009/10 £000
Allowances	267	270
Expenses	49	33
Total	**316**	**303**

33. **Officers' Remuneration**

The remuneration paid to the Authority's senior employees is as follows:

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Benefits in Kind (e.g. Car Allowance) Note f	Pension Contribution £	Total
Chief Fire Officer and Chief Executive – Tony McGuirk (Note a)	**2010/11**	**167,989**	**-**	**756**	**-**	**-**	**14,734**	**183,479**
	2009/10	204,577	-	756	-	-	43,485	248,818
Deputy Chief Fire Officer and Deputy Chief Executive – Mike Hagen (Note b)	**2010/11**	**122,424**	**-**	**756**	**-**	**1,775**	**-**	**124,955**
	2009/10	176,771	-	756	-	1,775	37,616	216,918
Assistant Chief Fire Officer and Assistant Chief Executive – Dan Stephens (Note c)	**2010/11**	**94,030**	**-**	**756**	**-**	**2,848**	**18,449**	**116,083**
	2009/10	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Assistant Chief Fire Officer and Assistant Chief Executive – Bill Evans (Note d)	**2010/11**	**55,365**	**-**	**756**	**-**	**959**	**-**	**57,080**
	2009/10	154,333	-	756	-	959	14,325	170,373
Assistant Chief Executive & Treasurer – Kieran Timmins	**2010/11**	**136,725**	**-**	**-**	**-**	**6,012**	**25,385**	**168,122**
	2009/10	134,545	-	-	-	6,012	20,912	161,469
Executive Director of Law – Dave Wright (Note e)	**2010/11**	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2009/10	129,284	-	-	-	6,213	21,761	157,258

Note a – The Chief Fire Officer and Chief Executive retired and was re-engaged during 2010/11. The re-engagement was part of the Authority's succession planning strategy. The re-engagement of the Chief Fire Officer and Chief Executive resulted in a reduction in remuneration.

Note b - Deputy Chief Fire Officer and Deputy Chief Executive retired and was re-engaged during 2010/11. The re-engagement was part of the Authority's succession planning strategy. The re-engagement of the Deputy Chief Fire Officer and Deputy Chief Executive resulted in a reduction in remuneration.

Note c – The Assistant Chief Fire Officer and Assistant Chief Executive – Dan Stephens took up this role in July 2010.

Note d – Assistant Chief Fire Officer and Assistant Chief Executive – Bill Evans retired in August 2010.

Note e – Executive Director of Law retired on 30/03/10. This was part of a management restructure that has now reduced the executive team from 5 staff to 4. This generates a net reduction in management costs of £150,000 per annum.

Note f – The benefits-in-kind figures (which relate largely to the taxable value of lease car arrangements) for 2010/11 have been estimated on the 2009/10 actual figures. The actual figures for 2010/11 where not available to be included in the Statement of Accounts. The Authority does not foresee any major change in these figures.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2010/11 Number of employees	2009/10 Number of employees
£50,000 - £54,999	49	40
£55,000 - £59,999	19	22
£60,000 - £64,999	7	4
£65,000 - £69,999	5	4
£70,000 - £74,999	1	1
£75,000 - £79,999	1	1
£80,000 - £84,999	-	-
£85,000 - £89,999	1	1
£90,000 - £94,999	-	1
Total	**83**	**74**

Note a - The increase in numbers of staff within these pay brackets from 2009/10 to 2010/11 is largely explained by station based Firefighting personnel (ranging from firefighters to watch managers) who have earned additional remuneration working extra shifts, flexible duty systems and taking on additional responsibilities. In all 39 staff in the roles of Firefighter/Crew Manager/Watch Manager have earned over £50,000.

Note b – in 2010/11 72 of the 83 staff receiving over £50,000 are uniformed operational staff, who provide fire cover.

34. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	46	47
Fees payable to Audit Commission in respect of statutory inspections	27	27
Total	**73**	**74**

35. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Council tax income	(27,256)	(26,117)
Non domestic rates	(40,434)	(37,434)
Non-ring fenced government grants:		
Revenue Support Grant	(5,871)	(8,641)
Gain in relation to government grant payable to pension fund on the Authority's behalf	(18,627)	(20,476)
Capital Grants and Contributions:		
General Capital Grant (CLG)	(1,072)	(805)
Northwest Improvement and Efficiency Partnership (NWEIP)	(235)	-
Children Information Management System (Beacon)	(250)	-
New Dimensions Accommodation (CLG)	-	(114)
Total	**(93,745)**	**(93,587)**
Credited to Services		
New Dimensions Grant (CLG)	(981)	(958)
Fire Control Implementation Grant (CLG)	(118)	(140)
Local Innovation Awards (Beacon)	-	(393)
Total	**(1,099)**	**(1,491)**

The Authority currently has no assets in the Donated Asset Account.

The Authority currently has no assets in the Capital Grants Receipts in Advance.

36. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Authority– it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from Government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 35.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 32. The Authority's membership comprises of councillors from each of the five Local Authorities in Merseyside. From examining existing available sources of information for 2010/11 in respect of Officers and Members, there are no apparent related party transactions.

Officers

During 2010/11, the Non-Executive Director declared an interest in the Fire Support Network, where he is a member of the Board. He did not take part in any discussion, decision or administration relating to the annual grant paid by the Authority. The Non Executive Director post allows independent external view and provided valuable contributions to the efficient and effective running of the Authority throughout 2010/11. The current post holder has carried out an important liaison and management role in relation to the Authority's work with the voluntary sector as well as offering challenge, advice and support to CLT and ELT

Entities Controlled or Significantly Influenced by the Authority

Fire Support Network

The Authority established the Fire Support Network (FSN) formerly known as Friends of the Fire Service during 2001/02. The purpose of this voluntary organisation was to advance the education and preserve and protect the health of the public within Merseyside by promoting the issues relating to fire safety and to offer support to any person in need, involved in or affected by fire or other emergency.

In establishing the "Friends of the Merseyside Fire Service" which became the FSN the Fire Authority felt that the best formal structure for the organisation would be that of a company limited by guarantee. At the time it was felt that this form of organisation would enable the FSN to better secure external funding from the private sector. However, at the same time the Fire Authority wanted to ensure that the activities of the FSN were properly controlled and was wholly consistent with the strategy and activities of the Merseyside Fire Authority itself. Therefore, the FSN Company operates with a board of five trustees; one of whom is the Authority's Non-Executive Director.

Due to this Board structure, and the fact that the FSN activities are so closely related to the activities of the Fire Service, the FSN is a "regulated company" as defined by the Local Government and Housing Act 1989, and orders under that Act. This means that the financial transactions of the company must be treated as though they were the financial transactions of the Merseyside Fire & Rescue Authority, and that those transactions should be consolidated into the Authority's financial accounts. The FSN did maintain an independent bank account in 2010/11 but the total net transactions, apart from the SLA below, were minimal and not material. Therefore, the accounts have not been consolidated for this year.

The Authority has agreed a service level agreement with the FSN whereby in return for work against strict performance criteria the Authority would pay FSN £195,000 a year for a five year period (2007/08 – 2011/12).

North West Partnership Board

The North West Fire and Rescue Management Board was disbanded from the previous format in July 2010. This was following the Government decision to remove the necessity from the Fire and Rescue National Framework 2008-2011 for Fire and Rescue services to work through Regional Management Boards. This would also encourage Authorities to work collaboratively determined in the best way that works under local arrangements. The accounts were concluded for the North-West Fire and Rescue Management Board and no separate audit for the Board is to be conducted for 2010/11.

The North-West Fire and Rescue Authorities have decided to continue to work collaboratively and a new Board has been set up with effect from March 2011 called the North-West Partnership Board. This is a new Joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee is comprised of councillors from the five constituent authorities.

The objectives of the North-West Partnership Board are as below:

- Develop the sharing of best practice from across the North West and beyond to influence future business.
- Encourage the provision of sustainable and increasingly efficient prevention, protection and intervention services to reduce overall risk.
- Influence the implementation of value led strategies on a localised basis.
- Provide the platform for continuing collaboration between NW FRS's to promote increasing value in all aspects of service delivery.
- Lobby key internal and external partners to improve fire and rescue service policies and processes.
- To lead continuous improvement through delivery of a sector led, peer reviewed approach.

During 2010/11 transactions were made between the five authorities totalling the following with outstanding balances also noted in relation to each. Greater Manchester Fire and Rescue Authority manage the income and expenditure on behalf of the region.

Authority	**Transaction Totals Expenditure/ (Income) £000**	**Outstanding Balance at 31/03/2011 Creditor/ (Debtor) £000**
Greater Manchester	189	134
Merseyside	(49)	(49)
Lancashire	(36)	(34)
Cheshire	(25)	(25)
Cumbria	(79)	(26)

NW FiReControl Limited

NW FiReControl Limited is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region.

The company has five members, the Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During 2010/11 in December 2010 the Fire Minister announced the closure of the FiReControl project. A consultation was then published in January 2011 for the Fire and Rescue community to decide on the future of its control room services. The resulting outcome for the North-West is expected to be finalised in July 2011 as to whether this project will continue and in what format for the region.

During 2010/11 the company has continued to be funded by a section 31 grant from the Department for Communities and Local Government and all accommodation expenditure will continue to be funded until the regional decision and negotiations are finalised. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required.

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards the Authority has considered any requirement for the preparation of Group Accounts as a result of its relationship with NW FiReControl Limited.

It has been determined that the company will be accounted for as a joint venture for Group Accounts purposes within the accounts of the Authority. This has been determined by following guidance in the Code of Practice. This will be reviewed in forthcoming financial years based on the future of the Company and if any Fire and Rescue Authority influence positions or Company governance arrangements have changed.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2010/11 having considered both qualitative and quantitative factors, including the following:

- The Authority does not depend on the company for continued provision of statutory services at present and activities provided by the control function remain within the individual Fire Authorities.

- The company is not operational in providing a public service and is not expected to become so until financial year 2014/15 if the regional project is to go ahead under new arrangements being negotiated.

- The only trading activity of the Company is currently the use of facilities at the building which is charged out accordingly to other Fire Authorities and organisations.

- The Authority's share of the gross administrative expenses of the company in the financial year 2010/11 (20% of £2.147m) is not material in the context of the Authority's gross expenditure.

- The Authority is not expected to make any contribution to the company until it commences using the company's services.

- The cost of running the company is covered by section 31 grant from the Department for Communities and Local Government, bank interest earned and small values of trading profit.

- The liability of the Authority is limited to a maximum of £1.

Below shows the key Information from the Draft Financial Statements of NW FireControl:

Accounts Information	**Year-Ended 2010/11 £000**	**Year-Ended 2009/10 £000**
Net Assets	69	43
Profits Before Taxation	10	68
Profits After Taxation	10	56
Debtor Balance (GMFRS)	19	31
Creditor Balance (GMFRS)	**422**	**262**

The Companies Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2011 for the final audited 2010/11 accounts.

The position regarding Group Accounts will be reviewed for the 2011/12 financial year.

37. Capital Expenditure and Capital Financing

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

	2010/11 £000	**2009/10 £000**
Opening Capital Financing Requirement	**(51,411)**	**(48,377)**
Capital investment		
Property, Plant and Equipment	(7,034)	(4,387)
Investment Properties	-	-
Intangible Assets	(58)	(236)
Revenue Expenditure Funded from Capital under Statute	(1,512)	(2,055)
Sources of finance		
Capital receipts	-	-
Government grants and other contributions	1,307	1,055
Sums set aside from revenue:		
• Direct revenue contributions	484	433
• [MRP/loans fund principal]	2,479	2,156
Closing Capital Financing Requirement	**(55,745)**	**(51,411)**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	3,251	3,160
Increase in underlying need to borrowing (unsupported by government financial assistance)	3,562	1,926
Assets acquired under finance leases	-	104
Assets acquired under PFI/PPP contracts	-	-
Increase/(decrease) in Capital Financing Requirement	**6,813**	**5,190**

38. Leases

<u>Authority as Lessee</u>

Finance Leases

The Authority has acquired a number of fire engines and breathing apparatus under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

assets acquired under these leases are carrie erty, Plant and Equipment in the Balance Sheet a ving net amounts:	31 March 2011 £000	31 March 2010 £000
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	62	148
	62	**148**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	-	-
non current	64	158
Finance costs payable in future years	3	6
Minimum lease payments	**67**	**164**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one year	22	97	21	94
Later than one year and not later than five years	45	67	43	64
Later than five years	-	-	-	-
	67	**164**	**64**	**158**

Operating Leases

The Authority has an Essential User Car Scheme of which a number of vehicles have been acquired through operating leases, these vehicles have typical lives of three years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £000	31 March 2010 £000
Not later than one year	47	56
Later than one year and not later than five years	22	69
Later than five years	-	-
	69	**125**

Authority as Lessor

Finance Leases

The Authority currently has no leases of this category.

39. Private Finance Initiatives and Similar Contracts

The Authority is leading a North West PFI project to replace 16 fire stations in Merseyside, Lancashire and Cumbria. Merseyside Fire Service is getting 7 new PFI Stations. The building programme for Merseyside started in April 2011. The first station is due to for completion in May 2012 and the last station is due for completion in July 2013. No payments are due to the builder (Balfour Beatty) until the first station of the project is completed and handed over which is Patterdale in Cumbria in November 2011.

40. Impairment Losses

The Authority incurred expenditure of £391,000 in 2009/10 and £860,000 in 2010/11 which did not add value to the buildings but maintained the upkeep of such assets. (e.g. Replacement boilers, yard repairs, tower repairs etc.) These costs are written off in the year to the surplus or deficit on the provision of services. These disclosures are consolidated in note 12 reconciling the movement in the year in Property Plant and Equipment. The figures are shown in other movement in cost or valuations

41. Capitalisation of Borrowing Costs

The Authority has not capitalised any borrowing costs in 2010/11.

42. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £96,500 (£0 in 2009/10). This was paid to nine members of staff across all areas of the fire service.

43. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Merseyside Pension Fund - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- The Firefighters Pension Scheme - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. The Government changed the funding mechanism for this scheme in 2006/07. This alleviated concerns about the possibility of large year on year fluctuations on local tax payers by creating a pension fund account. The primary objective is to allow the separation of the cost of providing pensions from the cost of running a fire and recue service.

Transactions relating to post employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000		**Firefighters Pension Scheme £000**	
	2010/11	**2009/10**	**2010/11**	**2009/10**
Comprehensive Income and Expenditure Statement				
Cost of Services				
• current service cost	1,631	1,036	12,670	8,070
• past service costs	(3,592)	-	(86,700)	-
• settlements and curtailments	-	-	-	-
Financing and Investment Income and Expenditure				
• interest cost	3,375	2,992	45,350	41,420
• expected return on scheme assets	(2,407)	(1,678)	-	-
Total Posts Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(993)**	**2,350**	**(28,680)**	**49,490**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• actuarial gains and losses	(1,726)	7,408	(32,860)	223,470
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(2,719)**	**9,758**	**(61,540)**	**272,960**
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the provision of Services for post	993	(2,350)	28,680	(49,490)

employment benefits in accordance with the Code				
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	1,836	2,236	5,773	6,354
• retirement benefits payable to pensioners			1,580	1,620

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a gain of £34.586m.

- The Past Service Cost gain is due to a change in scheme benefits. This is due to a change in benefit indexation from RPI (Retail Price Index) to CPI (Consumer Price Index). This relates to £90.292m as Non – Distributable Costs as recognised in the Comprehensive Income and Expenditure Account.

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2010/11	2009/10	2010/11	2009/10
Opening balance at 1 April	**(59,963)**	**(42,067)**	**(854,980)**	**(610,470)**
Current service cost	(1,631)	(1,036)	(12,670)	(8,070)
Interest cost	(3,375)	(2,992)	(45,350)	(41,420)
Contributions by scheme participants	(630)	(644)	(3,030)	(3,310)
Actuarial gains and losses	886	(14,758)	32,860	(223,470)
Benefits paid	1,663	1,534	29,010	31,760
Past service costs	3,592	-	86,700	-
Entity combinations	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31 March	**(59,458)**	**(59,963)**	**(767,460)**	**(854,980)**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11	**2009/10**
	£000	**£000**
Opening balance at 1 April	**36,682**	**26,308**
Expected rate of return	2,407	1,678
Actuarial gains and losses	840	7,350
Employer Contributions	1,836	2,236
Contributions by scheme participants	630	644
Benefits paid	(1,663)	(1,534)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	**40,732**	**36,682**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a surplus £2.988m (2009/10: surplus £9.028m).

Scheme history

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	(42,537)	(49,321)	(42,067)	(59,963)	(59,458)
Firefighters Pension Scheme	(731,330)	(635,560)	(610,470)	(854,980)	(767,460)
Fair value of assets in the Local Government Pension Scheme	30,626	30,695	26,308	36,682	40,732
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	**(11,911)**	**(18,626)**	**(15,759)**	**(23,281)**	**(18,726)**
Firefighters Pension Scheme	**(731,330)**	**(635,560)**	**(610,470)**	**(854,980)**	**(767,460)**
Total	**(743,241)**	**(654,186)**	**(626,229)**	**(878,261)**	**(786,186)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £786.186m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £777.761m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £1.972m. Expected contributions for the Firefighters Pension Scheme in the year to 31 March 2012 are £6.295m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighters pension Fund liabilities have been assessed by the Governments Actuary Department (GAD). The Local Government Pension Scheme has been assessed by the William M Mercer fund actuaries on behalf of the Metropolitan Borough of Wirral, based on the latest full valuation of the scheme as at 31st March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2010/11	2009/10	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.5%	-	-
Government Bonds	4.4%	4.5%	-	-
Other Bonds	5.1%	5.2%	-	-
Property	6.5%	6.5%	-	-
Cash Liquidity	0.5%	0.5%	-	-
Other	7.5%	7.5%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	21.4	20.4	23.4	23.3
Women	24.1	23.2	25.3	25.2
Longevity at 65 for future pensioners:				
Men	22.8	21.3	26.3	26.2
Women	25.7	24.1	28.0	28.0
Rate of RPI inflation	3.4%	3.3%	3.8%	3.9%
Rate of CPI inflation	2.9%	2.8%	3.0%	3.0%
Rate of increase in salaries	4.4%	4.55%	5.3%	5.4%
Rate of increase in pensions	2.9%	3.3%	3.0%	3.9%
Rate for discounting scheme liabilities	5.5%	5.6%	5.7%	5.8%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

The Firefighters Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011 %	31 March 2010 %
Equity investments	61	63
Government Bonds	11	12
Other Bonds	7	7
Property	8	6
Cash/Liquidity	2	3
Other assets	11	9
	100	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Local Government Pension Scheme					
Differences between the expected and actual return on assets	-	(11)	(29)	20	2
Experience gains and losses on liabilities	-	(3)	-	-	2
The Firefighters Pension Scheme					
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	1	2	1	2	3

44. Contingent Liabilities

At 31 March 2011, the Authority had no material contingent liabilities.

45. Contingent Assets

The Authority currently has no Contingent Assets.

46. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by one of the following rating services Fitch, Moody's and Standard & Poors. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are as detailed below:

A high credit rating is interpreted as the Fitch Rating Ltd criteria currently applied to the lending list. To be deemed highly rated the institution must satisfy at least the minimum of the following criteria:

- Long term credit rating A
- Short Term credit rating F1
- Individual rating C

In addition, the Authority will use banks whose ratings fall below the criteria specified above if all the following conditions are met:

- Wholesale deposits in the bank are covered by a government guarantee
- The sovereign government providing the guarantee is rated "AAA" by all three major ratings agencies (Fitch, Moody's and Standard & Poors)
- The Authority's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee

Investment Limits

The credit ratings and individual limits for each institution within the categories of investments to be used by the Authority in 2010/11 are as follows:

UK local authorities	£3 million
Debt Management Account Deposit Facility	£3 million
Money Market Funds (AAA rated)	£3 million
UK Banks and Building Societies (AA or higher rated)	£2 million
UK Banks and Building Societies (A or higher rated)	£1 million
Foreign banks registered in the UK (AA or higher rated)	£1 million
Banks covered by Government Guarantee	£3 million

The maximum that may be invested with different banks that are part of the same conglomerate shall not exceed the maximum of the highest rated bank within the group. The limits may be exceeded for short periods when there are adverse conditions in the money market with the agreement of the Assistant Chief Executive & Treasurer.

Bank and Money Market Fund ratings are checked at least each month. The Authority is alerted by e-mail when there is an amendment by any of the agencies to the credit rating institution. If an amendment means an institution no longer meets the Authority's minimum requirement or any doubt over its financial standing exists than that institution is removed immediately from the counterparty lending list. Conversely, an institution may be added to the list should it achieve the minimum rating.

Non Specified Investments

Non-specified investments do not, by definition, meet the requirements of a specified investment. The CLG guidance requires that greater detail is provided of the intended use of non-specified investments due to greater potential risk. It is proposed that any cash balances invested in non-specified investments are undertaken only with mutual building societies that do not meet the specified criteria above.

The majority of building societies do not provide credit ratings to the credit rating agencies (so cannot be classed as specified investments) and inclusion on the lending list and individual lending limit has hitherto been determined by asset size. It is proposed to continue current practice and select the top 10 building societies, determined by asset size, for inclusion on the counterparty list. Those societies that are within the top ten but do not have an agency determined credit rating shall have an individual limit of £1 million. Those that are credit rated will have limits determined by the criteria for specified investments. Building society rankings are checked annually with the Building Societies Association.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies is £0 at 31 March 2011 as the Authority does not currently have any investments.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2011 £000	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31 March 2011 %**	**Estimated maximum exposure to default and uncollectability at 31 March 2011 £000**	**Estimated maximum exposure at 31 March 2010 £000**
	A	B	C	(A X C)	
Investments	-	-	-	-	-
Customers	718	4.5	4.4	32	13
				32	**13**

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and investments.

The Authority allows 30 days credit for customers, such that £0.280m of the £0.718m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011 £000	31 March 2010 £000
Less than three months	241	114
Three months to one year	7	88
More than one year	32	13
	280	**215**

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that loans will mature at different intervals through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities for PWLB is as follows:

	31 March 2011 £000	31 March 2010 £000
Less than one year	2,000	2,500
Between one and two years	1,000	2,000
Between two and five years	1,975	2,975
More than five years	38,100	38,100
	43,075	**45,575**

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs. (The Authority currently has no variable rate loans with PWLB).

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	7
Increase in interest receivable on variable rate investments	(72)
Increase in government grant receivable for financing costs	(33)
Impact on Surplus or Deficit on the Provision of Services	**(98)**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**(98)**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(1,309)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Authority does not invest in equity shares or have shareholdings in joint ventures or local industry. The Authority is consequently not exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Firefighters Pension Fund Accounts

Fund Account

2009/10 £000			2010/11 £000
	Contributions receivable:		
	Fire Authority:		
(6,149)	• contributions in relation to pensionable pay	(5,737)	
(205)	• early retirements	(36)	
(1,515)	• other	-	
(3,210)	Firefighters contributions	(3,013)	
(11,079)			**(8,786)**
(100)	**Transfers in from other authorities**		**(7)**
	Benefits payable:		
21,202	• pensions	22,159	
8,403	• commutation and lump sum retirement benefits	5,035	
113	• lump sum death benefits	154	
1,552	• other	-	
31,270			**27,348**
	Payments to and on account of leavers:		
385	• transfers out to other authorities	78	
-	• refunds of contributions	-	
385			**78**
20,476	**Net amount payable for the year**		**18,633**
(20,476)	Top – up grant payable by the government		(18,633)
-			**-**

Net Assets Statement

2009/10 £000		2010/11 £000
	Current assets	
-	Contributions due from the Fire Authority	-
-	Recoverable overpayments of pensions	-
7,331	Top-up receivable from the Government	5,462
1,821	Debtors	1,884
(8,739)	Cash	(7,275)
	Current liabilities	
(413)	Creditors	(71)
-	Amount payable to central government	-
-		-

Notes to Pension Fund Account

Contribution Rates

Under the firefighters pension regulations the contribution rates for the 2006 scheme were 19.5% of pensionable pay (11% employers and 8.5% employees) and the contribution rates for the 1992 scheme were 32.3% of pensionable pay (21.3% employers and 11% employees). Ill health contributions, for firefighters who retired due to ill health are also paid into the pension fund.

Benefits Paid

Pensions are paid to retired officers, their survivors and others who are eligible for benefits under new and existing pension schemes.

Communities and Local Government (CLG) Grant

There are no investment assets and the fund is balanced to zero each year by receipt of a top up grant from the CLG, if contributions are insufficient to meet the cost of pension payments, or by paying over any surplus grant.

Accruals

The fund has been prepared on an accruals basis.

Future Liabilities

The fund statement does not take account of liabilities to pay pensioners and other benefits after year end.

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Assistant Chief Executive and Treasurer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Assistant Chief Executive and Treasurer responsibilities

The Assistant Chief Executive and Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practises as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the CODE).

In preparing this Statement of Accounts, the Assistant Chief Executive and Treasurer has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Assistant Chief Executive and Treasurer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

This Statement of Accounts gives a true and fair view of the financial position of the Authority as at the 31st March 2011 and of its expenditure and income for the year ended 31st March 2011.

Kieran Timmins
Assistant Chief Executive and Treasurer
30th June 2011

Statement of Approval for the Statement of Accounts

The statement of Accounts for the year 1st April 2010 to 31st March 2011 was approved for issue on the (no later than 30th September but following the Audit of the Accounts) by Merseyside Fire and Rescue Authority (Report CFO/XXX/XX).

Chair of the Authority Meeting Approving the Accounts
(no later than 30th September but following the Audit of the Accounts)

Auditors Report To Follow.

Glossary of terms used in the Statement of Accounts

ACCRUALS
Accruals are amounts that are recognised in the accounts as they are earned or incurred not as money is received or paid. 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 period in which any cash is received or paid.

BALANCE SHEET
The Balance Sheet is fundamental to the understanding of the Authority's financial position at the year-end. The Balance Sheet shows the values as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority.

CAPITAL EXPENDITURE
Capital expenditure is expenditure on the acquisition or construction of fixed assets such as land, buildings, vehicles and equipment or expenditure which adds to and not merely maintains the value of the existing asset.

COLLECTION FUND ADJUSTMENT ACCOUNT
The collection fund adjustment account provides a mechanism for recognising the Authority's share of the Collection Fund surplus/deficits at year end.

CORPORATE AND DEMOCRATIC CORE
The corporate and democratic core comprises all activities that the Authority engages in specifically because it is an elected multi-purpose Authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CLG
Communities and Local Government is the Government Department responsible for the national policy on local government.

CREDITORS
Creditors are amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the 31st March 2011.

CURRENT ASSETS
Current assets are assets which can be reasonably expected to be consumed or realised within the next 12 months e.g. stocks, debtors, cash.

CURRENT LIABILITIES
Current liabilities are amounts owed by the Authority and due for payment during the next 12 months e.g. short term borrowing and short term creditors.

DEBTORS
Debtors are entities who owe amounts to the Authority for work done, goods sold or services rendered but have not paid the Authority at the financial year-end.

DEFINED BENEFIT SCHEME
A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

DEPRECIATION
Depreciation is a measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

FAIR VALUE
The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

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

INVENTORIES
Inventories are the amount of unused or unconsumed goods held in expectation for future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

LONG TERM ASSETS
Long term assets are assets that yield benefits to the Authority and the services it provides for a period of more than one year.

LONG TERM LIABILITIES
Long term liabilities are amounts owed by the Authority and due for payment at a time greater than 12 months e.g. Long Term Borrowing.

MINIMUM REVENUE PROVISION
The minimum revenue provision is the minimum amount that must be set aside from revenue towards the repayment of loan debt.

NET BOOK VALUE
The net book value is the amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

A provision is an amount set aside to meet potential future liability but the exact amount and date on which the liability is due is uncertain.

REMUNERATION

Remuneration is all sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

Reserves are amounts set aside to meet future contingencies but whose use does not affect the Authority's net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account. This is a crucial distinction between provisions and reserves.

RETIREMENT BENEFITS

Retirement benefits are all forms of consideration given by the Authority in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include terminations benefits payable as a result of either 1) the Authority's decision to terminate an employee's employment before the normal retirement date or 2) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE

Revenue expenditure is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

USEFUL LIFE

Useful life is the period over which the Authority will derive benefits from the use of a fixed asset.