(see “photo” cover sheet)

2009-2010 FRONT SHEET

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2009-2010
(Subject to Audit)

CONTENTS

EXPLANATORY FOREWORD

1. INTRODUCTION

The Accounts, which are set out on the following pages, demonstrate the financial performance for the financial year 2009/10 (1st April 2009 to 31st March 2010) and the financial position at the end of the year in respect of Merseyside Fire and Rescue Authority. The document is broken down into a number of sections the details of which are outlined below:

- **Statement of Accounting Policies** - this explains the basis for the recognition, measurement and disclosure of the transactions in the accounts and other events in the accounts.
- **The Income and Expenditure Account** - this reports the net cost for the year of all the functions for which the Authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local tax payers.
- **The Statement of Movement on General Fund Balance** – this gives a full presentation of the financial performance of the Authority during the year and the actual spending power carried forward to future years. This statement reconciles the Income and Expenditure Account with General Fund Balances.
- **Statement of Total Recognised Gains and Losses -** Financial Reporting Standard 3 (FRS3) requires all recognised gains and losses be reported in this statement.
- **The Balance Sheet** - this shows the Authority's balances and reserves, its long term indebtedness and fixed and net current assets at 31st March 2010.
- **The Cash Flow Statement** - this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **The Pension Fund Account** – this provides information about the financial position of the Fire Fighters Pension Fund. Every amount paid or repaid to or by the Authority shall be credited or, as the case may be, debited to the Firefighters' Pension Fund.
- **The Statement of Responsibilities for the Statement of Accounts** - this sets out the responsibilities of the Authority and of the Assistant Chief Executive & Treasurer with regards to the Statement of Accounts.
- **Annual Governance Statement** – this sets out the Authority's responsibility for setting in place a system of governance and internal control and summarises that control framework.

Additional information is provided in the notes to the core financial statements.

The Statement of Accounts meets the requirements of the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. REVIEW OF THE YEAR

2009/10 has again been a tremendous year for Merseyside Fire and Rescue Authority with many successes and innovations whilst still coping with significant financial pressures.

The Authority approved its Second Integrated Risk Management Plan (2008/2011) and associated Action Plan in February 2009, which set the framework for performance for the year. Part of the modernising agenda for change recommends moving away from traditional models for fire cover, where the level of resources set in place was based upon meeting targets for speed and weight of response to emergency incidents, to a risk based approach, where the fire cover set in place is based upon a risk assessment with a view to reducing the number of deaths and injuries arising from fire. This sets out a blueprint for making Merseyside safer from fire. The full document is available on the Authority website www.merseyfire.gov.uk.

The IRMP was set against a financial background where 2009/10 was the second year of a three year financial settlement by Government, which provided a grant increase of 1.0% in 2008/09, 0.5% in 2009/10 and an indicative grant increase of only 0.5% for 2010/11. As over 60% of the Authority's revenue funding comes from Government the Authority has recognised that to maintain its financial planning targets for council tax *(increases of no more than 4%)* significant savings would have to be achieved. To deliver the required level of cost reduction the Authority has acknowledged that it would have to reduce the number of its staff. At the same time the Authority was and is committed to avoiding compulsory redundancies. In order to address the financial issues the Authority developed an innovative financial plan which involved:

- 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
- Continue with its modernisation programme and deliver the Authority's vision of making Merseyside a Safer, Stronger, Healthier Community

Despite the financial pressures the Authority set itself the challenge of building 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. It would:

- 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

Despite the financial pressures, Merseyside has worked hard to remain at the forefront of modernisation and to build upon its past success. In the latest round of the Audit Commission's Comprehensive Area Assessment (CAA) which was conducted during 2009/2010 the Authority has continued its high performance;

The 2009 Organisational Assessment rated the Authority's performance as 3 out of 4, or "Performs Well". The Audit Commission reported that:

Managing Performance:
"Merseyside Fire and Rescue Authority scores 3 out of 4 for managing performance. This is because it responds well to fires and other emergencies and works hard to prevent such emergencies and protect communities. It targets prevention work to those people and communities that are at the highest risk. Its Home Fire Safety Check programme is ambitious and successful."

Use of Resources:
"Merseyside Fire and Rescue Authority scores 3 out of 4 for use of resources to deliver value for money. This is because the Authority manages its finances well and has a good track record of delivering efficiency savings by changing working practices and increasing productivity. As fires

have reduced the Authority has shifted resources from emergency response to prevention and protection in the highest risk areas. It is working with other public services to deliver better outcomes in all the communities across Merseyside."

(The Government has recently announced the CAA assessment regime will be discontinued and any alternative process is yet to be identified)

Overall staffing arrangements have changed at over a third of fire stations in Merseyside whilst performance standards and response have been maintained. Expected reductions of staff by natural retirement rates have been in line with assumptions.

Key performance successes achieved by the end of 2009/10 include:-

- For the second year the Authority is the only fire authority in the world to visit 100,000 households in a single year (and well over 600,000 visits have been carried)
- Fitted approximately 700,000 free smoke alarms
- Reduced fire deaths from an average of 20 in 1999 to 8 in 2009/10, a 60% reduction.
- Employed advocates which serve diverse communities like age, disability, deafness, drugs, alcohol, arson and anti-social behaviour, as well as multilingual specialists.

The table below summarises some key performance over the last 6 years:

Year	Accidental Dwelling Fires	Injuries in Accidental Dwelling Fires	Fatalities in Accidental Dwelling Fires	Anti Social Behaviour Fires
2003-2004	1,612	171	9	18,984
2004-2005	1,470	173	11	12,258
2005-2006	1,456	155	11	11,689
2006-2007	1,336	126	8	12,721
2007-2008	1,286	69	9	10,449
2008-2009	1,302	107	9	7,648
2009-2010	1,297	117	8	7,372
Reduction between 2003/04 to 2009/10	-19.5%	-31.6%	-11%	-61.2

<u>The External Economic Climate in 2009/10 –"the Credit Crunch"</u>

2009/10 has seen the continuation of the unprecedented downturn in the world's economic climate. Government financial support and intervention continued in the banking sector to maintain financial fluidity within the economy. The record fall both in interest rates and property values coupled with a rise in unemployment has impacted on the Authority in 4 key areas:

- Service Requirements - there is a strong link between deprivation and fire risk, therefore the Authority is working hard to identify those people most at risk from fire. The Authority will continue to work with its partners to protect those groups most at risk. The downturn in the economic climate is likely to increase the demand for the Authority's services.

- Treasury management – as a consequence of the banking crisis in 2008/09 and in light of the perceived potential risk to investments and the reducing investment income yields as interest rates fell, the Authority reviewed its treasury management strategy. The decision was taken to use any available cash to fund Authority expenditure requirements rather than seek any further loans.

- Future Government Funding – over 60% of the Authority's revenue funding comes from Government grants. The 2010/11 grant increase was consistent with the Authority's current 5 year financial plan, however, the expectation is that there will be significant reductions in future grant funding for 2011/12 and beyond. The Authority has an excellent record of effective financial planning and has already started to take steps to update the approved 5 year financial plan, identifying further areas of efficiency to deliver any required savings.

- Property Values – the Authority is required to value its properties at intervals no greater than 5 years. A full valuation was carried out in 2009/10 and resulted in a net overall increase in the service's property portfolio.

3. **FINANCIAL POSITION 2009-2010**

Revenue Budget

The Authority set a 2009/2010 budget, financial plan and capital programme that was consistent with its approved financial strategy. The council tax increase for 2009/2010 was 3.85% and details of the budget and assumptions approved in the 2009/2010 budget resolution can be summarised as follows:

- Revenue Budget:
  - set at £72.110million
  - provision for pay-bill and inflation increases of 2%
  - a target to deliver gross savings of £3.9m in 2009/10 rising to £4.6m by 2011/12
- Capital:
  - a five year capital programme, 2009/2010 – 2013/2014, of £36.4m
  - planned spend in 2009/2010 of £12.4m
- Reserves:
  - Maintain a general reserve of £2.1m
  - Approve £5.1m of earmarked reserves to fund specific projects and one-off initiatives. This included a modernisation reserve of approximately £0.7m to fund potential upfront investments that might deliver longer term savings.

The budget reflects in financial terms the Authority's plan to deliver its vision and objectives for making Merseyside a safer, stronger, healthier community. During the year the Authority received regular financial review reports, detailing the budget amendments to the revenue and capital budgets, plus the movements from and to reserves. The table below summarises the changes made to the original budget throughout the year.

REVENUE BUDGET MOVEMENTS IN 2009/2010

	Original Budget	Qtr 3 Report Budget	Further Budget	Final Budget	Original to Final Budget
	£'m	£'m	£'m	£'m	£'m
Net Expenditure					
Fire Service	71.222	71.714	0.318	72.032	0.810
Corporate	0.587	0.583	0.000	0.583	-0.004
	71.809	72.297	0.318	72.615	0.806
Use of Reserves	0.301	-0.187	-0.318	-0.505	-0.806
Total Expenditure	72.110	72.110	0.000	72.110	0.000
Funded By					
Government Grant	-46.074	-46.074	0.000	-46.074	0.000
Precept	-26.036	-26.036	0.000	-26.036	0.000
	-72.110	-72.110	0.000	-72.110	0.000

CAPITAL BUDGET MOVEMENTS IN 2009/2010

	Original Budget	Qtr 3 Report Budget	Further Budget	Final Budget	Original to Final Budget
	£'m	£'m	£'m	£'m	£'m
Total	12.352	8.717	0.075	8.792	-3.560

As the table shows, the overall budget remained in line with the original budget. However, gross fire service expenditure increased, which was funded by the use of reserves. The increase was due to spending in relation to sponsorship, grant or earmarked funds received in prior years for those one-off projects or investments incurred in 2009/10.

The single most strategic and demanding aspect of the approved financial plan is the implementation of the approved budget savings of £3.872m in 2009/10 rising to £4.597m by 2011/12. During the year the Authority was informed on the progress being made in implementing the approved saving options through its comprehensive financial review reports. The service has successfully implemented all the saving options, although a slight timing issue on some options was managed by controlling expenditure within the overall employee budget.

Actual Revenue Expenditure

A small potential underspend was identified during the year and the Authority challenged the service to deliver the maximum savings by the year-end in order to increase reserves. The 2009/10 outturn position is consistent with that expected the approved financial plan and reported during the year.

Before taking account of the year-end reserves movements or adjustments the Authority underspent compared to its budget by £1.979m. However savings did arise in a number of areas due to the timing of projects and grant funded initiatives where spending profile covered two or more financial years. Earmarked reserves of £0.964m have been created at the end of 2009/10 to carry forward funding in line with the expenditure. The saving after taking these reserves into account was £1.015m or 1.4%.

As part of the Authority's response to the tightening of future public sector finances, a strategy of increasing its reserves has been approved. This will provide a short term financial buffer while the Authority identifies and implements any required efficiency strategies. A decision has been taken to borrow to fund smoke alarm installation costs instead of funding them by a revenue contribution as part of this prudent medium term financial strategy. This means that £1.339m of revenue funding is available. That resource has been used to increase the smoothing reserve as part of the agreed strategy for increasing reserves. The Authority has recommended this action only as part of a coherent medium term strategy.

Year-End revenue summary:

	£'m
Revenue Budget	72.110
Actual before year-end reserves	70.131
Year-end savings BEFORE required adjustments	-1.979
Year-End Earmarked Reserves	0.964
Revised underspend	-1.015
Fund capitalised alarm installation via borrowing	-1.339
Revised year-end saving	-2.354
Increase Smoothing Reserve	2.354
Adjusted Year-End Position	0.000

A summary of the main areas of savings in comparison to the available budget is given below:

- Reduction in employee cost as a result of increased capitalised smoke alarm installation work, £0.339m, and having no firefighter ill health retirements in the year, £0.119m saving.
- Additional external income mainly from fees and charges following the service's success in selling its training and expertise to other public bodies, generating an additional £0.258m.
- Careful management of controllable supplies and services expenditure and deferring some purchases the Authority saved £0.419m.

The table overleaf summarises the year-end position to the final budget:

2009/10 Year - End Summary

Expenditure head	Budget	Actual	Variance	New Yr-end ER Request	Fund HFSC Installation Via Borrowing	Year-End Adjustment	Adjusted Variance after ER: Variance	Adjusted Variance after ER: Variance
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Employees	58.863	58.289	-0.574				0.073	-0.501
Premises	2.466	2.547	0.081				0.016	0.097
Transport	1.710	1.635	-0.075				0.000	-0.075
Supplies & Services	4.998	4.184	-0.814				0.355	-0.459
Agency	2.268	2.453	0.185				-0.250	-0.065
Central Support Services	0.241	0.228	-0.013				0.014	0.001
Corporate Management	0.584	0.611	0.027				0.000	0.027
Income	-4.416	-5.292	-0.876				0.596	-0.280
Net Service Expenditure	66.714	64.655	-2.059				0.804	-1.255
Interest Payable / Income	2.305	2.144	-0.161				0.160	-0.001
MRP / RCCO	3.499	3.838	0.339		-1.339		0.000	-1.000
Inflation Provision	0.099	0.000	-0.099				0.000	-0.099
Operating (Surplus)/Deficit	72.617	70.637	-1.980	0.000	-1.339	0.000	0.964	-2.355
Movement on Earmarked	-0.907	-0.907	0.000	0.964		2.354	shown above	2.354
General Reserve	0.400	0.400	0.000			0.001	0.000	0.001
	72.110	70.130	-1.980	0.964	-1.339	2.355	0.964	0.000

2009/10 Capital Expenditure

The Authority originally approved a capital budget for 2009/2010 of £12.352m and after taking account the re-phasing from 2008/2009 of £2.079m it was increased to £14.431m. There were further re-alignments completed in the year as follows:

- Re-phasing of expenditure from 2009/10 to future years in line with the Asset Management Plans approved during the year **-£6.741m**, mainly from the building programme £4.413m (Kensington CFS £1.500m), the ICT programme £0.325m and the vehicle replacement programme £1.483m.
- Increases in the 2009/10 programme approved during the year totalled **+£1.102m** mainly reflected in the building programme approved by the Authority £0.385m (Eccleston LLAR Building £0.300m) and the ICT programme £0.640m (Children's Information management system, £0.250m & incident management system, £0.221m)

The final 2009/10 capital budget was set at £8.792m.

The actual spending in the year was £6.574m, a net "underspend" of £2.218m against the final budget. The summary below explains the variation:

	£'m
• Reported "underspend"	-2.218
• Add back Re-phasing of schemes into 2010/11 identified at the year-end	2.514
• Net Overspend	0.296

Therefore the year-end position on the 2009/10 capital programme was in fact a small overspend of £0.296m mainly because of excellent performance in carrying out a higher than expected number of home fire safety checks – over 100,000 in the financial year (£0.339m) offset by other minor underspends.

Some of the major asset investments achieved in 2009/10 were:

- Near completion of the adaptation work on the new workshop building and two separate office accommodation blocks at a cost of £0.943m in 2009/10. The scheme has a planned completion date for early 2010/11 and will be developed as an Engineering Centre of Excellence.
- Over 100,000 HFSC were carried out in homes across Merseyside. The investment in the HFSC's and installation of smoke alarms was £2.055m.
- £1.071m 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.
- £1.535m 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 most significant re-phasing relates to the following schemes:

- Building Programme, £1.056m year-end re-phasing. The Authority are in the process of finalising a number of tenders and work plans for schemes originally phased for 2009/10. By the very nature of the schemes the drawing up of designs, getting planning approval, tenders and contractors on site can mean schemes extend over more than one financial year.
- ICT, £0.862m year-end re-phasing. The late addition of some significant ICT schemes added approximately £0.445m to the programme, but most of the hardware will arrive early in 2010/11 giving rise to £0.334m re-phasing. The service is looking to increase the resilience of the Authority Headquarters by installing back up power arrangement, £0.130m. Detailed planning work has taken place with consultants and the bulk of the preparation work has been completed but the actual procurement of generators will now take place in 2011/12.
- Vehicle Replacement Programme, £0.408m year-end re-phasing. Technical challenges have delayed the completion by 6 months of the refurbished specialist appliances.

A summary of the capital outturn position to the budget analysed by each of the major service blocks is outlined in the table below:

2009/10 Capital 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	5.311	2.761	1.675	1.056	-0.030
Fire Safety	1.754	1.726	2.055	0.000	0.329
Hydrants	0.037	0.026	0.024	0.002	0.000
ICT	1.302	1.935	1.071	0.862	-0.002
RCC ICT	0.136	0.137	0.014	0.123	0.000
Operational Equipment	0.677	0.246	0.194	0.050	-0.002
T.D.A.	0.010	0.020	0.007	0.013	0.000
Vehicles	3.125	1.941	1.534	0.408	0.001
TOTAL	12.352	8.792	6.574	2.514	0.296
FINANCING					
Capital Receipts	0.900	0.000	0.000		0.000
Revenue Contribution	1.000	1.433	0.433		-1.000
Grants	1.105	1.055	1.055		0.000
External Contributions	0.000	0.000	0.000		0.000
Supported Borrowing	3.160	3.160	3.160		0.000
Unsupported Borrowing	6.187	3.144	1.926	2.514	1.296
TOTAL	12.352	8.792	6.574	2.514	0.296

2009/10 Movement on Reserves:-

The Authority anticipated utilising earmarked reserves in 2009/10, particularly for projects carried forward from 2008/09, of approximately £0.880m and carrying forward £6.778m. The final position was a closing balance of £10.096m, an actual increase to that anticipated of £3.318m. The general reserve was in line with the forecast.

MOVEMENT ON RESERVES 2009/10

Reserves	Opening Balance	Anticipated Closing Balance	Actual Closing Balance	Variation to that Anticipated
	£m	£m	£m	£m
Earmarked Reserves	7.685	6.778	10.096	3.318
General Revenue Reserve	2.143	2.543	2.544	0.001
Total Reserves	**9.828**	**9.321**	**12.640**	**3.319**

The £3.318m increase can be summarised as:

- an additional **£**0.964m was added to earmarked reserves at the year-end to cover timing issues associated with the grant funded and special projects
- utilise the general revenue underspend in 2009/10, £1.015m, to increase the smoothing reserve as part the approved strategy of increasing reserves.
- the decision to borrow to fund smoke alarm installation costs instead of funding them by a revenue contribution freed up a further £1.339m of revenue funding to increase the smoothing reserve.

The general revenue reserve stood at £2.544m at the year-end which was consistent with that forecast during the year.

In summary the Authority has set aside a number of reserves at the end of 2009/10 that will increase the overall level of reserves by £2.812m from the start of the financial year to £12.640m as at 31st March 2010.

4. FINANCIAL OUTLOOK

The Authority has developed a medium term financial strategy that aims to:

- Invest resources in line with the Integrated Risk Management Plan (IRMP)
- Maximise investment in community fire safety
- Minimise council tax increases
- Avoid compulsory redundancies
- Deliver significant efficiencies in the medium term to tackle underlying budget deficits.

The Authority had assumed government grant increases for 2010/11 to be at the level announced by the Government at +0.5%, and then thereafter at 2% per annum in its financial plan. The Government has yet to announce the latest spending review and the amount of grant available in the medium term, however, most commentators expect that significant cuts will be required in public spending from 2011/12 and the position is likely to be more challenging than that assumed in the financial plan. The financial plan also assumes that the pay bill for this period will increase by 2% for each year.

Any variation from the revised grant or pay increases will impact on the level of required savings currently built into the financial plan. Merseyside has difficult challenges and savings targets to achieve in 2010/11 and future years but is very well placed to meet those targets because of the significant progress it has already made. **Work is well underway in developing a strategy for responding to the dynamic financial environment.**

The Authority set its budget for 2010/2011 at an expenditure level of £73.326m. The original budget anticipated £7.098m of earmarked reserves to be available to fund specific initiatives in 2010/11 or future years. As a result of movements since the budget was approved or as part of the 2009/10 year-end review the opening earmarked reserve position is now £10.096m and a general reserve of £2.544m.

FURTHER INFORMATION

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STATEMENT OF ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. The Authority's accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP).* This SORP has been prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA). All accounting policies are disclosed where they are material. Where a recommended accounting policy has not been adopted then a note to such effect has been provided.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The accounts have been prepared using the following qualitative characteristics of financial information:

1. RELEVANCE

The accounts are prepared so as to provide readers with information about the Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

2. RELIABILITY

The accounts have been prepared on the basis that the financial information contained within them is reliable, that is, they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent.

In addition, the accounts have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character. In determining the substance of a transaction, it has been necessary to identify all of its aspects and implications. Any group or series of transactions that achieves or is designed to achieve an overall economic effect has been viewed as a whole.

Where there was uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as the basis to inform the selection and application of accounting policies and estimation techniques.

3. COMPARABILITY

The accounts have been prepared so as to enable comparison between financial periods and with similar information about other entities. To aid comparability the Authority has applied accounting policies consistently within the accounts for a year and between years. No change to accounting policies have been made unless they could be justified on the grounds that the new policy is preferable to the old and would give a fairer view of the transactions and financial position of the Authority.

4. UNDERSTANDABILITY

All effort has been made to make the accounts as easy to understand as possible. Nevertheless, they do assume that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable then an explanation has been provided in the glossary.

5. MATERIALITY

Strict compliance with the SORP, as to both disclosure and accounting principles, is not necessary where the amounts involved are not material to the fair presentation of the financial position and transactions of the Authority and to the understanding of the Statement of Accounts by a reader.

The accounts are also prepared in accordance with the pervasive accounting concepts as defined by the SORP:

6. GOING CONCERN

The financial statements are prepared on a going concern basis. This means that the accounts have been prepared on the assumption that the Authority will continue to operate for the foreseeable future. This means in particular that the Income and Expenditure Accounts and Balance Sheet assume no intention to significantly curtail the Authority's operation.

7. ACCRUALS

The financial statements, other than cash flow information are prepared on an accrual basis. This means that income and expenditure are reflected in the financial statements in the period in which they are incurred or earned not simply when cash payments are made or received.

8. PRIMACY OF LEGISLATIVE REQUIREMENTS

The Authority's financial accounting framework is closely controlled by central government. It is a fundamental principle that where specific legislative requirements and accounting principles conflict then legislative requirements shall apply.

The following accounting policies have been applied when preparing the accounts:

9. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.

- 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 stocks on the balance sheet.

- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.

- Interest payable on borrowings and receivable on investments is accounted for 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

10. PROVISIONS

The Authority makes provision for any liability or loss, which is certain to be incurred, but which is uncertain as to the amount or the date on which it will arise. Provisions exist for meeting the cost of insurance settlements, bad debts and obsolete stock.

Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

The values of debtors and stocks are shown in the Balance Sheet net of provisions for bad debts and obsolete stocks respectively. Details of the remaining provisions are included in the notes to the accounts.

11. RESERVES

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

Certain reserves are kept to manage the accounting processors for tangible fixed assets and retirement benefits and they do not represent usable resources for the Authority.

The Authority maintains a prudent Revenue Account Balance. It also holds a number of earmarked revenue reserves and various ring-fenced reserves that relate to specific grant funded schemes. Further details of all reserves can be seen in notes to the core financial statements.

12. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the condition of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

13. RETIREMENT BENEFITS

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

- The Firefighters Pension Scheme for uniformed employees
- The Local Government Pension Scheme for civilian employees

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

FRS17 is the accounting standard for pensions. The objectives of the standard are to ensure that:

- Financial statements reflect at fair value the assets and liabilities arising from the employers retirement benefit obligations and any unrelated funding
- The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees and the related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses on assets and liabilities.

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits are not payable until employees retire, the Authority has a commitment to make the payments. This commitment needs to be disclosed at the time that employees earn their future pension entitlement.

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 and this has alleviated concerns about the possibility of large year on year fluctuations on local tax payers by creating a pension fund account. FRS 17 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Income and Expenditure Account for movements in the liability and reserve.

The Local Government Pension Scheme

- The Local Government Pension Scheme (LGPS) 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). This is a funded scheme meaning that the Authority and eligible employees pay contributions into the Fund, calculated at a level intended to balance pension liabilities with the Authority's share of the Funds investment assets.

- 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 an appropriate discount rate of 5.6%.

- The assets of the 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 costs – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of 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 Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
    - 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 Net Operating Expenditure in the Income and Expenditure Account
    - gains/losses on settlements and curtailments – the results of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part on 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 actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses

- o contributions paid to the Merseyside Pension Fund – cash paid as employer's contributions to the pension fund.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The Authority 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.

14. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from HM Revenue and Customs.

15. OVERHEADS AND SUPPORT SERVICES

The cost 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 2008 (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 any depreciation and impairment losses chargeable on non operational properties

These two cost categories are defined in BVACOP and accounted for as separate objective headings in the Income and Expenditure Account, as part of Net Cost of Services.

16. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. software licences) is capitalised when it will bring benefits to the Authority for one year or more. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption benefits.

17. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accrual basis, provided that it yields benefits to the Authority and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement basis:

- Fire stations are deemed to be specialist in nature and valued at depreciated replacement cost as there is no readily made market available for the sale of these assets.

- Headquarters, Training & Development Academy, Mobilising & Communications Centre, Workshops and LLAR accommodation are valued at open market value for existing use.

- Vehicles, plant and equipment - carrying value on the balance sheet at the Depreciated Historic Cost (DHC) as a proxy for the current value of operational assets.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value

- Specialised operational properties – depreciated replacement cost

- Investment properties and surplus assets – market value

- Assets included in the Balance Sheet at current values are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from reversal of an impairment loss previously charged to a service revenue account.

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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Equipment Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. The capital receipts are required to be credited to the Capital Receipts Reserve and can then be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are apportioned to the Reserve from the Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following basis:

- Buildings – straight line allocation over the life of the property as estimated by the valuer

- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

Where an asset has major components with different estimated useful lives, these 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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

18. CHARGES TO REVENUE FOR FIXED ASSETS

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

- depreciation attributable to the assets used by the relevant service

- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise precept to cover depreciation, impairment losses or amortisations. However, it is required to make annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

19. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of tangible fixed assets has been charged to the relevant service revenue account in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing then a transfer to the Capital Adjustment Account reverses out the amounts charged in the Statement of Movement on the General Fund balance so there is no impact on the level of council tax.

20. LEASING

Finance Leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Authority. The Authority does not have any assets held on a Finance Lease.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

21. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. 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 Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income & Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

22. 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 quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the 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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

23. STOCKS AND WORKS IN PROGRESS

Stocks are included in the Balance Sheet on an average cost basis. The Authority holds stocks of uniforms, smoke alarms, consumable items and vehicle parts. The Authority has no works in progress

24. CHANGE IN ACCOUNTING POLICY

Property Valuations

The Authority's Property portfolio was revalued on 31st March 2010. Previously all property was valued on a Depreciated Replacement Cost basis. However in consultation with our valuers and auditors it was agreed to continue valuing all 26 Fire Stations under this method as 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, Workshops and Houses are to be valued on an Open Market Basis as buildings could be used for alternative purposes.

Accounting for Council Tax

From 1 April 2009, for both billing authorities and major preceptors, the council tax income in the Income and Expenditure Account for the year shall be accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund. Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. Therefore, there will be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

Reclassification of Interest Charges

The 2009 SORP clarifies the position on interest accruals on loans and investments and requires that long term and current parts of individual instruments should be separated. Even where separated, the assets and liabilities remain financial instrument balances and should be carried on the Balance Sheet as such rather than as part of debtors or creditors.

The above changes have had the following impact on the comparative figures for 2008/09 compared with those published in 2008/09 Statement of Accounts (only figures that have changed are included in the table).

	Figures Appearing in 2008/09 Statement of Accounts	Council Tax Charges			Reclassification of Interest		2008/09 Restated Comparatives
		Accrued Income	Council Tax Arrears	Amounts owed to Billing Authorities	Investment Income Accrual	Loan Interest Accrual	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Extract from Income and Expenditure Account							
Precepts	(25,348)	(477)					(25,825)
Statement of Movement on General Fund Balance							
Net additional amount required by statute and non – statutory proper practices to be debited or credited to the General Fund	(32,879)	477					(32,402)
Extract from the Balance Sheet							
Current Assets							
Debtors	3,067		1,698		(334)		4,431
Investments (Short Term)	8,000				334		8,334
Current Liabilities							
Short Term Borrowing	(641)					(490)	(1,131)
Creditors	(3,575)			(2,011)		490	(5,096)
Financed By							
Collection Fund Adjustment Account	0		(1,698)	2,011			313

INCOME & EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the fire service during the year. It includes all day-to-day expenses and related income on an accruals basis as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Restated Previous Year Net Expenditure £000's		Notes	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
9,775	Community Fire Safety		11,683	(1,523)	10,160
62,741	Fire Fighting & Rescue Operations		64,939	(3,769)	61,170
1,265	Corporate & Democratic Core		1,246	0	1,246
0	Non Distributable Costs (NDC)		0	0	0
73,781	**Net Cost of Services**	**1 to 7**	**77,868**	**(5,292)**	**72,576**
0	Loss on the disposal of fixed assets				
0	(Surplus)/deficits on trading undertakings not included in Net Cost of Services				
2,566	Interest payable and similar charges				2,241
0	Investment Losses				
(970)	Interest and investment income				(187)
44,355	Pensions interest cost and expected return on pensions assets				41,524
(15,803)	Gain in relation to government grant Payable to the Pension Fund on the Authority's behalf				(20,476)
103,929	**Net Operating Expenditure**				**95,678**
(25,825)	Precepts				(26,117)
(5,602)	General Government Grants	**8**			(9,446)
(40,243)	Non-domestic rates redistribution				(37,434)
32,259	**Deficit for the Year**				**22,681**

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The income and expenditure account shows the Fire Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The general fund balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Restated Previous Year £000's		**Notes**	**Current Year £000's**
32,259	Deficit for the year on the Income and Expenditure Account		22,681
(32,402)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	**9**	(23,082)
(143)	Increase in General Fund Balance for the Year		(401)
(2,000)	General Fund Balance brought forward		(2,143)
(2,143)	General Fund Balance carried forward		(2,544)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Restated Previous Year £000's		Notes	Current Year £000's
32,259	(Surplus)/Deficit for the year on the Income & Expenditure Account		22,681
0	(Surplus)/Deficit arising on the revaluation of fixed assets		(10,252)
0	(Surplus)/Deficit arising on the revaluation of available-for-sale financial assets		0
(75,826)	Actuarial (gains) & losses on pension fund assets and liabilities	**11**	222,958
(43,567)	Total recognised (gains)/losses for the year		235,387

BALANCE SHEET

BALANCE SHEET AS AT 31 MARCH 2010

Restated 31 March 2009		Notes	31 March 2010
£'000's			£'000's
	FIXED ASSETS		
121	**Intangible Fixed Assets**		236
	Tangible Fixed Assets		
	Operational Assets:		
28,263	- Land and Buildings		33,677
9,223	- Vehicles, Plant and Equipment		10,182
	Non-Operational Assets:		
2,379	Assets Under Construction		3,372
39,986	**Total Fixed Assets**	**13 to 18**	47,467
	CURRENT ASSETS		
408	Stock		427
4,431	Debtors	**19**	3,901
8,334	Investments (Short-Term)		1
5,254	Cash		9,190
13	Imprest		13
	CURRENT LIABILITIES		
(1,131)	Short-term Borrowing	**20**	(3,016)
(5,096)	Creditors	**19**	(4,934)
52,199	**TOTAL ASSETS LESS CURRENT LIABILITIES**		53,049
	LONG TERM LIABILITIES		
(49,575)	Long Term Borrowing	**20**	(43,075)
(403)	Insurance Provision	**21**	(350)
(113)	Government Grants Deferred		(353)
(650)	Deferred Liabilities		(609)
(608,679)	Liability related to Defined Benefit Pension Scheme	**11**	(851,271)
(607,221)	**TOTAL ASSETS LESS LIABILITIES**		(842,609)
	FINANCED BY:		
0	Revaluation Reserve		10,252
(8,360)	Capital Adjustment Account		(14,390)
303	Financial Instruments Adjustment Account		393
(313)	Collection Fund Adjustment Account		(233)
2,143	General Fund Balance		2,544
7,685	Earmarked Reserves		10,096
(608,679)	Pensions Account		(851,271)
(607,221)	**TOTAL NET WORTH**	**22**	(842,609)

CASH FLOW STATEMENT

2008-2009		Notes	2009-2010
£'000's			£'000's
	Revenue Activities		
	Cash outflows		
59,394	Cash paid to and on behalf of employees		57,560
12,394	Other Operating Costs		11,142
71,788	**Total Payments**		**68,702**
	Cash inflows		
(25,348)	Council Tax Receipts		(26,036)
(40,243)	Non Domestic Rate Receipts		(37,434)
(5,602)	Revenue Support Grant		(8,640)
(5,230)	Cash received for goods and services		(4,405)
(4,635)	**Net Cash Inflow from Revenue Activities**	**23**	**(7,813)**
	Return on Investments and Servicing of Finance		
	Cash outflows		
2,583	Interest paid		2,399
0	Discount on the early repayment of debt		(143)
	Cash inflows		
(964)	Interest received		(519)
1,619	**Net Cash Outflow from Servicing of Finance**		**1,737**
	Capital Activities		
	Cash outflows		
7,681	Purchase of Fixed Assets		6,574
	Cash inflows		
(10)	Sale of Fixed Assets		(19)
0	Capital Grants Received		(1,055)
7,671	**Net Cash Outflow from Capital Activities**		**5,500**
4,655	**Net Cash Outflow/(Inflow) before Financing**		**(576)**
	Financing		
	Cash outflows		
2,540	Repayments of amounts borrowed		4,640
	Cash inflows		
(4,100)	New loans raised		0
(1,560)	**Net Cash Inflow from Financing**		**4,640**
3,095	**Net (increase)/decrease in cash**	**24**	**4,064**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. LEASE RENTALS

The amounts paid in respect of finance and operating lease rentals and the estimated outstanding un-discharged obligations in respect of operating leases are as follows:

	2008-2009 Lease £'000	2009-2010 Lease £'000
Finance Leases	0	0
Operating Leases	157	143
Outstanding un-discharged operating lease obligations		
2010-2011		124
2011-2012		44
2012-2013		23

2. REMUNERATION

The note on senior officer remuneration below has been produced in line with the Accounts and Audit Regulations 2009 (Amendment No.2) regulation 4 (ENGLAND) The first table specifies the number of employees whose total remuneration (excluding employer's pension contributions) was £50,000 per year or more in the financial year, in multiples of £5,000. This table includes all employees whose total remuneration exceeds £50,000.

	No. Of Employees	
	2008/09	**2009/10**
£50,000-£54,999	32	40
£55,000-£59,999	15	22
£60,000-£64,999	6	4
£65,000-£69,999	2	4
£70,000-£74,999	1	1
£75,000-£79,999		1
£80,000-£84,999	1	
£85,000-£89,999	1	1
£90,000-£94,999		1
£95,000-£99,999		
£100,000-£104,999		
£105,000-£109,999		
£110,000-£114,999		
£115,000-£119,999		
£120,000-£124,999		
£125,000-£129,999		
£130,000-£134,999	1	
£135,000-£139,999		1
£140,000-£144,999	1	1
£145,000-£149,999		
£150,000-£154,999		
£155,000-£159,999		1
£160,000-£164,999	1	
£165,000-£169,999		
£170,000-£174,999		
£175,000-£179,999		
£180,000-£184,999	1	1
£185,000-£189,999		
£190,000-£194,999		
£195,000-£199,999		
£200,000-£204,999	1	
£205,000-£209,999		1
Total	63	79

Note 1
The increase in numbers of staff within these pay brackets from 2008/09 is largely explained by station based firefighting personnel (ranging from firefighters to watch managers) who have earned additional salary working extra shifts, overtime, flexible duty systems and taking on additional responsibilities. In all 28 Staff in the roles of Firefighter/Crew Manager/Watch Manager have earned over £50,000.

Note 2
In 2009/10 68 of the 79 staff receiving over £50k are uniformed operational staff who provide fire cover.

Note 3
A number of posts included in the above figures have been seconded out to other Government Bodies. These posts are either fully funded or part funded by the host body. The number of posts seconded out was a total of 5 in 2008/09 and 4 in 2009/10.

The second table sets out the remuneration disclosures for Senior Officer whose salary is £150,000 or more per year and senior employees whose salary is £50,000 or more and who are a designated head of paid service, a statutory Chief Officer or a non statutory Chief Officer of a relevant body, as defined under the Local Government and Housing Act 1989.

Post Holder Information (Post Title & Name)	Notes	Salary (Including Fees & Allowances)	Bonuses	Expense Allowances	Compensation for loss of office	Benefits in Kind (e.g. Car Allowance) Note 2	Total Remuneration	Pension Contributions by Authority to pension fund/account
2008/09			**£**	**£**	**£**	**£**	**£**	**£**
Chief Fire Officer and Chief Executive – Tony McGuirk		201,998	0	738	0	738	203,474	42,450
Deputy Chief Fire Officer and Deputy Chief Executive – Mike Hagen		176,801	0	738	0	2,494	180,033	36,093
Assistant Chief Fire Officer and Assistant Chief Executive – Bill Evans		158,845	0	738	0	1,623	161,206	33,827
Assistant Chief Executive & Treasurer – Kieran Timmins		135,663	0	0	0	5,819	141,482	21,123
Executive Director of Law – Dave Wright		126,373	0	0	0	6,316	132,689	20,355
TOTAL		**799,680**	**0**	**2,214**	**0**	**16,990**	**818,884**	**153,848**
2009/10								
Chief Fire Officer and Chief Executive – Tony McGuirk		204,577	0	756	0	738	206,071	43,485
Deputy Chief Fire Officer and Deputy Chief Executive – Mike Hagen		176,771	0	756	0	2,494	180,021	37,616
Assistant Chief Fire Officer and Assistant Chief Executive – Bill Evans		154,333	0	756	0	1,623	156,712	14,325
Assistant Chief Executive & Treasurer – Kieran Timmins		134,545	0	0	0	5,819	140,364	20,912
Executive Director of Law – Dave Wright	**Note 1**	129,284	0	0	0	6,316	135,600	21,761
TOTAL		**799,510**	**0**	**2,268**	**0**	**16,990**	**818,768**	**138,099**

Note 1 The 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 2 The Benefit-in-kind figures (which relate largely to the taxable value of lease car arrangements) for 2009/10 have been estimated on the 2008/09 actual figures. The actual figures for 2009/10 where not available to be included in the statement of accounts, the Authority does not foresee any major change in these figures.

3. MEMBERS ALLOWANCES

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

	2008-2009 £000	2009-2010 £000
Members Allowances	236	271

4. AUDIT EXPENDITURE

The Authority's external auditors are the Audit Commission. The Authority incurred the following fees relating to audit and inspection:

	2008-2009 £000	2009-2010 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	46	47
Fees payable to the Audit Commission with regard to the Use of Resources Audit	26	27
Total	72	74

5. PUBLICITY EXPENDITURE

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of publicity expenditure.

	2008-2009 £'000	2009-2010 £000
Advertising		
Recruitment	60	63
Fire Safety Advertising	0	8
Tender Invitations	0	10
Legal Advertising	1	2
Printing of Fire Safety Posters and Leaflets	24	68
Promotional Advertising: World Firefighter Games	43	0
	128	151

6. AGENCY EXPENDITURE

The Authority's information technology and communication services have been outsourced to an external provider.

	2008-2009 £000	2009-2010 £000
Telent Technology Services Limited.	2,027	1,908

7. RELATED PARTY TRANSACTIONS

The Authority is required to disclose all related party transactions. These are transactions between the Authority and other organisations where there is some element of control or influence by one party over the other.

	2008-2009		2009-2010	
	Receipt £'000	Payment £'000	Receipt £'000	Payment £'000
Central Government				
Redistributed National Non-Domestic rate	40,243		37,434	
Revenue Support Grant	5,602		8,641	
Supported Credit Approvals	2,829		3,160	
Capital Grants	0		805	
Employers National Insurance		3,500		3,445
Local Authority Precept				
Knowsley	2,537		2,621	
Liverpool	7,715		7,709	
St. Helens	3,306		3,427	
Sefton	5,569		5,810	
Wirral	6,221		6,429	
Pensions				
Merseyside Superannuation Fund Employers Contribution		1,687		1,846
Firefighters Pension Fund	22,034	26,537	22,809	30,140

The Authority's membership comprises of councillors from each of the five Local Authorities shown above. From examining existing available sources of information for 2009-2010 in respect of officers and Members, there are no apparent related party transactions.

FIRE SUPPORT NETWORK

The Authority established the Fire Support Network (FSN) formerly known as Friends of the Fire Service during 2001-2002. 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 2009-2010 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 £150,000 a year for a five year period (2007/08 – 2011/12). The Authority has also paid an additional sum of £65,000 in 2009/10 for the delivery of a Youth Engagement project.

NORTH WEST FIRE AND RESCUE MANAGEMENT BOARD

The Fire and Rescue National Framework 2008-2011 sets out the Government’s priorities and objectives for Fire and Rescue Services. It is a strategic plan which outlines the expectations to be delivered by both Fire and Rescue Authorities and Regional Management Boards. The framework sets out the balance that is believed to be needed for delivery at local, national and regional level. The statutory authority for the Framework is provided by the Fire and Rescue Services Act 2004.

The intention from the creation of Regional Management Boards (RMB) is to increase efficiency, effectiveness and enhanced resilience for all fire authorities by delivering shared services and reducing duplication of effort. In particular, RMBs are expected to deliver:

1. Resilience to emergencies, especially potential chemical, biological, radiological or nuclear attack
2. Specialist or common services where appropriate:
    - Fire investigation
    - Procurement
    - Training
    - Personnel Management and Human Resources Management
3. Regional Control Rooms

The five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside) formed a joint committee (The North West Fire and Rescue Management Board) in February 2004. The committee is comprised of councillors from the five constituent authorities.

The region has conducted significant work in 2009/10 by working collaboratively.

Significant work has also taken place in 2009/10 in support of the national Fire Control Project. This project is sponsored by the Department for Communities and Local Government (CLG) and is a national project replacing 42 Control Rooms across England and Wales which will provide an integrated and modern network of nine Regional Control Centres (RCCs). They will be able to receive calls and mobilise resources across the country. The North West RCC will be located at Warrington, Cheshire. Funding to support this project at a regional level has been provided to the North West Fire and Rescue Management Board in the form of a New Burdens grant from CLG.

The Statement of Accounts of the Board for the year ended 31st March 2010 are available from Mr. Ged Murphy, Treasurer to the Board, Greater Manchester Fire and Rescue Authority, 146 Bolton Road, Swinton, Manchester, M27 8US: Tel 0161 608 4001, and on the Authority's website www.merseyfire.gov.uk.

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, 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.

The member FRA's will not be expected to pay for the provision of services by the company until such time as their control room 'cuts over' to the Regional Control Centre. The current timetable for cutover is:

- Greater Manchester – January 2012
- Merseyside – March 2012
- Cumbria – May 2012
- Cheshire – May 2012
- Lancashire – May 2012

Until cutover takes place, all expenditure incurred by the company is being funded by a section 31 grant from the Department for Communities and Local Government. 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 – A Statement of Recommended Practice (the SORP), 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 SORP.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2009/10 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 until the cutover into the Regional Control Centre
- The company is not operational in providing a public service and is not expected to become so until January 2012 at the earliest
- 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 2009/10 (20% of £2.098m) 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 entire cost of running the company is covered by section 31 grant from the Department for Communities and Local Government
- The liability of the Authority is limited to a maximum of £1.

The Companies Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2010 for the final audited 2009/10 accounts.

The position regarding Group Accounts will be reviewed for the 2010/11 financial year as the Regional Control project moves closer towards cutover and providing an operational service to the regional Fire Authorities.

8. GENERAL GOVERNMENT GRANT

General Government Grants include the Revenue Support Grant (RSG) and a general capital grant received within the year. The capital grant is not identifiable to any specific asset and has been charged through the Income and Expenditure Account and reversed out through the Statement of Movement on General Fund Balance to the Capital Adjustment Account

	2008-2009 £000's	2009-2010 £000's
Revenue Support Grant	5,602	8,641
General Capital Grant	0	805
General Government Grants	5,602	9,446

9. RECONCILIATION OF THE MOVEMENTS ON GENERAL FUND BALANCE

The movement on the General Fund Balance reconciles the financial performance shown in the Income and Expenditure Account with the statutory general fund position. Details are shown in the table below:

Restated 2008/09 £000		Notes	2009/10 £000
(185)	Amortisation of intangible assets		(121)
(3,333)	Depreciation and impairment of fixed assets		(7,169)
2	Government grants deferred amortisation		11
(2,100)	Revenue expenditure funded from capital under statute to be financed from capital resources.		(2,055)
(38)	Timing difference on early repayment of debt	**10**	90
(56,159)	Net charges made for retirement benefits in accordance with FRS 17	**11**	(50,320)
15,803	Gain in relation to Government grant payable to the Pension Fund on the Authority's behalf	**11**	20,476
0	General Capital Grant		805
477	Council Tax Adjustment		81
(45,533)	**Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year**		**(38,202)**
1,734	Minimum revenue provision for capital financing	**12**	2,066
765	Capital expenditure charged in-year to the General Fund Balance		433
10,449	Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	**11**	10,210
12,948	**Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year**		**12,709**
183	Net transfer to or (from) earmarked reserves		2,411
183	**Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year**		**2,411**

(32,402)	**Net additional amount required to be credited to the General Fund balance for the year**	**(23,082)**

Notes 10 to 12 provide additional details of the reconciling items referred to in the table above.

10. EARLY REPAYMENT OF DEBT

This item is a timing issue due to the receipting of discounts on the early repayment of debt in the Income and Expenditure Account and writing an amount back over an appropriate period to eliminate the impact on the General Fund Balance.

11. PENSIONS

Participation in Pension Schemes

As part of the terms of conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two types of pension schemes:

- The Local Government Pension Scheme (LGPS), administered by Merseyside Pension Fund – this is a funded 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 scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to Retirement Benefits

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

	Merseyside Pension Fund Scheme		Firefighters Pension Scheme	
	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000
Income and Expenditure Account				
Net Cost of Services				
Current Service Cost	(1,514)	(1,036)	(10,290)	(7,760)
Past Service Costs (NDC)	0	0	0	0
Curtailment Costs (NDC)	0	0	0	0
Net Operating Expenditure				
Interest Cost	(3,039)	(2,992)	(43,370)	(40,210)
Expected Return on Assets in the Scheme	2,054	1,678	0	0
Net charge to Income & Expenditure a/c	(2,499)	(2,350)	(53,660)	(47,970)
Statement of Movement on the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS 17	2,499	2,350	53,660	47,970
Actual Amount charged against the General Fund Balance for pensions in the year				
Employers Contributions Payable to the Scheme	1,722	2,236	7,237	6,354
Retirements Benefits Payable to Pensioners			1,490	1,620

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities

	Funded Liabilities Merseyside Pension Fund Scheme		Unfunded Liabilities Firefighters Pension Scheme	
	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000
1 April	(49,321)	(42,067)	(635,560)	(592,920)
Current Service Cost	(1,514)	(1,036)	(10,290)	(7,760)
Interest Cost	(3,039)	(2,992)	(43,370)	(40,210)
Contributions by Scheme Participants	(589)	(644)	(3,500)	(3,310)
Actuarial Gains and (Losses)	11,301	(14,758)	71,770	(215,550)
Benefits Paid	1,095	1,534	28,030	31,760
Past Service Costs	0	0	0	0
31 March	**(42,067)**	**(59,963)**	**(592,920)**	**(827,990)**

Reconciliation of Fair Value of the Scheme Assets

	Funded Liabilities Merseyside Pension Fund Scheme	
	2008/09	**2009/10**
	£000	**£000**
1 April	30,695	26,308
Expected rate of return	2,054	1,678
Actuarial Gains and (Losses)	(7,657)	7,350
Employer contributions	1,722	2,236
Contributions by Scheme Participants	589	644
Benefits Paid	(1,095)	(1,534)
31 March	**26,308**	**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 surplus £9.028m (2008/09 loss £5.603m)

Scheme History

	2005/06 £000	**2006/07 £000**	**2007/08 £000**	**2008/09 £000**	**2009/10 £000**
Present Value of Liabilities:					
Merseyside Pension Fund	(41,544)	(42,537)	(49,321)	(42,067)	(59,963)
Firefighters Pension	(746,310)	(731,330)	(635,560)	(592,920)	(827,990)
Fair Value of Assets in Merseyside Pension fund	28,458	30,626	30,695	26,308	36,682
Surplus/(Deficit) in the Scheme:					
Merseyside Pension Fund	(13,086)	(11,911)	(18,626)	(15,759)	(23,281)
Firefighters Pension	(746,310)	(731,330)	(635,560)	(592,920)	(827,990)
Total	(759,396)	(743,241)	(654,186)	(608,679)	(851,271)

The liabilities show the underlying commitments that the Authority has to pay as retirement benefits in the long run. The total liability of £851.271m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £842.609m.

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, as assessed by the scheme actuary. Finance is only required to be raised to cover fire pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Scheme by the Authority in the year to 31 March 2011 is £2.0m. Expected contributions for the Fire Pension Scheme in the year to 31 March 2011 are £6.4m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Fire Scheme liabilities have been assessed by the Governments Actuary's Department (GAD) in order to satisfy the disclosure requirements of the SORP. The Merseyside Pension Fund liabilities have been assessed by the William M Mercer fund actuaries on behalf of the Metropolitan Borough of Wirral, based on the latest actuarial valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	Funded Liabilities Merseyside Pension Fund Scheme		**Unfunded Liabilities Firefighters Pension Scheme**	
	2008/09	**2009/10**	**2008/09**	**2009/10**
Long Term Expected Rate of Return on Assets in the Scheme:				
Equity Investments	7.5%	7.5%	-	-
Government Bonds	4.0%	4.5%	-	-
Other Bonds	6.0%	5.2%	-	-
Property	6.5%	6.5%	-	-
Cash/Liquidity	0.5%	0.5%	-	-
Other	7.5%	7.5%	-	-
Mortality Assumptions				
Longevity at 65 for current pensioners:				
Men	20.3	20.4	23.1	23.3
Women	23.2	23.2	24.7	25.2
Longevity at 65 for future pensioners:				
Men	21.3	21.3	25.8	26.2
Women	24.1	24.1	27.4	28.0
Rate of Inflation	3.3%	3.3%	3.0%	3.9%
Rate of Increase in Salaries	4.55%	4.55%	4.5%	5.4%
Rate of Increase in Pensions	3.3%	3.3%	3.0%	3.9%
Rate of Discounting Scheme Liabilities	7.1%	5.6%	6.9%	5.8%
Take-up of option to Convert Annual Pension into Retirement Lump Sum	50.0%	50.0%	N/A	N/A

The Fire Pension Scheme has no assets to cover its liabilities. Assets in the Merseyside Pension Fund Scheme consist of the following categories, by proportion of the total assets held:

	31 March 2009	**31 March 2010**
	%	**%**
Equity Investments	54	63
Government Bonds	18	12
Other Bonds	5	7
Property	9	6
Cash/Liquidity	4	3
Other	10	9
	100	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Merseyside Pension Fund					
Differences Between the Expected and Actual Return on Assets	13	0	(11)	(29)	20
Experience Gains and Losses on Liabilities	(3)	0	(3)	0	0
Firefighter Pension Scheme					
Differences Between the Expected and Actual Return on Assets	0	0	0	0	0
Experience Gains and Losses on Liabilities	(1)	1	2	1	3

Gain in relation to Government Grant Payable to the Pension Fund

This recognises a gain of £20,476 million which represents the top up grant payable by the Government.

The Government's Actuaries Department (GAD) is currently assessing the Firefighters' Pension Scheme and one of the main areas of consideration is the financial viability of the scheme as it currently stands. No change is anticipated before April 2011.

12. MINIMUM REVENUE PROVISION

The Authority is required by statute to set aside a minimum revenue provision for the redemption of debt. For 2009-2010 the amount is £2,066,000 compared to £1,734,000 in 2008-2009. The provision has been charged to services as a depreciation charge for fixed assets used by each service. The balance has been transferred to the Capital Adjustment Account.

	2008-2009 £'000	2009-2010 £'000
Amount charged as depreciation	5,616	9,334
Excess transferred to capital adjustment a/c	(3,882)	(7,268)
Minimum Revenue Provision	1,734	2,066

13. FIXED ASSETS

Details of the value of assets held at 31 March 2010 are shown below together with details of movements in the year:

	Intangible Assets	Tangible Assets			
	Software Licences £'000	Land & Buildings £'000	Assets Under Construction £'000	Vehicles & Equipment £'000	Total £'000
Cost or valuation at 31 March 2009	306	30,523	2,379	16,653	49,861
Write out fully depreciated assets at 31 March 09	(185)	0	0	(2,152)	(2,337)
Impairments	0	(4,692)	0	0	(4,692)
Disposals in current year	0	0	0	0	0
Additions in current year	236	613	993	2,677	4,519
Write out Book Value for Revaluation	0	(26,444)	0	0	(26,444)
Revaluation 31 March 2010	0	33,677	0	0	33,677
Cost or valuation at 31 March 2010	357	33,677	3,372	17,178	54,584
Accumulated depreciation at 31 March 2009	(185)	(2,260)	0	(7,430)	(9,875)
Write out fully depreciated assets at 31 March 09	185	0	0	2,152	2,337
Depreciation for the year	(121)	(759)	0	(1,718)	(2,598)
Depreciation on assets disposed	0	0	0	0	0
Write out depreciation for revaluation	0	3,019	0	0	3,019
Accumulated depreciation at 31 March 2010	(121)	0	0	(6,996)	(7,117)
Balance Sheet amount at 31 March 2010	236	33,677	3,372	10,182	47,467
Balance Sheet amount at 1 April 2009	121	28, 263	2,379	9,223	39,986
Nature of asset holding					
Owned	236	33,677	3,372	10,182	47,467

Notes

“Assets under construction” refers to the purchase of the new workshops property and the commencement of the required adaptation work in 2009/10 and the construction of Kensington Fire Station.

14. CAPITAL EXPENDITURE AND FINANCING

The acquisition of fixed assets was financed as follows:

	2008-2009 £'000	2009-2010 £'000
Capital investment		
Capital expenditure within the year	5,581	4,519
Revenue expenditure funded from capital under statute	2,100	2,055
Total Expenditure	7,681	6,574
Sources of finance		
Supported Borrowing	2,829	3,160
Unsupported Borrowing	4,087	1,926
Revenue Contribution	765	433
Other Contribution (Grants)	0	1,055
Total Financing	7,681	6,574

15. FIXED ASSET VALUATION

The freehold and leasehold properties, which comprise the Authority's property portfolio, were valued in March 2010 by an external valuer (Hardie Brack Chartered Surveyors) in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal & Valuations Standards. It is a requirement of FRS15 (Tangible Fixed Assets) to have fixed asset valuations reviewed at periods of not more than five years.

Properties regarded by the Authority as operational were valued on the basis of open market value for their existing use or, where this could not be assessed because there was no market for the subject asset (e.g. fire stations), the depreciated replacement cost basis of valuation was utilized. Non-operational assets have been valued at cost and comprise of assets currently under construction in relation to new acquisition of workshops and construction of a new fire station in Kensington.

16. ASSETS HELD UNDER FINANCE LEASES

The Authority has not acquired assets by means of finance leases during the year. However the Authority has acquired vehicles and equipment by means of finance leases in previous years. The values of such assets are now fully written off.

17. INFORMATION ON ASSETS HELD

Fixed Assets owned by the Authority include the following: (these figures exclude assets under construction)

	No. as at 31 March 2009	2010
Land and Buildings		
Fire Stations	26	26
Fire Service HQ	1	1
Command and Control Centre	1	1
Training Establishment	1	1
Vehicle Workshop	1	1
Stores	1	1
Houses (LLAR**)**	3	3
Vehicles and Equipment		
Operational Vehicles	90	93
Marine Rescue Launch	1	1
Ancillary Vehicles	128	129
Demountable Units	32	33
Motorcycles	2	2
Quad Bikes & Trailer	2	2

18. CAPITAL COMMITMENTS

The Authority was contractually committed to make the following payments as at the 31 March:

	2009 £000	2010 £000
Purchase of Plant & Equipment	315	1,141
Purchase of Service Vehicles	1,392	427
	1,707	1,568

19. ANALYSIS OF CREDITORS AND DEBTORS

An analysis of the Authority's Creditors and Debtors as at 31 March are shown below:

	Restated 2009 £'000	2010 £'000
<u>Analysis of Debtors</u>		
Council Tax Arrears	6,523	7,365
Council Tax Provision for Doubtful Debt	(4,825)	(5,643)
Pension & Salary Prepayments	582	429
Prepayments	218	301
Debtors	1,244	1,087
VAT Debtors	684	351
Car Loans	5	11
Total Debtors	4,431	3,901
<u>Analysis of Creditors</u>		
Amounts owed to Billing Authority's	2,011	1,955
Tax, NI & Pensions	1,489	1,454
Other Accruals	1,596	1,525
Total Creditors	5,096	4,934

20. ANALYSIS OF BORROWING

The loans outstanding have been raised through the Public Works Loans Board (PWLB). Loans payable within twelve months of the year-end appear in the balance sheet as short-term borrowing. The short term loans consist as follows:-

	As at 31 March	
	2009	2010
	£000	£000
PWLB Due within 1 year	0	2,500
PWLB Outstanding Interest	490	475
Wirral Borough Council (Residual Debt)	41	41
Liverpool City Council	600	0
Total Short Term Borrowing	1,131	3,016

The maturity dates of Long Term Borrowing are analysed as follows:-

	As at 31 March	
	2009	2010
	£000	£000
Between 1 and 2 years	2,500	2,000
Between 2 and 5 years	4,500	2,975
Between 5 and 10 years	975	765
Over 10 years	41,600	37,335
Total Long Term Borrowing	49,575	43,075

The 2009 SORP requires financial liabilities represented by loans in the Balance Sheet to be given a fair value comparison with their carrying amount. 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 loans.

	31 March 2009		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB Short and Long Term Loans	49,575	58,441	45,575	52,766

The fair value is more than the carrying amount because the Authority's portfolio of loans includes fixed rate loans where the interest rate payable is more than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Authority would have to pay if the lender requested or agreed to early repayment of loans. The 2010 figure has been calculated by reference to the "premature repayment" set of rates in force on that day. The 2009 figure is from the set of interest rates in force 31 March 2009.

21. INSURANCE PROVISION

The Authority has an insurance provision to meet the 'excess' cost of the first £1m of each individual public liability claim and £1m of each individual employers liability claim. Amounts above this excess are met by insurance arrangements for which the Authority pays a premium. As claims may not be settled for a considerable length of time after they occur, the level of the insurance provision reflects the estimated liability of the Authority based on previous claims experience. As claims are settled they are charged to this provision. The movement on this provision is as follows:

	2008-2009 £'000	2009-2010 £'000
Amount brought forward at 1 April	376	403
Claims paid in the year	(123)	(139)
Addition/(Reduction) in the year	150	86
Balance at 31 March	403	350

22. TOTAL NET WORTH

The Authority keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans or as a hedge against risk.

Reserve	**Restated Balance 01/04/2009 £000**	**Net Movement in Year £000**	**Balance 31/03/2010 £000**	**Purpose of Reserve**	**Notes**
Revaluation Reserve	0	10252	10252	Store of gains on revaluation of fixed assets not yet realised through sales	**Page 43 Note (a)**
Capital Adjustment Account	(8,360)	(6,030)	(14,390)	Store of capital resources set aside to meet past expenditure	**Page 43 Note (b)**
Financial Instruments Adjustment Account	303	90	393	Balancing mechanism for discounts on early repayment of loans.	**Page 44 Note (c)**
Collection Fund Adjustment Account	(313)	80	(233)	Balancing mechanism for recognising share of collection fund surplus/deficits	**Page 44 Note (d)**
Pensions Reserve	(608,679)	(242,592)	(851,271)	Balancing account to allow Inclusion of Pension Liability in Balance Sheet	**Page 34 Note 11**
General Fund	2,143	401	2,544	Resources available to meet future running costs	**Page 22**
Other Reserves	7,685	2,411	10,096	Resources available to meet future running costs	**Page 45 Note (e)**
Total	**(607,221)**	**(235,388)**	**(842,609)**		

Note (a) Revaluation Reserve
Records unrealised revaluation gains from holding fixed assets. Movement in the year relates to land and buildings revalued at 31 March 2010.

Note (b) Capital Adjustment Account
Provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital control systems.

It should be noted the above two reserves are matched by fixed assets within the Balance Sheet, they are not resources available to the Authority.

Note (c) Financial Instruments Adjustment Account

Provides a balancing mechanism between the different rates at which discounts on the early repayment of debt are recognised under the SORP and are required by statute to be met from the general fund. It should be noted this reserve is matched by borrowings and investments within the Balance Sheet they are not resources available to the Authority.

Note (d) Collection Fund Adjustment Account

Provides a mechanism for recognising the Authority's share of the Collection Fund surplus/deficits at year end.

Note (e) Other Reserves

The Authority has set up various earmarked revenue reserves to cover unexpected variations in expenditure and for specific expenditure plans. A summary of earmarked reserve balances and movement in the year can be seen below:

	Balance Brought Forward 01/04/2009 £000's	Contribution from/(to) revenue account £000's	Balance Carried Forward 31/03/2010 £000's
Earmarked Reserves			
SPATE / Other Emergencies			
Bellwin Reserve	147	0	147
Insurance Reserve	220	0	220
Emergency Planning Reserve	75	0	75
Modernisation Challenge			
Modernisation Reserve	656	(82)	574
Smoothing Reserve	2,158	2,587	4,745
Capital Investment			
PFI Project Support Reserve	118	(118)	0
Asset Investment/PFI GAP Reserve	505	190	695
Capital Expenditure Reserve	33	206	239
TDA Refurbishment Reserve	72	21	93
Specific Projects			
Job Evaluation Reserve	430	(200)	230
Community Sponsorship Reserve	0	44	44
Regional Reserve	100	0	100
Emerging Technologies	60	(13)	47
Fireboots/Clothing Reserve	163	(25)	138
Equipment Reserve	125	(11)	114
Contestable Research Fund Reserve	15	11	26
Training Reserve	207	(69)	138
Pre Retirement Reserve	111	32	143
Fire Support Network Reserve	20	(20)	0
Fire Service Direct Reserve	22	(8)	14
Healthy Living / Olympic Legacy	280	(20)	260
Inflation			
Inflation Reserve	858	0	858
	6,375	**2,525**	**8,900**
Ringfenced Reserves			
F.R.E.E. Reserve	17	(13)	4
Princes Trust Reserve	113	(23)	90
Community Youth Team Reserve	56	(13)	43
Beacon Peer Project Reserve	461	(148)	313
Innovation Fund Reserve	199	(67)	132
Concept Knowsley	58	(41)	17
Regional Control Reserve	273	(73)	200
Energy Reserve	37	29	66
St Helens District Reserve	21	23	44
New Dimensions Reserve	75	212	287
	1,310	**(114)**	**1,196**
Total Earmarked Reserves	**7,685**	**2,411**	**10,096**

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
A reserve has been 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 Reserve
This reserve was originally set up to support the medium term strategy in 2006/07. Originally the intention was to fully utilise the reserve by 31st March 2008. Due to prudent financial management the reserve has increased over the years. This reserve will be used to support the significant financial challenges that the Authority faces with future years grant settlements as the likely squeeze on public finances reduces income. The Authority has increased this reserve by £2.587m in order to increase the medium term financial “buffer” available.

PFI (Private Finance Initiative) Project Support Reserve
This reserve was created to carry forward project monies to be spent in 2009/10 to support the management and development of the scheme. The Authority has been successful in obtaining PFI credits from the Government and is working in conjunction with Cumbria and Lancashire Fire Services to build new fire stations.

Asset Investment / PFI Gap Reserve
This reserve has been created as a contingency to meet future changes to the calculation of the minimum revenue provision to reflect a level based on asset life, to contribute towards unforeseeable costs associated large strategic schemes such as the PFI project, and provide a resource for future asset investment schemes.

Capital Expenditure Reserve
This reserve has been created from specific resources that had been earmarked for specific future capital 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 2010/11 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 a private sector partner to develop an Infection Control Strategy. The company (HIT) contributed toward the project costs and requested that if possible they should like that contribution to support community working and projects. This reserve has been created to allocate those resources in support of the Authorities community work.

Regional Reserve
This reserve has been created to allow for future investment in various regionalisation 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 has been created as an investment in Health and Safety for the purchase of protective equipment for all 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.

Fire Service Direct Reserve
This reserve has been created to allow additional resources in 2009/2010 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.

Inflation Reserve
To cope with probable surges in pay and price inflation compared to the rates assumed in the financial plan, 2% per annum over the next five years, this reserve would provide short term funding for any excessive inflationary cost.

Ring-fenced Reserves

The Authority has a number of innovative community fire safety projects:

- Fire Reduction through Engagement and Education (FREE)
- Princes Trust
- Community Youth Team
- Beacon Peer Project
- Innovation Fund projects
- Concept Knowsley
- Regional Control Room
- Energy Efficiency
- St Helens District
- New Dimensions

All have been funded by grants obtained. Reserves have been created to carry forward unspent grant monies. More information can be found on these projects at www.merseyfire.gov.uk.

23. CASH FLOW RECONCILIATION TO MOVEMENT ON THE GENERAL FUND

	Restated 2008-2009 £'000	2009-2010 £'000
Revenue Activities Net Cash Inflow	(4,635)	(7,813)
Non Cash Movements on Revenue Account		
Decrease (increase) in stock	13	(18)
Decrease (increase) in debtors	(1,031)	862
Increase (decrease) in creditors	715	(87)
Increase (decrease) in insurance provision	27	(53)
Contribution to (from) earmarked reserves	183	2,411
Minimum revenue provision	1,693	2,025
Repayment of MRB debt	41	41
Revenue contribution to capital outlay	765	433
Collection Fund Adjustment	477	80
Items classified separately on Cash Flow Statement		
Interest Paid	2,583	2,398
Discount on early repayment of debt	0	(143)
Capital disposals	(10)	(18)
Interest received	(964)	(519)
Deficit (surplus) on revenue account	**(143)**	**(401)**

24. RECONCILIATION OF MOVEMENT IN CASH

	31 March 2009 £'000	31 March 2010 £'000
Investments	8,000	0
Cash	5,254	9,190
Cash held in Imprest Accounts	13	13
	13,267	9,203
Decrease in Cash and Equivalents		**(4,064)**

PENSION FUND ACCOUNT

The fund was established at 1st April 2006 and covers both the 1992 and 2006 firefighter's pension schemes. Employee and employer contributions are paid into the fund, from which payments to pensioners are made.

2008/09	Fund Account	2009/10
£000's		**£000's**
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer	
(6,642)	- Normal contributions	(6,149)
(595)	- Ill Health Early Retirements	(205)
(3,467)	- From members	(3,210)
	Transfers in:	
(31)	- Other transfers in	(100)
(10,735)	**Income to the fund**	**(9,664)**
	Spending by the fund	
	Benefits payable:	
19,216	- Pension payments	21,202
6,954	- Commutation of pensions and lump-sum retirement benefits	8,690
	Payments to and on behalf of leavers	
367	- Individual transfers out of the scheme	248
26,537	**Spending by the fund**	**30,140**
15,802	**Net amount payable for the year before top up grant.**	**20,476**
(15,802)	Top-up grant payable by the Government	(20,476)
0	**Net amount (payable)/receivable for the year**	**0**

2008/09	Fund account	2009/10
£000's		**£000's**
	Net current assets and liabilities:	
4,503	- Top-up grant receivable from the Government	7,331
1,845	- Debtors	1,952
(6,216)	- Cash	(8,870)
(132)	- Creditors	(413)
0	**Net assets at the end of the year**	**0**

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 & 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 & TREASURER RESPONSIBILITIES

The Assistant Chief Executive & 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 SORP).

In preparing this Statement of Accounts, The Assistant Chief Executive & Treasurer has:

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

The Assistant Chief Executive & Treasurer:

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

The Statement of Accounts gives a true and fair view of the financial position of the authority as at the 31st March 2010 and its income and expenditure for the year ended 31st March 2010.

Kieran Timmins
Assistant Chief Executive & Treasurer
24th June 2010

STATEMENT OF APPROVAL FOR THE STATEMENT OF ACCOUNTS

The Statement of Accounts for the year 1st April 2009 to 31st March 2010 was approved for issue on the 24th June 2010 by Merseyside Fire and Rescue Authority (Report CFO/111/10).

Kieran Timmins	Chair of Authority meeting
Assistant Chief Executive & Treasurer	approving accounts
24th June 2010	24th June 2010

MERSEYSIDE FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

1.1. Merseyside Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, delivering its functions, and which includes arrangements for the management of risk.

1.3. The Authority sets out the arrangements for the governance of its affairs in its constitution (a copy of this can be found at www.merseyfire.gov.uk). The Authority has also approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework "*Delivering Good Governance in Local Government*". A copy of the Code is attached as Appendix B to this statement.

1.4. This statement explains how MFRA has complied with the Code and also meets the requirements of the relevant legislation and applies best practice in governance.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1. The governance framework comprises the systems and processes, culture and values, for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

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

2.3. The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31 March 2010 and up to the date of the approval of the 2009/2010 Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

3.1. The Authority has committed to in carrying out its duties and responsibilities in line with its approved Code of Corporate Governance.

3.2. Summarised below are some of the key elements of the systems and processes that underpin the Authority's governance arrangements:

3.3. Identifying and Communicating the Authority's vision and outcomes for citizens and service users:

3.3.1. After consulting with the citizens of Merseyside and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. In 2009/10 the final part of the Authority's second IRMP (covering the period 2007 – 2010), outlined the service priorities for 2009/10.

3.3.2. The Authority's vision is to "Make Merseyside a safer, stronger, healthier community" and it delivers this by working in partnership with others to provide an excellent, affordable service to all the diverse communities of Merseyside that strives to reduce risk, respond quickly and restore the quality of life in the communities. To deliver this the Authority has established four key corporate aims:

- **Reduce Risk** – the Authority will reduce risk of fire and other emergencies in all communities of Merseyside through a combination of prevention and protection, working in partnership with other service providers.
- **Response** – the Authority will respond to all emergency calls for assistance with a level of response appropriate to the risk and deal with all emergencies efficiently and effectively.
- **Restore** – the Authority will work with partners to help individuals, businesses and communities recover from the impact of emergencies and help the return to normality.
- **Organisation** – the Authority will operate efficient and effective organisational functions that will support the core functions of the Authority in a way that provides value for money for the communities of Merseyside.

3.4. Monitoring the achievement of the Authority's objectives through a comprehensive performance management framework:

3.4.1. IRMP and other service projects together with the Best Value Performance Plan targets and Race, Gender, and Disability Equality schemes are incorporated into one document – the Service Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Plan via regular reports to the Performance and Audit Committee and the senior management team. Operational plans have also been developed to give details of each station's business plans and operational team plans. The reporting process applies traffic light status to each action point in the Service Plan and attention is drawn to progress achieved and matters to be addressed. Copies of the Service Plan can be found on the Authority's website.

3.5. The Internal Control Environment:

3.5.1. The Authority's internal control mechanism comprises many systems, policies, procedures and operations, however the system can not eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority where possible eliminates the risk. If this is not possible then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below:

3.5.2. <u>Policy and decision making process</u>

The Authority has meaningful democratic control over its activities via an **approved committee structure** with agreed powers and duties that are reviewed once a year at the Authority's annual general meeting. The Authority has a **written constitution** that was reviewed in 2008/09 and approved by the Authority meeting on 26 March 2009 (CFO/0171/09), which is published and sets out how the Authority operates, how decisions are made, and the procedures which are followed to ensure these are efficient, transparent and accountable to local citizens.

The Authority operates a **Management Board** to allow a close interaction between management and elected Members based around a formal briefing process prior to reports being finalised for Committee consideration and allowing Members an opportunity to scrutinise in detail proposed reports.

The Authority also runs Member away-days and "learning lunches" to help Members discuss issues in more detail and in an informal environment.

3.5.3. <u>Management Structure</u>

Management Structure **-** The Authority has a **clear management structure** with defined roles and responsibilities, an Executive Leadership Team, ELT, who meet on a weekly basis . In 2009/10 ELT included the Chief Fire Officer, Deputy and Assistant Chief Fire Officers and the Executive Directors of Resources and Legal Services. ELT is supported by a Corporate Leadership Team, CLT, who meet on a fortnightly basis which in addition to the Executive team includes all the directors from operational and non operational sides of the Authority in addition to a non executive director post. The non executive director post offers a level of independence on ELT and CLT, provide additional scrutiny and advice that can assist Members and management, and, potentially improve the performance of the Authority by presenting a challenge to the culture and strategy of the organisation. The Authority has an **approved scheme of delegation** to officers that is reviewed by Members on an annual basis.

3.5.4. Established Policies, Procedures & Regulations

The Authority ensures compliance with established policies, procedures, laws and regulations. The Information regarding policies and procedures is held on the intranet, and these are continuingly enhanced and developed through the introduction of new policies and procedures as and when required. The Authority has established policies on anti-fraud, fraud response and confidential reporting. The Authority carries out an annual review of standing orders, financial instructions and the scheme of delegation which clearly define how decisions are taken and the processes and controls required to manage risks. The list below outlines some of the **key policies and process in place to enhance the internal control system** that are reviewed as and when required:

- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations, Procedural & Contract Standing Orders, Scheme of Delegation
- Anti Fraud & Corruption Policy & Strategy
- Fraud Response Plan
- Confidential Reporting Policy
- Complaints procedure
- Code of Corporate Governance
- Constitution
- Code of Conduct
- Full range of Equality and Diversity schemes
- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedure, discipline process, through to performance development reviews

3.5.5. The Corporate Leadership Team carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress against the action plans.

3.5.6. Internal Audit function

The Authority has a strong Internal Audit function arrangement with Liverpool City Council, and has well-established protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws, and regulations within their remit.

3.5.7. Risk Management Strategy

The Authority has a well established and embedded risk management strategy. The Strategy and Resources Committee have corporate ownership of the risk register and receive quarterly updates on any new risks or changes to risks. The Corporate Leadership Team has corporate risk/opportunity and horizon scanning as a standing item for discussion at their fortnightly meetings. A risk management group is led by a principal officer from the Executive Leadership team. The Authority has a nominated Member Champion for Risk Management.

3.5.8. Best Value duty

The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty.

3.5.9. Financial Management

Financial management in the Authority and the reporting of financial standing is undertaken through a general ledger and management information system which integrates the general ledger function with those of budgetary control and payments.

4. REVIEW OF EFFECTIVENESS

4.1. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive leadership and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the

Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. Maintaining and reviewing the effectiveness of the governance framework throughout the financial year has been carried out by the following:

- The Authority and its Committees
- Management Review
- Internal audit
- External bodies

4.3. The Authority and Its Committees

4.3.1. The Authority Committee

The committee reviews the Authority's vision and strategic service objectives before the commencement of each financial year when considering the coming year's IRMP action plan. At the 26th February 2009 Authority Committee meeting Members re-affirmed the Authority's vision and strategic service objectives contained in the updated Integrated Risk Management Plan. The approved action plan for 2009/10 continued to place prevention, protection and response at the heart of the organisation's focus of activity, set stringent performance targets which must be met, continued the strive for the efficient effective use of resources and set a core of values with which it conducts its business.

The committee considered at its Annual General meeting on 11th June 2009 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the constitution document on the Authority's web site but are summarised as follows;

- The Strategy & Resources Committee **–** to determine new strategies, policies or changes in strategy relating to the development and delivery of services. To examine the performance and delivery of services and introduce measures to improve performance if necessary. Co-ordinate response to any reports received from the Audit Commission or other external body. Exercise financial control over expenditure within the approved revenue budgets and capital programme of the Authority. Establish and direct procedures for the implementation, monitoring and amendment of the revenue budget and capital programme and all other financial matters that impact on the Authority's financial position. It has formal responsibility for the corporate risk management of the Authority.

- The Performance & Audit Committee – Consider all matters relating to internal and external audit activity and all matters relating to the regulatory framework. To monitor Authority policies on Raising Concerns at Work and the anti-fraud and corruption strategy and the Authority's complaints process. To advise the Authority on the strategic processes for risk, control and governance. To advise the Authority as to the effectiveness of its performance management framework and in particular consider regular updates as to progress in meeting service planning targets and any issues that arise. The committee received regular finance, audit and performance reports throughout the year.

- The 08 Legacy Committee – consider all matters relating to the hosting by the Authority and its partners of the World Firefighter Games in 2008. To consider all matters relating to the contribution the Authority may make to the staging of the European Capital Culture celebrations in Liverpool during 2008. Consider any matters relating to the legacy from both WFG08 and the Capital of Culture year. Consider all matters relating to the development of the Fireworld Project.

- The Community Safety & IRMP Committee – Consider all matters related to the development, promotion and delivery of a coordinated strategy for developing and maintaining safer communities. To consider all matters relating to involvement with and delivery of Local Area Agreements, and the preparation and delivery of the Authority's IRMP.

- The Standards Committee - charged with promoting and maintaining high standards of conduct by the elected and co-opted independent Members of the Authority. To monitor the operation of The Code of Conduct and to consider guidance from the Standards Board relating to conduct of Members. There have been no issues in 2009/10

- Stronger and Diverse Communities Committee - Consider all matters related to the development, promotion and delivery of a co-ordinated strategy for developing and maintaining stronger communities. Consider any matters relating to the provision of services to the diverse communities of Merseyside.

- Asset Management and Shared Services Committee – Consider all matters related to the management of the Authority's assets including buildings, land, ICT and other assets. Consider opportunities for and delivery of shared services and oversee the Authority's procurement strategy. And PFI project.

- Regional, Economic Development and Sustainability Committee - Consider all matters related to the RMB and region. Consider all matters relating to environmental management and sustainability. Consider all matters relating to Merseyside's interest in Europe.

- North West Regional Control & Firelink Committee - Consider all matters related to the delivery of the Regional Control project.

- A Management Board **–** meeting of the Chairman, Vice-Chairman, Opposition Spokespersons, Chief Fire Officer, Statutory Monitoring Officer and the Responsible Finance Officer to determine how to process items of business, act as a forum for informal discussion, training and development for members, and raise awareness of the detail of policy issues and how the Service operates in practice. All Members are invited to attend the Management Board and in this way it offers an opportunity to scrutinise policies, projects, initiatives and reports. Members and officers continued to work effectively together throughout the year in a constructive way.

4.4. Management Review

4.4.1. Included in the day to day management of the organisation are a number of key officers, systems and procedures designed to provide core elements of the internal control mechanism, with a nominated lead officer responsible for reviewing the effectiveness of these systems.

4.4.2. There is a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2009/10 Service Plan broke down the Authority's key objectives for the year and identified a lead officer for each project. A "traffic light" system identified the actual progress against targets throughout the year and any areas of concern with options to bring the project back on track were reported to management and the Performance & Audit Committee. The Corporate Leadership Team received regular presentations from managers on the deliver of services against targets throughout the year and allowed the senior management team an opportunity to scrutinise progress. A fundamental part of the Authority's vision was improved community safety and fire prevention and in 2009/10 the Authority set and delivered a target of just over 100,000 home fire safety visits.

4.4.3. Risk management is a standing item on the Corporate Leadership Team agenda and the Authority's Risk Management Group lead by the Deputy Chief Fire Officer met on a regular basis throughout the year. The Risk Register was updated for new risks and the status of existing risks was re-assessed during the year. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority. External Audit commented in the most recent Use of Resources assessment Internal Control theme that the Authority's Risk Management arrangements are embedded in day to day activity down to station level and fully integrated with performance management and strategic planning frameworks.

4.4.4. The Authority employed appropriate professional staff:

- A Statutory Monitoring Officer (Section 5 LGHA) responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year and all relevant laws and regulations have been complied with.
- A Responsible Finance Officer (Section 73 LGA 1985) to ensure the proper and effective administration of the financial affairs of the Authority. The Executive Director of Resources and his team have ensured the Authority approved a realistic and affordable five year financial plan for both revenue and capital expenditure which links to the IRMP and the Service Plan. The Authority continued to ensure it had strong arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and

understood across the Authority by staff and Members. Details of the approved budget are available to all stakeholders in a simple and summarised statement on the Authority's website.

4.4.5. The non executive director post allows independent external view and provided valuable contributions to the efficient and effective running of the Authority throughout 2009/10. 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.

4.4.6. Budget monitoring remained robust at strategic and service levels via the production of monthly financial monitors for cost centre managers. The "funds management" system prevents orders being raised against accounts with insufficient budget and provides an affective enhancement to the budget control process.

4.4.7. The Audit Commission approved an unqualified Statement of Accounts for 2008/09 and it is anticipated this will be repeated in 2009/10. A presentation by the Executive Director of Resources on the final accounts together with a detailed year-end report to the Authority helped communicate the year-end message to Members in a clear and understandable format. A simplified summary statement of accounts is available on the Authority's Website to ensure the outturn position is communicated effectively to all stakeholders.

4.5. Internal Audit

4.5.1. The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2009/10, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the relevant managers as appropriate and the Director of Finance. All finalised reports were submitted to the Performance and Audit Committee as part of the quarterly financial review reports, including a summarised statement on internal audit findings. The Annual Review of Internal Audit Report concluded that:

> **"*the Authority's internal control environment is adequate and generally effective, bearing in mind that any control system can provide only reasonable assurance and not absolute assurance"…."From our work carried out in 2009/10 we are not aware of any significant control weaknesses within MFRS which impact on the Annual Governance Statement"***

Internal Audit carried out a review of the Authority's governance arrangements in 2009/10 and concluded that the Authority has *"**a sound system of control in place with controls in the area of governance being consistently applied and effectively managed"***.

The service has in place a system of policies, procedures and processes to enable it to support the six core CIPFA/SOLACE principles of good governance.

4.6. External Review

4.6.1. External audit services are carried out by the District Auditor on behalf of the Audit Commission. Under the revised Code of Audit Practice, the District Auditor is required to focus on corporate performance management and financial management arrangements, as these form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives, determining policy and making decisions;
- ensuring compliance with established policies, procedures, laws and regulations including the general duty of best value, where applicable;
- identify, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- managing its financial and other resources, including arrangements to safeguard the financial standing of the Authority;
- monitoring and reviewing performance, including arrangements to ensure data quality; and
- ensuring that the Authority's affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption.

4.6.2. The District Auditor will comment upon whether the Authority is carrying out these arrangements satisfactorily during the 2009/10 financial year in the Annual Governance report and Annual Audit and Inspection Letter. These documents reflect the Auditor's findings and conclusions from auditing the Statement of Accounts and the Use of Resources and Managing Performance assessments for 2009/10. The Auditor's Annual Governance Report and District Audit Annual Letter (covering 2008/09) confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2008/09 financial statements.

4.6.3. The 2009 Organisational Assessment rated the Authority's performance as 3 out of 4, or "Performs Well". The Audit Commission reported that:

Managing Performance:

"Merseyside Fire and Rescue Authority scores 3 out of 4 for managing performance. This is because it responds well to fires and other emergencies and works hard to prevent such emergencies and protect communities. It targets prevention work to those people and communities that are at the highest risk. Its Home Fire Safety Check programme is ambitious and successful."

Use of Resources:

> "Merseyside Fire and Rescue Authority scores 3 out of 4 for use of resources to deliver value for money. This is because the Authority manages its finances well and has a good track record of delivering efficiency savings by changing working practices and increasing productivity. As fires have reduced the Authority has shifted resources from emergency response to prevention and protection in the highest risk areas. It is working with other public services to deliver better outcomes in all the communities across Merseyside."

SIGNIFICANT GOVERNANCE ISSUES

4.7. The Authority faces significant challenges in 2010/11 and the future as it modernises and implements its IRMP and delivers the medium term financial plan. Whilst no significant weaknesses have been identified in control systems at present, the following have been identified as critical internal control issues for the forthcoming year;

4.7.1. The Authority has major plans to continue to tackle its relatively high costs, and to deliver a balanced medium-term financial plan. This involves introducing a number of new and innovative ways of working. The Authority will need to ensure its control frameworks make sure that these deliver the efficiencies and improvements expected.

4.7.2. The assumptions made in the medium term financial plan, particularly around inflation, pay awards, fire fighter pension contributions and future Government grants whilst based on the best information available are subject to change in such volatile times from the economy and public finances in general. The delivery of the savings in cash terms also assumes an estimate of the rate of staff turnover and in particular firefighter retirements. Taken together these factors result in a significant potential risk to the Authority's medium term financial plan. Reliable monitoring and forecasting processes are in place and the Director of Finance will ensure any variation to assumptions made in the medium term financial plan are identified at the earliest possible time. The Financial Review reports will keep Members informed on the impact of any variation to the assumptions in the financial plan and recommended corrective action. The Budget Working Party will work to develop a range of contingency plans for managing risks.

4.7.3. The Authority is leading a North West PFI Project to replace 16 fire stations in Merseyside, Lancashire and Cumbria. It has set in place strong management arrangements for this £46m project, but needs to make sure this large scheme continues to be developed effectively. The approved action plan and timetable is constantly reviewed and updated for any developments that require an alteration to the plan, and regular updates are provided to Members and the project board.

4.8. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review

Signed.................................... Signed..
A. NEWMAN
CHAIRMAN

A. J. McGUIRK
CHIEF FIRE OFFICER

Signed ....
K. TIMMINS
EXECUTIVE DIRECTOR OF RESOURCES

GLOSSARY OF TERMS USED IN 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.

BALANCE SHEET
The Balance Sheet is fundamental to the understanding of the Authority's financial position at the year-end. It shows the Authority's balances and reserves, its long term indebtedness, and the fixed and current assets employed in the Authority's operations, together with summarised information on the fixed assets held.

CAPITAL ADJUSTMENT ACCOUNT
Provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital control systems.

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

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.

CREDITORS
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 2010.

CURRENT ASSETS
Items from which the Authority derives a benefit but which will be consumed or realised during the next accounting period e.g. stocks, debtors, cash.

CURRENT LIABILITIES
The sum of money owed by the Authority and due for payment during the next accounting period e.g. short term borrowing and creditors.

DEBTORS
Amounts owed to the Authority for work done, goods sold or services rendered but not received at the financial year-end.

DEFERRED DEBTORS
Amounts owed to the Authority for work done, goods sold or service rendered to be paid in predetermined instalments over more than one accounting period.

DEFERRED LIABILITY
Amounts owed by the Authority for work done, goods received or services rendered to outside to be paid in predetermined instalments over more than one accounting period.

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
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.

ESTIMATION TECHNIQUES
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

(a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period

(b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

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.

FIXED ASSET
An item from which the Authority will derive benefit over several accounting periods.

FINANCE LEASE
A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
Provides a balancing mechanism between the different rates at which discounts on the early repayment of debt are recognised under the SORP and are required by statute to be met from the general fund. It should be noted this reserve is matched by borrowings and investments within the Balance Sheet they are not resources available to the Authority.

GOING CONCERN
The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

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

MINIMUM REVENUE PROVISION
This is the minimum amount that must be set aside from revenue towards the repayment of loan debt. This is currently 4% of the initial credit ceiling (outstanding loan debt less reserved capital receipts).

NET BOOK VALUE
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.

NET CURRENT REPLACEMENT COST
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

OPERATING LEASES
A lease other than a finance lease.
OPERATIONAL ASSETS
Fixed asset held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Authority.

PRIOR PERIOD ADJUSTMENTS
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
An amount set aside to meet potential future liability but the exact amount and date on which the liability is due is uncertain.

RELATED PARTIES
Two or more parties are related when at any time during the financial period:

1. one party has direct or indirect control of the other party, or
2. the parties are subject to common control from the same source, or
3. one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
4. the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties for the Authority are:

1. central government
2. local authorities and other bodies precepting or levying demands on the Council Tax
3. its subsidiary and associated companies
4. its joint ventures and joint venture partners
5. its members
6. its chief officers, and
7. its pension fund

For individuals identified as related parties, the following are also presumed to be related parties:

1. members of the close family, or the same household , and
2. partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

REMUNERATION
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
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
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 CONTRIBUTION TO CAPITAL OUTLAY (RCCO)
The purchase of fixed assets direct from revenue, rather than by means of loan or lease.

REVENUE EXPENDITURE
This 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.

REVENUE SUPPORT GRANT
This is Government grant in aid of the Authority services generally. It is based upon the Government's assessment of how much the Authority needs to spend in order to provide a standard level of service.

STOCKS
The amount of unused or unconsumed stocks 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.

TANGIBLE FIXED ASSETS
Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

USEFUL LIFE
The period over which the Authority will derive benefits from the use of a fixed asset.