Merseyside Fire & Rescue Service
Audited - Statement of Accounts
2011/12

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2011 – 2012

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EXPLANATORY FOREWORD by the Deputy Chief Executive

1. Introduction

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31 March 2012, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2011/12 Code of Practice on Local Authority Accounting (*the Code*) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and are based upon International Financial Reporting Standards, (IFRS). The Code and relevant guidance notes specifies the principles and practices of accounting required to give a “true and fair” view of the financial position and transactions of the Authority.

2. Explanation of the Key Financial Statements;

The accounts consist of the core financial statements grouped together along with detailed disclosure notes. The core financial statements include:

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

The Comprehensive Income and Expenditure Statement
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet
The Balance Sheet shows the value as at the 31 March 2012 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

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

3. Background to Merseyside Fire and Rescue Service

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

Merseyside Fire & Rescue Authority (MFRA) is a local authority created by the Local Government Act 1985. It is made up of 18 elected representatives appointed by the constituent District Councils. The number of councillors from each district is determined by statute and in most cases is representative of the political composition of that Council. During 2011/12 this was as follows:

Knowsley	2	(2 Labour)
Liverpool	6	(1 Liberal Democrat, 5 Labour)
Sefton	4	(1 Conservative, 2 Labour, 1 Liberal Democrat)
St. Helens	2	(2 Labour)
Wirral	4	(2 Conservative, 2 Labour)

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

The Authority's key Mission, Aims and Values, are outlined below and the approved 2011/12 financial plan had prioritised the allocation of resources to deliver these key aims.

Our Mission;

To Achieve; Safer, Stronger Communities - Safe Effective Firefighters

Our Aims;

Excellent Operational Preparedness

We will provide our firefighters with the training, information, procedures and equipment to ensure they can safely and effectively resolve all emergency incidents.

Excellent Operational Response

To maintain an excellent emergency response to meet risk across Merseyside with safety and effectiveness at its core.

Excellent Prevention and Protection

We will work with our partners and our community to protect the most vulnerable through targeted local risk reduction, health inequality intervention and the robust application of our legal powers.

Excellent People

We will develop and value all our employees, respecting diversity, promoting opportunity and equality for all.

Our Core Values;

Make a positive difference to our community

We will build upon our unique position of trust and respect within the community and the professionalism of our staff to tackle the real underlying factors which affect risk.

We will achieve this by seeking partnerships in areas where we believe we can contribute to making communities safer from fire and other emergencies.

Provide an excellent and affordable service

We will manage our emergency response flexibly, with an emphasis on those most at risk.

We will do this by managing the number and type of appliances which are available to respond to emergencies at different locations throughout the day, night and at different times of the year, to more accurately reflect the changing level and location of risk.

Everyone matters

We aim to reduce risk in every home on Merseyside to a tolerable level, with no homes being assessed as high risk after we and our partners have offered support to the resident.

To achieve this we will be more sophisticated in the way we commit resources to reduce risk; we will continue to offer free Home Fire Safety Checks to residents in Merseyside as we have done for the past ten years, but our key focus will be to work with our partners to identify and provide assistance to those individuals within the community who are most at risk from fire and other emergencies.

Respect our environment

We will fulfil our responsibilities for protecting the built and natural environment, with support and commitment at the highest level.

We will continue to identify and manage our activities, which have an impact on the environment, without compromising our operational response or our service delivery to the communities of Merseyside.

Our people are the best they can be

We will ensure our workforce has the necessary knowledge, skills and values to make a difference.

We will support them in their role and encourage them to contribute their ideas to continually improve the Service to deliver our mission.

We will ensure our staff receive the training and information they need, in order to deliver our services to a high standard and that they are protected in their work through a comprehensive and robust approach to health & safety.

The Authority's Fire and Rescue Service is lead by a Chief Fire Officer supported by a Strategic Management team comprising of the Deputy Chief Fire Officer, Deputy Chief Executive and other senior managers.

Key resources:

- the service employed approximately 1,300 staff during the year, most are involved in front line service delivery,
- forty two frontline fire appliances alongside a range of specialist vehicles and equipment are available to respond quickly to fires and all other emergency incidents,
- twenty seven Community Fire Stations with a variety of duty systems,
- these stations act as hubs for providing services to our communities.

4. The 2011/12 Approved Financial Plan and Budget

Unprecedented financial challenge:

In October 2010 the Government announced the funding settlements for the various Government Departments for 2011/12 to 2014/15 in its Comprehensive Spending Review, CSR2010. The result was Merseyside Fire and Rescue Authority receiving significant grant reductions in 2011/12 and 2012/13.

The Authority receives the majority of its revenue funding from the Government in the form of a Formula Grant, and it is therefore susceptible to any changes to the level of grant. The Authority received approximately £41.9m of Formula Grant in 2011/12 a reduction of £4.398m (-9.5%) in comparison to that received in 2010/11, and a further reduction of £1.425m (-3%) has been announced for 2012/13.

The Authority's original medium term financial plan anticipated future council tax increases of 4% or below. Despite the severe cut in Government grant funding the Authority recognised the financial pressures on the communities of Merseyside and therefore froze its council tax at the 2010/11 rates in 2011/12. Most council taxpayers in Merseyside pay about 12p per day for the Fire and Rescue Service. The total precept income anticipated for the year was £27.1m.

The reduction in funding resulted in the Authority approving £9.2m of permanent savings and cuts in its financial plan and the utilisation of £2.3m in reserves. The saving target for 2011/12 was £5.5m. The approved savings are summarised below:

	£'000
Assuming a 3 Year Pay freeze for all staff	(3,000)
Cutting Support Service & Management Costs	(2,850)
Front Line cuts and efficiencies	(3,350)
	(9,200)

From 2011/12 to 2013/14 the Authority's workforce will be reduced by 173 staff:-

- Firefighter reductions, (92), will be achieved by natural retirements,
- Non-uniform staff reductions, (81), it is hoped that voluntary severance and other means will allow the avoidance of compulsory redundancy.

The Authority approved a financial plan for 2011/12 that, as far as is possible, maintains the front line response and fire services to the people of Merseyside. The overall budget was £69.1m.

a) General Fund Revenue Budget & Expenditure:
The Authority determines its budget requirement by assessing the future year's service commitments that are financed through its General Fund. The General Fund is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council tax payers. The Authority then monitors and manages expenditure throughout the year against the General Fund budget to ensure all expenditure is affordable and planned. The General Fund position for the year is shown in the Movement in Reserves Statement.

Throughout the year the Authority received regular financial review reports detailing the service's progress in implementing the approved saving options, any additional budget amendments required, plus the movements from and to reserves. The approved budget remained constant throughout the year at £69.1m; although the net contribution from reserves reduced from £1.457m to £1.130m as additional one-off savings were identified in the year.

In light of the expected financial challenges in the remaining years of the spending review, the Authority adopted a strategy that it would aim as far as possible to maximise its level of reserves, in order to provide a temporary resource to enable the service changes that would deliver the required future savings without compulsory redundancy. Therefore throughout the year, managers looked at every opportunity to maximise savings against the approved budget to enable an increase in reserves. The table overleaf summarises the general revenue fund position at the year-end:

Type of Expenditure	Budget £000	Expenditure £000	Variance £000
Employee Costs	56,516	54,922	(1,594)
Premises	2,661	2,524	(137)
Transport	1,675	1,498	(177)
Support Services	5,218	3,662	(1,556)
Agency Services	2,216	2,194	(22)
Other Running Costs	387	353	(34)
Capital Financing	5,765	5,313	(452)
Income	(3,477)	(4,583)	(1,106)
Service Net Expenditure	**70,961**	**65,883**	**(5,078)**
Interest on Investments	(50)	(90)	(40)
2011/12 Council Tax Freeze Grant	(681)	(681)	-
	70,230	**65,112**	**(5,118)**
Movement on Earmarked Reserves	(1,130)	3,988	5,118
Budget Requirement	**69,100**	**69,100**	**-**
Formula Grant	(41,906)	(41,906)	-
Precept Income	(27,194)	(27,194)	-
	(69,100)	**(69,100)**	

As can be seen from the table above the actual expenditure against the budget was £5.118m less than planned. However £1.867m of this was required to be carried forward as specific reserves to cover timing issues related to grant funded or specific projects for which the commitment covered more than one year. The remaining £3.251m was a direct consequence of the Authority's strategy of maximising savings to increase reserves. The main reasons for the additional saving are:

- Effective vacancy management, £0.6m
- Capitalising employee costs associated with smoke alarm installation, £0.8m
- Non-pay efficiency savings delivered ahead of that planned in the budget, £0.4m
- Effective management of controllable expenditure on supplies and services, £0.8m
- Reduction in capital financing costs, £0.4m
- An increase in income, £0.2m

The £3.251m saving was used to increase the Capital Investment reserve in order to fund future investment and business re-engineering in the Authority.

Details on all the Authority's reserves can be found in Note 8 to the accounts.

The analysis of income and expenditure by service on the Comprehensive Income and Expenditure Statement (CIES) in this Statement of Accounts is prepared on a different basis to that in the General Revenue fund. The CIES shows the accounting cost in the year in accordance with the relevant generally accepted accounting practices, rather than the amount funded from taxation (General Fund analysis), and includes such expenses as depreciation and amounts to reflect pension costs which are not charged to council tax and are excluded from the General Fund statement. Whilst the CIES shows the true accounting position for the year, it is the General Fund position which more directly reflects the impact on Merseyside residents as it records only those expenses which statute allows to be charged against the Authority's annual budget, the amounts to be set aside as reserves and the amounts to be collected from local council tax payers.

Note 29 "Amounts Reported for Resource Allocation Decisions" outlines in more detail the reconciliation of the General Fund and CIES statements. (The net service expenditure figure in note 29 of £65.883m, is the Service Net Expenditure figure in the previous table).

b) Capital Investment Programme:
The Authority manages its capital investment plans through its capital programme. The approved budget and final expenditure together with the various sources of funding are shown below:

Programme	Original Budget £000	Final Budget £000	Actual Expenditure £000	Year-end Re-phasing from 2011/12 into 2012/13 £000	Variance after Re-Phasing Adjustment £000
Expenditure					
Buildings/Land	3,799	5,546	2,202	3,334	(10)
Fire Safety	1,752	1,447	1,378	-	(69)
ICT	783	1,031	663	343	(25)
Operational Equipment and Hydrants	534	520	279	206	(35)
Vehicles	2,867	1,296	1,192	104	-
Other	-	983	-	-	(983)
Total	**9,735**	**10,823**	**5,714**	**3,987**	**(1,122)**
Financing					
Capital Receipts	900	220	-	220	-
Revenue Contribution	1,000	1,133	313	-	(820)
Grants	-	3,686	2,307	1,379	-
External Contributions	-	150	154	-	4
Unsupported Borrowing	7,835	5,634	2,940	2,388	(306)
Total	**9,735**	**10,823**	**5,714**	**3,987**	**(1,122)**

The most significant items of capital expenditure have been:

- Commencement of the building works to the new Toxteth Community Fire Station and FireFit Hub,
- General enhancements to fire stations and buildings
- Installation of smoke alarms
- A new Incident Ground Management System
- The purchase of new pumping and specialist appliances.

c) Borrowing:
A large proportion of the capital programme is funded by borrowing. When undertaking borrowing, the Authority ensures that its plans are prudent and affordable in both the short and long term. The Authority adheres to CIPFA's Prudential Code and Treasury Management Guidelines and it determines before the start of each financial year an agreed Treasury Management Strategy. The strategy sets limits for the next three years on:-

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

The strategy covers:

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

The Authority's borrowing with the Public Works Loan Board increased from £43.1m at the start of the year to £46.1m at the end. Interest paid during the year on existing long term borrowing totalled £2.2 m.

d) Reserves:
At the end of 2011/12 the Authority's earmarked reserves were £5.118m higher than anticipated. This was as a consequence of additional earmarked reserves of £1.867m for special projects, and, the application of the £3.251m general fund revenue saving to increase the Capital Investment Reserve. The Authority maintained a general reserve of £4.684m throughout the year as a hedge against risk. The table below summarises the movement in reserves in 2011/12:

	Opening Balance	Anticipated Closing Balance	Actual Closing Balance	Variation to that Anticipated	Explained By:	
					Specific Projects continuing into year 2	Year-End Saving
	£000	£000	£000	£000	£000	£000
Total Earmarked Reserves	13,138	12,008	17,126	5,118	1,867	3,251
General Revenue Reserve	4,684	4,684	4,684	-	-	-
Total Reserves	**17,822**	**16,692**	**21,810**	**5,118**	**1,867**	**3,251**

5. Financial Position at 31st March 2012

The Net Assets of the Authority are shown in the Balance Sheet. This currently shows a deficit of £836.745m. However, this includes the underlying commitments that the Authority has in to pay retirement benefits of £848.302m. Note 44 to the accounts provides detail on the two pension schemes the Authority participates in. The total pension liability of £848.302m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £836.745m. However arrangements are in place for funding the pension liability:

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

- any shortfall on the firefighter pension scheme is met by grant funding from Central Government and the Authority is only required to cover discretionary benefits when the pensions are actually paid.

6. Significant Changes in Accounting Policies

For the financial year 2010/11 the Authority was required to prepare its accounts based on International Financial Reporting Standards for the first time. The move to an IFRS-based set of accounts resulted in a considerable number of changes in accounting practices and disclosures.

The 2011 Code (as updated in September 2011) has built upon the changes introduced last year and has made further changes to accounting policies and disclosure requirements. The only change that is applicable to the Authority is as follows:

a) Exit Packages:
The Code now requires that exit packages are disclosed in the accounts in bands of £20,000 up to £100,000 and bands of £50,000 thereafter, analysed between compulsory redundancies and other departures. Exit packages include

compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and any other departure costs. The total cost of packages in each band is also required to be disclosed. When necessary, bands can be combined to prevent individual exit packages being identified.

This is a disclosure note and no amendments are required to accounting policies or the previously published financial information. See disclosure note 34.

7. Financial Outlook 2012/13 – 2016/2017

The Authority faces a significant challenge over the coming years as a result of expected Government grant cuts with further significant cuts expected in 2013/14 – 2014/15.

In the first two years (2011/12 – 2012/13) of the spending review the Authority received a grant cut of over 13%, (double the national average) and had to approve a plan to deliver over £9m of savings to compensate for this loss of grant. The Authority is on track to deliver this saving, as planned, by the end of 2013.

The Authority is currently engaged in a lobbying campaign aimed at minimising the level of grant cuts.

The Authority has prudently planned to meet its known financial challenges over the medium term and has maximised its reserves to give flexibility as more information is released by Central Government.

The Authority recognises that there are substantial financial risks going forward, particularly in light of the significant international economic turmoil.

In light of the risks within the financial plan, the Authority has agreed to continue with its strategy of managing its resources prudently and look for opportunities to increase its reserves in 2012/13 and 2013/14 so that it can use such sums as part of prudent medium term strategy.

FURTHER INFORMATION

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Movement in Reserves Statement

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

Restated	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2010		**(2,544)**	**(10,096)**	**-**	**(12,640)**	**883,267**	**870,627**
Movement in reserves during 2010/11							
(Surplus) or deficit on provision of services		(39,653)	-	-	(39,653)	-	**(39,653)**
Other Comprehensive Expenditure and Income		-	-	-	**-**	(53,213)	**(53,213)**
Total Comprehensive Expenditure and Income		**(39,653)**	**-**	**-**	**(39,653)**	**(53,213)**	**(92,866)**
Adjustments between accounting basis & funding basis under regulations	7	34,471	-	-	**34,471**	(34,471)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(5,182)**	**-**	**-**	**(5,182)**	**(87,684)**	**(92,866)**
Transfers (to)/from Earmarked Reserves	8	3,042	(3,042)	**-**	**-**	-	**-**
Increase/Decrease in 2010/11		**(2,140)**	**(3,042)**	**-**	**(5,182)**	**(87,684)**	**(92,866)**
Balance at 31 March 2011 carried forward		**(4,684)**	**(13,138)**	**-**	**(17,822)**	**795,583**	**777,761**

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2011		**(4,684)**	**(13,138)**	**-**	**(17,822)**	**795,583**	**777,761**
Movement in reserves during 2011/12							
(Surplus) or deficit on provision of services		45,532	-	-	45,532	-	**45,532**
Other Comprehensive Expenditure and Income		-	-	-	**-**	13,452	**13,452**
Total Comprehensive Expenditure and Income		**45,532**	**-**	**-**	**45,532**	**13,452**	**58,984**
Adjustments between accounting basis & funding basis under regulations	7	(49,520)	-	(2,502)	**(52,022)**	52,022	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(3,988)**	**-**	**(2,502)**	**(6,490)**	**65,474**	**58,984**
Transfers (to)/from Earmarked Reserves	8	3,988	(3,988)	**-**	**-**	-	**-**
Increase/Decrease in Year		**-**	**(3,988)**	**(2,502)**	**(6,490)**	**65,474**	**58,984**
Balance at 31 March 2012		**(4,684)**	**(17,126)**	**(2,502)**	**(24,312)**	**861,057**	**836,745**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2010/11 Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	2011/12 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,556	(1,305)	10,251	Community Fire Safety		10,075	(906)	9,169
69,192	(3,607)	65,585	Firefighting and Rescue Operations		67,401	(3,677)	63,724
1,302	-	1,302	Corporate and Democratic Core		1,263	-	1,263
(90,292)	-	(90,292)	Non-Distributed Costs Reduction in Past Service Cost	44	89	-	89
(8,242)	**(4,912)**	**(13,154)**	**Cost Of Services**		**78,828**	**(4,583)**	**74,245**
-	-	-	Other Operating Expenditure	9	60	-	60
51,081	(2,462)	48,619	Financing and Investment Income and Expenditure	10	48,868	(2,762)	46,106
-	(75,118)	(75,118)	Taxation and Non-Specific Grant Income	11	-	(74,879)	(74,879)
		(39,653)	**(Surplus) or Deficit on Provision of Services**				**45,532**
		-	(Surplus) or deficit on revaluation of fixed assets				(719)
		(53,213)	Actuarial (gains) / losses on pension assets / liabilities				14,171
		(53,213)	**Other Comprehensive Income and Expenditure**				**13,452**
		(92,866)	**Total Comprehensive Income and Expenditure**				**58,984**

Balance Sheet

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

31 March 2011 £000		Notes	31 March 2012 £000
46,562	Property, Plant & Equipment	12	43,532
-	Heritage Assets	13	-
-	Investment Property	14	-
58	Intangible Assets	15	57
-	Assets Held for Sale	20	-
-	Long Term Investments	16	-
-	Long Term Debtors	16	-
46,620	**Long Term Assets**		**43,589**
-	Current Intangible Assets		-
-	Short Term Investments	16	6,019
690	Assets Held for Sale	20	630
419	Inventories	17	438
3,985	Short Term Debtors	18	3,043
6,991	Cash and Cash Equivalents	19	10,982
12,085	**Current Assets**		**21,112**
(2,532)	Short Term Borrowing	16	(1,521)
(5,755)	Short Term Creditors	21	(5,525)
(8,287)	**Current Liabilities**		**(7,046)**
-	Long Term Creditors	16	-
(308)	Provisions	22	(473)
(41,075)	Long Term Borrowing	16	(45,075)
(786,796)	Other Long Term Liabilities	16	(848,852)
(828,179)	**Long Term Liabilities**		**(894,400)**
(777,761)	**Net Assets**		**(836,745)**
17,822	Usable reserves	23	24,311
(795,583)	Unusable Reserves	24	(861,056)
(777,761)	**Total Reserves**		**(836,745)**

Cash Flow Statement

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

Restated 2010/11 £000		Notes	2011/12 £000
(39,653)	Net (surplus) or deficit on the provision of services		45,532
30,242	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	(58,329)
(731)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	2,785
(10,142)	**Net cash flows from Operating Activities**		**(10,012)**
7,227	Investing Activities	27	6,663
4,995	Financing Activities	28	(642)
2,080	**Net increase or decrease in cash and cash equivalents**		**(3,991)**
(9,071)	Cash and cash equivalents at the beginning of the reporting period		(6,991)
(6,991)	**Cash and cash equivalents at the end of the reporting period**	19	**(10,982)**

Notes to the Accounts

Restated Figures

Treatment of Pension Fund Top Up Grant

Pension Fund Top up Grant is scoped out of IAS19 by paragraph 6.4.3.9 of the Accounting Code of Practice. There should be no entry in the Comprehensive Income and Expenditure Statement for top up grant receivable, because under the Firefighters Pension Regulations 2006 the grant is paid direct to the Firefighter Pension Fund.

This has resulted in the following changes being made to the 2010/11 Financial Statements:

	Adjusted 2010/11 Statements £000	Adjustments Made £000
2010/11 Movement in Reserves Statement		
Net (surplus) or deficit on the provision of services	(39,653)	18,627
Other Comprehensive Expenditure and Income	(53,213)	(18,627)
Adjustments between accounting basis and funding basis under regulations	34,471	(18,627)
2010/11 Comprehensive Income and Expenditure Statement		
Taxation and Non Specific Grant Income	(75,118)	18,627
Actuarial (gains) / Losses on pension assets / Liabilities	(53,213)	(18,627)
2010/11 Cash flow Statement		
Net (surplus) or deficit on the provision of services	(39,653)	18,627
Adjustments to net surplus or deficit on the provision of services for non-cash movements	30,242	(18,627)

There has been no change to the General Fund Balance as the consequential reduction in surplus on the provision of services is offset by actuarial gain on pension assets.

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

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

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

iv. Exceptional Items

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

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. No such material errors have been identified.

vi. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding non current assets during the year:

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

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

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Where leave is taken in advance of entitlement this is netted off the value of the holiday pay accrual. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

The Authority began a programme of reducing staff numbers and generating savings through voluntary severance and early retirement in February 2012.

Post employment Benefits

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

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

The Firefighters Pension Scheme

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

Transactions in the Firefighters Pension Fund include:

Credits to the Pension Fund

Employees' contributions from firefighters

Transfer values received from other authorities

The employer's contributions due from the Authority

Additional contributions required from the Authority for ill health retirements

Debits to the Pension Fund

Awards payable under any provision of the pension scheme

Transfer values payable to other Authorities

Any repayment to the Authority of contributions towards ill health

The Pension fund account is balanced to zero by either:

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

Firefighters' Injury Schemes

Under the Firefighters Compensation Scheme (England) Order 2006, a firefighter receives an injury award where they have retired and are permanently disabled because of an injury received in the execution of their duty. Under IAS 19 the Authority is required to account for contingent future injury benefits. The liability is based on an estimate of future benefits earned by members, and movements in the liability are treated in the same way as for the Firefighters pension schemes.

The Local Government Pension Scheme

- The Local Government Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bond).
- The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension's liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
- contributions paid to the Merseyside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events after the Balance Sheet Date

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

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

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

xii. Intangible Assets

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

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

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

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

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

xiii. Inventories and Long Term Contracts

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

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

xiv. Investment Property

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

xv. Jointly Controlled Operations and Jointly Controlled Assets

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

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

xvi. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xviii. Property, Plant and Equipment

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

<u>Recognition</u>

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

<u>Measurement</u>

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

<u>Impairment</u>

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property as estimated by the valuer. The remaining life of the buildings range from 2 – 50 years
- Vehicles, plant and equipment – straight line allocation over the remaining useful life as estimated by a suitably qualified officer. Vehicles are depreciated over 5 – 20 years and plant and equipment is depreciated over 3 – 25 years
- Land – depreciation is not applied to land
- No residual value is accounted for
- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

In 2011/12 the Authority has had to accelerate it's depreciation on seven of its fire stations in order to incorporate the demolishing and rebuilding of them through the PFI scheme. As a result, the buildings are being depreciated over a much shorter life and will result in additional depreciation charges of around £2.1m per year for the next 2 years. Depreciation has also been accelerated for the construction of the Toxteth Hub and the subsequent disposal of Toxteth Fire Station. This has resulted in an additional depreciation charge of £0.4m for the next two financial years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Only components above 10% of the total asset value would be considered for componentisation.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

xix. Private Finance Initiative (PFI) and Similar Contracts

The Authority is leading a North West PFI project to replace 16 fire stations across Merseyside, Lancashire and Cumbria. Merseyside Fire Service is getting 7 new PFI Stations. The building programme for Merseyside started in April 2011. The first station was completed in April 2012 and the last station is due for completion in July 2013.

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets when recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operator each year are analysed into four elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – analysed on an annual basis and either capitalised as an addition to Property Plant and Equipment if the spend relates to capital or debited to the relevant service in the Comprehensive Income and Expenditure Statement if the spend relates to revenue maintenance.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxi. Reserves

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

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

xxii. Revenue Expenditure Funded from Capital under Statute

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

xxiii. VAT

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

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

IFRS 7 Financial Instruments (Amendments): Disclosures (transfers of financial assets).

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in the accounting policy in relation to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). This change will need to be adopted fully by Authorities in their 2012/13 financial statements. The adoption of amendments to IFRS 7 Financial Instruments: Disclosures by the Code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1st July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1st April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statement of the Authority.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may effect spending on repairs and maintenance, which may change the useful lives assigned to assets.	If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £103,000 for every year that useful lives have to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. (Note 44)	The estimates and assumptions involve many variables all of which interact in complex ways and will have an impact on figures produced by professional actuaries. If pensions liability where to change by 1% this would result in a gain/loss of £8.4 million.
Arrears	At 31 March 2012, the Authority had a balance of sundry debtors of £600,000. A review of significant balances suggested that an impairment for doubtful debts of 2.2% (£13,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £13,000 to set aside as an allowance.
Provisions	The Authority has made provision for Injury and Damage Compensation claims based on an estimate of potential payouts.	Claims are based on past experience and evaluations. If the estimate were to change by 10% this would result in a change of £47,000 in the provision.

5. Material Items of Income and Expense

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

2011/12 £000	2010/11 £000
1,924	**1,954**

6. Events after the Balance Sheet Date

Since the end of the 2011 -12 financial year and the signing of the Statement of Responsibilities for the Statement of Accounts the Authority has taken control of the following PFI stations:

- Newton Le Willows Fire Station 21/05/12. Build cost £2.174m
- Formby Fire Station 30/04/12. Build cost £2.072m
- Bootle & Netherton Fire Station 01/06/12. Build cost £3.199m

These stations will be recognised in future year's balance sheets as both assets and liabilities.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2011/12

2011/12	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(7,310)	-	-	7,310
Revaluation losses on Property Plant and Equipment	(719)	-	-	719
Amortisation of intangible assets	(58)	-	-	58
Capital grants and contributions applied	4,963	-	(2,502)	(2,461)
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	(1,378)	-	-	1,378
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(60)	-	-	60
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,768	-	-	(2,768)
Capital expenditure charged against the General Fund	313	-	-	(313)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(52)	-	-	52
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(57,093)	-	-	57,093
Employer's pensions contributions and direct payments to pensioners payable in the year	9,148	-	-	(9,148)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	135	-	-	(135)
Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(177)	-	-	177
Total Adjustments	**(49,520)**	**-**	**(2,502)**	**52,022**

Adjustments between Accounting Basis and Funding Basis under Regulations 2010/11

Restated 2010/11	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(6,779)	-	-	6,779
Revaluation losses on Property Plant and Equipment	(2,013)	-	-	2,013
Amortisation of intangible assets	(236)	-	-	236
Capital grants and contributions applied	1,557	-	-	(1,557)
Income in relation to donated assets	1,632	-	-	(1,632)
Revenue expenditure funded from capital under statute	(1,512)	-	-	1,512
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	2,479	-	-	(2,479)
Capital expenditure charged against the General Fund	484	-	-	(484)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)	-	-	53
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	29,673	-	-	(29,673)
Employer's pensions contributions and direct payments to pensioners payable in the year	9,189	-	-	(9,189)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	235	-	-	(235)
Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(185)	-	-	185
Total Adjustments	**34,471**	**-**	**-**	**(34,471)**

8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund in 2011/12.

	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
Emergency Related Reserves:							
Bellwin Reserve	**147**	-	-	**147**	-	-	**147**
Insurance Reserve	**220**	-	-	**220**	-	400	**620**
Emergency Planning Reserve	**75**	-	-	**75**	-	-	**75**
Financial Management Reserves:							
Modernisation Reserve	**574**	(574)	-	**-**	-	-	**-**
Cost Smoothing Reserve	**4,745**	(1,742)	-	**3,003**	(957)	-	**2,046**
Severance Reserve	**-**	-	3,000	**3,000**	(652)	-	**2,348**
Inflation Reserve	**858**	-	1,142	**2,000**	-	-	**2,000**
Ill Health Penalty Reserve	**-**	-	38	**38**	-	206	**244**
Capital Investment Reserves:							
Capital Investment Reserve	**1,074**	(33)	1,165	**2,206**	(10)	4,448	**6,644**
PFI Annuity Reserve	**-**	-	-	**-**	-	590	**590**
Specific Projects:							
Job Evaluation Reserve	**230**	-	-	**230**	-	-	**230**
Community Sponsorship Reserve	**44**	(21)	-	**23**	(8)	-	**15**
Regional Reserve	**100**	-	-	**100**	-	-	**100**
Fire Boots/Clothing Reserve	**138**	(138)	-	**-**	-	-	**-**
Equipment Reserve	**114**	-	104	**218**	-	55	**273**
Contestable Research Fund Reserve	**27**	-	7	**34**	-	8	**42**
Training Reserve	**137**	-	156	**293**	(8)	-	**285**
Pre Retirement Reserve	**143**	-	36	**179**	-	17	**196**
Fire Service Direct Reserve	**14**	-	21	**35**	-	-	**35**
Healthy Living / Olympic Legacy Reserve	**260**	(148)	-	**112**	(3)	-	**109**
Water Rescue Reserve	**-**	-	45	**45**	-	2	**47**
Total	**8,900**	**(2,656)**	**5,714**	**11,958**	**(1,638)**	**5,726**	**16,046**
Ringfenced Reserves							
F.R.E.E Reserve	**4**	-	20	**24**	-	11	**35**
Princes Trust Reserve	**90**	-	34	**124**	-	60	**184**
Community Youth Team Reserve	**43**	-	-	**43**	-	11	**54**
Beacon Peer Project Reserve	**313**	(138)	-	**175**	(67)	-	**108**
Innovation Fund Reserve	**132**	-	12	**144**	-	12	**156**
Concept Knowsley Reserve	**17**	(17)	-	**-**	-	-	**-**
Regional Control Reserve	**200**	(55)	-	**145**	(111)	-	**34**
Energy Reserve	**66**	-	28	**94**	(94)	-	**-**
St Helen's District Reserve	**44**	-	2	**46**	(6)	-	**40**
New Dimensions Reserve	**287**	-	98	**385**	-	84	**469**
Total	**1,196**	**(210)**	**194**	**1,180**	**(278)**	**178**	**1,080**
Total Earmarked Reserves	**10,096**	**(2,866)**	**5,908**	**13,138**	**(1,916)**	**5,904**	**17,126**

Bellwin/Civil Emergency Reserve

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

Insurance Reserve

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

Emergency Planning Reserve

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

Modernisation Reserve

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

Cost Smoothing Reserve

This reserve is used to support the significant financial challenges that the Authority faces as public spending is reduced. It is intended to smooth out expenditure patterns when savings take time to deliver.

Severance Reserve

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

Inflation Reserve

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

Ill Health Penalty Reserve

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

Capital Investment Reserve

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

PFI Annuity Reserve

This reserve has been created to account for the differences in PFI credits received from the Government and actual payments to the PFI contractor.

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 funding for any backdated evaluations/appeals.

Community Sponsorship Reserve

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

Regional Reserve

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

Fire Boots/Clothing Reserve

This reserve was created as an investment in Health and Safety for the purchase of protective equipment for all firefighters. The reserve was fully utilised in purchasing new personal protective equipment for firefighters

Equipment Reserve

This reserve has been created to fund the purchase of equipment, furniture and 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.

Fire Service Direct Reserve

This reserve has been created to allow additional resources in 2012/13 for collation of statistical data in relation to Home Fire Risk Assessments.

Healthy Living / Olympic Legacy

To exploit and maximise opportunities and initiatives arising from the World Firefighter Games and build bridges with the 2012 Olympics event.

Water Rescue Reserve

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

Ringfenced Reserves

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

9. Other Operating Expenditure

2010/11 £000		2011/12 £000
-	(Gains)/losses on the disposal of non current assets	60
-	**Total**	**60**

10. Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
2,356	Interest payable and similar charges	2,285
48, 725	Pensions interest cost	46,583
(2,407)	Expected return on pensions assets	(2,672)
(55)	Interest receivable and similar income	(90)
-	Other investment income	-
48,619	**Total**	**46,106**

11. Taxation and Non Specific Grant Income

2010/11 £000		2011/12 £000
(27,256)	Council tax income	(27,329)
(40,434)	Non domestic rates	(32,011)
(5,871)	Non-ringfenced government grants	(10,576)
(1,557)	Capital grants and contributions	(4,963)
(75,118)	**Total**	**(74,879)**

12. Property, Plant and Equipment Movements on Balances

Movements in 2011/12:

	Land & Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2011	**37,462**	**-**	**21,676**	**59,138**
Additions	781	1,414	2,084	4,279
Donations	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	719	-	-	719
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(719)	-	-	(719)
Derecognition Disposals	-	-	-	-
Derecognition Other	-	-	(1,651)	(1,651)
Assets reclassified (to)/from Held for sale	-	-	-	-
Other movements in Cost or Valuation	(570)	-	-	(570)
At 31 March 2012	**37,673**	**1,414**	**22,109**	**61,196**
Accumulated Depreciation and Impairment				
At 1 April 2011	**(3,553)**	**-**	**(9,022)**	**(12,575)**
Depreciation Charge	(4,064)	-	(2,676)	(6,740)
Depreciation written out to the Revaluation Reserve	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment losses/(reversals) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-
Derecognition – Disposals	-	-	-	-
Derecognition – Other	-	-	1,651	1,651
Other movements in Depreciation and Impairment	-	-	-	-
At 31 March 2012	**(7,617)**	**-**	**(10,047)**	**(17,664)**
Net Book Value				
At 31 March 2012	**30,056**	**1,414**	**12,062**	**43,532**
At 31 March 2011	**33,909**	**-**	**12,654**	**46,563**
Nature of asset holding				
Owned	30,056	1,414	12,020	43,490
Finance Lease	-	-	42	42
PFI	-	-	-	-
Total	**30,056**	**1,414**	**12,062**	**43,532**

Property, Plant and Equipment Movements on Balances

Comparative Movements in 2010/11:

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

Depreciation

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

- Buildings – straight line allocation over the remaining life of the property as estimated by the valuer. The remaining life of the buildings range from 2 – 50 years

- Vehicles, plant and equipment – straight line allocation over the remaining useful life as estimated by a suitably qualified officer. Vehicles are depreciated over 5 – 20 years and plant and equipment is depreciated over 3 – 25 years

- Land – depreciation is not applied to land

- No residual value is accounted for

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

In 2011/12 the Authority has had to accelerate the depreciation on seven of its fire stations in order to incorporate the demolishing and rebuilding of them through a PFI scheme. As a result the buildings are being depreciated over a much shorter life and will result in additional depreciation charges of around £2.1m per year for the next 2 years. Depreciation has also been accelerated for the construction of the Toxteth Hub and the subsequent disposal of Toxteth Fire Station. This has resulted in an additional depreciation charge of £0.4m for the next two financial years.

Capital Commitments

At 31 March 2012, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment. The value of these commitments in 2012/13 and future years is £3.896m. Similar commitments at 31 March 2011 were £1.229m. The major commitments are:

- Toxteth Fire Fit Hub Construction £2,653,000
- Marine Rescue Accommodation £ 622,000
- Special Vehicles (2 Scania Prime Movers) £ 265,000

Effects of Changes in Estimates
The Authority is building seven replacement fire stations under a PFI project. The life of the current stations has therefore been re-aligned to match the demolition programme.

The Authority had two of its properties for sale in 2011/12. These sales are imminent in 2012/13 and no depreciation has been charged on them in 2011/12. The two properties have been transferred to Assets Held for Sale in the Current Assets Section in the Balance Sheet. The two properties are Low Hill Fire Station and a vehicle workshop in Speke. The properties were re-valued for sales purposes and this has resulted in a revaluation loss in 2010/11 of £475,000. The assets have been revalued down by a further £60k in 2011/12 to reflect the capital receipts in 2012/13.

Revaluations

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

Componentisation

After consulting with the fire service valuers (Hardie Brack Chartered Surveyors) we have concluded that no material changes to depreciation would be incurred by componentisation and that all components have a similar asset life or their values are not material. All fire stations have been valued on a depreciated replacement cost basis as there is no market value and the balance of property has been valued on a fair value basis. Due to the small portfolio of assets, all land and buildings are revalued as one so there is no rolling program. The last valuation was completed in March 2010.

	Land and Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total £000
Carried at historical cost	211	1,414	22,109	**23,734**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2011	1,550	-	-	**1,550**
31 March 2010	26,656	-	-	**26,656**
Values at fair value as at:				
31 March 2011	2,430	-	-	**2,430**
31 March 2010	6,826	-	-	**6,826**
Total Cost or Valuation	**37,673**	**1,414**	**22,109**	**61,196**

13. Heritage Assets

The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation important for the future generations. Heritage assets are maintained principally for their contribution to knowledge and culture, and it is this that distinguishes them from other assets. The Authority currently has no heritage assets.

14. Investment Properties

Investment properties are defined as property (land or a building, part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or

b) sale in ordinary course of operations.

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

15. Intangible Assets

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

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

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

	2011/12 Software Licenses £000	2010/11 Software Licenses £000
Balance at start of year:		
• Gross carrying amounts	294	357
• Accumulated amortisation	(236)	(121)
Net carrying amount at start of year	58	236
Additions:		
• Internal development	-	-
• Purchases	57	58
• Acquired through business combinations	-	-
Assets reclassified as held for sale	-	-
Other disposals		
Revaluations increases or decreases	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services		
Amortisation for the period	(58)	(236)
Other changes	-	-
Net carrying amount at end of year	**57**	**58**
Comprising:		
Gross carrying amounts	57	58
Accumulated amortisation	-	-
Total	**57**	**58**

16. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£000	£000	£000	£000
Investments				
Loans and receivables – Investments	-	-	6,019	-
– Cash & Bank	-	-	10,982	6,991
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	**-**	**-**	**17,001**	**6,991**
Debtors				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	-	-
Total included in Debtors	**-**	**-**	**-**	**-**
Borrowings				
Financial liabilities at amortised cost (PWLB)	(45,075)	(41,075)	(1,000)	(2,000)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	**(45,075)**	**(41,075)**	**(1,000)**	**(2,000)**
Other Long Term Liabilities				
Finance lease liabilities	(22)	(43)	(21)	(21)
Total other long term liabilities	**(22)**	**(43)**	**(21)**	**(21)**
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	-	-
PWLB interest carried at contract amount	-	-	(459)	(470)
Total creditors	**-**	**-**	**(459)**	**(470)**

Income, Expense, Gains and Losses

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

	2011/12					2010/11				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	2,285	-	-	-	**2,285**	2,356	-	-	-	**2,356**
Losses on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Reductions in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Impairment losses	-	-	-	-	**-**	-	-	-	-	**-**
Fee expense	-	-	-	-	**-**	-	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**2,285**	**-**	**-**	**-**	**2,285**	**2,356**	**-**	**-**	**-**	**2,356**
Interest income	-	(90)	-	-	**(90)**	-	(55)	-	-	**(55)**
Interest income accrued on impaired financial assets	-	-	-	-	**-**	-	-	-	-	**-**
Increases in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Gains on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Fee income	-	-	-	-	**-**	-	-	-	-	**-**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(90)**	**-**	**-**	**(90)**	**-**	**(55)**	**-**	**-**	**(55)**
Gains on revaluation	-	-	-	-	**-**	-	-	-	-	**-**
Losses on revaluation	-	-	-	-	**-**	-	-	-	-	**-**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	**-**	-	-	-	-	**-**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	**-**	-	-	-	-	**-**
Net gain/(loss) for the year	**2,285**	**(90)**	**-**	**-**	**2,195**	**2,356**	**(55)**	**-**	**-**	**2,301**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- actual ranges of interest rates at 31 March 2012 of 1.57% to 11.125% for loans from the PWLB
- no early repayment or impairment is recognised
- where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value

The fair values calculated are as follows:

	31 March 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & Long term loans	46,075	62,636	43,075	51,458

The fair value of the liabilities is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders below current market rates.

The fair value of the Merseyside Residual debt is taken to be the same as the amount of principal outstanding.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Short-term investments carrying amount is assumed to approximate to fair value.

17. Inventories

	Clothing / Consumable Stores		Diesel / Engineering Centre of Excellence Stores		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	328	299	91	128	419	427
Purchases	384	850	823	900	1,207	1,750
Recognised as an expense in the year	(411)	(821)	(777)	(937)	(1,188)	(1,758)
Written off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**301**	**328**	**137**	**91**	**438**	**419**

18. Debtors

	31 March 2012 £000	31 March 2011 £000
Central Government bodies	284	338
Other local authorities	1,599	2,002
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,160	1,645
Total	**3,043**	**3,985**

19. Cash and Cash Equivalents

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

31 March 2011 £000		31 March 2012 £000
13	Cash held by the Authority	11
6,978	Bank current accounts	7,869
-	Short-term deposits with building societies	3,102
6,991	**Total Cash and Cash Equivalents**	**10,982**

The bank current account includes the pension fund debtor of £8.333 million as at the 31st March 2012 and £7.275 million as at the 31st March 2011. This relates to the disaggregation of the pension fund figures into a separate account and is the money owed to Merseyside Fire and Rescue Service from CLG for payments of pension liabilities.

20. Assets Held for Sale

	Current		Non Current	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
Balance outstanding at start of year	**690**	**-**	**-**	**-**
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	-	-	1,165
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	(60)	-	-	(475)
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	-	-	-	-
Transfers from non current to current	-	690	-	(690)
Other movements	-	-	-	-
Balance outstanding at year-end	**630**	**690**	**-**	**-**

21. Creditors

	31 March 2012	31 March 2011
	£000	£000
Central Government bodies	(1,340)	(1,227)
Other local authorities	(1,484)	(1,894)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(2,701)	(2,634)
Total	**(5,525)**	**(5,755)**

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

22. Provisions

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2011	-	(308)	-	(308)
Additional provisions made in 2011/12	-	(210)	-	(210)
Amounts used in 2011/12	-	45	-	45
Unused amounts reversed in 2011/12	-	-	-	-
Unwinding of discounting in 2011/12	-	-	-	-
Balance at 31 March 2012	**-**	**(473)**	**-**	**(473)**

Injury Compensation Claims

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

23. Usable Reserves

31 March 2011 £000		31 March 2012 £000
-	Usable Capital Receipts Reserve	-
-	Usable Capital Grants Unapplied	2,502
4,684	General Fund Balance	4,684
13,138	Earmarked Reserves (Note 8)	17,125
17,822	**Total Usable Reserves**	**24,311**

24. Unusable Reserves

31 March 2011 £000		31 March 2012 £000
8,756	Revaluation Reserve	8,060
-	Available for Sale Financial Instruments Reserve	-
(17,189)	Capital Adjustment Account	(19,757)
340	Financial Instruments Adjustment Account	288
(786,186)	Pensions Reserve	(848,302)
2	Collection Fund Adjustment Account	138
(1,306)	Accumulating Compensated Absences Adjustment Account	(1,483)
(795,583)	**Total Unusable Reserves**	**(861,056)**

Revaluation Reserve

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

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

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

2010/11 £000		2011/12 £000	
10,252	**Balance at 1 April**		**8,756**
-	Upward revaluation of assets	719	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
10,252	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		719
(1,496)	Difference between fair value depreciation and historical cost depreciation	(1,415)	
-	Accumulated gains on assets sold or scrapped	-	
(1,496)	Amount written off to the Capital Adjustment Account		(1,415)
8,756	**Balance at 31 March**		**8,060**

Available for Sale Financial Instruments Reserve

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

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

The Authority had no available for sale financial instruments at 31 March 2012.

Capital Adjustment Account

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

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

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

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

2010/11 £000			2011/12 £000
(14,297)	**Balance at 1 April**		**(17,189)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(6,779)	• Charges for depreciation and impairment of non current assets	(7,310)	
(1,538)	• Revaluation losses on Property, Plant and Equipment	(719)	
(236)	• Amortisation of intangible assets	(58)	
(1,512)	• Revenue expenditure funded from capital under statute	(1,378)	
(475)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(60)	
(10,540)			(9,525)
1,496	Adjusting amounts written out of the Revaluation Reserve		1,415
(9,044)	Net written out amount of the cost of non current assets consumed in the year		(8,110)
	Capital financing applied in the year:		
-	• Use of the Capital Receipts Reserve to finance new capital expenditure	-	
-	• Use of the Major Repairs Reserve to finance new capital expenditure	-	
1,557	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,461	
-	• Application of grants to capital financing from the Capital Grants Unapplied Account	-	
2,479	• Statutory provision for the financing of capital investment charged against the General Fund	2,768	
484	• Capital expenditure charged against the General Fund	313	
4,520			5,542
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
1,632	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(17,189)	**Balance at 31 March**		**(19,757)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense or income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 7 years.

2010/11 £000		2011/12 £000	
393	**Balance at 1 April**		**340**
-	Premiums received in the year and charged to the Comprehensive Income and Expenditure Statement	-	
(53)	Proportion of discounts received in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(52)	
(53)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(52)
340	**Balance at 31 March**		**288**

Pensions Reserve

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

Restated 2010/11 £000		2011/12 £000
(878,261)	Balance at 1 April	(786,186)
53,213	Actuarial gains or (losses) on pensions assets and liabilities	(14,171)
29,673	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(57,093)
9,189	Employer's pensions contributions and direct payments to pensioners payable in the year	9,148
(786,186)	**Balance at 31 March**	**(848,302)**

Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
(233)	Balance at 1 April	2
235	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	136
2	**Balance at 31 March**	**138**

Unequal Pay Back Pay Account

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

Accumulating Compensated Absences Account

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

2010/11 £000			2011/12 £000
(1,121)	Balance at 1 April		(1,306)
609	Settlement or cancellation of accrual made at the end of the preceding year	671	
(794)	Amounts accrued at the end of the current year	(848)	
(185)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(177)
(1,306)	**Balance at 31 March**		**(1,483)**

25. Cash Flow Statement – Adjust net surplus or deficit on the provision of services for non-cash movements

2010/11 £000		2011/12 £000
(6,779)	Depreciation and impairment of non current assets	(8,029)
(2,013)	Revaluation losses on property plant and equipment	-
(236)	Amortisation of intangible assets	(58)
(1,512)	Revenue expenditure treated as capital under statute	(1,378)
1,632	Movement in the Donated Assets Account	-
38,862	Movement in Pension Liability	(47,945)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognized	(60)
794	(Increase)/Decrease in Creditors	230
(540)	Increase/(Decrease) in Debtors	(942)
(8)	Increase/(Decrease) in Stocks	19
42	(Increase)/Decrease in Provisions	(166)
30,242		**(58,329)**

26. Cash Flow Statement – Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2010/11 £000		2011/12 £000
55	Proceeds from short-term (not considered to be cash equivalents) and long-term investments.	90
13	Proceeds from the sales of property plant and equipment, investment property and intangible assets	16
(2,356)	Loan interest	(2,285)
1,557	Capital grants	4,964
(731)		**2,785**

27. Cash Flow Statement – Investing Activities

2010/11 £000		2011/12 £000
8,603	Purchase of property, plant and equipment, investment property and intangible assets	5,714
-	Purchase of short-term and long-term investments	5,998
-	Other payments for investing activities	-
(13)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(16)
-	Proceeds from short-term and long-term investments	-
(1,363)	Other receipts from investing activities	(5,033)
7,227	**Net cash flows from investing activities**	**6,663**

28. Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
-	Cash receipts of short- and long-term borrowing	(5,000)
-	Other receipts from financing activities	-
94	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	21
2,541	Repayments of short term and long term borrowing	2,041
2,360	Other payments for financing activities	2,296
4,995	**Net cash flows from financing activities**	**(642)**

29. Amounts Reported for Resource Allocation Decisions

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

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

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

Services Income and Expenditure 2011/12	Fire Service £000	Corporate Management £000	Total £000
Fees, charges & other service income	(2,598)	-	**(2,598)**
Grants and Contributions	(1,985)	-	**(1,985)**
Total Income	**(4,583)**	**-**	**(4,583)**
Employee Costs	54,583	339	**54,922**
Premises Costs	2,524	-	**2,524**
Transport Costs	1,498	-	**1,498**
Supplies & Services	3,550	112	**3,662**
Agency Services	2,194	-	**2,194**
Central Support Services	222	131	**353**
Capital Financing – Debt Charges / MRP	5,313	-	**5,313**
Total Expenditure	**69,884**	**582**	**70,466**
Net Expenditure	**65,301**	**582**	**65,883**

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

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

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

2010/11 £000		2011/12 £000
69,133	Net expenditure in the Service Analysis	65,883
(67,832)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in Analysis	22,823
(14,455)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Account	(14,461)
(13,154)	**Cost of Services in Comprehensive Income and Expenditure Statement**	**74,245**

Reconciliation to Subjective Analysis

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

2011/12	Service Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(2,598)	-	-	-	**(2,598)**	-	(2,598)
Grants and Contributions	(1,985)	-	-	-	**(1,985)**	(47,550)	(49,535)
Interest and investment income	-	-	-	-	**-**	(90)	(90)
Income from council tax	-	-	-	-	**-**	(27,329)	(27,329)
Non Distributable Costs	-	-	-	-	**-**	-	-
Total Income	**(4,583)**	**-**	**-**	**-**	**(4,583)**	**(74,969)**	**(79,552)**
Employee Costs	54,922	177	(9,148)	-	**45,951**	-	**45,951**
Premises Costs	2,524	-	-	-	**2,524**	-	**2,524**
Transport Costs	1,498	-	-	-	**1,498**	-	**1,498**
Supplies & Services	3,662	-	-	-	**3,662**	-	**3,662**
Agency Services	2,194	-	-	-	**2,194**	-	**2,194**
Central Support Services	353	-	-	-	**353**	-	**353**
Capital Financing – Debt Charges / MRP	5,313	-	(5,313)	-	**-**	2,285	**2,285**
Depreciation, impairments and revaluation losses	-	8,086	-	-	**8,086**	-	**8,086**
Revenue Expenditure Funded through Capital under Statute	-	1,378	-	-	**1,378**	-	**1,378**
Pension Costs calculated in accordance with IAS 19	-	13,093	-	-	**13,093**	-	**13,093**
Net Pension Interest Costs FRS17	-	-	-	-	**-**	43,911	**43,911**
Non Distributable Costs	-	89	-	-	**89**	-	**89**
Other Operating Expenses	-	-	-	-	**-**	60	**60**
Total expenditure	**70,466**	**22,823**	**(14,461)**	**-**	**78,828**	**46,256**	**125,084**
Surplus or deficit on the provision of services	**65,883**	**22,823**	**(14,461)**	**-**	**74,245**	**(28,713)**	**(45,532)**

Restated 2010/11 Comparatives	Service Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(3,312)	-	-	-	**(3,312)**	-	(3,312)
Grants and Contributions	(1,600)	-	-	-	**(1,600)**	(47,862)	(49,462)
Interest and investment income	-	-	-	-	**-**	(55)	(55)
Income from council tax	-	-	-	-	**-**	(27,256)	(27,256)
Non Distributable Costs	-	(90,292)	-	-	**(90,292)**	-	(90,292)
Total Income	**(4,912)**	**(90,292)**	**-**	**-**	**(95,204)**	**(75,173)**	**(170,377)**
Employee Costs	57,300	(749)	(9,189)	-	**47,362**	-	**47,362**
Premises Costs	2,546	-	-	-	**2,546**	-	**2,546**
Transport Costs	1,728	-	-	-	**1,728**	-	**1,728**
Supplies & Services	4,398	-	-	-	**4,398**	-	**4,398**
Agency Services	2,432	-	-	-	**2,432**	-	**2,432**
Central Support Services	375	-	-	-	**375**	-	**375**
Capital Financing – Debt Charges / MRP	5,266	-	(5,266)	-	**-**	2,356	**2,356**
Depreciation, impairments and revaluation losses	-	9,028	-	-	**9,028**	-	**9,028**
Donated Assets	-	(1,632)	-	-	**(1,632)**	-	**(1,632)**
Revenue Expenditure Funded through Capital under Statute	-	1,512	-	-	**1,512**	-	**1,512**
Pension Costs calculated in accordance with IAS 19	-	14,301	-	-	**14,301**	-	**14,301**
Net Pension Interest Costs FRS17	-	-	-	-	**-**	46,318	**46,318**
Total expenditure	**74,045**	**22,460**	**(14,455)**	**-**	**82,050**	**48,674**	**130,724**
Surplus or deficit on the provision of services	**69,133**	**(67,832)**	**(14,455)**	**-**	**(13,154)**	**(26,499)**	**(39,653)**

30. Trading Operations

The Authority does not currently have any trading operations.

31. Agency Services

The Authority currently acts as lead Authority for a North West PFI scheme, building 16 new fire stations of which 4 relate to Lancashire Fire & Rescue and 5 relate to Cumbria Fire & Rescue.

32. Pooled Budgets

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

33. Members' Allowances

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

	2011/12 £000	2010/11 £000
Allowances	268	267
Expenses	33	49
Total	**301**	**316**

34. Officers' Remuneration

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

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Benefits in Kind (e.g. Car Allowance) Note (i)	Pension Contribution £	Total
New Structure								
Chief Fire Officer – Dan Stephens (Note a)	**2011/12**	**99,167**	**-**	**-**	**-**	**931**	**16,103**	**116,201**
	2010/11	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deputy Chief Fire Officer – Phil Garrigan (Note b)	**2011/12**	**86,816**	**-**	**-**	**-**	**2,366**	**16,787**	**105,969**
	2010/11	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deputy Chief Executive – Kieran Timmins (Note c)	**2011/12**	**84,292**	**-**	**-**	**-**	**3,507**	**9,356**	**97,155**
	2010/11	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Old Structure/Deleted Roles								
Assistant Chief Fire Officer – Dan Stephens (Note d)	**2011/12**	**52,239**	**-**	**-**	**-**	**665**	**11,126**	**64,030**
	2010/11	94,030	-	756	-	2,022	18,449	115,257
Assistant Chief Executive & Treasurer – Kieran Timmins (Note e)	**2011/12**	**56,969**	**-**	**-**	**-**	**2,505**	**6,324**	**65,798**
	2010/11	136,725	-	-	-	6,012	25,385	168,122
Chief Fire Officer and Chief Executive – Tony McGuirk (Note f)	**2011/12**	**65,377**	**-**	**-**	**200,000**	**0**	**-**	**265,377**
	2010/11	167,989	-	756	-	42	14,734	183,521
Deputy Chief Fire Officer and Deputy Chief Executive – Mike Hagen (Note g)	**2011/12**	**58,552**	**-**	**-**	**114,000**	**853**	**-**	**173,405**
	2010/11	122,424	-	756	-	2,955	-	126,135
Assistant Chief Fire Officer and Assistant Chief Executive – Bill Evans (Note h)	**2011/12**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	2010/11	55,365	-	756	-	468	-	56,589

The Authority restructured the Senior Officer Management Team in August 2011 in order to deliver savings of £0.318m per annum. The executive team was reduced from four roles to just three; with two Principal Fire Officers. The salaries for the senior roles in the organisation were reviewed and reduced. In order to move to the smaller management structure and to deliver the savings as speedily as possible the contracts of re-engaged staff were terminated early.

Note a – The current Chief Fire Officer Dan Stephens, was appointed to the role on the 01/09/2011. He was previously the Assistant Chief Fire Officer.

Note b – The current Deputy Chief Fire Officer Phil Garrigan, was appointed to the role on 01/09/11.

Note c – The Deputy Chief Executive Kieran Timmins was appointed to this role on the 01/09/11. He was formally the Assistant Chief Executive and Treasurer. The change in pensionable sum paid by the employer is due to a reduction in the variable element charged by the Local Government Pension Fund.

Note d – The Assistant Chief Fire Officer and Assistant Chief Executive – Dan Stephens took up this role in July 2010 and was promoted to Chief Fire Officer and Chief Executive on the 01/09/2011.

Note e – The Assistant Chief Executive and Treasurer Kieran Timmins was appointed to the role of Deputy Chief Executive on the 01/09/11.

Note f – The Chief Fire Officer and Chief Executive Tony McGuirk, finished employment on 31/08/11. Prior to this the Chief Fire Officer and Chief Executive retired and was re-engaged during 2010/11. The re-engagement was part of the Authority's succession planning strategy. The re-engagement of the Chief Fire Officer and Chief Executive resulted in a reduction in remuneration.

Note g – The Deputy Chief Fire Officer and Deputy Chief Executive – Mike Hagen finished employment on 31/08/11. Prior to this the Deputy Chief Fire Officer and Deputy Chief Executive retired and was re-engaged during 2010/11. The re-engagement was part of the Authority's succession planning strategy. The re-engagement of the Deputy Chief Fire Officer and Deputy Chief Executive resulted in a reduction in remuneration.

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

The numbers of Authority staff receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including termination payments) are shown in bands of £5,000 in the table below:

Remuneration band	2011/12 Number of employees	2010/11 Number of employees
£50,000 - £54,999	36	49
£55,000 - £59,999	12	18
£60,000 - £64,999	5	8
£65,000 - £69,999	3	3
£70,000 - £74,999	4	3
£75,000 - £79,999	2	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
Total	**62**	**83**

Note a - The decrease in numbers of staff being paid over £50,000 from 2010/11 to 2011/12 is due to reductions in the number of managerial posts and because the Authority made less use of additional hours payments and other flexible working arrangements with firefighting staff.

Note b – In 2011/12 52 of the 62 staff receiving over £50,000 are firefighting staff, who provide fire cover (many of whom are staff receiving additional payments for working extra time or working more flexibly). In 2010/11 the firefighting staff made up 72 of the 83 posts.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The totals include pension strain and compromise agreement fees. The Authority began a programme of reducing staff numbers and generating savings through voluntary severance and early retirement in February 2012:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total Number of exit packages by band [(b) + (c)]		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	-	-	7	53	7	53	52,282	271,605
£20,001 - £40,000	-	-	2	6	2	6	53,665	131,828
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	1	-	1	-	114,300
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	1	-	1	-	200,300
Total	**-**	**-**	**9**	**61**	**9**	**61**	**105,947**	**718,033**

35. External Audit Costs

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

	2011/12 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	66	72
Fees payable to the Audit Commission in respect of statutory inspections	-	-
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	-	-
Fees payable in respect of other services by National Fraud Initiative during the year	1	1
Total	**67**	**73**

36. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Council tax income	(27,329)	(27,256)
Non domestic rates	(32,011)	(40,434)
Non-ring fenced Government grants:		
Revenue Support Grant	(10,576)	(5,871)
Capital Grants and Contributions:		
General Capital Grant (Department for Communities and Local Government)	(1,736)	(1,072)
Northwest Improvement and Efficiency Partnership (NWEIP)	-	(235)
My Place Big Lottery Funding (Liverpool City Council)	(1,363)	-
Children Information Management System (Beacon)	-	(250)
Department for the Environment, Food & Rural Affairs (DEFRA)	(64)	-
Control Room Resilience Grant (Department for Communities and Local Government)	(1,800)	-
Total	**(74,879)**	**(75,118)**
Credited to Services		
New Dimensions Grant (Department for Communities and Local Government)	(994)	(981)
Fire Control Implementation Grant (Department for Communities and Local Government)	(169)	(118)
PFI Grant (Department for Communities and Local Government)	(590)	-
Total	**(1,753)**	**(1,099)**

The Authority currently has no assets in the Donated Asset Account or Capital Grants Receipts in Advance.

37. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. Any amounts owed to or by the Authority to other public bodies has been identified in notes 18 and 21.

2010/11		Related Party Transactions	2011/12	
Receipts	Payments		Receipts	Payments
		Central Government		
40,434		Redistributed National Non Domestic Rate	32,011	
5,871		Revenue Support Grant	10,576	
3,251		Supported Credit Approvals	-	
1,072		Capital Grants	1,736	
	3,312	Employers National Insurance Contributions		3,248
		Local Authority Precept		
2,721		Knowsley	2,727	
8,067		Liverpool	8,126	
3,623		St. Helens	3,620	
6,022		Sefton	6,005	
6,823		Wirral	6,851	
		Pensions		
	1,784	Merseyside Superannuation Fund Employers Contributions		1,767
21,964	27,426	Pension Fund	21,834	28,169

Central Government

Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from Government departments are set out in the subjective analysis in Note 36 on reporting for resources allocation decisions.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 33. The Authority's membership comprises of councillors from each of the five Local Authorities in Merseyside. Members of the Authority are required to declare interests in related parties on an annual basis in respect of the Financial Statements and also in the Authority's Register of Interests throughout the year. From examining existing available sources of information for 2011/12, there were no reported material transactions with related parties. However one councillor declared an interest as a trustee of the Fire Support Network.

Officers

Officers of the Authority are required to declare interests in related parties on an annual basis in respect of the Financial Statements and also in the Authority's Register of Interests through out the year. There were no reported material related party transactions with the Authority in respect of 2011/12.

Entities Controlled or Significantly Influenced by the Authority

Fire Support Network

The Authority established the Fire Support Network (FSN) formerly known as Friends of the Fire Service during 2001/02. The purpose of this voluntary organisation was to advance the education and preserve and protect the health of the public within Merseyside by promoting 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 were wholly consistent with the strategy and activities of Merseyside Fire Authority itself. Therefore, the FSN Company operates with a board of five trustees.

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 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 2011/12 but the total net transactions, apart from the SLA below, were minimal and not material. Therefore, the accounts have not been consolidated for this year.

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

North West Partnership Board

The North-West Fire and Rescue Authorities are continuing to work collaboratively, via the North West Partnership Board which was set up in March 2011. This is a new Joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee is comprised of councillors from the five constituent authorities.

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

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

- To lead continuous improvement through delivery of a sector led, peer reviewed approach.

During 2011/12 transactions were made between the five authorities as indicated below; with outstanding balances also noted in relation to each. Lancashire Combined Fire Authority manages the income and expenditure on behalf of the region.

Authority	Transaction Totals Expenditure/ (Income) £000	Outstanding Balance at 31/03/2012 Creditor/ (Debtor) £000
Greater Manchester	37	37
Merseyside	(19)	(19)
Lancashire	(9)	(9)
Cheshire	(7)	(7)
Cumbria	(2)	(2)

NW FireControl Limited

Merseyside Fire & Rescue Authority left the NW Fire Control Company in September 2011 to pursue a local solution to a combined Command and Control function with Merseyside Police. The Authority resolved that a local solution be progressed as the most potentially cost efficient and operationally effective solution for Merseyside Fire and Rescue Authority.

Merseyside Fire and Rescue and Merseyside Police Authorities have agreed in principle to the development of a new £6.6 million Command and Control Centre.

38. Capital Expenditure and Capital Financing

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

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	(55,745)	(51,411)
Capital Investment		
Property, Plant and Equipment	(4,279)	(7,034)
Investment Properties	-	-
Intangible Assets	(57)	(58)
Revenue Expenditure Funded from Capital under Statute	(1,378)	(1,512)
Sources of Finance		
Capital receipts	-	-
Government grants and other contributions	2,461	1,307
Sums set aside from revenue:		
• Direct revenue contributions	313	484
• [MRP/loans fund principal]	2,768	2,479
Closing Capital Financing Requirement	**(55,917)**	**(55,745)**
Explanation of movement in year		
Increase in underlying need to borrowing (supported by Government financial assistance)	-	3,251
Increase in underlying need to borrowing (unsupported by Government financial assistance)	172	1,083
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
Increase/(decrease) in Capital Financing Requirement	**172**	**4,334**

39. Leases

<u>Authority as Lessee</u>

Finance Leases

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

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

	31 March 2012 £000	31 March 2011 £000
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	42	62
Total	**42**	**62**

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

	31 March 2012 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	-	-
Non current	43	64
Finance Costs payable in future years	2	3
Total	**45**	**67**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	22	22	21	21
Later than one year and not later than five years	23	45	22	43
Later than five years	-	-	-	-
Total	**45**	**67**	**43**	**64**

Operating Leases

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

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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	13	47
Later than one year and not later than five years	-	22
Later than five years	-	-
Total	**13**	**69**

Authority as Lessor

Finance Leases

The Authority currently has no leases of this category.

40. Private Finance Initiatives and Similar Contracts

The Authority is leading a North West PFI project to replace 16 fire stations in Merseyside, Lancashire and Cumbria. Merseyside Fire Service will be getting 7 new fire stations. The total value of the PFI scheme is £47.886m of which £19.787m relates to Merseyside Fire and Rescue Authority. The contract for building the new stations is with Balfour Beatty Fire and Rescue NW Ltd and the building programme for Merseyside started in April 2011. The first station for Merseyside was completed in April 2012 and the last station is due for completion in July 2013. No payments are due from Merseyside to the contractor until Merseyside Fire and Rescue Authority's first station of the project is completed and handed over to the Authority.

The contract runs for 25 years from completion and hand over of the last station. The contract includes the service and maintenance of the stations. The stations will be recognised on the Authority's Balance Sheet from the initial handover date. The stations and any plant or equipment installed on them will be transferred to the Authority for nil consideration at the end of the contract.

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments to be made under the PFI contract start in 2012/13 after the Authority's first station of the project is completed and handed over to the Authority. Once payments to the contractor start they will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2012/13	446	-52	850	1,244
Payable within 2 to 5 years	2,392	1,006	6,826	10,224
Payable within 6 to 10 years	3,350	1,994	8,277	13,621
Payable within 11 to 15 years	3,868	3,016	7,415	14,299
Payable within 16 to 20 years	4,476	4,586	6,002	15,064
Payable within 21 to 25 years	5,184	7,011	3,735	15,930
Payable within 26 to 30 years	1,553	2,226	387	4,166
Total	**21,269**	**19,787**	**33,492**	**74,548**

41. Impairment Losses

The Authority incurred expenditure of £860,000 in 2010/11 and £570,000 in 2011/12 which did not add value to the buildings but maintained the upkeep of such assets (e.g. Replacement boilers, yard repairs, tower repairs etc). These costs are written off in the year to the surplus or deficit on the provision of services. These disclosures are consolidated in Note 12 reconciling the movement in the year in Property Plant and Equipment. The figures are shown in other movement in cost or valuations.

42. Capitalisation of Borrowing Costs

The Authority has not capitalised any borrowing costs in 2011/12.

43. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £718,000 (£106,000 in 2010/11) – see note 34 for the number of exit packages and the total cost per band. Of this total, £114,000 is payable to Deputy Chief Fire Officer and £200,000 is payable to the Chief Fire Officer in the form of compensation for the loss of office.

44. Defined Benefit Pension Schemes

Participation in pension schemes

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

The Authority participates in two post employment schemes:

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

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

Transactions relating to post employment benefits

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

Local Government Pension Scheme

2010/11 Funded Benefits £000	2010/11 Unfunded Benefits £000	2010/11 Total £000		2011/12 Funded Benefits £000	2011/12 Unfunded Benefits £000	2011/12 Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
1,631	-	1,631	• current service cost	1,433	-	1,433
(3,548)	(44)	(3,592)	• past service costs	66	-	66
-	-	-	• settlements and curtailments	13	-	13
			Financing and Investment Income and Expenditure			
3,329	46	3,375	• interest cost	3,230	43	3,273
(2,407)	-	(2,407)	• expected return on scheme assets	(2,672)	-	(2,672)
(995)	**2**	**(993)**	***Total Posts Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**2,070**	**43**	**2,113**
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement			
(1,719)	(7)	(1,726)	• actuarial gains and losses	4,002	17	4,019
(2,714)	**(5)**	**(2,719)**	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**6,072**	**60**	**6,132**
			Movement in Reserves Statement			
995	(2)	993	• reversal of net charges made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	(2,070)	(43)	(2,113)
			Actual amount charged against the General Fund Balance for pensions in the year:			
1,790	-	1,790	• employers' contributions payable to scheme	1,799	-	1,799
	46	46	• retirement benefits payable to pensioners		47	47

Firefighters Pension Scheme

2010/11 Old Scheme £000	2010/11 Injury Awards £000	2010/11 New Scheme £000	2010/11 Total £000		2011/12 Old Scheme £000	2011/12 Injury Awards £000	2011/12 New Scheme £000	2011/12 Total £000
				Comprehensive Income and Expenditure Statement				
				Cost of Services				
11,580	470	620	12,670	• current service cost	10,670	360	630	11,660
(80,580)	(5,840)	(280)	(86,700)	• past service costs	-	10	-	10
-	-	-	-	• settlements and curtailments	-	-	-	-
				Financing and Investment Income and Expenditure				
42,170	3,030	150	45,350	• interest cost	40,420	2,700	190	43,310
-	-	-	-	• expected return on scheme assets	-	-	-	-
(26,830)	**(2,340)**	**490**	**(28,680)**	***Total Posts Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**51,090**	**3,070**	**820**	**54,980**
				Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
(46,416)	(5,270)	199	(51,487)	• actuarial gains and losses	8,138	1,690	324	10,152
(73,246)	**(7,610)**	**689**	**(80,167)**	***Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**59,228**	**4,760**	**1,144**	**65,132**
				Movement in Reserves Statement				
26,830	2,340	(490)	28,680	• reversal of net charges made to the Surplus or Deficit for the provision of Services for post employment benefits in accordance with the Code	(51,090)	(3,070)	(820)	(54,980)
				Actual amount charged against the General Fund Balance for pensions in the year:				
5,584	-	189	5,773	• employers' contributions payable to scheme	5,448	-	204	5,652
-	1,580	-	1,580	• retirement benefits payable to pensioners	-	1,650	-	1,650

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £14.171m and to the 31 March 2011 is a gain of £53.213m.

- Past service costs and curtailment costs are the result of increased benefits being paid in the event of members retiring early during the year. Those costs which result from redundancy/efficiency retirements are classified as curtailment costs.

Assets and liabilities in relation to post employment benefits

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

Local Government Pension Scheme

2010/11				2011/12		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(59,115)	(848)	(59,963)	Opening balance at 1 April	(58,661)	(797)	(59,458)
(1,631)	-	(1,631)	Current service cost	(1,433)	-	(1,433)
(3,329)	(46)	(3,375)	Interest cost	(3,230)	(43)	(3,273)
(630)	-	(630)	Contributions by scheme participants	(591)	-	(591)
879	7	886	Actuarial gains and losses	(2,309)	(17)	(2,326)
1,617	46	1,663	Benefits paid	1,862	47	1,909
3,548	44	3,592	Past service costs	(66)	-	(66)
-	-	-	Curtailments	(13)	-	(13)
(58,661)	**(797)**	**(59,458)**	**Closing balance at 31 March**	**(64,441)**	**(810)**	**(65,251)**

Firefighters Pension Scheme

2010/11					2011/12			
Old Scheme £000	Injury Awards £000	New Scheme £000	Total £000		Old Scheme £000	Injury Awards £000	New Scheme £000	Total £000
(795,270)	(57,280)	(2,430)	(854,980)	Opening balance at 1 April	(716,440)	(48,090)	(2,930)	(767,460)
(11,580)	(470)	(620)	(12,670)	Current service cost	(10,670)	(360)	(630)	(11,660)
(42,170)	(3,030)	(150)	(45,350)	Interest cost	(40,420)	(2,700)	(190)	(43,310)
(2,870)	-	(160)	(3,030)	Contributions by scheme participants	(2,760)	-	(170)	(2,930)
27,440	5,270	150	32,860	Actuarial gains and losses	(28,100)	(1,690)	50	(29,740)
27,430	1,580	-	29,010	Benefits paid	28,170	1,650	-	29,820
80,580	5,840	280	86,700	Past service costs	-	(10)	-	(10)
-	-	-	-	Curtailments	-	-	-	-
(716,440)	**(48,090)**	**(2,930)**	**(767,460)**	**Closing balance at 31 March**	**(770,220)**	**(51,200)**	**(3,870)**	**(825,290)**

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme

2010/11 Funded Benefits £000	2010/11 Unfunded Benefits £000	2010/11 Total £000		2011/12 Funded Benefits £000	2011/12 Unfunded Benefits £000	2011/12 Total £000
36,682	-	36,682	**Opening balance at 1 April**	40,732	-	40,732
2,407	-	2,407	Expected rate of return	2,672	-	2,672
840	-	840	Actuarial gains and losses	(1,693)	-	(1,693)
1,790	46	1,836	Employer Contributions	1,799	47	1,846
630	-	630	Contributions by scheme participants	591	-	591
(1,617)	(46)	(1,663)	Benefits paid	(1,862)	(47)	(1,909)
40,732	**-**	**40,732**	**Closing balance at 31 March**	**42,239**	**-**	**42,239**

Firefighters Pension Scheme

2010/11 Old Scheme £000	2010/11 Injury Awards £000	2010/11 New Scheme £000	2010/11 Total £000		2011/12 Old Scheme £000	2011/12 Injury Awards £000	2011/12 New Scheme £000	2011/12 Total £000
-	-	-	-	**Opening balance at 1 April**	-	-	-	-
-	-	-	-	Expected rate of return	-	-	-	-
18,976	-	(349)	18,627	Actuarial gains and losses	19,962	-	(374)	19,588
5,584	1,580	189	7,353	Employer Contributions	5,448	1,650	204	7,302
2,870	-	160	3,030	Contributions by scheme participants	2,760	-	170	2,930
(27,430)	(1,580)	-	(29,010)	Benefits paid	(28,170)	(1,650)	-	(29,820)
-	**-**	**-**	**-**	**Closing balance at 31 March**	**-**	**-**	**-**	**-**

Actuarial gains and losses is effectively a balancing figure because we know that there are no opening or closing assets in the Firefighters Pension Scheme. Although this statement is not provided by the actuary it is required in order to prevent the top up grant going through the Comprehensive Income and Expenditure Account. This actuarial gain is combined with the other actuarial gains and losses for both schemes.

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

The actual return on scheme assets in the year was a surplus £0.979m (2010/11: surplus £2.988m)

Scheme History

Scheme History	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme	(49,321)	(42,067)	(59,963)	(59,458)	(65,251)
Firefighters Pension Scheme	(635,560)	(610,470)	(854,980)	(767,460)	(825,290)
Fair value of assets in the Local Government Pension Scheme	30,695	26,308	36,682	40,732	42,239
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	**(18,626)**	**(15,759)**	**(23,281)**	**(18,726)**	**(23,012)**
Firefighters Pension Scheme	**(635,560)**	**(610,470)**	**(854,980)**	**(767,460)**	**(825,290)**
Total	**(654,186)**	**(626,229)**	**(878,261)**	**(786,186)**	**(848,302)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £848.302m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £836.745m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £1.849m. Expected contributions for the Firefighters Pension Scheme in the year to 31 March 2013 are £5.621m.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2011/12	2010/11	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.5%	-	-
Government Bonds	3.1%	4.4%	-	-
Other Bonds	4.1%	5.1%	-	-
Property	6.0%	6.5%	-	-
Cash Liquidity	0.5%	0.5%	-	-
Other	7.0%	7.5%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	21.5	21.4	23.4	23.4
Women	24.2	24.1	25.3	25.3
Longevity at 65 for future pensioners:				
Men	22.8	22.8	26.5	26.3
Women	25.8	25.7	28.3	28.0
Rate of RPI inflation	-	3.4%	-	3.8%
Rate of CPI inflation	2.5%	2.9%	2.5%	3.0%
Rate of increase in salaries	4.0%	4.4%	4.7%	5.3%
Rate of increase in pensions	2.5%	2.9%	2.5%	3.0%
Rate for discounting scheme liabilities	4.9%	5.5%	4.9%	5.7%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

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

	31 March 2012 %	31 March 2011 %
Equity Investments	59	61
Government Bonds	16	11
Other Bonds	4	7
Property	9	8
Cash/Liquidity	2	2
Other Assets	10	11
Total	**100**	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Local Government Pension Scheme					
Differences between the expected and actual return on assets	(11)	(29)	20	2	(4)
Experience gains and losses on liabilities	(3)	-	-	2	-
The Firefighters Pension Scheme					
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	2	1	2	3	1

45. Contingent Liabilities

The Authority currently has no material contingent liabilities.

46. Contingent Assets

The Authority currently has no material contingent assets.

47. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

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

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

The Authority will invest in institutions which are UK banks or are non-UK and domiciled in a country which has a minimum Sovereign long term rating "AA". The institution must have a high credit rating assigned by any of the three credit ratings agencies (Fitch, Moody's and Standard & Poors). To be deemed highly rated the institution must satisfy at least the minimum of the following criteria:

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

If any of the agencies assigns a rating lower than the Fitch minimum (or equivalent) to an institution then the Authority will not invest with that institution.

In addition, the Authority will use institutions whose ratings fall below the criteria specified above, if wholesale deposits in the bank are covered by a UK government guarantee. The Authority's investments with the bank will be limited to amounts and maturities within the terms of the stipulated guarantee. The Authority will also use institutions if the institution is an eligible institution under the UK Credit Guarantee Scheme first announced in October 2008.

Regardless of the credit rating assigned to an institution or whether it is covered by a guarantee, if any doubt over its financial standing exist then that institution is removed immediately from the counterparty lending list.

Investment Limits

The credit ratings and individual limits for each institution within the categories of investments to be used by the Authority in 2011/12 were as follows:

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

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

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

Non Specified Investments

Non-specified investments do not, by definition, meet the requirements of a specified investment. The Communities & Local Government (CLG) guidance requires that greater detail is provided of the intended use of non-specified investments due to greater potential risk. It was not envisaged that any cash balances would be invested in non-specified investments in 2011/12. However, circumstances may dictate that the following types of non-specified investments may be used.

- Deposits with the Authority's own banker, if changes to its rating results in it failing to meet the basic credit criteria. In this instance balances will be minimized as far as is possible.
- Building Societies which do not meet the normal credit criteria but are one of the top ten building societies, determined by asset size. Those societies that are within the top ten but do not have an agency determined credit rating shall have an individual limit of £1million. Building Society rankings are checked annually with the Building Societies Association.

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £6 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

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

Exposure to Credit Risk

	Amount at 31 March 2012 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability at 31 March 2012 £000	Estimated maximum exposure at 31 March 2011 £000
	A	B	C	(A X C)	
Investments	5,998	-	-	-	-
Customers	600	3.5	2.0	12	32
				12	**32**

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

The Authority allows 30 days credit for customers, such that £0.284m of the £0.600m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £000	31 March 2011 £000
Less than three months	226	241
Three months to one year	46	7
More than one year	12	32
Total	**284**	**280**

Liquidity risk

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

Number of Years	PWLB 31 March 2012 £000	PWLB 31 March 2011 £000	MRD 31 March 2012 £000	MRD 31 March 2011 £000
Less than one	1,000	2,000	41	41
Between one and two	1,500	1,000	41	41
Between two and five	4,475	1,975	123	123
Between five and ten	5,215	1,215	203	203
Between ten and fifteen	165	3,165	160	200
Between fifteen and twenty	-	-	-	-
Between twenty and twenty five	-	-	-	-
Between twenty five and thirty	2,000	2,000	-	-
Between thirty and thirty five	2,500	-	-	-
Between thirty five and forty	5,000	6,000	-	-
Between forty and forty five	19,275	17,750	-	-
More than forty five	4,945	7,970	-	-
Total	**46,075**	**43,075**	**568**	**608**

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

Market risk

Interest rate risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	6
Increase in interest receivable on variable rate investments	(78)
Increase in Government grant receivable for financing costs	(17)
Impact on Surplus or Deficit on the Provision of Services	**(89)**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**(89)**
Increase in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(11,179)

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

Price risk

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

Foreign exchange risk

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

Firefighters Pension Fund Accounts

Fund Account

2010/11 £000			2011/12 £000
	Contributions receivable:		
	Fire Authority:		
(5,737)	•contributions in relation to pensionable pay	(5,549)	
(36)	•early retirements	(103)	
-	•other	-	
(3,013)	Firefighters contributions	(2,920)	
(8,786)			**(8,572)**
(7)	**Transfers in from other authorities**		**(11)**
	Benefits payable:		
22,159	•pensions	23,151	
5,035	•commutation and lump sum retirement benefits	4,819	
154	•lump sum death benefits	-	
-	•other	-	
27,348			**27,970**
	Payments to and on account of leavers:		
78	•transfers out to other authorities	199	
-	•refunds of contributions	-	
78			**199**
18,633	**Net amount payable for the year**		**19,586**
(18,633)	Top – up grant payable by the Government		(19,586)
-			**-**

Net Assets Statement

2010/11 £000		2011/12 £000
	Current assets	
-	Contributions due from the Fire Authority	-
-	Recoverable overpayments of pensions	-
5,462	Top-up receivable from the Government	6,336
1,884	Debtors	2,020
(7,275)	Cash	(8,333)
	Current liabilities	
(71)	Creditors	(23)
-	Amount payable to central government	-
-		-

Notes to Pension Fund Account

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

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

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

Accruals
The fund has been prepared on an accruals basis in accordance with the rest of the accounts.

Future Liabilities
The fund statement does not take account of liabilities to pay pensions and other benefits after year end. However note 44 in the main set of Accounts does take account of this and its long term pension obligation under IAS19.

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 Deputy Chief Executive (formally Assistant Chief Executive and Treasurer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Deputy Chief Executive responsibilities

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

In preparing this Statement of Accounts, the Deputy Chief Executive has:

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

The Deputy Chief Executive has also:

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

This Statement of Accounts gives a true and fair view of the financial position of the Authority as at the 31st March 2012 and of its expenditure and income for the year ended 31st March 2012.

Kieran Timmins
Deputy Chief Executive
29th June 2012

Statement of Approval for the Statement of Accounts

The statement of Accounts for the year 1st April 2011 to 31st March 2012 was approved for issue on (no later than 30th September but following the Audit of the Accounts) by Merseyside Fire and Rescue Authority (Report CFO/XXX/XX).

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

AUDITORS REPORT TO FOLLOW

Glossary of terms used in the Statement of Accounts

This Glossary of Terms is designed to aid interpretation of the Councils Statement of Accounts.

ACCOUNTING POLICIES
These specify policies and procedures used by the Authority to prepare its Financial Statements. These include any methods, measurement systems and procedures for presenting disclosures.

ACCRUALS
Accruals are amounts that are recognised in the accounts as they are earned or incurred not as money is received or paid. The accruals basis of accounting requires the non cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

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

BUDGET
A statement of the Authority's spending plans for revenue and capital expenditure over a specified period of time.

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

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

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

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

CREDITORS
Creditors are amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the balance sheet date.

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

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

DEBTORS
Debtors are entities who owe amounts to the Authority for work done, goods sold or services rendered for which income has not been received by the balance sheet date.

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

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

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

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

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

LONG TERM ASSETS
Long term assets are assets that yield benefits to the Authority and the services it provides for a period of more than 12 months.

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

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

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

POST BALANCE SHEET EVENTS
Post balance sheet events are those events which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

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

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

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

RESERVES

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

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