Public Document Pack

To: All Members of the Policy and Resources Committee
(and any other Members who may wish to attend)

The Protocol and Procedure for visitors attending meetings of Merseyside Fire and Rescue Authority can be found by clicking **here** or on the Authority's website: http://www.merseyfire.gov.uk - About Us > Fire Authority.

J. Henshaw
LLB (Hons)
Clerk to the Authority

Tel: 0151 296 4000
Extn: 4113 Kelly Kellaway

Your ref: Our ref HP/NP Date: 17 July 2019

Dear Sir/Madam,

You are invited to attend a meeting of the **POLICY AND RESOURCES COMMITTEE** to be held at **1.00 pm** on **THURSDAY, 25TH JULY, 2019** in the Liverpool Suite - Fire Service Headquarters at Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

Yours faithfully,

K Kellaway pp.

Clerk to the Authority

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MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

25 JULY 2019

AGENDA

Members

James Roberts (Chair)
Steff O'Keeffe
Dan Barrington
Angela Coleman
Lisa Preston
Lesley Rennie
Jean Stapleton
Andrew Makinson
Les Byrom

1. Preliminary Matters

Members are requested to consider the identification of:

a) Declarations of interest by individual Members in relation to any item of business on the Agenda

b) Any additional items of business which the Chair has determined should be considered as matters of urgency; and

c) Items of business which may require the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information:

- **Agenda Item 6, "CAD-MIS upgrade plan 2019" contains EXEMPT information by virtue of Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.**

2. Minutes of the Previous Meeting (Pages 5 - 8)

The Minutes of the previous meeting of the Policy and Resources Committee, held on 28th March 2019, are submitted for approval as a correct record and for signature by the Chair.

3. THE ANNUAL GOVERNANCE STATEMENT 2018/2019 (Pages 9 - 34)

To consider report CFO/043/19 of the Director of Finance concerning the Authority's revised 2018/19 Annual Governance Statement following comments received from external audit (Grant Thornton).

4. **REVENUE & CAPITAL OUTTURN 2018/19** (Pages 35 - 56)

To consider report CFO/037/19 of the Chief Finance Officer concerning the Authority's year-end financial position for 2018/19.

5. **statement of accounts 2018/19 - authorisation for issue** (Pages 57 - 182)

To consider report CFO/043/19 of the Chief Finance Officer concerning the audited 2018/19 Statement of Accounts.

6. **CAD-MIS Upgrade Plan 2019** (Pages 183 - 234)

To consider report CFO/026/19 of the Chief Fire Officer concerning the recommendations of this report to ensure the maintenance and improvement of vital '999' emergency response infrastructure.

This report contains EXEMPT information by virtue of Paragraph 3, of part 1 of Schedule 12A of the Local Government Act 1972.

If any Members have queries, comments or require additional information relating to any item on the agenda please contact Committee Services and we will endeavour to provide the information you require for the meeting. Of course this does not affect the right of any Member to raise questions in the meeting itself but it may assist Members in their consideration of an item if additional information is available.

Refreshments

Any Members attending on Authority business straight from work or for long periods of time, and require a sandwich, please contact Democratic Services, prior to your arrival, for arrangements to be made.

MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

28 MARCH 2019

MINUTES

Present: Councillors Joe De'Asha, James Roberts, Sharon Sullivan, Andrew Makinson, Steff O'Keeffe, Les Byrom, Adrian Jones and Denise Allen

Also Present: Anthony Boyle and Lesley Rennie

Apologies of absence were received from:
Sharon Connor and Jean Stapleton

4. CHAIR'S ANNOUNCEMENT

Prior to the start of the meeting, information regarding general housekeeping was provided by the Chair to all in attendance.

The Chair confirmed to all present that the proceedings of the meeting would be filmed and requested that any members of the public present who objected to being filmed, make themselves known.

No members of the public voiced any objection therefore the meeting was declared open and recording commenced.

1. Preliminary Matters

Members considered the identification of declarations of interest, any urgent additional items, and any business that may require the exclusion of the press and public.

Resolved that:

a) no declarations of interest were made by individual Members in relation to any item of business on the Agenda

b) no additional items of business to be considered as matters of urgency were determined by the Chair; and

c) no items of business required the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information.

2. Minutes of the Previous Meeting

The Minutes of the previous meeting of the Policy and Resources Committee, held on Thursday 13th December 2018, were approved as a correct record and signed accordingly by the Chair.

3. SERVICE DELIVERY PLAN 2019-20

Members considered Report CFO/012/19 of the Chief Fire Officer, concerning the Service Delivery Plan for 2019/20, and the Community Fire and Rescue Station plans (Station Plans).

Members were provided with a detailed overview of the report, which highlighted the format and components of the Service Delivery Plan. They were informed that the report reflects on outcomes and looks to set ambitious objectives and targets for the coming year.

Members were advised that a Functional Plan is produced for each Directorate, which complements the delivery of the IRMP: and key actions from the Functional Plans are also included within the Service Delivery Plan. They were also advised that a Station Plan is produced for every community Fire Station, which feed into the Functional Plans, which in turn feed into the Service Delivery Plan and the IRMP.

In terms of performance for 2018/19, it was highlighted to Members that the figures included within the report are still draft at present, as it is not quite the end of the reporting period.

Members were advised that the total number of emergency calls received was over target, however this is due to the significant number of accidental small fires during the summer months.
With regards to sickness absence, Members were informed that there have been significant improvements on the figures for 2017/18.
In terms of the total number of accidental dwelling fires and the number of deaths in accidental dwelling fires, Members were advised that the numbers are below those predicted, which is really positive. It was highlighted to Members that the number of fire deaths for 2018/19 will be 4, which mirrors the number for 2017/18, which was the lowest number recorded.

The Key Performance Indicators (KPI's) for 2019/20, where then highlighted to Members and they were informed that the targets set are challenging.

Key elements of the IRMP were then highlighted, including the equality objectives; and it was noted that the proposals within the IRMP Supplement are currently going through public consultation.

With regards to the Functional Plans, Members were advised that they contain a number of objectives for each Department. They were informed that a number of objectives within those Functional Plans, are as a results of some issues raised during the HMICFRS.

It was re-iterated to Members that all of the Functional Plans, underpin the delivery of the IRMP.

The Station Planning process was then explained to Members; and they were informed that the Station Plans take account of the demographics of the area; and are discharged at Station level, ensuring that by focusing on outputs, the required outcomes are secured for communities. It was also highlighted that all of the Station Plans are publically available.

The process for IRMP planning was also highlighted.

Under 7.2 Service Delivery Plan Action Points – "Operational Response – Equality, Diversity and Inclusion Objectives", Members pointed out that the last sentence under ED/19/20/2.10 is incomplete.
Officers assured Members that they would check the information and resolve the omission.

Members commended the report and thanked all Officers involved in its production.

<u>Recommendation</u>

That Members consider and approve the attached Service Delivery Plan (Appendix 1) for 2019/20 prior to publication on the Authority's website.

Close

Date of next meeting Thursday, 25 July 2019

Signed:______________________ Date:_______________

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	25TH JULY 2019	REPORT NO:	CFO/042/19
PRESENTING OFFICER	IAN CUMMINS, DIRECTOR OF FINANCE		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	THE ANNUAL GOVERNANCE STATEMENT 2018/2019		

APPENDICES:	APPENDIX A:	2018/19 ANNUAL GOVERNANCE STATEMENT (AUDIT COMMITTEE REPORT)
	APPENDIX B:	UPDATED 2018/19 ANNUAL GOVERNANCE STATEMENT

Purpose of Report

1. The purpose of this report is to present to Members the Authority's revised 2018/19 Annual Governance Statement following comments received from external audit (Grant Thornton). This statement fulfils the Authority's statutory requirement to prepare a statement of internal control in accordance with proper practice, and in doing so presents an annual review of the effectiveness of the current arrangements.

Recommendation

2. That Members approve the revised 2018/2019 Annual Governance Statement.

Introduction and Background

3. The Annual Governance Statement (AGS) is the formal statement that recognises, records and publishes a Council or Authority's governance arrangements.

4. The Audit Committee on 6th June 2019 approved the 2018/19 AGS, attached as Appendix A. However, the Authority's Auditor (Grant Thornton) has advised that additional statements on the view and certification of the AGS by those signing off the statement must be included in the AGS. The additional extracts below have now been included in the revised AGS:-

4.7 Year-end Review

4.7.1 The current governance and internal control arrangements continue to be reviewed and refined on an ongoing basis and that they continue to be regarded as fit for purpose in accordance with the governance framework. This review provides an acceptable overall assurance of the effectiveness of the Authority’s system of internal control.

CERTIFICATION

5.0 To the best of our knowledge, the governance arrangements, as defined above, have been operating during the year and up to the date of the approval of the Annual Accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Authority will continue the operation of its governance framework and take steps to carry out the actions for managing any governance issues identified above or that materialise in the year.

5. Attached as Appendix B to this report is the revised 2018/19 AGS which explains the processes and procedures in place to enable the Authority to carry out its functions effectively.

6. The AGS also links into the Annual Statement of Assurance by providing assurance about the Authority’s governance framework.

7. The CIPFA/SOLACE – Delivering Good Governance in Local Government Framework is deemed to represent best practice in relation to internal control. This framework recommends that the review of the effectiveness of the system of internal control should be reported as part of the AGS. The annual review of the effectiveness of the Authority’s internal control system has been undertaken and, in accordance with the CIPFA guidance, incorporated in the attached AGS. The AGS identifies the ways in which the Authority has ensured that its control mechanisms are adequate during the year, including internal and external audit. The overall conclusion of the AGS is that the system of internal control is adequate (any control system can provide only reasonable assurance and not absolute assurance).

Equality and Diversity Implications

8. Good governance and sound internal control includes having effective practices to manage equality and diversity issues.

Staff Implications

9. There are no staff implications arising from this report.

Legal Implications

10. Regulation 6(1) of the Accounts and Audit (England) Regulations 2015 requires that the relevant body must conduct a review at least once a year of the effectiveness of its system of internal control and to prepare a statement on internal control in accordance with proper practices. Regulation 6(2) require that the findings of a review of an organisation’s system of internal control is to be considered by a Committee of the relevant body, or by members of the body meeting as a whole, once a year. The AGS fulfils that obligation.

Financial Implications & Value for Money

11. A sound system of internal control is essential for the overall control of the Authority's finances. There are, however, no direct financial implications arising from the Statement.

Risk Management, Health & Safety, and Environmental Implications

12. Good governance and sound internal control arrangements will ensure the Authority's policies, procedures and objectives are being fulfilled.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

13. Good governance and sound internal control arrangements will ensure the Authority's mission is known by all and drives and directs the Service outcomes.

14. Merseyside communities are safer, stronger and the firefighters who serve the County are safer and more effective because the Authority has effective leadership and makes decisions that deliver strong financial management and efficient and effective service delivery. Robust and comprehensive governance arrangements are integral to this performance.

BACKGROUND PAPERS

CFO/020/17	Code of Corporate Governance, Policy and Resources Committee 23rd March, 2017.
CFO/018/19	"The Annual Governance Statement 2018/19" Audit Committee
	Delivering Good Governance in Local Government – Guidance Notes for English Authorities, C.I.P.F.A. (2016)
	Delivering Good Governance in Local Government – Framework, CIPFA/SOLACE (2016)
	Account and Audit (England) Regulations 2015

GLOSSARY OF TERMS

SOLACE	Society of Local Authority Chief Executives and Senior Managers
CIPFA	Charted Institute of Public Finance and Accountancy
AGS	Annual Governance Statement

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APPENDIX A

2018-2019 MERSEYSIDE FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

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

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

1.3 Corporate Governance is a phrase used to describe how organisations direct and control what they do. For Fire and Rescue Authorities this also includes how an Authority relates to the communities that it serves. The Authority has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework "*Delivering Good Governance in Local Government*" (2016). The key principles of the Authority's Code of Corporate Governance are outlined below;

1. Three high level principles underpin Corporate Governance:-
    - Openness and inclusivity
    - Accountability
    - Integrity

2. These high level principles are supported by seven detailed principles of good governance which are:
    - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
    - Ensuring openness and comprehensive stakeholder engagement
    - Defining outcomes in terms of sustainable economic, social, and environmental benefits
    - Determining the interventions necessary to optimise the achievement of the intended outcomes
    - Developing MFRA capacity, including the capability of its leadership and the individuals within it
    - Managing risks and performance through robust internal control and strong public financial management
    - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

1.4 This statement fulfils the Authority's statutory requirement to prepare a statement of internal control in accordance with proper practices, and to present an annual review of the effectiveness of the current system.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

2.3 The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31st March 2019.

3.0 THE GOVERNANCE FRAMEWORK

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

3.2 Identifying and Communicating the Authority's Mission and outcomes for citizens and service users:

3.2.1 After consulting with the citizens of Merseyside and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the mission, aims and service objectives for the organisation. The Authority approved a new IRMP, 2017/20, on 23rd February 2017. The IRMP established the service priorities for 2017/20. The Authority is currently consulting on a draft supplement to the Integrated Risk Managed Plan (IRMP) 2017-20. If approved, the alternative proposals contained within the supplement will extend the current plan to 2021, aligning it to our medium term financial plans.

3.2.2 The Authority's Mission reflects a clear focus on the core duties and functions in relation to Operational Preparedness, Operational Response and Prevention and Protection. The Authority's mission is to ***achieve; Safer Stronger Communities – Safe Effective Firefighters.*** To deliver this the Authority has established four key corporate 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 partners and our community to protect the most vulnerable.

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

3.2.3 The Mission statement is focused upon outcomes around operational preparedness, response and prevention and protection. It is very important that the organisation's priorities are unambiguous and easily understood by members, staff, communities and other stakeholders. In particular, it is essential that the safety and effectiveness of firefighters is seen as a fundamental factor in the achievement of safer, stronger communities.

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

3.3.1 IRMP and other service projects are incorporated into one document – the Service Delivery Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Community Safety and Protection Committee (or any other committee if applicable) and the Strategic Leadership Team. Station Community Safety Plans have also been developed to give details of the activities taking place throughout Merseyside. The reporting process applies traffic light status to for each performance indicator in the Service Delivery Plan and attention is drawn to progress achieved and matters to be addressed. Copies of the Service Delivery Plan can be found on the Authority's website.

3.4 The Internal Control Environment:

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

3.4.2 Policy and decision making process

The Authority has meaningful democratic control over its activities via an **approved committee structure** with agreed Terms of Reference that are reviewed once a year by the Authority at its Annual General Meeting. The Authority has a **written Constitution** that was reviewed in 2018/19 and approved by the Authority at its meeting on 14th June 2018 (CFO/037/18), which is published and sets out how the Authority operates, how decisions are made, and the procedures which are followed to ensure these are efficient, transparent and accountable to local citizens. The Constitution is reviewed every year by the Authority at its AGM.

The Authority meet with Strategic Managers and other stakeholders as required to consider the strategic vision and instigate future plans/targets for the Authority.

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

3.4.3 Management Structure

Management Structure - The Authority has a **clear management structure** with defined roles and responsibilities. A Strategic Leadership Team (SLT), meet on a fortnightly basis to review and agree on issues that arise during the year. SLT have established five strategic boards to feed into SLT, the role of each board is to consider any issues associated with that board’s remit and if necessary make a recommendation on the matter for SLT to consider. The Authority has an **approved scheme of delegation within its Constitution** that is reviewed by members on an annual basis.

3.4.4 Established Policies, Procedures & Regulations

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

- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations, Procedural & Contract Standing Orders, Scheme of Delegation
- Anti-Fraud & Corruption Policy & Strategy
- Fraud Response Plan
- Confidential Reporting Policy
- Complaints procedure
- Code of Corporate Governance
- Constitution
- Code of Conduct
- Full range of Equality and Diversity policies and procedures
- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedure, discipline process, through to performance development reviews
- Information Governance and Security – Policies and Service Instructions to protect the Authority’s information, data, and assets

3.4.5 SLT carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress against the action plans.

3.4.6 Internal Audit function
The Authority has a strong Internal Audit function arrangement with Liverpool City Council, and has well-established protocols for working with External Audit.

3.4.7 Risk Management Strategy
The Authority has a well established and embedded risk management strategy. The Audit Sub-Committee has corporate ownership of the risk register and receive regular updates on any new risks or changes to risks. As all Authority and service reports to SLT have a standing section on risk this allows SLT an opportunity to regularly consider new and updated risks facing the Service at their fortnightly meetings.

3.4.8 Financial Management
The Authority produces a five year financial plan that takes into account Revenue, Capital, Reserves and Prudential Borrowing forecasts. The Authority has a history of strong and effective financial management, as confirmed in the Grant Thornton 2017/18 Annual Audit Letter and Audit Findings Report;

"We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources"

Financial management in the Authority and the reporting of financial standing is undertaken through a comprehensive Finance system including a general ledger, accountancy and budgeting. Monthly budget statements are sent out to all cost centre managers and the Authority receives regular comprehensive financial review reports to update members on the current and anticipated year-end financial performance.

4.0 REVIEW OF EFFECTIVENESS

4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the SLT and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

4.3 The Authority and Its Committees

4.3.1 The Authority

The Authority considered at its Annual General meeting on 14th June 2018 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the Constitution document on the Authority's web site, but are summarised as follows;

- The Authority – approves the Authority's budget and precept, considers variations to standing orders & financial regulations; the revenue budget and capital plan; issuing of a precept; adopting a members' allowance scheme; appointment to committees; scheme of delegation to officers; any matters which by law must be reserved to the Authority itself; maintain a Constitution.

- The Policy and Resources Committee **–** to determine new strategies, policies or changes in strategy relating to the development and delivery of services. Exercise financial control over expenditure within the approved revenue budgets and capital programme of the Authority. Establish and direct procedures for the implementation, monitoring and amendment of the revenue budget and capital programme and all other financial matters that impact on the Authority's financial position. Consider all matters related to the management of the Authority's assets including buildings, land, ICT and other assets.

- The Community Safety and Protection Committee – Consider all matters related to the development and delivery of services appropriate to this Committee. This includes matters relating to: Operational Preparedness; Operational Response; and Prevention and Protection. Considers all matters related to the delivery of services to the diverse communities of Merseyside, and the development, promotion and delivery of a coordinated strategy for developing and maintaining safer communities.

- The Scrutiny Committee – To view and/or scrutinise the objectives of the Authority's Integrated Risk Management Plan (IRMP) and performance against these objectives. To carry out joint member/officer pre and post-implementation scrutiny of any major project, scheme, or key decision taken by the Authority or its standing committees.

- The Joint Police & Fire Collaboration Committee – to act as a Strategic Board to oversee collaboration between Merseyside Police (MP) and the Authority. To consider any reports on proposals for collaboration and potential budget savings or working arrangements.

- The Audit Committee – To consider the internal audit's annual report and opinion, and a summary of internal audit activity and the level of assurance it can give the Authority's corporate governance arrangements. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. To monitor the risk register and effective development and operation of risk management. To determine allegations made under the Members Code of Conduct Procedure and refer sanctions proposed and any complaint allegation requiring further investigation to the full Authority. To act as Investigating and Disciplinary

Committee where an allegation which could constitute misconduct or gross misconduct is made against the Chief Fire Officer, Deputy Chief Fire Officer or the Monitoring Officer.

Receive reports on the effectiveness of internal control processes, including probity and to receive Internal Audit reports in this respect. Liaise with the external audit function over the appointment of the external auditor. Comment on the scope and depth of external audit work and consider in detail the recommendations of the external auditor's annual audit's letter. Consider all matters relating to internal and external audit activity and all matters relating to the regulatory framework.

To appoint Task and finish Groups to undertake detailed work, involving relevant Scrutiny Members, key reference holders and relevant officers.

- The Appeals Committee – to consider whether to assent to applications for specific licences as may be referred to the Committee by the Health and Safety Executive or the Chief Fire Officer.

4.4 Management Review

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

4.4.2 There is a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2018/19 Service Delivery Plan broke down the Authority's key objectives for the year and identified a lead officer for each project. A "traffic light" system identified the actual progress against performance indicators throughout the year and any areas of concern with options to bring the project back on track were reported to management and the Community Safety and Protection Committee. SLT received regular updates from managers on the delivery of services against targets throughout the year and this allowed senior management an opportunity to scrutinise progress. Performance against Local Performance Indicators is considered in depth each month by the Performance Management Group.

4.4.3 The Risk Register was updated for new risks and the status of existing risks was re-assessed during the year. The Register considers the Authority's tolerance for risk and any mitigating actions that can reduce the likelihood/severity of the perceived risk. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority.

4.4.4 The Authority employed appropriate professional staff:

- A Statutory Monitoring Officer (Section 5 LGHA) responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. The Director of Legal Services fulfils this role and is a qualified and experienced lawyer. The Director of Legal Services is supported by a suitably robust and fit for purpose legal team. No actions of the Authority were deemed ultra vires in the year and all relevant laws and regulations have been complied with so far as is known by the Monitoring Officer.

- A Responsible Finance Officer (Section 73 LGA 1985) to ensure the proper and effective administration of the financial affairs of the Authority. The Director of Finance fulfils this role and is a qualified and experienced accountant. The Director of Finance is supported in this role by a Head of Finance and finance team that includes a number of professionally qualified and experienced finance staff. The Director of Finance ensures the Authority has an approved, realistic and affordable five year financial plan for revenue and capital expenditure which links to the IRMP and the Service Delivery Plan. The financial planning process is well embedded and understood across the Authority by staff and members. Details of the approved budget are available to all stakeholders in a simple and summarised statement on the Authority's website.

  The above statutory posts are key members of SLT

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

4.4.6 Grant Thornton approved an unqualified Statement of Accounts for 2017/18 and it is anticipated this will be repeated in 2018/19. A detailed year-end report is presented to the Authority in a clear and understandable format. A simplified summary statement of accounts is available on the Authority's Website to ensure the outturn position is communicated effectively to all stakeholders.

4.5 Internal Audit

4.5.1 The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2018/19, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the relevant managers as appropriate and the Director of Finance. An interim and year-end Internal Audit Plan reports are submitted to the Audit sub Committee that included summary findings of all completed audit reports and implementation of any agreed recommendations. The Annual Review of Internal Audit Report concluded that:

"it is our opinion that we can provide Substantial Assurance that the system of internal control in place at Merseyside Fire & Rescue Service for the year ended 31st March 2019 accords with proper practice. The 2018/19 fundamental systems audits have shown a substantial level of compliance and none of the audits have identified weaknesses that have required a corporate impact assessment of Major or Moderate. Based on the audit work

carried out in 2018/19 we are not aware of any significant control weaknesses within the Service which impact on the Annual Governance Statement"

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

4.6 External Review

4.6.1 External audit services are carried out by Grant Thornton. The scope of the work undertaken by External Audit is;

- The audit of the financial statements
- To reach a conclusion on the economy, efficiency and effectiveness in the use of resources (the value for money (VFM) conclusion
- To work on the whole of government accounts return.

4.6.2 External Audit will comment upon the Authority's 2018/19 statutory financial statements and make a VFM conclusion during the 2019/20 financial year in the Annual Audit Findings report and Annual Audit and Inspection Letter. These documents reflect the Auditor's findings and conclusions from auditing the Statement of Accounts. During 2018/19 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2017/18 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2017/18 financial statements.

SIGNIFICANT GOVERNANCE ISSUES

4.7 Following the announcement of the 2016/17 - 2019/20 Local Government Finance Settlement the Authority faced a significant reduction in the level of government grant support over this period. The reduction in Government support over this period has meant the Authority faced at least an £11m financial challenge, assuming all budget assumptions remain valid. The Authority approved a financial plan to meet this challenge at the 2016/17, Budget Authority meeting, and updated and ratified the plan at the 2017/18 & 2018/19 Budget Authority meetings. In light of increased operational and protection risks (following a number of national and international incidents), and expected findings from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the Authority approved a £1m investment back into frontline service in the 2019/20 five year medium term financial plan. The Chief Fire Officer and Director of Finance have been challenged with delivering the required saving to fund the £1m from expected savings on servicing historic capital debt and the annual deficit payment relating to historic accrued benefits in the Local Government Pension Scheme.

4.8 Whilst no significant weaknesses have been identified in control systems at present, the following have been identified as critical internal control issues for the forthcoming year;

4.9 The Authority's proposals to deliver the approved £1m savings required in the current financial plan to fund the £1m re-investment in frontline services.

4.9.1 The assumptions made in the medium term financial plan, particularly around inflation, pay awards, firefighter pension contributions and future government grants (whilst based on the best information available) are subject to potential change in such volatile times.

4.9.2 The recruitment of sufficient firefighters to maintain the required response staffing levels in light of the fact the Authority may lose approximately half of its current firefighters through natural retirements over the next five years of so. The Authority has established a recruitment reserve so it can fund the required recruitment in advance of the expected retirements over the period.

4.9.3 Taken together these factors result in a significant potential risk to the Authority's medium term financial plan. Reliable monitoring and forecasting processes are in place and the Director of Finance will ensure any variation to assumptions made in the medium term financial plan are identified at the earliest possible time. The Financial Review reports will keep Members informed on the impact of any variation to the assumptions in the financial plan and recommended corrective action.

4.10 The 2017 Policing and Crime Act places a statutory duty on the three emergency services (Ambulance, Fire and Police) to keep collaboration opportunities under review and to collaborate where this would improve efficiency and effectiveness. The Authority continues to maintain ongoing discussions with Merseyside Police and North West Ambulance Service on developing opportunities for greater collaboration.

4.11 Under the Cities and Local Government Devolution Act (2016), in November 2015, the Government agreed to devolve a range of powers and responsibility to the Liverpool City Region Combined Authority. The model includes a directly elected City Region Mayor over the Combined Authority Area, who was elected in May 2017. The Mayor may seek to take over the future governance of the Merseyside OPCC and Merseyside Fire and Rescue Authority at some future point, subject to the relevant support from the Government. The Authority will work with the Merseyside Police, the Office of the Police and Crime Commissioner and the Liverpool City Region Mayor, if asked, to establish the future governance arrangement for Merseyside Fire and Rescue Service.

Signed……………………………………	Signed………………………………….
XXXXXXXXX	P. GARRIGAN
CHAIR of Policy and Resources Committee	CHIEF FIRE OFFICER

Signed ……………………………………
I. CUMMINS
DIRECTOR OF FINANCE

APPENDIX B

2018-2019 MERSEYSIDE FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

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

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

1.3 Corporate Governance is a phrase used to describe how organisations direct and control what they do. For Fire and Rescue Authorities this also includes how an Authority relates to the communities that it serves. The Authority has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework "*Delivering Good Governance in Local Government*" (2016). A copy of the code is available on our website at www.merseyfire.gov.uk. The key principles of the Authority's Code of Corporate Governance are outlined below, ;

1. Three high level principles underpin Corporate Governance:-
   - Openness and inclusivity
   - Accountability
   - Integrity

2. These high level principles are supported by seven detailed principles of good governance which are:
   - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
   - Ensuring openness and comprehensive stakeholder engagement
   - Defining outcomes in terms of sustainable economic, social, and environmental benefits
   - Determining the interventions necessary to optimise the achievement of the intended outcomes
   - Developing MFRA capacity, including the capability of its leadership and the individuals within it
   - Managing risks and performance through robust internal control and strong public financial management
   - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

1.4 This statement fulfils the Authority's statutory requirement to prepare a statement of internal control in accordance with proper practices, and to present an annual review of the effectiveness of the current system.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

2.3 The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31st March 2019.

3.0 THE GOVERNANCE FRAMEWORK

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

3.2 Identifying and Communicating the Authority's Mission and outcomes for citizens and service users:

3.2.1 After consulting with the citizens of Merseyside and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the mission, aims and service objectives for the organisation. The Authority approved a new IRMP, 2017/20, on 23rd February 2017. The IRMP established the service priorities for 2017/20. The Authority is currently consulting on a draft supplement to the Integrated Risk Managed Plan (IRMP) 2017-20. If approved, the alternative proposals contained within the supplement will extend the current plan to 2021, aligning it to our medium term financial plans.

3.2.2 The Authority's Mission reflects a clear focus on the core duties and functions in relation to Operational Preparedness, Operational Response and Prevention and Protection. The Authority's mission is to ***achieve; Safer Stronger Communities – Safe Effective Firefighters.*** To deliver this the Authority has established four key corporate 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 partners and our community to protect the most vulnerable.

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

3.2.3 The Mission statement is focused upon outcomes around operational preparedness, response and prevention and protection. It is very important that the organisation's priorities are unambiguous and easily understood by members, staff, communities and other stakeholders. In particular, it is essential that the safety and effectiveness of firefighters is seen as a fundamental factor in the achievement of safer, stronger communities.

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

3.3.1 IRMP and other service projects are incorporated into one document – the Service Delivery Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Community Safety and Protection Committee (or any other committee if applicable) and the Strategic Leadership Team. Station Community Safety Plans have also been developed to give details of the activities taking place throughout Merseyside. The reporting process applies traffic light status to for each performance indicator in the Service Delivery Plan and attention is drawn to progress achieved and matters to be addressed. Copies of the Service Delivery Plan can be found on the Authority's website.

3.4 The Internal Control Environment:

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

3.4.2 Policy and decision making process

The Authority has meaningful democratic control over its activities via an **approved committee structure** with agreed Terms of Reference that are reviewed once a year by the Authority at its Annual General Meeting. The Authority has a **written Constitution** that was reviewed in 2018/19 and approved by the Authority at its meeting on 14th June 2018 (CFO/037/18), which is published and sets out how the Authority operates, how decisions are made, and the procedures which are followed to ensure these are efficient, transparent and accountable to local citizens. The Constitution is reviewed every year by the Authority at its AGM.

The Authority meet with Strategic Managers and other stakeholders as required to consider the strategic vision and instigate future plans/targets for the Authority.

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

3.4.3 Management Structure

Management Structure - The Authority has a **clear management structure** with defined roles and responsibilities. A Strategic Leadership Team (SLT), meet on a fortnightly basis to review and agree on issues that arise during the year. SLT have established five strategic boards to feed into SLT, the role of each board is to consider any issues associated with that board's remit and if necessary make a recommendation on the matter for SLT to consider. The Authority has an **approved scheme of delegation within its Constitution** that is reviewed by members on an annual basis.

3.4.4 Established Policies, Procedures & Regulations

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

- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations, Procedural & Contract Standing Orders, Scheme of Delegation
- Anti-Fraud & Corruption Policy & Strategy
- Fraud Response Plan
- Confidential Reporting Policy
- Complaints procedure
- Code of Corporate Governance
- Constitution
- Code of Conduct
- Full range of Equality and Diversity policies and procedures
- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedure, discipline process, through to performance development reviews
- Information Governance and Security – Policies and Service Instructions to protect the Authority's information, data, and assets

3.4.5 SLT carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress against the action plans.

3.4.6 Internal Audit function
The Authority has a strong Internal Audit function arrangement with Liverpool City Council, and has well-established protocols for working with External Audit.

3.4.7 Risk Management Strategy
The Authority has a well established and embedded risk management strategy. The Audit Sub-Committee has corporate ownership of the risk register and receive regular updates on any new risks or changes to risks. As all Authority and service reports to SLT have a standing section on risk this allows SLT an opportunity to regularly consider new and updated risks facing the Service at their fortnightly meetings.

3.4.8 Financial Management
The Authority produces a five year financial plan that takes into account Revenue, Capital, Reserves and Prudential Borrowing forecasts. The Authority has a history of strong and effective financial management, as confirmed in the Grant Thornton 2017/18 Annual Audit Letter and Audit Findings Report;

"We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources"

Financial management in the Authority and the reporting of financial standing is undertaken through a comprehensive Finance system including a general ledger, accountancy and budgeting. Monthly budget statements are sent out to all cost centre managers and the Authority receives regular comprehensive financial review reports to update members on the current and anticipated year-end financial performance.

4.0 REVIEW OF EFFECTIVENESS

4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the SLT and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

4.3 The Authority and Its Committees

4.3.1 The Authority

The Authority considered at its Annual General meeting on 14th June 2018 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the Constitution document on the Authority's web site, but are summarised as follows;

- The Authority – approves the Authority's budget and precept, considers variations to standing orders & financial regulations; the revenue budget and capital plan; issuing of a precept; adopting a members' allowance scheme; appointment to committees; scheme of delegation to officers; any matters which by law must be reserved to the Authority itself; maintain a Constitution.

- The Policy and Resources Committee **–** to determine new strategies, policies or changes in strategy relating to the development and delivery of services. Exercise financial control over expenditure within the approved revenue budgets and capital programme of the Authority. Establish and direct procedures for the implementation, monitoring and amendment of the revenue budget and capital programme and all other financial matters that impact on the Authority's financial position. Consider all matters related to the management of the Authority's assets including buildings, land, ICT and other assets.

- The Community Safety and Protection Committee – Consider all matters related to the development and delivery of services appropriate to this Committee. This includes matters relating to: Operational Preparedness; Operational Response; and Prevention and Protection. Considers all matters related to the delivery of services to the diverse communities of Merseyside, and the development, promotion and delivery of a coordinated strategy for developing and maintaining safer communities.

- The Scrutiny Committee – To view and/or scrutinise the objectives of the Authority's Integrated Risk Management Plan (IRMP) and performance against these objectives. To carry out joint member/officer pre and post-implementation scrutiny of any major project, scheme, or key decision taken by the Authority or its standing committees.

- The Joint Police & Fire Collaboration Committee – to act as a Strategic Board to oversee collaboration between Merseyside Police (MP) and the Authority. To consider any reports on proposals for collaboration and potential budget savings or working arrangements.

- The Audit Committee – To consider the internal audit's annual report and opinion, and a summary of internal audit activity and the level of assurance it can give the Authority's corporate governance arrangements. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. To monitor the risk register and effective development and operation of risk management. To determine allegations made under the Members Code of Conduct Procedure and refer sanctions proposed and any complaint allegation requiring further investigation to the full Authority. To act as Investigating and Disciplinary

Committee where an allegation which could constitute misconduct or gross misconduct is made against the Chief Fire Officer, Deputy Chief Fire Officer or the Monitoring Officer.

Receive reports on the effectiveness of internal control processes, including probity and to receive Internal Audit reports in this respect. Liaise with the external audit function over the appointment of the external auditor. Comment on the scope and depth of external audit work and consider in detail the recommendations of the external auditor's annual audit's letter. Consider all matters relating to internal and external audit activity and all matters relating to the regulatory framework.

To appoint Task and finish Groups to undertake detailed work, involving relevant Scrutiny Members, key reference holders and relevant officers.

- The Appeals Committee – to consider whether to assent to applications for specific licences as may be referred to the Committee by the Health and Safety Executive or the Chief Fire Officer.

- The Appointments Committee - To consider and determine for appointment to the posts and offices of the Chief Fire Officer, Deputy Chief Fire Officer, Treasurer, Monitoring Officer and any other posts referred to the committee for consideration.

- Member Development & Engagement Group - To promote the continuous development of Members of the Authority and consider proposals and options for arrangements in respect of Members' training and development

- Local Pension Board (Firefighters' Pension Scheme(s)) - to assist the Authority in its role as 'Scheme Manager' for the Firefighters' Pension Scheme(s), as required by the Pension Scheme (Amendment) (Governance) Regulations 2015 Regulation 4A.

4.4 Management Review

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

4.4.2 There is a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2018/19 Service Delivery Plan broke down the Authority's key objectives for the year and identified a lead officer for each project. A "traffic light" system identified the actual progress against performance indicators throughout the year and any areas of concern with options to bring the project back on track were reported to management and the Community Safety and Protection Committee. SLT received regular updates from managers on the delivery of services against targets throughout the year and this allowed senior management an opportunity to scrutinise progress. Performance against Local Performance Indicators is considered in depth each month by the Performance Management Group.

4.4.3 The Risk Register was updated for new risks and the status of existing risks was re-assessed during the year. The Register considers the Authority's tolerance for risk and any mitigating actions that can reduce the likelihood/severity of the perceived risk. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority.

4.4.4 The Authority employed appropriate professional staff:

- A Statutory Monitoring Officer (Section 5 LGHA) responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. The Director of Legal Services fulfils this role, is a qualified and experienced lawyer, and is supported by a legal team. No actions of the Authority were deemed ultra vires in the year and all relevant laws and regulations have been complied with so far as is known by the Monitoring Officer.

- A Responsible Finance Officer (Section 73 LGA 1985) to ensure the proper and effective administration of the financial affairs of the Authority. The Director of Finance fulfils this role and is a qualified and experienced accountant. The Director of Finance is supported in this role by a Head of Finance and finance team that includes a number of professionally qualified and experienced finance staff. The Director of Finance ensures the Authority has an approved, realistic and affordable five year financial plan for revenue and capital expenditure which links to the IRMP and the Service Delivery Plan. The financial planning process is well embedded and understood across the Authority by staff and members. Details of the approved budget are available to all stakeholders in a simple and summarised statement on the Authority's website.

  The above statutory posts are key members of SLT

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

4.4.6 Grant Thornton approved an unqualified Statement of Accounts for 2017/18 and it is anticipated this will be repeated in 2018/19. A detailed year-end report is presented to the Authority in a clear and understandable format. A simplified summary statement of accounts is available on the Authority's Website to ensure the outturn position is communicated effectively to all stakeholders.

4.5 Internal Audit

4.5.1 The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2018/19, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the relevant managers as appropriate and the Director of Finance. An interim and year-end Internal Audit Plan reports are submitted to the Audit sub Committee that included summary findings of all completed audit reports and implementation of any agreed recommendations. The Annual Review of Internal Audit Report concluded that:

"it is our opinion that we can provide Substantial Assurance that the system of internal control in place at Merseyside Fire & Rescue Service for the year ended 31st March 2019 accords with proper practice. The 2018/19 fundamental systems audits have shown a substantial level of compliance and none of the audits have identified weaknesses that have required a corporate impact assessment of Major or Moderate. Based on the audit work carried out in 2018/19 we are not aware of any significant control weaknesses within the Service which impact on the Annual Governance Statement"

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

4.6 External Review

4.6.1 External audit services are carried out by Grant Thornton. The scope of the work undertaken by External Audit is;

- The audit of the financial statements
- To reach a conclusion on the economy, efficiency and effectiveness in the use of resources (the value for money (VFM) conclusion
- To work on the whole of government accounts return.

4.6.2 External Audit will comment upon the Authority's 2018/19 statutory financial statements and make a VFM conclusion during the 2019/20 financial year in the Annual Audit Findings report and Annual Audit and Inspection Letter. These documents reflect the Auditor's findings and conclusions from auditing the Statement of Accounts. During 2018/19 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2017/18 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2017/18 financial statements.

4.7 Year-end Review

4.7.1 The current governance and internal control arrangements continue to be reviewed and refined on an ongoing basis and that they continue to be regarded as fit for purpose in accordance with the governance framework. This review provides an acceptable overall assurance of the effectiveness of the Authority's system of internal control.

SIGNIFICANT GOVERNANCE ISSUES

4.8 The CIPFA guidance suggests that the following criteria should be applied when judging what may constitute a significant control issue:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The issue has led to a material impact on the accounts.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

4.9 Following the announcement of the 2016/17 - 2019/20 Local Government Finance Settlement the Authority faced a significant reduction in the level of government grant support over this period. The reduction in Government support over this period has meant the Authority faced at least an £11m financial challenge, assuming all budget assumptions remain valid. The Authority approved a financial plan to meet this challenge at the 2016/17, Budget Authority meeting, and updated and ratified the plan at the 2017/18 & 2018/19 Budget Authority meetings.

4.10 In light of increased operational and protection risks (following a number of national and international incidents), and expected findings from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the Authority approved a £1m investment back into frontline service in the 2019/20 five year medium term financial plan. The Chief Fire Officer and Director of Finance have been challenged with delivering the required saving to fund the £1m from expected savings on servicing historic capital debt and the annual deficit payment relating to historic accrued benefits in the Local Government Pension Scheme.

4.11 Whilst no significant weaknesses have been identified in control systems at present, the following have been identified as critical internal control issues for the forthcoming year which the Authority will continue to monitor and action as appropriate:

- The Authority's proposals to deliver the approved £1m savings required in the current financial plan to fund the £1m re-investment in frontline services.
- The assumptions made in the medium term financial plan, particularly around inflation, pay awards, firefighter pension contributions and future government grants (whilst based on the best information available) are subject to potential change in such volatile times.
- The recruitment of sufficient firefighters to maintain the required response staffing levels in light of the fact the Authority may lose approximately half of its current firefighters through natural retirements over the next five years of so. The Authority has established a recruitment reserve so it can fund the required recruitment in advance of the expected retirements over the period.

Taken together these factors result in a significant potential risk to the Authority's medium term financial plan. Reliable monitoring and forecasting processes are in place and the Director of Finance will ensure any variation to assumptions made in the medium term financial plan are identified at the earliest possible time. The Financial Review reports will keep Members informed on the impact of any variation to the assumptions in the financial plan and recommended corrective action.

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4.13 Under the Cities and Local Government Devolution Act (2016), in November 2015, the Government agreed to devolve a range of powers and responsibility to the Liverpool City Region Combined Authority. The model includes a directly elected City Region Mayor over the Combined Authority Area, who was elected in May 2017. The Mayor may seek to take over the future governance of the Merseyside OPCC and Merseyside Fire and Rescue Authority at some future point, subject to the relevant support from the Government. The Authority will work with the Merseyside Police, the Office of the Police and Crime Commissioner and the Liverpool City Region Mayor, if asked, to establish the future governance arrangement for Merseyside Fire and Rescue Service.

CERTIFICATION

5.0 **To the best of our knowledge, the governance arrangements, as defined above, have been operating during the year and up to the date of the approval of the Annual Accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Authority will continue the operation of its governance framework and take steps to carry out the actions for managing any governance issues identified above or that materialise in the year.**

Signed……………………………………	Signed……………………………………
JAMES ROBERTS	P. GARRIGAN
CHAIR of Policy and Resources Committee	CHIEF FIRE OFFICER

Signed ……………………………………
I. CUMMINS
DIRECTOR OF FINANCE

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	25 JULY 2019	REPORT NO:	CFO/037/18
PRESENTING OFFICER	IAN CUMMINS, DIRECTOR OF FINANCE		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	REVENUE & CAPITAL OUTTURN 2018/19		

APPENDICES:	APPENDIX A1- A4:	2018/19 REVENUE BUDGET TO ACTUAL
	APPENDIX B:	2018/19 CAPITAL BUDGET TO ACTUAL

Purpose of Report

1. To report upon the Authority's year-end financial position for 2018/19.

Recommendation

2. That Members note;
   a. the actual financial performance against the approved budget, after taking into account year-end reserve adjustments was a net revenue underspend of £0.826m,

      and

   b. that this underspend has been used to increase the actual 2018/19 minimum revenue provision (debt repayment) as per our plans with the aim of freeing up future debt servicing budget to allow reinvestment back into front line services, (this strategy was approved at the 2019/20 Budget Authority meeting).

Executive Summary

The Authority approved a robust financial plan to meet the financial challenge it faced following the significant reductions to its Government grant funding from 2016/17 to 2019/20.

The approved revenue budget in 2018/19 was £59.701m. Having recognised the financial challenges facing the public sector, Members instructed officers to try to maximise savings in the year and deliver efficiencies as early as possible.

The final accounts of the Authority have now been completed and after taking into account the need to create reserves to carry funds into 2019/20 to meet re-phased project spend, a £0.826m underspend has been delivered.

At the 2019/20 Budget Authority meeting in February 2019, members approved a strategy of utilising any additional one-off savings to fund an increase in debt payments in order to free-up future budget to fund an increase in spend on frontline services. Therefore, the £0.826m underspend has been utilised to increase the actual minimum revenue provision (debt payment) in 2018/19.

At the year-end £0.258m of earmarked reserves were drawn-down to meet expenditure in the year that was to be funded from reserves. In addition reserves of £0.091m were created to fund initiatives or projects planned for 2018/19 which are now expected to occur in 2019/20. The required year-end net movement from reserves was therefore £0.167m.

The General Fund balance remains as anticipated at £2.000m.

Capital spending was £9.697m resulting in a variance of £3.928m against the £13.625m budget for 2018/19. The variance can be broken down into:

- A £3.838m re-phasing of planned spend from 2018/19 into future years, requiring the carry forward of capital budget.
- A net underspend and saving on capital projects of £0.090m.

No new borrowing was taken out in the year, as expected.

Introduction and Background

3. This report sets out the actual financial performance of the Authority compared to the approved 2018/19 revenue (general fund) and capital budgets.

4. Elsewhere on today's agenda is a report containing the unaudited Statement of Accounts for 2018/19 for Members' consideration and approval. The Accounts and Audit (England) Regulations 2015 require the Authority to prepare a Statement of Accounts each financial year in accordance with the CIPFA Code of Practice on Local Authority Accounting (the Code). The Code requires that the Statement of Accounts is based upon International Financial Reporting Standards (IFRS). In simple terms this means that the revenue outturn report (this report) shows the true year-end position against the revenue (general fund) budget, while the Statement of Accounts includes numerous self-balancing notional charges and income.

2018/19 Budget – Background

5. Following the announcement by the Government of the final settlement funding for 2016/17 to 2019/20 the Authority received a significant cut in its Revenue Support Grant (RSG). The cumulative percentage reduction in RSG between 2011/12 and 2019/20 equates to a 33% cash reduction or approximately 50% in real terms. Given Government revenue support provided 63% of the revenue funding in 2010/11 this scale of cut meant unavoidable reductions in the front line operational services over this period. At the 2016/17 Budget Authority meeting Members approved a financial plan that delivered the £11m savings required as a result of government cuts. This plan was ratified by the 2018/19 Budget Authority meeting on 22nd February 2018.

   The approved medium term financial plan made a number of assumptions around future costs including:-
   - pay bill increase of 2% per annum (the pay bill includes all pay related costs including pension and national insurance contributions),
   - 2% per annum general price inflation,
   - all approved saving options will be delivered as per the plan.

6. The delivery of the approved financial plan was monitored closely during the year and all the savings have been delivered as expected. The required structural changes planned as part of the station merger initiative will not be formally implemented until the

build of the new stations is complete, however the full saving target is being delivered in cash terms as firefighter retirements are ahead of the required schedule. Pay and inflation increases in 2018/19 have been as expected, however the 2017/18 – 2018/19 firefighter annual pay increase has yet to be settled although a 2% uplift has been implemented in 2018/19.

How the 2018/19 Budget changed during the year

7. The Authority Revenue Budget for 2018/19 was set at £59.701m.

8. The Authority also approved a five year capital investment programme (2018/19 – 2022/23), of £31.946m, with a planned expenditure in 2018/19 of £16.814m.

9. The Authority adopted a reserves strategy, which maintains a general reserve of £2.000m and had anticipated £23.279m of earmarked reserves (rising to £25.715m after the 2017/18 year-end adjustment) to cater for specific risks and to fund specific projects.

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

11. Further minor budget amendments have been made since the last financial review report, CFO/004/19, was approved by the Audit Committee on 14th February 2019 that reflect already approved policy decisions. These were;

Revenue:

- The net increase in reserves of £0.109m funded from the revenue budget to cover committed spend in 2018/19 that will now be incurred in 2019/20, and
- A number of self-balancing virements within the revenue account. The most significant was a virement of £0.708m from one-off inflation and employee budgets to allow an increase in the minimum revenue provision, (MRP), budget. The purpose of increasing MRP in 2018/19 is to free-up future debt repayment budget to fund re-investment back into frontline services from 2019/20.

These changes are summarised in the table below:

	Original Budget	Approved Qtr 3 Budget	Qtr 4 Amendments	Final Budget	Original to Final Budget Movements
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Net Expenditure					
Fire Service	61,833	61,769	99	61,868	35
Corporate	510	489	0	489	-21
National Res. Assurance	0	0	0	0	0
	62,343	62,258	99	62,357	14
Interest on Balances	-172	-172	0	-172	0
Inflation Provision	1,915	208	-208	0	-1,915
Contribution (from) to Reserves	-4,385	-2,593	109	-2,484	1,901
Total Net Expenditure	59,701	59,701	0	59,701	0
Funded By					
Government Support	-31,502	-31,502	0	-31,502	0
Council Tax	-28,199	-28,199	0	-28,199	0
	-59,701	-59,701	0	-59,701	0

Capital:

- A small increase in the capital budget of £0.080m of which £0.066m was as a consequence of the capitalisation of smoke alarm installation costs to reflect the actual cost, but this increase is funded from the freed-up revenue employee budget. The level of budgeted borrowing was consistent with the approved quarter 3 figure. The overall movement in the capital programme reflects the re-phasing of major schemes over the 2017/18 to 2019/20 period reported to members through the quarterly financial review reports.

These changes are summarised in the table below:

		Original Budget	Approved Qtr 3 Budget	Qtr 4 Amendments	Final Budget	Original to Final Budget Movements
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure						
	Building & Land	11,646	7,325	0	7,325	-4,321
	Fire Safety	635	835	66	901	266
	ICT	943	1,667	14	1,681	738
	Operational Equip & Hydrants	1,310	1,094	0	1,094	-216
	Vehicles	2,280	2,624	0	2,624	344
		16,814	13,545	80	13,625	-3,189
Funding						
	Specific Non-borrowing	10,000	7,285	80	7,365	-2,635
	Borrowing	6,814	6,260	0	6,260	-554
		16,814	13,545	80	13,625	-6,378

Financial Performance in the Year

12. **2018/19 Revenue Outturn Position**: The table below summarises the actual revenue position for 2018/19 compared to the final budget, (**Appendix A** provides a more detailed analysis):

Programme	Fire Service Budget	Fire Authority	National Resilience	Total Budget	Actual	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure						
Employee Costs	43,676	395	1,944	46,015	45,716	-299
Premises Costs	2,746	0	0	2,746	2,862	116
Transport Costs	1,384	0	5,881	7,265	7,100	-165
Supplies and Services	3,453	23	1,982	5,458	4,574	-884
Agency Services	5,954	0	780	6,734	6,706	-28
Central Support Services	436	71	256	763	714	-49
Capital Financing	12,448	0	7	12,455	13,281	826
Income	-8,229	0	-10,850	-19,079	-18,335	744
Net Expenditure	**61,868**	**489**	**0**	**62,357**	**62,618**	**261**
Contingency Pay & Prices	0			0	0	0
Interest on Balances	-172			-172	-266	-94
	61,696	**489**	**0**	**62,185**	**62,352**	**167**
Movement on Reserves	-2,484			-2,484	-2,651	-167
Overall Financial Position	**59,212**	**489**	**0**	**59,701**	**59,701**	**0**

13. At the 2019/20 Budget Authority meeting in February 2019, members approved a strategy of utilising any additional one-off savings to fund an increase in debt payments in order to free-up future budget to fund an increase in spend on frontline services. After taking into account a year-end net drawdown from earmarked reserves of £0.167m, net expenditure was £0.826m lower than the budget. The £0.826m revenue saving has been utilised to increase the minimum revenue provision (debt payment) actual in 2018/19, and therefore the Authority's overall expenditure is consistent with its budget. The movement in year-end reserves is outlined further on in this report.

14. The main variations were :

Employee Costs, -£0.299m (0.6%) favourable variance. This was made up of a number of different variations –

- National Resilience Assurance Team, -£0.407m. The re-phasing of National Resilience Assurance schemes meant spend on employee costs was lower than anticipated, £0.407m, however this was offset by grant monies being re-phased into 2019/20.
- Employee & Liability Insurance and other minor variances, +£0.117m. The year-end assessment of the potential value of current liable claims indicated a small increase in the number of outstanding claims resulting in an increase in the required provision to meet any potential settlement. The Authority's claims section and insurers continue to challenge any claims received where appropriate. The £0.117m has been offset from a drawdown from the insurance reserve as part of the year-end reserves adjustments outlined further on.
- Other, -£0.009m**;** other smaller variances over a number of other direct and non-direct employee budgets.

Premises Costs, £0.116m (4.2%) adverse variance –

- Utility costs (energy and water) exceeded the budget by £0.155m due to price increases. However, approximately 50% of this has been met from income recovered from partners who occupy MFRA premises. The budget will be uplifted in 2019/20 from the inflation provision and a virement funded from an increase in fees and charges.
- Small favourable variances on other premises costs made up the balance.

Transport Costs, -£0.165m (2.2%) favourable variance –

- National Resilience Assurance Team, -£0.035m. Due to the re-phasing of National Resilience Assurance schemes spend on transport costs was lower than anticipated, however this was offset by grant monies being re-phased into 2018/19.
- The balance is made up from small savings on lease car, car allowances, and indirect transport costs.

Supplies and Services, -£0.884m (16.2%) favourable variance –

- National Resilience Assurance Team, -£0.460m. Due to the re-phasing of National Resilience Assurance schemes spend on supplies and services costs was lower than anticipated, however this was offset by grant monies being re-phased into 2019/20.
- Officers are continuing to strictly manage controllable expenditure lines such as ICT, Computing, Operational, Prevention and Training supplies in light of the financial challenge resulting in an overall underspend of £0.119m.
- Professional fees saving, £0.305m, reflects the partial delivery of the 2019/20 £0.426m support service saving ahead of schedule.

Agency Services & Central Expenses, -£0.077m (1.0%) favourable variance.

- Small savings on the financial systems contract consultancy line as some development work was done in-house, £0.040m. The balance was on various outsourced contract lines.

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Capital Financing, +£0.826m (6.2%) adverse variance;

- At the 2019/20 Budget Authority meeting in February 2019, members approved a strategy of utilising any additional one-off savings to fund an increase in debt payments in order to free-up future budget to fund an increase in spend on frontline services. The 2018/19 year-end £0.826m revenue saving has been utilised to increase the minimum revenue provision (debt payment) actual in 2018/19.

Income (including interest on balances), £0.650m (3.4%) adverse variance.

- National Resilience Assurance Team, £0.936m; Due to the re-phasing of National Resilience Assurance schemes spend the required grant use was lower than forecast in the budget by £0.936m. This was offset by reductions in spend. Overall the NRAT net cost was £0.0m to the Authority.
- Contributions from partners, fees and sales income was £0.192m greater than the budget. This was mainly due to an increase of £0.125m in the s31 compensation grant regarding the restriction on small business rate increase.
- Interest earned on investments and balances exceeded the budget by -£0.094m as the level of investments was higher than expected throughout the year as a result of unapplied capital grants (NRAT asset replacement was re-phased) and the use of capital reserves for the St Helens and TDA new build schemes is now planned to commence during 2019/20.

Movement on Reserves, £-0.167m.

- Draw-down to cover expenditure incurred at the year-end for which reserves had been created, -£258m. The most significant was -£0.117m to cover the year-end assessment of the potential increase in the value of current liable claims.
- Increase in specific reserves to cover future expenditure for which grants or budget had been received in 2018/19, £0.091m. Of this £0.041m related to Government new dimensions grant received in the year.

15. **Qtr 4 Bad Debt Write-Offs.** Debtor accounts under £5,000 may be written off by the Director of Finance. Ten accounts totalling £3,683 plus VAT have been written off in the year based on advice received from litigation services.

2018/19 Movement on Reserves.

16. This report identifies a net reduction in committed earmarked reserves (opening balance £25.715m and a closing balance £23.064m) of £2.651m. The general reserve remained unchanged at £2.0m. In addition the Authority also holds, on behalf of the Home Office, specific grants to fund the purchase of national resilience assets, training and other investments. Also, the Home Office have awarded the Authority a capital grant towards the cost of the station merger initiative, which must be repaid if the scheme(s) are not completed. The Code of Practice for preparing the year-end Financial Statements requires that these unapplied grants are recorded within the usable reserves figure, hence they have been included in the table below that summarises the movement in reserves in the year:

Budgeted Movement on Reserves 2018/19

	Opening Balance	Closing Balance
Earmarked Reserves	**£'000**	**£'000**
Emergency Related Reserves		
Bellwin Reserve	147	222
Insurance Reserve	859	383
Emergency Planning Reserve	75	0
Catastrophe Reserve	100	0
Modernisation Challenge		
Smoothing Reserve	1,806	450
Ill Health Penalty Reserve	322	0
Recruitment Reserve	3,000	3,000
Invest to Save / Collaboration	1,000	895
Capital Investment & Debt Repayment	12,379	14,431
Specific Projects		
PFI Annuity Reserve	2,092	1,986
Equality / Accessibility Reserve	285	0
Health & Safety	6	30
Equipment Reserve	347	92
Contestable Research Fund	24	24
Training Reserve	450	150
Healthy Living / Olympic Legacy	35	35
Inflation Reserve	700	700
Clothing / Boots Reserve	308	242
Ringfenced Reserves		
Princes Trust Reserve	121	39
Community Risk Management	325	325
Energy Reserve	141	19
New Dimensions Reserve	1,193	41
Total Earmarked Reserves	**25,715**	**23,064**
General Revenue Reserve	**2,000**	**2,000**
Total Reserves	**27,715**	**25,064**
Home Office Capital Grants Unapplied:		
HO National Resilience Assurance Grant (Held by MFRA on behalf of HO for National work)	**1,069**	**3,080**
Transformation Capital Grant Unapplied (Station Mergers)	**3,976**	**1,776**
	5,045	**4,856**
Statement of Accounts - Usable Reserves	**32,760**	**29,920**

17. The Authority receives grants and external funding during the year to deliver specific projects. Because these sometimes span more than one financial year this necessitates the carrying forward of the funding through creation of earmarked reserves. Any

potential liabilities arising in the year or previous years for which the Authority is required to set aside a contingency will also require the creation of a reserve. At the end of 2018/19 £0.091m of earmarked reserves were established to cover timing issues between funds and spend for projects and grant funded schemes, nearly half of which was for New Dimensions grant received but not yet utilised.

18. Appendix A4 outlines the movement on reserves throughout the year, (*more details are available in the statement of accounts report elsewhere on today's agenda).*

2018/2019 Capital Expenditure.

19. The Authority's **final** capital budget for 2018/19 was £13.625m. Actual spend in the year was £9.697m resulting in a variance of £3.928m. The variance can be broken down into:

- A £3.838m re-phasing of planned spend from 2018/19 into future years, requiring the carry forward of capital budget.
- A net underspend and saving on capital projects of £0.090m.

As most of the re-phasing was being funded via borrowing the level of actual borrowing in the year was significantly lower than budgeted for.

A summarised capital programme outturn position statement is outlined below:

Programme	Final Budget	Actual Expenditure	Re-Phased from 2018/19 into 2019/20	Variance
	£'000	£'000	£'000	£'000
Expenditure				
Building/Land	7,325.3	5,895.9	1,424.0	-5.4
Fire Safety	901.0	741.4	101.0	-58.6
ICT	1,681.1	1,141.5	540.0	0.4
Operational Equip & Hydrants	1,093.9	502.9	564.6	-26.4
Vehicles	2,623.6	1,415.3	1,208.0	-0.3
TOTAL	**13,624.9**	**9,697.0**	**3,837.6**	**-90.3**
Financing				
Capital Receipts	1,050.0	1,664.6	0	614.6
Revenue and Reserves	3,438.7	3,438.7	0	0.0
Grants	2,875.9	2,299.3	576.6	0.0
Unsupported Borrowing	6,260.3	2,294.4	3,261.0	-704.9
TOTAL	**13,624.9**	**9,697.0**	**3,837.6**	**-90.3**

20. The year-end re-phasing of capital schemes into 2019/20 is outlined in the table below:

Re-phasing £'m	Scheme	Explanation
0.487	LLAR Formby – New Accommodation build	Poor ground conditions meant a delayed start to the new build which has now commenced and the build should be completed in 2019.
0.146	New St Helens Fire Station	After receiving planning permission this year most of the preliminary work has now been completed although poor ground conditions have meant the start of the construction phase will be delayed by a few weeks. The new station should be completed by the middle of next year, 2020.
0.791	Other	A number of routine planned fire station and general building investment schemes are commencing slightly later than planned as priority was given to new build schemes.
0.101	Fire Safety	The offer of capital grants to assist with the installation of sprinkler systems in residential blocks is progressing well and the remaining funds have been committed and will be allocated out in 2019.
0.540	ICT Schemes	Priority was given to upgrading fire appliance mobile data terminals and fire control systems during 2018/19. This meant that the fire station ICT kit upgrades, £0.215m, were re-phased into 2019/20. Delays to the national Emergency Services Mobile Communications Programme (ESMCP) has meant planned spend on the emergency services network (ESN) has been rescheduled into 2019/20, £0.169m. The balance relates to the re-phasing of the replacement of hardware and software, and most orders have or are about to be placed.
0.431	Operational Equipment – NRAT Asset Refresh	The Authority acts as the lead authority for the Home Office for the procurement of national resilience assets. The Home Office are reviewing capability needs and therefore delayed the commencement of the asset replacement programme into 2019/20.
0.134	Operational Equipment	Delay in finalising some of the equipment specifications has meant orders didn't go in until the year-end so spend will be incurred in early 2019/20.
1.208	Vehicles	The delivery of 3 new fire appliances is expected in early 2019/20 as the build work has taken longer than expected, resulting in the rephrasing of £0.687m. The balance relates to new ancillary vehicle orders that were made late in 2018/19 but arrived early in 2019/20.
3.838		

21. A full detailed breakdown of the 2018/19 capital budget movements, year-end variances and proposed slippage can be found attached to this report as Appendix B.

Equality and Diversity Implications

22. Resources are invested to support equality and diversity.

Staff Implications

23. Over 70% of revenue expenditure is directly staff related.

Legal Implications

24. None arising from this report.

Financial Implications & Value for Money

25. At the 2019/20 Budget Authority meeting in February 2019, members approved a strategy of utilising any additional one-off savings to fund an increase in debt payments in order to free-up future budget to fund an increase in spend on frontline services. After taking into account the year-end drawdown from reserves, net expenditure was £0.826m lower than the budget. The £0.826m revenue saving has been utilised to increase the minimum revenue provision (debt payment) actual in 2018/19, and therefore the Authority's overall expenditure is consistent with its budget.

26. Capital spending was £9.697m resulting in a variance of £3.928m. The variance can be broken down into:

- A £3.838m re-phasing of planned spend from 2018/19 into future years, requiring the carry forward of capital budget.
- A net underspend and saving on capital projects of £0.090m.

27. The General Fund Balance as at 31st March 2019 was as anticipated, £2.000m. MFRA committed earmarked reserves as at 31st March 2019 stand at £23.064m.

Risk Management, Health & Safety, and Environmental Implications

28. None arising from this report.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

29. The achievement of actual expenditure within the approved financial plan and delivery of the expected service outcomes is essential if the Service is to achieve the Authority's mission.

BACKGROUND PAPERS

CFO/004/18	"MFRA Budget and Financial Plan 2018/2019-2022/2023" Authority 22nd February 2018.

CFO/059/18 “Financial Review 2018/19 – April to June” Audit Committee 27th September 2018.

CFO/073/18 “Financial Review 2018/19 – April to September” Policy and Resources Committee 13th December 2018.

CFO/004/19 Financial Review 2018/19 – April to December” Audit Committee 14th February 2019.

GLOSSARY OF TERMS

CAPITAL EXPENDITURE Section 40 of the Local Government and Housing Act 1989 defines ‘expenditure for capital purposes’. This includes spending on the acquisition of assets either directly by the Authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.

RESERVES Amounts set aside to meet future contingencies but the 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.

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

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APPENDIX A1

2018/19 REVENUE BUDGET MOVEMENT SUMMARY

Actual 2017/18	SERVICE REQUIREMENTS	Base Budget 2018/19	Qtr 3 Budget 2018/19	2019/20 Budget Reserves Adj.	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2018/19	Qtr 4 Actual 2018/19	Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
63,330	Fire Service	61,833	61,769		-109	208	61,868	62,143	275
480	Corporate Management	510	489		0	0	489	475	-14
0	NRAT Lead Authority (Bud Neutral)	0	0		0	0	0	0	0
0	2017 - 18 New Dynamic Staff Saving	0	0		0	0	0	0	0
63,810		62,343	62,258		-109	208	62,357	62,618	261
0	Contingency for Pay/Price Changes	1,915	208		0	-208	0	0	0
63,810	TOTAL SERVICE EXPENDITURE	64,258	62,466		-109	0	62,357	62,618	261
-177	Interest on Balances	-172	-172		0	0	-172	-266	-94
63,633	NET OPERATING EXPENDITURE	64,086	62,294		-109	0	62,185	62,352	167
	Contribution to/(from) Reserves:								
	Emergency Related Reserves								
0	Bellwin Reserve	0	0	75	0	0	75	75	0
159	Insurance Reserve	0	0	-359	0	0	-359	-476	-117
0	Emergency Planning Reserve	0	0	-75	0	0	-75	-75	0
0	Catastrophe Reserve	0	0	-100	0	0	-100	-100	0
	Modernisation Challenge								
-175	Smoothing Reserve	-298	-298	-1,058	0	0	-1,356	-1,356	0
-178	Ill Health Penalty Reserve	0	0	-172	-150	0	-322	-322	0
-100	Recruitment Reserve	0	0		0	0	0	0	0
0	Invest to Save / Collaboration	-329	-329	-35	259	0	-105	-105	0
	Capital Investment Reserve								
-4,294	Capital Investment Reserve	-3,707	-1,710	3,745	0	0	2,035	2,052	17
-77	PFI Annuity Reserve	-91	-91		0	0	-91	-106	-15
0	Equality / Accessibility Reserve	0	0	-285	0	0	-285	-285	0
	Specific Projects								
4	Community Sponsorship Reserve	0	0		0	0	0	24	24
46	Equipment Reserve	0	-13	-250	0	0	-263	-255	8
0	Training Reserve	0	-7	-293	0	0	-300	-300	0
-5	Healthy Living / Olympic Legacy	0	0		0	0	0	0	0
200	Inflation Reserve	0	0		0	0	0	0	0
142	Clothing / Boots Reserve	0	-23		0	0	-23	-66	-43
	Ringfenced Reserves								
29	Princes Trust Reserve	0	0		0	0	0	-82	-82
5	Community Risk Management	0	0		0	0	0	0	0
9	Energy Reserve	40	-122		0	0	-122	-122	0
92	New Dimensions Reserve	0	0	-1,193	0	0	-1,193	-1,152	41
-4,302	Movement in Reserves	-4,385	-2,593	0	109	0	-2,484	-2,651	-167
59,331	BUDGET REQUIREMENT	59,701	59,701	0	0	0	59,701	59,701	0
-32,522	Settlement Funding Assessment	-31,502	-31,502		0	0	-31,502	-31,502	0
-167	Collection Fund Deficit	-253	-253		0	0	-253	-253	0
-26,801	Precept Income	-27,946	-27,946		0	0	-27,946	-27,946	0
-59,490	BUDGET FUNDING	-59,701	-59,701	0	0	0	-59,701	-59,701	0

APPENDIX A2

2018/19 FIRE SERVICE REVENUE BUDGET MOVEMENT

Actual 2017/18	SERVICE REQUIREMENTS	Base Budget 2018/19	Qtr 3 Budget 2018/19	2019/20 Budget Reserves Adj.	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2018/19	Qtr 4 Actual 2018/19	Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EMPLOYEES								
	Uniformed								
28,420	Firefighters	27,897	27,805			-500	27,305	27,548	243
1,248	Control	1,311	1,331				1,331	1,217	-114
2,603	Additional Hours	1,894	2,029				2,029	1,849	-180
32,271	**TOTAL UNIFORMED**	31,102	31,165		0	-500	30,665	30,614	-51
	APT&C and Manual								
8,786	APT&C	8,746	9,396		-259	120	9,257	9,301	44
130	Tender Drivers	111	118				118	138	20
139	Catering	159	173				173	140	-33
571	Transport Maintenance	570	589				589	582	-7
46	Hydrant Technicians	52	55				55	48	-7
25	Casuals	0	0				0	53	53
9,697	**TOTAL APT&C/MANUAL**	9,638	10,331		-259	120	10,192	10,262	70
	Other Employee Expenses								
66	Allowances	61	67				67	83	16
1	Removal Expenses	3	1				1	1	0
483	Training Expenses	484	532			18	550	508	-42
35	Other Expenses	27	23			27	50	140	90
5	Staff Advertising	9	3			1	4	4	0
83	Development Expenses	53	83			-14	69	56	-13
-30	Employee Insurance	204	181				181	298	117
2,869	MPF Pen Fixed Rate	0	74				74	0	-74
60	Enhanced Pensions	52	52				52	68	16
3	SSP & SMP Reimbursements	0	1				1	9	8
122	Catering Expenditure	115	119			13	132	129	-3
-470	HFRA Capitalisation Payroll	-375	-375			-66	-441	-441	0
3,227	**TOTAL OTHER EMPLOYEE EXPENSES**	633	761		0	-21	740	855	115
	Pensions								
1,737	Injury Pension	1,780	1,755				1,755	1,751	-4
352	Ill Health Retirement Charges	174	174		150		324	314	-10
2,089	**TOTAL PENSIONS**	1,954	1,929		150	0	2,079	2,065	-14
47,284	**TOTAL EMPLOYEES**	43,327	44,186		-109	-401	43,676	43,796	120
	PREMISES								
27	Building Maintenance Repairs	128	42			-7	35	56	21
6	Site Maintenance Costs	10	14			-1	13	11	-2
802	Energy	850	765				765	862	97
46	Rent	81	51			-2	49	49	0
1,379	Rates	1,451	1,590				1,590	1,544	-46
223	Water	210	215				215	273	58
12	Fixtures	30	28			-2	26	18	-8
47	Insurance	45	53				53	49	-4
2,542	**TOTAL PREMISES**	2,805	2,758		0	-12	2,746	2,862	116
	TRANSPORT								
539	Direct Transport	362	385			3	388	359	-29
11	Tunnel & Toll Fees	12	11				11	8	-3
126	Operating Lease	138	134			1	135	102	-33
389	Other Transport Costs	477	473			1	474	435	-39
90	Car Allowances	121	94			-2	92	68	-24
359	Insurance	273	284				284	282	-2
1,514	**TOTAL TRANSPORT**	1,383	1,381		0	3	1,384	1,254	-130

APPENDIX A2

2018/19 FIRE SERVICE REVENUE BUDGET MOVEMENT *(continued)*

Actual 2017/18	SERVICE REQUIREMENTS	Base Budget 2018/19	Qtr 3 Budget 2018/19	2019/20 Budget Reserves Adj.	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2018/19	Qtr 4 Actual 2018/19	Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	SUPPLIES & SERVICES								
15	Administrative Supplies	21	17			1	18	13	-5
261	Operational Supplies	273	279			5	284	308	24
6	Hydrants	9	11				11	11	0
39	Consumables	39	44				44	32	-12
114	Training Supplies	141	124			-1	123	98	-25
81	Fire Prevention Supplies	90	355			-259	96	89	-7
48	Catering Supplies	25	40			2	42	38	-4
356	Uniforms	290	344			-3	341	385	44
92	Printing & Stationery	147	103			-1	102	84	-18
1	Operating Leases	2	2				2	1	-1
228	Professional Fees/Service	866	719			-60	659	354	-305
715	Communications	559	779			-21	758	747	-11
12	Postage	22	15				15	13	-2
15	Command/Control	6	8				8	8	0
215	Computing	233	307			-1	306	290	-16
217	Medicals	264	206			7	213	188	-25
68	Travel & Subsistence	81	103			4	107	78	-29
117	Grants/Subscriptions	96	110			2	112	96	-16
10	Advertising	4	4				4	3	-1
13	Furniture	24	24				24	23	-1
80	Laundry	82	82				82	73	-9
35	Insurances	36	38				38	36	-2
9	Hospitality	5	9				9	8	-1
0	Seconded Officers In	0	52			3	55	54	-1
2,747	**TOTAL SUPPLIES & SERVICES**	**3,315**	**3,775**		**0**	**-322**	**3,453**	**3,030**	**-423**
	AGENCY SERVICES								
128	Super Fund Admin	116	116				116	119	3
1,435	ICT Service Provider	1,439	1,558			-102	1,456	1,454	-2
410	ICT Managed Suppliers	400	433			-1	432	416	-16
2,707	PFI Unitary Charges	2,746	2,746				2,746	2,752	6
1,133	Estates Service Provider	1064	1,187			17	1,204	1,213	9
5,813	**TOTAL AGENCY SERVICES**	**5,765**	**6,040**		**0**	**-86**	**5,954**	**5,954**	**0**
	CENTRAL EXPENSES								
417	Finance & Computing	407	436				436	396	-40
2	Central Expenses	0	0				0	-2	-2
419	**TOTAL CENTRAL EXPENSES**	**407**	**436**		**0**	**0**	**436**	**394**	**-42**
	CAPITAL FINANCING								
6,113	PWLB Debt Charges	6,198	8,248			708	8,956	9,787	831
58	MRB Debt Charges	60	60				60	55	-5
4,824	Revenue Contribution to Capital	5,003	3,360			72	3,432	3,432	0
10,995	**TOTAL CAPITAL FINANCING**	**11,261**	**11,668**		**0**	**780**	**12,448**	**13,274**	**826**
71,314	**TOTAL EXPENDITURE**	**68,263**	**70,244**		**-109**	**-38**	**70,097**	**70,564**	**467**
	INCOME								
4,680	Specific Grants	3,940	4,759			0	4,759	4,968	209
7	Sales	0	3			5	8	12	4
1,504	Fees & Charges	830	1,387			64	1,451	1,347	-104
5	Reinforcing Moves	5	5				5	8	3
856	Rents etc	825	844				844	949	105
314	Recharges Secondments	456	504			2	506	438	-68
264	Contributions	160	642			-318	324	326	2
342	Recharges Internal	208	321			1	322	360	38
12	Other Income	6	10				10	13	3
7,984	**TOTAL INCOME**	**6,430**	**8,475**		**0**	**-246**	**8,229**	**8,421**	**192**
63,330	**NET EXPENDITURE**	**61,833**	**61,769**		**-109**	**208**	**61,868**	**62,143**	**275**

APPENDIX A3

2018/19 CORPORATE MANAGEMENT REVENUE BUDGET MOVEMENT

Actual 2017/18	SERVICE REQUIREMENTS	Base Budget 2018/19	Qtr 3 Budget 2018/19	2019/20 Budget Reserves Adj.	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2018/19	Qtr 4 Actual 2018/19	Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE								
	Finance & Legal costs								
79	Finance Officer	79	79				79	79	0
101	Legal Officer	108	108				108	103	-5
	Democratic Rep (1020)								
15	- Travel & Subsistence	24	16			1	17	18	1
2	- Conference Fees	5	2			-1	1	1	0
210	- Members Allowances	216	208				208	201	-7
0	- Telephones	1	1				1	0	-1
0	- Training	1	4				4	3	-1
0	- Hospitality	2	0				0	0	0
	Central Expenses (1030)								
13	Bank Charges	17	15				15	14	-1
33	District Audit Fees	25	26				26	26	0
28	Subscriptions	32	30				30	30	0
481	**TOTAL EXPENDITURE**	510	489		0	0	489	475	-14

2018/19 NATIONAL RESILIENCE ASSURANCE REVENUE BUDGET MOVEMENT

Actual 2017/18	SERVICE REQUIREMENTS	Base Budget 2018/19	Qtr 3 Budget 2018/19	2019/20 Budget Reserves Adj.	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2018/19	Qtr 4 Actual 2018/19	Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE								
1,131	Employee Costs		1,761			183	1,944	1,537	-407
983	Transport Costs		5,880			1	5,881	5,846	-35
1,127	Supplies and Services Costs		1,628			354	1,982	1,522	-460
335	Agency Costs		780				780	752	-28
220	Central Expenditure		250			6	256	250	-6
6	Capital Financing Costs		0			7	7	7	0
3,802	**TOTAL EXPENDITURE**	0	10,299		0	551	10,850	9,914	-936
	INCOME								
3,802	Income		10,299			551	10,850	9,914	-936
0	**NET EXPENDITURE**	0	0		0	0	0	0	0

APPENDIX A4

Budgeted Movement on Reserves 2018/19

	Opening Balance	Original Budget Planned Use	Qtr 1 Drawdown & changes	Qtr 2 Drawdown & changes	Qtr 3 Drawdown & changes	2019/20 Budget Report Realignment	Qtr 4 Drawdown & changes	Year End Requests	Closing Balance
Earmarked Reserves	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**
Emergency Related Reserves									
Bellwin Reserve	147					75			222
Insurance Reserve	859					-359		-117	383
Emergency Planning Reserve	75					-75			0
Catastrophe Reserve	100					-100			0
Modernisation Challenge									
Smoothing Reserve	1,806	-298				-1,058			450
Ill Health Penalty Reserve	322					-172	-150		0
Recruitment Reserve	3,000								3,000
Invest to Save / Collaboration	1,000	-329				-35	259		895
Cap Investment & Debt Repayment	12,379	-3,707	3,061	-325	-739	3,745		17	14,431
Specific Projects									
PFI Annuity Reserve	2,092	-91						-15	1,986
Equality / Accessibility Reserve	285					-285		0	0
Health & Safety	6							24	30
Equipment Reserve	347			-8	-5	-250		8	92
Contestable Research Fund	24								24
Training Reserve	450				-7	-293		0	150
Healthy Living / Olympic Legacy	35								35
Inflation Reserve	700								700
Clothing / Boots Reserve	308				-23			-43	242
Ringfenced Reserves									
Princes Trust Reserve	121							-82	39
Community Risk Management	325								325
Energy Reserve	141	40		-141	-21				19
New Dimensions Reserve	1,193					-1193		41	41
Total Earmarked Reserves	**25,715**	**-4,385**	**3,061**	**-474**	**-795**	**0**	**109**	**-167**	**23,064**
General Revenue Reserve	**2,000**	**2,000**	**0**	**0**	**0**	**0**	**0**	**0**	**2,000**
Total Reserves	**27,715**	**-2,385**	**3,061**	**-474**	**-795**	**0**	**109**	**-167**	**25,064**

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Capital Programme 2018/19

	EXPENDITURE	Approved Budget	Q1 Budget	Q2 Budget	Q3 Budget	Q4 Re-Phasings	Q4 Virements	Q4 Budget	Actual to 31.03.19	Year-End Re-Phasing into Future Years	Year-End Variance
		£	£	£	£	£	£	£	£	£	£
BUILDING & LAND PROGRAMME											
BLD001	Roofs & Canopy Replacements	40,000	70,600	70,600	29,600			29,600	11,388	18,000	-212
BLD004	Concrete Yard Repairs	20,000	25,400	25,400	25,400			25,400	9,255	16,000	-145
BLD005	Tower Improvements	10,000	118,800	128,800	133,800			133,800	132,252	0	-1,548
BLD007	L.E.V. Sys In App Rooms	5,000	16,700	16,700	16,700			16,700	2,567	14,000	-133
BLD013	Appliance Room Floors	30,000	42,500	32,500	27,500			27,500	0	28,000	500
BLD014	Boiler Replacements	15,000	35,500	35,500	35,500			35,500	2,097	33,000	-403
BLD016	Community Station Investment	25,000	31,400	31,400	31,400		-4,000	27,400	6,189	21,000	-211
BLD018	Conference Facilities H/Q	5,000	20,000	20,000	20,000			20,000	0	20,000	0
BLD020	5 Year Electrical Test	70,000	120,000	120,000	40,000			40,000	0	40,000	0
BLD026	Corporate Signage	5,000	14,000	14,000	14,000			14,000	0	14,000	0
BLD031	Diesel Tanks		169,700	169,700	174,700			174,700	99,660	75,000	-40
BLD032	Power Strategy (Generators)	10,000	39,000	39,000	39,000			39,000	5,332	34,000	332
BLD033	Sanitary Accommodation Refurb	20,000	74,000	74,000	44,000			44,000	37,111	7,000	111
BLD034	Office Accommodation	15,000	35,300	25,300	25,300			25,300	2,479	23,000	179
BLD036	L.L.A.R. Accommodation Formby		277,800	602,800	602,800			602,800	115,664	487,000	-136
BLD039	F.S. Refurbishment Heswall	250,000	315,600	315,600	25,600			25,600	15,902	10,000	302
BLD041	F.S. Refurbishment Aintree	150,000	0	0	0			0	0	0	0
BLD042	St Helens Conversion	100,000	50,000	50,000	0			0	0	0	0
BLD044	Asbestos Surveys	10,000	59,000	59,000	19,000			19,000	4,250	15,000	250
BLD050	LLAR Accommodation Belle Vale		25,000	25,000	25,000			25,000	0	25,000	0
BLD056	F.S. Refurbishment Eccleston	50,000	25,000	25,000	0			0	0	0	0
BLD058	H.V.A.C. Heating, Vent & Air Con	25,000	87,700	87,700	37,700			37,700	10,403	27,000	-297
BLD060	D.D.A. Compliance Work	120,000	230,400	230,400	55,400			55,400	7,965	47,000	-435
BLD061	Lighting Conductors Surge Protectors	10,000	38,200	38,200	38,200			38,200	9,754	28,000	-446
BLD062	Emergency Lighting	5,000	25,300	25,300	25,300			25,300	0	25,000	-300
BLD063	F.S. Refurbishment Kirby		24,600	24,600	24,600			24,600	0	25,000	400
BLD067	Gym Equipment Replacement	20,000	65,100	65,100	65,100			65,100	26,678	38,000	-422
BLD070	Workshop Enhancement		107,300	107,300	47,300			47,300	18,959	28,000	-341
BLD071	Station Refresh	25,000	60,000	51,200	51,200			51,200	10,900	40,000	-300
BLD073	SHQ Museum	191,000	11,000	11,000	0			0	0	0	0
BLD075	Llar Accomodation Newton Le Willows		30,000	30,000	30,000			30,000	3,000	27,000	0
BLD080	Prescot Fire Station Build			0	0			0	698	0	698
BLD082	Saughall Massie Fire Station Build	3,600,000	4,000,000	4,000,000	4,739,200			4,739,200	4,739,276	0	76
BLD083	St Helens Fire Station Build	5,000,000	50,000	50,000	455,000			455,000	308,828	146,000	-172
BLD085	F.S. Refurbishment Speke/Garston	300,000	0	0	0			0	0	0	0
BLD086	F.S. Refurbishment Old Swan	300,000	0	0	0			0	0	0	0
BLD087	F.S. Refurbishment City Centre		25,000	25,000	25,000			25,000	22,868	0	-2,132
BLD088	F.S. Refurbishment Kensington	100,000	0	0	0			0	0	0	0
BLD090	F.S. Refurbishment Wallasey		50,000	50,000	50,000			50,000	0	50,000	0
BLD091	Refurbishment TDA	1,000,000	38,600	49,600	60,600			60,600	51,435	9,000	-165
BLD092	Service HQ. Offices	50,000	0	8,800	8,800			8,800	8,737	0	-63
BLD094	Security Enhancement Works	25,000	41,600	41,600	41,600		4,000	45,600	36,642	9,000	42
CON001	Energy Conservation Non-Salix	25,000	127,000	127,000	9,000			9,000	6,090	3,000	90
CON002	Energy Conservation Salix		2,600	143,500	164,500			164,500	161,293	3,000	-207
EQU002	Fridge/Freezer Rep Prog	10,000	19,700	29,700	29,700			29,700	20,227	9,000	-473
EQU003	Furniture Replacement Prog	10,500	37,800	37,800	37,800			37,800	7,995	30,000	195
	Total	**11,646,500**	**6,637,200**	**7,114,100**	**7,325,300**	**0**	**0**	**7,325,300**	**5,895,893**	**1,424,000**	**-5,407**
FIRE SAFETY											
FIR002	Smoke Alarms (H.F.R.A.)	235,000	235,000	235,000	235,000			235,000	178,111	0	-56,889
FIR005	Installation Costs (H.F.R.A.)	375,000	375,000	375,000	375,000		66,000	441,000	441,000	0	0
FIR006	Deaf Alarms (H.F.R.A.)	25,000	25,000	25,000	25,000			25,000	23,250	0	-1,750
FIR009	Risk Management Residential Blocks		200,000	200,000	200,000			200,000	99,046	101,000	46
	Total	**635,000**	**835,000**	**835,000**	**835,000**	**0**	**66,000**	**901,000**	**741,407**	**101,000**	**-58,593**

Capital Programme 2018/19

EXPENDITURE		Approved Budget	Q1 Budget	Q2 Budget	Q3 Budget	Q4 Re-Phasings	Q4 Virements	Q4 Budget	Actual to 31.03.19	Year-End Re-Phasing into Future Years	Year-End Variance
		£	£			£	£	£	£	£	£
ICT											
FIN001	F.M.I.S. Replacement		75,300	75,300	75,300			75,300	70,871	4,000	-429
IT002	I.C.T. Software	258,000	258,000	258,000	269,000			269,000	197,595	71,000	-405
IT003	I.C.T. Hardware	177,100	289,740	294,640	296,640		32,700	329,340	318,754	11,000	414
IT005	I.C.T. Servers	80,000	182,900	182,900	121,900		-16,000	105,900	98,142	8,000	242
IT018	I.C.T. Network	219,000	408,700	408,700	298,700			298,700	83,409	215,000	-291
IT019	Website Development		42,200	42,200	42,200			42,200	7,848	34,000	-352
IT026	I.C.T. Operational Equipment	62,000	65,200	65,200	15,200		-4,000	11,200	10,844		-356
IT027	I.C.T. Security	2,000	2,000	2,000	2,000		-2,000	0			0
IT028	System Development Portal		23,900	23,900	23,900			23,900	10,397	14,000	497
IT030	I.C.T. Projects / Upgrades	5,000	2,500	2,500	2,500		-1,000	1,500	1,395		-105
IT053	JCC Backup MACC	39,500	39,500	39,500	0			0			0
IT055	C3i C&C Comms and Info system	5,000	8,500	8,500	0			0			0
IT056	PFI Access Door System		8,600	8,600	8,600			8,600		9,000	400
IT057	Fleet Management System		4,600	4,600	4,600			4,600		5,000	400
IT058	New Emergency Services Network	55,000	152,000	152,000	152,000			152,000	75,399	77,000	399
IT059	ESMCP Project Control Room		183,100	183,100	183,100			183,100	91,090	92,000	-10
IT060	ICT Station Change	40,000	40,000	40,000	20,000	4,000		24,000	24,018		18
IT061	ICT Remedail Works			14,100	151,800			151,800	151,782		-18
	Total	**942,600**	**1,786,740**	**1,805,740**	**1,667,440**	**4,000**	**9,700**	**1,681,140**	**1,141,545**	**540,000**	**405**
OPERATIONAL EQUIP. & HYDRANTS											
OPS001	Gas Tight Suits Other Ppe	130,000	14,000	5,000	0			0			
OPS003	Hydraulic Rescue Equipment	125,000	125,000	124,900	124,900			124,900	102,535	22,000	-365
OPS005	Resuscitation Equipment	12,000	27,500	27,500	0			0			0
OPS009	Pod Equipment	112,500	112,500	112,500	0			0			0
OPS011	Thermal Imaging Cameras	176,500	176,500	176,500	176,500			176,500	165,000	12,000	500
OPS016	Gas Detection Equipment (MYRA DS)	0	50,000	50,000	50,000			50,000	43,283	7,000	283
OPS022	Improvements To Fleet	30,000	30,000	30,000	15,000			15,000	10,132	5,000	132
OPS023	Water Rescue Equipment	186,500	10,000	10,000	10,000			10,000	9,338		-662
OPS024	BA equipment / Comms	169,000	169,100	169,100	49,100			49,100	4,901	44,000	-199
OPS026	Rope Replacement		16,600	16,600	16,600			16,600		17,000	400
OPS027	Light Portable Pumps	20,000	0	0	0			0			0
OPS031	Cctv Equipment/Drone	21,000	11,000	11,000	11,000			11,000		11,000	0
OPS034	Operational Ladders	16,000	45,000	45,000	50,000			50,000	49,225		-775
OPS036	Radiation/Gas Detection Equipment	45,000	0	0	0			0			0
OPS038	Water Delivery System	30,000	0	0	0			0			0
OPS039	Water Delivery Hoses	10,000	10,000	19,100	19,100			19,100	19,142		42
OPS049	Bulk Foam Attack Equipment	143,000	143,000	143,000	0			0			0
OPS052	DEFRA FRNE Water Rescue Grant		16,000	16,000	16,000			16,000		16,000	0
OPS054	Light Portable Pumps	30,000	30,000	30,000	0			0			0
OPS055	NRAT National Asset Refresh		1,768,700	1,768,700	518,700			518,700	88,094	430,600	-6
OPS056	PV Stop	16,000	16,000	16,000	0			0			0
HYD001	Hydrants (New Installations)	18,500	18,500	18,500	18,500			18,500	2,115		-16,385
HYD002	Hydrants (Rep Installations)	18,500	18,500	18,500	18,500			18,500	9,131		-9,369
	Total	**1,309,500**	**2,807,900**	**2,807,900**	**1,093,900**	**0**	**0**	**1,093,900**	**502,896**	**564,600**	**-26,404**
VEHICLES											
VEH001	Wtl'S Purchased	765,000	1,544,000	1,544,000	1,544,000			1,544,000	857,400	687,000	400
VEH002	Ancillary Vehicles	403,100	685,600	685,600	631,450			631,450	227,184	404,000	-266
VEH004	Special Vehicles	1,087,100	1,261,850	1,261,850	276,800			276,800	190,358	86,000	-442
VEH005	Vehicles water Strategy		16,400	16,400	0			0			0
VEH010	Marine Rescue Vessels	25,000	475,000	475,000	105,000			105,000	83,985	21,000	-15
WOR001	Workshop Equipment		66,300	66,300	66,300			66,300	56,339	10,000	39
	Total	**2,280,200**	**4,049,150**	**4,049,150**	**2,623,550**	**0**	**0**	**2,623,550**	**1,415,266**	**1,208,000**	**-284**
	Grand Total	**16,813,800**	**16,115,990**	**16,611,890**	**13,545,190**	**4,000**	**75,700**	**13,624,890**	**9,697,008**	**3,837,600**	**-90,282**

APPENDIX B

Capital Programme 2018/19

FINANCING	Approved Budget	Q1 Budget	Q2 Budget	Q3 Budget	Q4 Re-Phasings	Q4 Virements	Q4 Budget	Actual to 31.03.19	Year-End Re-Phasing into Future Years	Year-End Variance
	£	£			£	£	£	£	£	£
Capital Receipts										
Sale of Upton FS	350,000	350,000	350,000	0			0			0
Sale of West Kirby FS	200,000	200,000	200,000	0			0			0
Sale of Whiston FS		250,000	250,000	250,000			250,000	310,275		60,275
Sale of St Helens FS	100,000	0	0	0			0			0
Sale of Eccleston FS	600,000	0	0	0			0			0
Sale of Allerton FS		400,000	400,000	400,000			400,000	909,497		509,497
Sale of Formby LLAR House	350,000	350,000	350,000	0			0			0
Sale of Newton 2 LLAR House	275,000	275,000	275,000	0			0			0
Sale of West Kirby LLAR House	400,000	400,000	400,000	400,000			400,000	411,250		11,250
Sale of Bromborough Land	0	0	0	0			0	33,500		33,500
R.C.C.O. / Capital Reserve										
Capitalisation of Sals HFRA (FIR005)	375,000	375,000	375,000	375,000		66,000	441,000	441,000		0
FSN Charge for Alarms (FIR002)						3,800	3,800	3,800		0
ICT Equipment (IT003)		640	5,540	7,540		9,700	17,240	17,240		0
MRSP Educational Van (VEH004)		32,000	32,000	32,000			32,000	32,000		0
HR Document MGR App (FIN001)		8,000	8,000	8,000			8,000	8,000		0
Saughall Massie FS New Build	2,164,000	1,558,800	1,558,800	2,298,000			2,298,000	2,298,000		0
St Helens FS New Build (BLD083)	2,464,000	0	0	0			0			0
ESMCP Grant Remedial Works (IT061)			14,100	151,800			151,800	151,800		0
SALIX LED Lighting Schemes			140,900	161,900			161,900	161,900		0
LLAR Formby New Build (BLD036)			325,000	325,000			325,000	325,000		0
Grant										
Saughall FS Capital Transformation	886,000	1,891,200	1,891,200	1,891,200			1,891,200	1,891,200		0
St Helens FS Capital Transformation	1,836,000	50,000	50,000	455,000			455,000	309,000	146,000	0
NRAT National Resilience Grant	0	1,768,700	1,768,700	518,700			518,700	88,100	430,600	0
Prescot NWAS Contribution			11,000	11,000			11,000	11,049		49
Total Non Borrowing	**10,000,000**	**7,909,340**	**8,405,240**	**7,285,140**	**0**	**79,500**	**7,364,640**	**7,402,611**	**576,600**	**614,571**
Borrowing Requirement										
Unsupported Borrowing	6,813,800	8,206,650	8,206,650	6,260,050	4,000	-3,800	6,260,250	2,294,397	3,261,000	-704,853
Borrowing	**6,813,800**	**8,206,650**	**8,206,650**	**6,260,050**	**4,000**	**-3,800**	**6,260,250**	**2,294,397**	**3,261,000**	**-704,853**
Total Funding	**16,813,800**	**16,115,990**	**16,611,890**	**13,545,190**	**4,000**	**75,700**	**13,624,890**	**9,697,008**	**3,837,600**	**-90,282**

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	25TH JULY 2019	REPORT NO:	CFO/043/19
PRESENTING OFFICER	AUTHORITY TREASURER: IAN CUMMINS		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS DIRECTOR OF FINANCE
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	STATEMENT OF ACCOUNTS 2018/19 - AUTHORISATION FOR ISSUE		

APPENDICES:	APPENDIX A: APPENDIX B:	STATEMENT OF ACCOUNTS 2018/19 LETTER OF REPRESENTATION (DRAFT)

Purpose of Report

1. To present to members the audited 2018/19 Statement of Accounts for approval and request that they be authorised for issue.

Recommendation

2. That Members
   a. approve that the unaudited Statement of Accounts 2018/19 attached as Appendix A to this report may be authorised for issue, and
   b. note that the audit opinion will follow once the updated asset valuation has been completed and shared with the External Auditor,
   c. note the draft letter of representation in relation to the unaudited 2018/19 accounts, attached as Appendix B.
   d. once Audit have finalised their work an audited statement of accounts and letter of representation will come back to Members for approval.

Introduction and Background

3. The Authority has a statutory duty to approve and sign-off for publication the Statement of Accounts for the previous year before 31st July of the following year.

4. Members have already considered the 2018/19 year-end outturn position and movement on reserves within report CFO/037/19. That report identified net revenue expenditure in the year of £58.784m against a budget of £59.701, resulting in a favourable variance of £0.917m before any adjustments for year-end reserves. The report identified that of this variance £0.091m was required to be carried forward as earmarked reserves, leaving an actual saving in 2018/19 of £0.826m. At the Budget Authority meeting in February 2019, Members approved the utilisation of savings to

increase the minimum revenue provision (MRP) to allow the early repayment of debt. By repaying debt off early it is hoped that future debt servicing budget can be freed-up and re-invested back into front line services. The £0.826m has been used in 2018/19 to increase MRP. Therefore after taking these adjustments into account net expenditure in the year was consistent with the budget.

5. Following recent reviews of audit suppliers' audits the Finance Reporting Council (FRC) has made it clear that the auditor is expected to sufficiently and robustly challenge management's (and their expert's) assumptions and judgements used to support property, plant and equipment figures in organisations accounts. The Authority's current approach to verify property valuations is to carry out a full revaluation once every five years unless the appointed independent property valuer believes a material valuation change has occurred. For 2018/19 the Authority's valuer has, in his professional opinion, stated that he believes no material change in property valuations has arisen since the last full property valuation in 2014/15). Given Grant Thornton (GT) must ensure they reflect on the FRC directions to auditors, they have sought from the Authority's valuer detailed calculations and documented rationale from him to enable them to confirm the conclusion that the valuer has arrived at is based on reasonable assumptions. Unfortunately GT are of the opinion that based on the information presented to them there is not sufficient evidence to confirm there has not been a residual material movement in un-valued assets. The Authority's valuer believes the level of evidence required will only come about from a full property revaluation exercise.

6. If the Authority doesn't take action to carry out a full revaluation of its property, GT will have no choice but to issue a qualified opinion on the 2018/19 Statement of Accounts, due to the potential that the property values set out in the accounts are materially incorrect. GT can defer the issuing of their audit opinion until after the Authority has carried out a full property valuation that meets GT's information requirements. Therefore the Director of Finance has agreed to commission a full revaluation of the Authority's property valuations (as at 31.03.19) in order to provide the audit evidence required under the International Standards on Auditing, to GT.

7. As the statutory requirement is only that the Authority publishes its approved accounts by 31st July (2019) on its website, by approving this report Members will meet this requirement. However, if an audit opinion has not been obtained by this date the Authority must reference why that is in the form of a note on its website. The note will explain that the Authority is collating additional valuation information to support the valuation of property plant and equipment to allow the Auditor to complete the audit.

8. Once GT are content with the property valuation figures and any required amendments are input into the financial statements, GT will be in a position to issue an unqualified opinion at a later date.

9. Although the above would mean the Authority did not receive an audit opinion by 31st July it is the view of GT that what is of paramount importance is the quality of the accounts, which the proposed approach would seek to safeguard. Moreover, as the audit regime has now moved away from the previous Audit Commission contracts into the new framework operated by the Public Sector Audit Appointments Limited

(PSAA) on behalf of the sector, PSAA are committed to ensuring the quality of local authority accounts.

10. The issuing of an unqualified opinion by a later date carries minimal (potentially no) consequences, as the Authority can meet all legislative requirements by publishing the accounts by 31 July with a note in respect of the audit opinion which will be issued at a later date, and is a far better position to be in than a qualified opinion being issued. It is the view of GT and the Director of Finance that the quality of the audited accounts is far more important than the date on which the opinion is issued.

11. **The outturn position on the revenue account, capital programme, and movement on reserves reported in CFO/037/19 as outlined in paragraph 4, will not change as a result of the property revaluation**.

Statement of Accounts;

12. The Statement of Accounts is a record of the Authority's financial activities for 2018/19 with comparative figures for 2017/18. They have been prepared in accordance with the accounting practices set out in the *Code of Practice on Local Authority Accounting* (The Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by them.

13. On 1st April 2010 the Authority, along with all other Local Authorities, adopted International Financial Reporting Standards (IFRS). The accounts for 2018/19 have therefore been prepared under these regulations. The move to an IFRS-based system of accounting has resulted in a significant increase in disclosure requirements and the formats of the principal financial statements. The Statement of Accounts Narrative Report provides a brief description of each of the four core statements;

- **The Comprehensive Income and Expenditure Statement (CIES)**
- **Movement in Reserves Statement (MiRS)**
- **The Balance Sheet, and**
- **The Cash Flow Statement**

14. The Statement of Accounts must be prepared in accordance with the Code and as such the statements include a number of adjustments that are significant in value but do not alter the 'council tax' bottom line. They effectively convert the statements into a format that is consistent with commercial accounts. For example the financial position shown in the Consolidated Income and Expenditure Account shows the true accounting position for the year as if the Authority was a commercial entity. It therefore includes such expenses as depreciation and amounts to reflect pension costs.

15. The Authority sets it budget and monitors expenditure during the year in terms of its General Fund account, which 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. (*Paragraph 4 of this report outlined the 2018/19 General Fund position for the service).*

16. The analysis below identifies and briefly explains some of the largest movements between the figures in the formal statement of accounts for 2018/19:-

17. **The Comprehensive Income and Expenditure Statement (CIES)**
This statement shows the "accounting cost" in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from General Fund Account (taxation). Whilst there is a neutral net General Fund Account position in 2018/19 (after taking into account the creation of reserves) this becomes net expenditure of £79.642m on the CIES because of additional accounting transactions relating mainly to pensions but also depreciation and some other technical adjustments. The table below outlines the reconciliation between the General Fund position and that in the CIES:

			Detailed Adjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
Net General Fund 2018/19 year-end position:		**Note**	0	0	0
1	**Net Creation of Earmarked Reserves**	(a)	-		**2,651**
2	**Asset Valuation / Charges and Capital Funding Adjustments**				
	Depreciation, Impairment and Revaluation adjustment	(b)	10,614	-	-
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	830	-	-
	Asset Disposal / Write-offs / Revaluation losses		69	-	-
	MRP / Interest adjustment	(f)	(8,234)	-	-
	Capital Expenditure Funded from the Revenue Account (CERA)		(3,439)	-	-
	Capital Grants Income		(2,111)	**(2,271)**	-
3	**Pension related adjustments**	(d)			
	Pension Contributions payable to pension fund		(7,027)		
	Pension Current Service Costs		12,183		
	Pension Past Service Costs		46,041		
	Net Interest on the Defined Benefit Liability Scheme		27,923	**79,120**	
4	**Other technical accounting adjustments**	(e)			
	Timing Differences for Premiums and Discounts		14		
	Timing Differences for Council Tax / NNDR		58		
	Timing Differences for Compensated Absences		70	**142**	
	Total Adjustments				**76,991**
Surplus or Deficit on Provision of Services					**79,642**

Notes to the table:

a) *Although the creation of earmarked reserves does not form part of the CIES they are included to ensure that the General Fund expenditure reconciles back to the CIES.*

b) *The depreciation and impairment charge reflects the notional consumption of assets during the year and the reduction in the valuation of new fire stations (Prescot and Saughall Massie).*

c) *REFCUS relates to the installation of free smoke alarms to households in Merseyside that under proper accounting practice should be defined as revenue but which statute allows the Authority to fund from capital.*

d) *Pension costs in the CIES reflect IAS 19 and therefore include movements in the pension fund valuations and pension contributions received in the year. The McCloud ruling has added £46.041m to Past Service Costs. Note 40 in the Financial Statements provides further details of movements in the pension funds during the year.*

e) *The other technical accounting adjustment incorporates the adjustments made in relation to council tax indebtedness between the billing authorities and the Authority, and, the value of employee benefits accrued in the year but not taken (leave carried forward).*

f) *Statute requires that certain expenses are charged to the General Fund that are not considered to be proper accounting charges in accordance with the Code. These are therefore not shown in the CIES. The unitary charge payments associated with the PFI contract are shown as fully charged to revenue in the General Fund but in the CIES they are broken up into the relevant revenue, capital and interest notional elements. The removal of capital financing charges relates to costs associated with; interest payments on loans and the Minimum Revenue Provision (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA).*

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.

18. **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 unusable reserves (those that have been created to reconcile the technical aspects of accounting which are not generally available to spend).

The year-end report, CFO/037/19, identified an overall net reduction in reserves of £2.651m in 2018/19 from £27.715m to £25.064m. This includes the General Fund balance that remained unchanged at £2.000m and reflects the perceived levels of risk within the current financial plan. The MiRS figures are consistent with these figures but also include £4.856m of capital grants received from Government towards the station merger initiative and the replacement of national resilience assets that remain unapplied until the schemes are complete. If these capital grants are not applied the grant must be paid back to Government and are therefore excluded from the available reserves reported in the general fund outturn report. The total useable reserves as at 31st March 2019, reported within the MiRS is £29.920m (£25.064m + £4.856m).

An increase in unusable reserves of £76.640m - unusable reserves are not available to fund spend and in reality simply reflect technical adjustments required in the accounting statements to adhere to the Code. The main entries relate to charges for notional depreciation and changes to pension liabilities and assets. Most of the increase is down to changes in the liability of the pension schemes in 2018/19, (£78.958m).

19. **The Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority, at 31st March each year. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, usable and unusable (see MiRS paragraph for explanation).

The Balance Sheet statement refers to detailed notes within the Statement of Accounts that provide a full analysis of what makes up each line, but some new or significant changes have been outlined below:

- **Long Term Assets** – reduced by £3.380m. This was mainly due to the revaluation of the new Prescot and Saughall Massie fire stations (£4.927m) as they are required to be valued on a depreciated replacement cost basis, as are all fire stations, rather than the actual cost of the build. Other additions less depreciation and transfers in year of £1.547m resulted in a net decrease of £3.380m. Long term asset values may change once the new property valuation review has been completed.

- **Current Assets** – reduced by £4.242m. The current treasury management strategy reflects the expectation that the overall structure of interest rates whereby short term rates are lower than long term rates means it is more sensible to reduce investments and borrow for short periods and possibly at variable rates when required, rather than seek new long term borrowing. This has resulted in a reduction in Short Term Investments, £4.970m, and a reduction in Cash & Cash Equivalents, £3.891mm. Short-term debtors have increased by £4.638m due to increase in the Home Office firefighter pension debtor of £3.936m. The remaining changes reflect a small changes in inventory values, and assets held for sale.

- **Current Liabilities** – reduced by £6.607m. A reduction in short-term creditors of £5.695m due to the Home Office, unlike in 2017/18, not pre-paying the National Resilience Assurance Team grant for 2019/20 in 2018/19 (£6.091m). A reduction in short-term borrowing of £0.912m due to a reduction in loans being repaid in the following year relative to the 2017/18 statement.

- **Long Term Liabilities** – increased by £78.465m;
  - Other long-term liabilities – Increased by £78.917m. £78.958m relates to the Defined Benefit Pension Scheme and Pension Account movements in the year. This reflects the movement in liability and funds in Firefighter and Local Government pension schemes. This change is offset by an increase in the Pensions Reserve (Unusable Reserves) of £78.958m. These accounts balance each other out and allow the inclusion of the pension liability in the balance sheet and Unusable Reserves (see Note 22 in the Statement of Accounts).
  - Long-term creditors – reduced by £0.394m. This reduction relates to PFI contract payments to be paid in the coming year and moved to short term borrowing.
  - Provisions – A net increase of £0.207m. The injury compensation provision (personal injuries sustained where the Authority is alleged to be at fault) is re-assessed at the end of each financial year. The provision for new or

amended claims received in the year was increased reduced by £0.124m. The Business Rates Appeals provision was increased by £0.083m (see note 20 in Statement of Accounts).

- Long-term borrowing relates to Public Works Loan Board (PWLB) and has reduced by £0.265m reflecting the fact that a loan of £0.265m will be repaid in the coming year and moved to short-term borrowing.

- **Usable Reserve** reduction of £2.840m – this is the net movement in reserves in the year; A reduction in earmarked reserves of £2.651m as a consequence of reserves utilised in the year, and £0.189m in the capital grant unapplied reserve (grant received in advance of expenditure) as grant is applied to fund capital expenditure in the year. The general fund balance has remained the same at £2.000m.

- **Unusable Reserves** increase of £76.640m. As mentioned previously unusable reserves have been created to allow the technical aspects of accounting required by the Code to be reflected in the Statement of Accounts. Unusable reserves are not generally available to fund spend. The increase in the Pension Reserve of £78.958m to reflect changes in the liability of the pension schemes accounts for most of this increase. The other movements relate to the Capital Adjustment Account, £(£4.099m), (used to show various notional costs associated with capital expenditure to allow the accounts to be prepared on an IFRS basis, such as depreciation, gains and losses on the sale of properties and gains recognised on donated assets). The Revaluation Reserve has reduced by £1.638m due to the Land and Building revaluation and difference between fair value depreciation and historical cost depreciation. The balance relates to small movements on other accounts of £0.143m.

20. **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. Notes 23 to 26 in the Statement of Accounts provide more for detail of specific movements in the year.

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 (for an analysis of investing activities see note 25 in the Statement of Accounts). Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing, see note 26 in the Statement for details) to the Authority.

Overall total cash and cash equivalents (cash equivalents are highly liquid investments that mature within a period of no more than three months and are readily convertible to known amounts of cash) have decreased from £8.560m to £4.669m. This in part is due to the current treasury management strategy that the overall structure of interest rates whereby short term rates are lower than long term rates means it is more sensible to reduce investments and borrow for short periods rather than seek new long term borrowing.

21. Members are requested to approve the Statement of Accounts, attached as Appendix A, and authorise them for issue. If the Statement of Accounts have been authorised for issue the public will have access to the document via the Authority's website, and an note will be included on the site explaining why the Audit work is still ongoing. A summary plain English statement of accounts is also available on the website.

22. International Audit Standards require a letter of representation from the Authority to the Auditors confirming that the information in the financial statements is accurate and that all material information has been disclosed. The signature of the Chair of this Committee (which is approving the Statement of Accounts) and the Director of Finance are required on the letter. However, the letter remains in draft form until the audit has been completed by GT. The proposed draft letter of representation is attached to this report as Appendix B, for Members information only at this point.

Equality and Diversity Implications

23. None directly related to this report.

Staff Implications

24. None directly related to this report.

Legal Implications

25. The Authority has a statutory duty pursuant to regulation 10 of the Accounts and Audit (England) Regulations 2015 to approve and sign-off for publication the Statement of Accounts for the previous year before the regulation deadline of 31st July in the current year with effect from the 2018/19 Statement of Accounts.

Financial Implications & Value for Money

26. The report confirms the 2018/19 outturn position is consistent with that previously reported.

Risk Management, Health & Safety, and Environmental Implications

27. None directly related to this report.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

28. The achievement of actual expenditure within the approved financial plan and delivery of the expected service outcomes is essential if the Service is to achieve the Authority's mission.

BACKGROUND PAPERS

CFO/037/19	"Revenue and Capital Outturn 2018-2019" Policy & Resources 25th July 2019.

GLOSSARY OF TERMS

CIES	The Comprehensive Income and Expenditure Statement
THE CODE	Code of Practice on Local Authority Accounting
MIRS	Movement in Reserves Statement
IFRS	International Financial Reporting Standards
PFI	Private Finance Initiative
FRC	Financial Reporting Council – direct statutory powers in relation to audit regulations and responsible for the UK's Corporate Governance and Stewardship Codes

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Merseyside Fire & Rescue Authority

2018/19
Statement of Accounts
UNAUDITED

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2018 – 2019

CONTENTS **Page**

Narrative Report by the Director of Finance

Introduction

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31st March 2019, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2018/19 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.

Due to the complex nature of the accounts a simpler version has been prepared and this can be obtained on the Authority's website under Authority / Finance information. Although this simplified statement has no formal legal standing, it does provide a quick overview of the Authority's financial activities by eliminating many of the technical accounting adjustments.

This Narrative Report provides information about Merseyside Fire and Rescue Authority (the Authority), including the key issues affecting the Authority in 2018/19 and the future. It also provides a summary of the financial position at 31st March 2019 and is structured as below:

- Background to the Authority & Key Information
- The Authority 2018/19 Non-Financial Performance
- The 2018/19 Revenue Budget and Financial Challenge
- 2018/19 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2018/19 to 2022/23
- Treasury Management
- Balance Sheet Financial Position at 31st March 2019
- Future Financial Challenge / Corporate Risks 2019/20 – 2020/21

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2018/19.

Background to the Authority & Key Information

Merseyside is an area in the north west of England, which straddles the Mersey Estuary and includes the metropolitan districts of Knowsley, Liverpool, Sefton, St Helens and Wirral. Merseyside spans 249 square miles (645 Km2) of land containing a mix of high density urban areas, suburbs, semi-rural and rural locations, but overwhelmingly the land use is urban. It has a focused central business district, formed by Liverpool City Centre, but Merseyside is also a polycentric county and each of the metropolitan districts has at least one major town centre and outlying suburbs. Mid 2017 Office of National Statistics (ONS) estimated figures showed that Merseyside has a population total of 1,416,800 which is a 2.6% increase on the 2011 Census figures. The population is split 48.9% male and 51.1% female, with 17.9% of the population being children (0-15), 63.4% being of working age (16-64) and 18.7% above 65. Merseyside has an aging population. There are some areas of affluence, for example in West Wirral and North Sefton, but large areas of Merseyside fall within the highest ratings of social deprivation. There remain large pockets of deprivation with high levels of social exclusion and crime. According to the Indices of Multiple Deprivation 2015; out of 326 Local Authorities across England, Knowsley and Liverpool both appear in the top 10 most deprived Local Authorities.

Political Structure

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 2018/19 this was as follows:

Knowsley	2	(2 Labour)
Liverpool	6	(5 Labour, 1 Liberal Democrat)
Sefton	4	(3 Labour, 1 Liberal Democrat)
St. Helens	2	(2 Labour)
Wirral	4	(3 Labour, 1 Conservative)

The 18 elected members meet together as the Fire and Rescue Authority to decide the Authority's overall policies and set the budget each year. At the Annual General Meeting (AGM) they establish and make appointments to the various committees as well as appointing the Chair and Vice Chair of the Authority and its committees.

The Authority has ultimate responsibility for decision making but delegates many decisions to committees as part of their terms of reference agreed at the AGM and to senior officers within Merseyside Fire and Rescue under the Authority's Scheme of Delegated Powers.

Management Structure

Supporting the work of the elected members is the organisational structure of the Authority led by a Chief Fire Officer, supported by a Strategic Leadership Team (SLT). The current makeup of the SLT is detailed below:

- Chief Fire Officer
- Deputy Chief Fire Officer
- Assistant Chief Fire Officer
- Director of Legal, Procurement, Estates and Democratic Services (Monitoring Officer)
- Director of Finance (Section 151 Officer)
- Director of People and Organisational Development
- Area Manager for Operational Preparedness
- Area Manager for Operational Response
- Director of Strategy and Performance
- Area Manager for National Resilience
- Area Manager for Community Risk Management

Integrated Risk Management Plan

In line with the requirements of the Fire and Rescue Service National Framework 2018, MFRA publish an Integrated Risk Management Plan (IRMP). The IRMP requires the Authority to identify all foreseeable risks and develop plans to manage those risks which may affect the community of Merseyside, regional authorities and national authorities. A new IRMP 2017-20 was approved by the Fire Authority and published on 23rd February 2017. This IRMP continues to affirm the Authority's commitment to maintain operational response times despite continuing reductions in Government financial support. The IRMP aims to match resources to demand by having more fire appliances available during the day to attend emergency incidents and deliver home and business safety advice, with numbers decreasing as demand decreases during the evening.

A number of recent significant local and national incidents have given the Authority cause to reflect on the role of the Fire and Rescue Service. These incidents, combined with changes to the City Region infrastructure and the initial findings of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) have quite rightly given the Chief Fire Officer and Authority cause to review the sustainability of its plans to ensure that they are still fit for purpose. A draft Supplement to the Authority's IRMP 2017-20, extending the plan to 2021 (Draft IRMP Supplement 2019-21) is currently out for consultation with the public, staff, and stakeholders. The amended IRMP proposes to increase the number of available fire appliances from 26 to 30 and increase the number of firefighters from 620 to 642 in 2019/20. The plan also incorporates a proposal to increase the number of staff in Protection roles (legislative fire safety) to help make commercial and public buildings safer. The final IRMP Supplement will go before the Fire Authority in mid July 2019 for approval and budget amendment.

Mission & Aims

The Authority's Mission and Aims are outlined overleaf. The approved 2018/19 financial plan prioritised the allocation of resources to reflect the priorities in the Mission and IRMP.

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

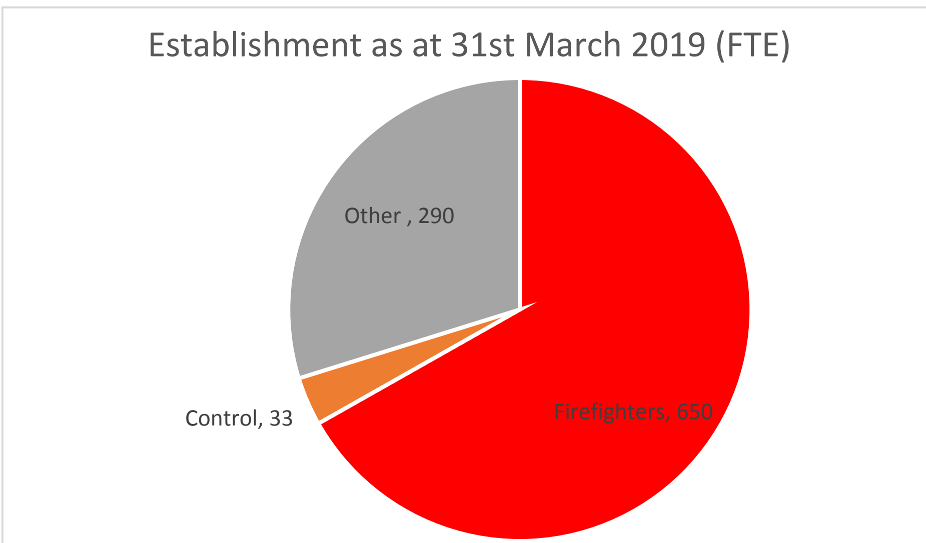
We will work with our partners and our community to protect the most vulnerable.

Excellent People

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

Staffing, Fire Appliances & Fire Stations

The Authority employed circa 995 full time equivalent employees at the end of March 2019, (approximately 973 full time equivalents), to deliver its services. Most of the staff are involved in front line service delivery (Firefighters, Marine Rescue and Community Prevention work).



As a direct consequence of the scale of Government cuts there has been an inevitable impact on frontline services.

In 2010/11 the budgeted establishment for firefighters was approximately 1,000 firefighters. The 2018/19 approved establishment is 620, a reduction of -380 or -38%. Over the same period fire control and support staff have reduced from 467 to 323 a reduction of -144 or -31%. The loss of support and other posts has an impact on the front line as some of these post reductions carried out fire prevention work within the Merseyside community.

By the end of 2018/19 the Authority moved to an operational response model that had 26 fire appliances; 18 of which were Wholetime or Low Level Activity & Risk (LLAR) duty system, and these appliances were immediately available. There were also 6 Day Crewing Wholetime Retained appliances (immediately available during the day and available on 30 minute recall overnight), and a further 2 Day Crewing Wholetime Retained appliances used for developing staff which are also immediately available during the day and available on 30 minute recall overnight. Ten years ago it had 42 appliances, which were crewed on 24 hour immediate response.

Prior to 2015 the Authority had 26 permanently crewed community fire stations. Following the closure and merger of a number of stations the number fell to 23 by the end of 2018/19, with a plan to merge two more stations in 2019 - 2020. The planned 22 stations will incorporate a variety of duty systems and will reflect the operational model described in the previous paragraph. These stations act as hubs for providing services to our communities. In addition to the community fire stations, the Authority has a Water Rescue Unit, a Training and Development Academy, a Headquarters and an Operational Workshop/Stores.

The above reductions reflect year-on-year cuts in Government grant support over the period.

The Authority 2018/19 Non-Financial Performance

The Authority monitors its performance and delivery of its objectives through a comprehensive performance management framework. The IRMP and other service projects are incorporated into one document – the Service Delivery Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Community Safety and Protection Committee and the Strategic Leadership Team. Station Community Safety Plans have also been developed to give details of the activities taking place in each fire station area. The reporting process applies traffic light status to each action point in the Service Delivery Plan and attention is drawn to the progress achieved and matters to be addressed. Copies of the Service Delivery Plan can be found on the Authority's website. The 2018/19 Authority's performance against the key performance indicators (KPI) is summarised in the table below:

BENCHMARK KEY PERFORMANCE INDICATORS		Performance 2017/18	Target 2018/19	Performance 2018/19	Status
TO00	Total number of emergency calls received	22,980	Quality Assurance	27215	
TC01	Total number of incidents attended	15,862	15,567	16010	
TC02	Total number of fires in Merseyside	7,266	7,349	7484	
TC03	Total number of primary fires attended	2,475	2,558	2234	
TC04	Total number of secondary fires attended	4,791	4,791	5250	
TC05	Total number of special services attended	3,124	2,920	3242	
TC06	Total number of false alarms attended	5,472	4,767	5280	
TC07	Total number of non-emergency interventions	80	Quality Assurance	37	
TR08	Attendance standard – first attendance of an appliance at life risk incidents in 10 minutes	95.3%	90%	93.9%	
TD09	The % of available shifts lost to sickness absence, all personnel	4.11%	4%	3.41%	
TE10	Total carbon output of all MFRS buildings	87.2	85.0	8.5	
DWELLING FIRES					
DC11	Number of accidental fires in dwellings	918	1,005	892	
DC12	Number of fatalities in accidental dwelling fires	4	8	4	
DC13	Number of injuries in accidental dwelling fires attended	89	107	82	
DC14	Number of deliberate dwelling fires in occupied properties	179	169	124	
DC15	Number of deliberate dwelling fires in unoccupied properties	36	36	23	
DC16	Number of deaths in deliberate dwelling fires	0	1	0	
DC17	Number of injuries in deliberate dwelling fires	10	16	9	
NON DOMESTIC PROPERTY					
NC11	Number of deliberate fires in non-domestic premises	90	94	73	
NC12	Number of accidental fires in non-domestic premises	202	201	189	
ANTI SOCIAL BEHAVIOUR					
AC11	Number of deliberate vehicle fires attended	639	618	508	
AC12	Number of accidental vehicle fires attended	195	192	199	
AC13	Number of deliberate anti-social behaviour fires (small)	4,195	4,258	4233	
AC14	Number of accidental small fires attended	596	533	1018	
AC15	Number of 'other' primary fires attended	210	243	220	
ROAD TRAFFIC COLLISIONS					
RC11	Number of road traffic collisions (RTC)	553	554	615	
RC12	Number of injuries in road traffic collisions attended	298	361	325	
RC13	Number of fatalities in RTC's	10	7	12	

BENCHMARK KEY PERFORMANCE INDICATORS		Performance 2017/18	Target 2018/19	Performance 2018/19	Status
SPECIAL SERVICE					
SR11	Number of calls to cardiac and respiratory related incidents from NWAS	35 Suspended Aug 2017	Quality Assurance	Trial has ceased	
FALSE ALARMS					
FC11	The number of false alarm calls due to automatic fire alarm equipment in Non Domestic properties	592	667	589	
FC12	The number of false alarm calls due to automatic fire alarm equipment in Domestic properties	2,789	2,773	2661	
STAFF WELFARE, RISKS & COMPETENCY RELATED INDICATORS					
WD11	% of available shifts lost to sickness/absence per wholetime equivalent GREY book (operational) personnel	4.32%	4%	3.61%	
WD12	% of available shifts lost to sickness/absence per wholetime equivalent GREEN & RED book (non uniformed) personnel	3.47%	4%	3.13%	
WR13	Total number of operational staff injuries	40	52	45	

	Within 10% of Target
	Target Achieved
	Performance 10% worse than last year

There are areas where the number of incidents have decreased such as primary fires, road traffic collisions and deaths and injuries in accidental dwelling fires, which is a reflection of the hard work staff put into targeting those most at risk of either setting fires or being a victim of fire. The Authority has continued to meet its attendance standard of the first appliance being in attendance at all life risk incidents within 10 minutes.

A period of warm weather over June / July 2018 gave rise to spate conditions and a significant rise in the number of emergency calls received for grass and woodland fires. For other areas where the Authority has not achieved its target, including road traffic collisions and special service calls, the Authority, along with its partners, plans to continue to work with businesses and the community in order to improve the situation over the short to medium term.

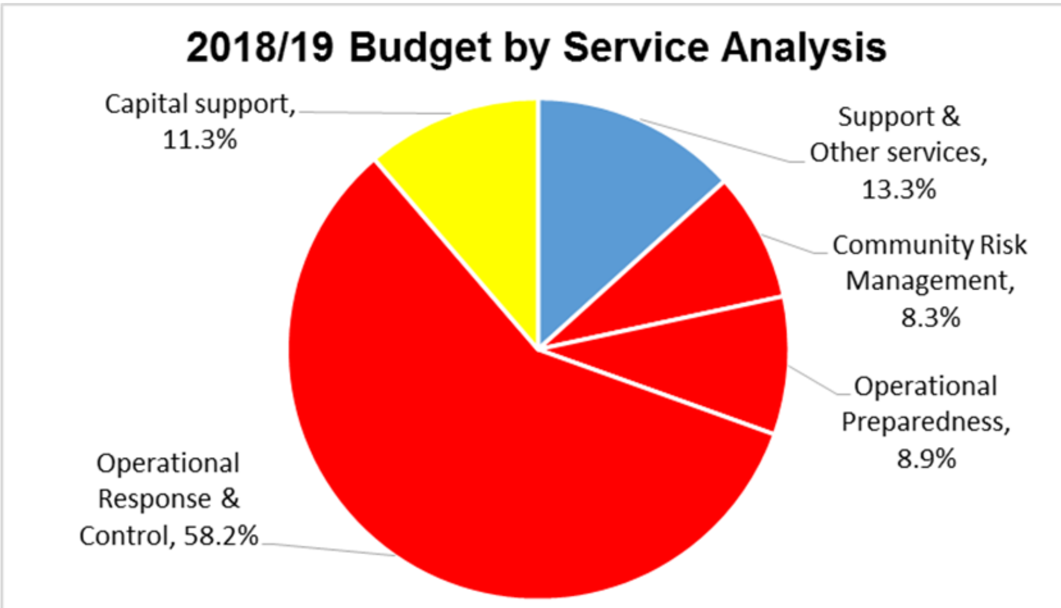
The 2018/19 Revenue Budget and Financial Challenge

The Authority determines its budget requirement by assessing the 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.

The Authority faced an unprecedented financial challenge over the period 2011/12 – 2019/20 as the Government implemented an austerity plan in an attempt to reduce national debt. A significant element of the plan was to reduce the level of Government funding for local government (this includes fire and rescue authorities). As the Authority had a relatively low council tax base it was more reliant upon Government grant funding to support its revenue budget and therefore suffered a more proportionate financial loss than almost every other fire and rescue authority in the country. The cumulative percentage reduction in Government revenue support for the Authority between 2011/12 and 2019/20 equated to a 33% cash reduction or approximately 50% in real terms. The impact on the MFRA revenue budget was significant, in 2010/11 the budget was £73.3m, if this was uplifted to 2019/20 prices it would equate to approximately £85m, in reality the 2019/20 budget at £60.3m is 30% lower in real terms. This scale of cuts meant unavoidable reductions in the front line operational services over this period.

The Authority has historically maintained a rolling five year comprehensive medium term financial plan (MTFP) and has continued to plan prudently to deal with all known or anticipated reductions in Government funding. The impact on the Authority of this level of cut in funding has resulted in significant reductions in the level of resources and the Authority has approved savings to ensure the MTFP remained in a balanced position over the period. The plan included significant efficiency savings, a cut in management costs, a reduction in support services, and, unfortunately, in order to balance the plan it includes an unavoidable reduction in frontline services. The impact of the required savings over the 2011/12 – 2019/20 period on staffing, fire appliances & fire stations has already been outlined.

The Authority set its General Fund budget for 2018/19 at £59.701m and the allocation of resources reflected the Authority's approved mission and the fire risks facing Merseyside, and in particular how the Authority would continue to keep the safety of the public and the effectiveness of firefighters as our priority. Approximately 75% of the budget directly funds activities related to fire response or prevention work:



The Authority adopted a reserves strategy that maintained a General Reserve of £2.000m and anticipated (based on the estimated forecast when the 2018/19 budget was approved) Earmarked Reserves as at 01.04.18 of £23.279m to cater for specific risks, projects and one-off initiatives and in particular to help it manage effectively the financial pressures.

The 2018/19 Revenue Outturn Position

Throughout the year the Authority received regular financial review reports detailing:-

- the service's progress in implementing the approved savings options,
- any additional budget amendments required,
- plus the movements from and to reserves.

The cash savings required to balance the budget were delivered.

The approved General Fund budget remained constant throughout the year at £59.701 million. The table overleaf summarises the **general revenue fund position** at year-end and compares it to that budget. Overall, the Authority spend matched the budget after taking into account -£0.167 million of earmarked reserves drawdown at the year-end to cover planned expenditure incurred in 2018/19:

Programme	Fire Service Budget £'000	Fire Authority £'000	National Resilience £'000	Total Budget £'000	Actual £'000	Variance £'000
Expenditure						
Employee Costs	43,676	395	1,944	46,015	45,716	(299)
Premises Costs	2,746	-	-	2,746	2,862	116
Transport Costs	1,384	-	5,881	7,265	7,100	(165)
Supplies and Services	3,453	23	1,982	5,458	4,574	(884)
Agency Services	5,954	-	780	6,734	6,706	(28)
Central Support Services	436	71	256	763	714	(49)
Capital Financing	12,448	-	7	12,455	13,281	826
Income	(8,229)	-	(10,850)	(19,079)	(18,335)	744
Net Expenditure	**61,868**	**489**	**-**	**62,357**	**62,618**	**261**
Contingency Pay & Prices	-	-	-	-	-	-
Interest on Balances	(172)	-	-	(172)	(266)	(94)
	61,696	**489**	**-**	**62,185**	**62,352**	**167**
Movement on Reserves	(2,484)	-	-	(2,484)	(2,651)	(167)
Overall Financial Position	**59,212**	**489**	**-**	**59,701**	**59,701**	**-**

In light of the recent years of financial pressures, the Authority had adopted a strategy that 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 savings without compulsory redundancy. During the 2019/20 budget making process the Authority agreed support to increase the frontline firefighter response and protection establishment from 620 Full Time Equivalent (FTE) to 642 FTE, plus a new fire engineer post in protection, and an increase in the available fire appliances from 26 to 30, at a cost of £1m p.a. The additional £1m required to implement the proposals would be found from savings from current debt servicing costs (associated with historic borrowing required to fund capital expenditure), and an anticipated reduction in the Local Government Pension Scheme (LGPS) deficit. Also, any budget freed-up by using revenue savings identified in 2018/19 would be used to fund additional minimum revenue provision, MRP, (debt repayment). Therefore throughout the year managers looked at every opportunity to maximise savings against the approved budget to enable an increase in the repayment of debt servicing costs. The 2018/19 year-end "underspend" of £0.826m, after taking into account the net year-end earmarked reserves drawdown, was used to increase the MRP actual and therefore the net position on the revenue account was that actual overall spend was consistent with the budget.

Whilst the General Fund shows a neutral position for the year (after the drawdown of year-end reserves), the Comprehensive Income and Expenditure Statement (CIES) indicates a net spend of £79.642m for the year. The CIES is prepared on a different basis to the General Revenue Fund, the CIES shows the accounting cost in the year in accordance with the relevant generally accepted accounting principles, rather than the amount funded from taxation (General Fund). The CIES 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. The CIES represents the amount by which the Authority's overall net worth has moved over the year as shown in the Balance Sheet. The table overleaf reconciles the General Fund to the CIES "*Deficit on Provision of Services*" statement:

Notes to the table:

	Note	Detailed Adjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
Net General Fund 2018/19 year-end position:	**Note**	0	0	0
1 Net Creation of Earmarked Reserves	(a)	-		**2,651**
2 Asset Valuation / Charges and Capital Funding Adjustments				
Depreciation, Impairment and Revaluation adjustment	(b)	10,614	-	**-**
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	830	-	**-**
Asset Disposal / Write-offs / Revaluation losses		69	-	**-**
MRP / Interest adjustment	(f)	(8,234)	-	**-**
Capital Expenditure Funded from the Revenue Account (CERA)		(3,439)	-	**-**
Capital Grants Income		(2,111)	**(2,271)**	**-**
3 Pension related adjustments	(d)			
Pension Contributions payable to pension fund		(7,027)		
Pension Current Service Costs		12,183		
Pension Past Service Costs		46,041		
Net Interest on the Defined Benefit Liability Scheme		27,923	**79,120**	
4 Other technical accounting adjustments	(e)			
Timing Differences for Premiums and Discounts		14		
Timing Differences for Council Tax / NNDR		58		
Timing Differences for Compensated Absences		70	**142**	
Total Adjustments				**76,991**
Surplus or Deficit on Provision of Services				**79,642**

Notes to the table:

a) *Although the creation of earmarked reserves does not form part of the CIES they are included to ensure that the General Fund expenditure reconciles back to the CIES.*

b) *The depreciation and impairment charge reflects the notional consumption of assets during the year and the reduction in the valuation of new fire stations (Prescot and Saughall Massie).*

c) *REFCUS relates to the installation of free smoke alarms to households in Merseyside that under proper accounting practice should be defined as revenue but which statute allows the Authority to fund from capital.*

d) *Pension costs in the CIES reflect IAS 19 and therefore include movements in the pension fund valuations and pension contributions received in the year. The McCloud ruling has added £46.041m to Past Service Costs. Note 40 in the Financial Statements provides further details of movements in the pension funds during the year.*

e) *The other technical accounting adjustment incorporates the adjustments made in relation to council tax indebtedness between the billing authorities and the Authority, and, the value of employee benefits accrued in the year but not taken (leave carried forward).*

f) *Statute requires that certain expenses are charged to the General Fund that are not considered to be proper accounting charges in accordance with the Code. These are therefore not shown in the CIES. The unitary charge payments associated with the PFI contract are shown as fully charged to revenue in the General Fund but in the CIES they are broken up into the relevant revenue, capital and interest notional elements. The removal of capital financing charges relates to costs associated* *with; interest payments on loans and the Minimum Revenue Provision (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA).*

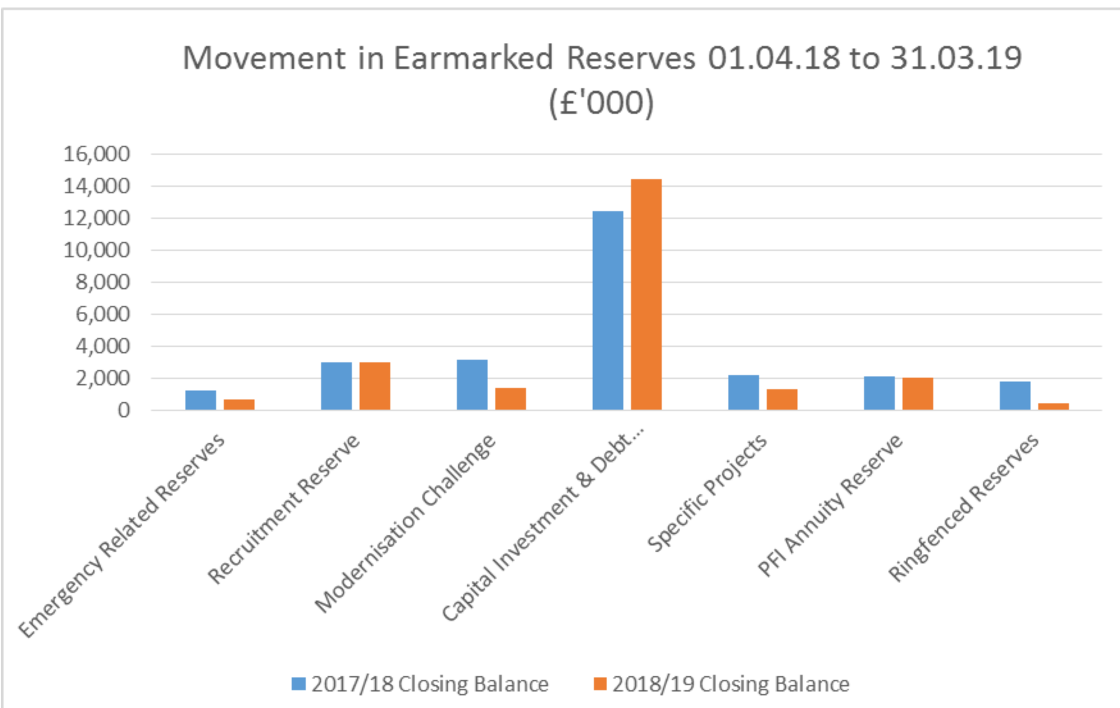
Whilst the CIES shows the true accounting position for the year, it is the General Fund position which more directly reflects the impact on Merseyside residents as it records only those expenses which statute allows to be charged against the Authority's annual budget, the amounts to be set aside as reserves and the amounts to be collected from local council tax payers.

Reserves

The Authority maintains a number of useable reserves, as detailed in the Balance Sheet and in Note 8 of the core financial statement explanatory notes. Note 8 also provides a comment of the purpose of each of the useable reserves. In general though, the Authority sets aside money in the form of useable reserves to fund future planned investment, to mitigate financial risks, and to smooth savings.

Excluding National Assurance reserves that are held by the Authority on behalf of the Home Office and are not available to fund general MFRA spend, at the end of 2018/19 the Authority's earmarked reserves were £23.064m, a net reduction of £2.651m on the value at the start of the year. These earmarked reserves are required in order to carry forward 2018/19 funds into 2019/20 to meet projects now re-phased or to offset identified potential risks to the Authority's financial plan such as higher than anticipated pay awards. The Authority General Reserve has remained constant at £2.000m or 3% of the gross budget, and this provides a relatively small cushion to enable the Authority to cover the risk of unexpected events leading to significant unplanned expenditure.

The table below summarises the main types of earmarked reserves, most notable is the Capital Investment Reserve. Note that the Capital Investment Reserve will be drawn down in the coming years to fund investment in buildings and debt repayment as the Authority merges stations, builds new stations, invests in its Training and Development Academy, and repays historic pension and capital debt.

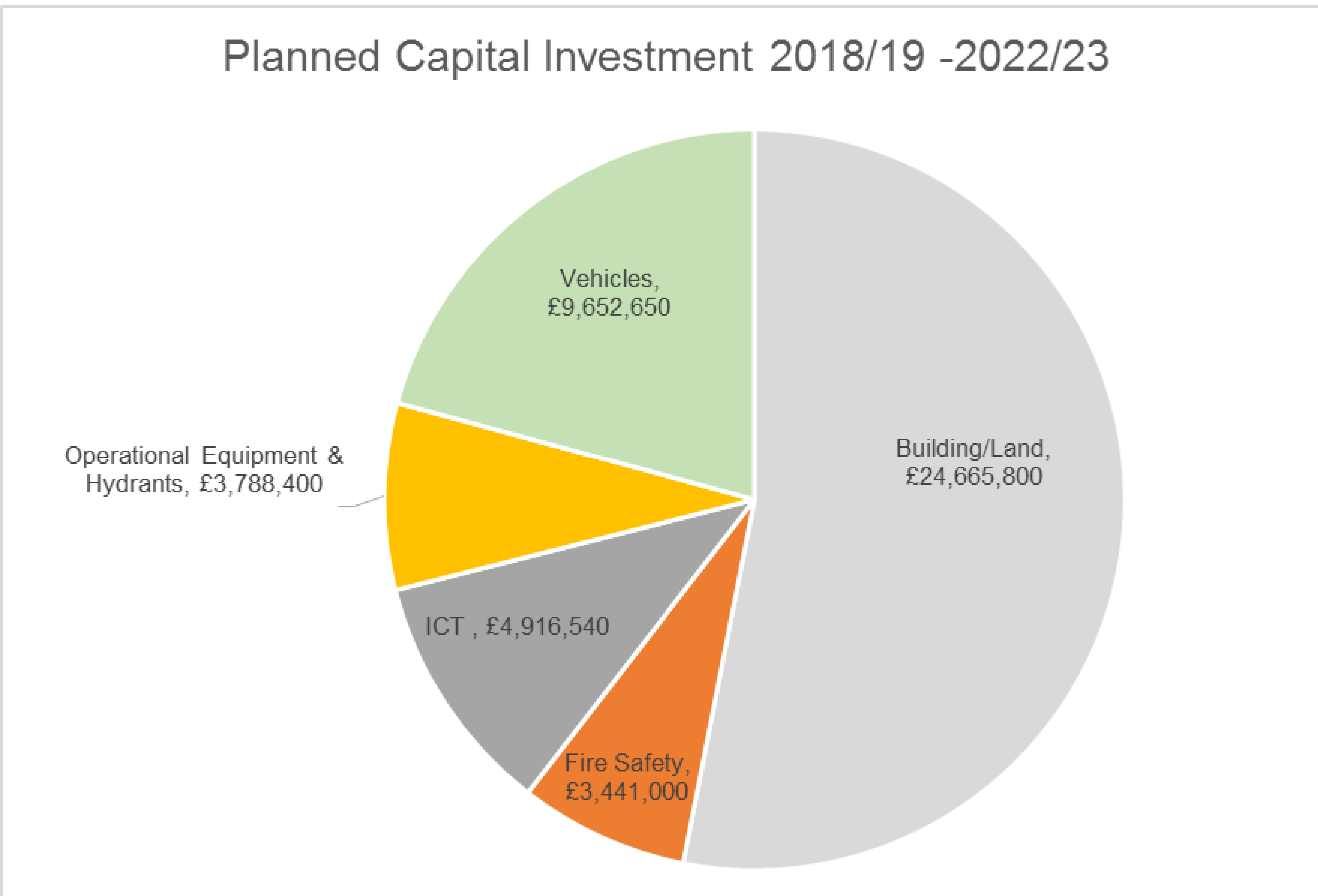


Capital Strategy and Capital Programme 2018/19 to 2022/23

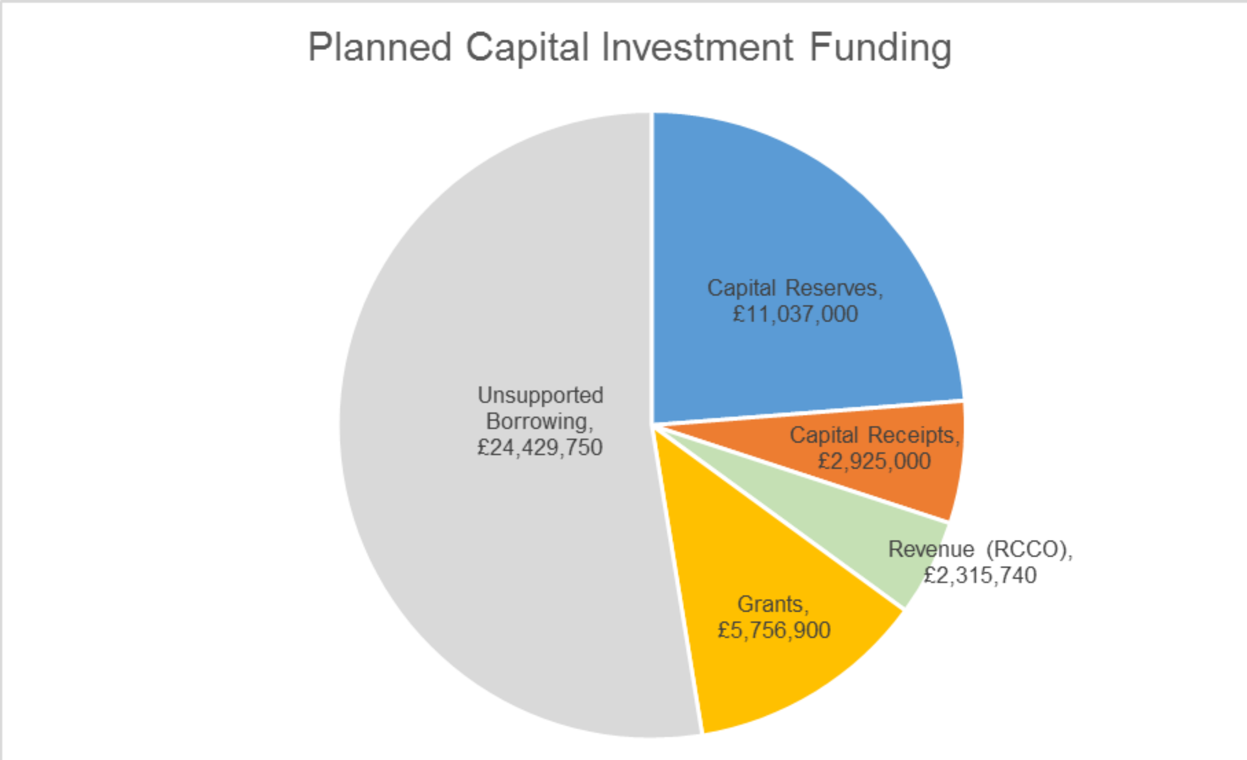
Each financial year the Authority produces a capital programme to manage major capital schemes. Owing to the nature of capital expenditure, a large number of schemes span more than one financial year, therefore the programme is a rolling programme covering five financial years.

The starting point for the programme is an assessment of the capital investment requirements for the Authority for future years based upon needs identified by the various expert professionals in areas such as buildings, vehicles, ICT, and operational equipment. The Authority manages its capital investment plans through its asset management plans and capital programme.

The chart below summarises the 2018/19 – 2022/23 capital budget of £46.464m over its planned investments which are mainly in the Authority's property, vehicles, fire safety (household smoke alarms) and ICT assets:



This capital programme has a borrowing requirement of £24.430m across the whole life of the plan. The proposed borrowing is unsupported borrowing or prudential which means the Government no longer provides any revenue grant funding to meet the revenue costs associated with the borrowing. This means all new borrowing is "prudential" and the Authority must determine if it can afford and sustain the servicing of the associated debt and revenue costs. Current and future debt servicing costs as a consequence of the proposed capital programme have been built into the Authority's financial plan and revenue budget and are therefore deemed as affordable and sustainable. The chart overleaf breaks down how the capital programme is funded:



The 2018/19 capital budget and final expenditure together with the various sources of funding are shown below:

Programme	Final Budget £'000	Actual Expenditure £'000	Re-Phased from 2018/19 into 2019/20 £'000	Variance £'000
Expenditure				
Building/Land	7,325.3	5,895.9	1,424.0	(5.4)
Fire Safety	901.0	741.4	101.0	(58.6)
ICT	1,681.1	1,141.5	540.0	0.4
Operational Equip & Hydrants	1,093.9	502.9	564.6	(26.4)
Vehicles	2,623.6	1,415.3	1,208.0	(0.3)
TOTAL	**13,624.9**	**9,697.0**	**3,837.6**	**(90.3)**
Financing				
Capital Receipts	1,050.0	1,664.6	-	614.6
Revenue and Reserves	3,438.7	3,438.7	-	-
Grants	2,875.9	2,299.3	576.6	-
Unsupported Borrowing	6,260.3	2,294.4	3,261.0	(704.9)
TOTAL	**13,624.9**	**9,697.0**	**3,837.6**	**(90.3)**

The most significant items of capital expenditure have been:

- The completion of the build of a new fire station in Wirral (Saughall Massie)
- New firefighter accommodation unit at Formby Fire Station
- Installation of smoke alarms
- Upgrades and replacement of ICT software and hardware
- The purchase of new appliances and specialist vehicles.

Treasury Management

The Authority's Treasury Management Strategy is reviewed annually as part of the budget approval process. The Strategy Statement sets out the Authority's policies and parameters to provide an approved framework within which Officers undertake the day to day capital and treasury activities. The Treasury Management strategy is contained within the 2018/19-2022/23 Medium Term Financial Plan (MTFP) which is available on the Authority's website. The key elements are:

- The Treasury Management Strategy 2018/19
- The External Debt and Treasury Management Prudential Indicators and Limits for 2018/19 to 2020/21
- The Investment Strategy 2018/19
- The Minimum Revenue Provision (MRP) Statement which sets out the Authority's policy on MRP.

The Treasury Management Strategy Statement sets out how the Authority's treasury service supports capital decisions, day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit required by S3 of the Local Government Act 2003 and is in accordance with the CIPFA (The Chartered Institute of Public Finance & Accountancy) Code of Practice.

The External Debt and Treasury Management Prudential Indicators and Limits is required by the CIPFA Treasury Management Code of Practice and identified within the Strategy statement.

The Investment Strategy sets out the Authority's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Local Government Investments updated in 2010. The Authority's minimum long term credit rating requirement is Fitch A- or equivalent.

The Authority's Minimum Revenue Provision (MRP) Statement, sets out how the Authority will pay for capital assets through revenue each year as required by Local Authorities (Capital Finance and Accounting) Regulations 2008.

Borrowing:
As already stated, 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 the 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 Authority's borrowing with the Public Works Loan Board reduced from £38.1m at the start of the year to £37.6m at the end following the repayment of £0.5m of loans in the year. Interest paid during the year on existing long term borrowing totalled £2.0m.

Balance Sheet Financial Position at 31st March 2019

The net worth (total reserves) of the Authority is shown in the Balance Sheet. From the CIES it can be seen that the Authority's net worth has reduced by £79.480m over the year, and as a consequence the current net liability on total reserves has increased from (£1,073.114m) to (£1,152.594m). However, the reason for the net liability (negative reserve) is that a number of reserves making up the net worth relate to technical adjustments arising from the pensions reserve and the capital adjustments reserve, and these reserves are not available to spend. Note 22 provides more detail on unusable reserves. The pensions reserve alone has a net liability of £1,187.762m reflecting underlying commitments that the Authority has with regards to retirement benefits, however arrangements are in place for funding the pension liability:

- the deficit on the Local Government Pension 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 Schemes is met by grant funding from Central Government and the Authority is only required to cover discretionary benefits when the pensions are actually paid.

Note 40 to the accounts provides detail on the two pension schemes the Authority participates in.

Future Financial Challenge and Corporate Risks 2019/20

Following the announcement of the 2016/17 - 2019/20 Local Government Finance Settlement the Authority faced a significant reduction in the level of Government grant support over this period. The reduction in Government support over this period has meant the Authority faced at least an £11m financial challenge, assuming all budget assumptions remain valid. The Authority approved a financial plan to meet this challenge at the 2016/17, Budget Authority meeting, and updated and ratified the plan at the 2017/18 & 2018/19 Budget Authority meetings.

In light of increased operational and protection risks (following a number of national and international incidents), and expected findings from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the Authority approved a £1m investment back into frontline service in the 2019/20 five year medium term financial plan. The Chief Fire Officer and Director of Finance have been challenged with delivering the required saving to fund the £1m from expected savings on servicing historic capital debt and the annual deficit payment relating to historic accrued benefits in the Local Government Pension Scheme.

The Authority has prudently planned to meet its known financial challenges over the medium term and has maximised its reserves to give flexibility in delivering change. The assumptions made in the medium term financial plan, particularly around inflation, pay awards, firefighter pension contributions and future government grants (whilst based on the best information available) are subject to potential change in such volatile times.

The Authority understands that the recruitment of sufficient firefighters to maintain the required response staffing levels is crucial over the future medium term in light of the fact the Authority may lose approximately half of its current firefighters through natural retirements over the next five years or so. The Authority has established a recruitment reserve so it can fund the required recruitment in advance of the expected retirements over the period.

These factors result in a significant potential risk to the Authority's medium term financial plan. Reliable monitoring and forecasting processes are in place and the Director of Finance will ensure any variation to assumptions made in the medium term financial plan are identified at the earliest possible time and recommended corrective action.

The 2017 Policing and Crime Act places a statutory duty on the three emergency services (Ambulance, Fire and Police) to keep collaboration opportunities under review and to collaborate where this would improve efficiency and effectiveness. The Authority continues to maintain ongoing discussions with Merseyside Police and North West Ambulance Service on developing opportunities for greater collaboration.

Under the Cities and Local Government Devolution Act (2016), in November 2015, the Government agreed to devolve a range of powers and responsibility to the Liverpool City Region Combined Authority. The model includes a directly elected City Region Mayor over the Combined Authority Area, who was elected in May 2017. The Mayor may seek to take over the future governance of the Merseyside Office of the Police and Crime Commissioner (OPCC) and Merseyside Fire and Rescue Authority at some future point, subject to the relevant support from the Government. The Authority will work with Merseyside Police, the OPCC and the Liverpool City Region Mayor, if asked, to establish the future governance arrangement for Merseyside Fire and Rescue Service.

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 Comprehensive Income and Expenditure Statement
The Comprehensive Income and Expenditure 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 (and rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Movement in Reserves Statement (MiRS)
The Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in the year of the Authority are broken down between gains and losses incurred with generally accepted accounting practices and the statutory adjustments required to return the amount chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the Statutory General Fund Balance movements in the year following those adjustments.

The Balance Sheet
The Balance Sheet shows the value as at the 31 March 2019 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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.

Significant Changes in Accounting Policies

Since 2010/11 the Authority is required to prepare its accounts based on International Financial Reporting Standards, the move to an IFRS-based set of accounts resulted in a considerable number of changes in accounting practices and disclosures.

The 2018/19 Code has built upon the changes introduced by IFRS and has made some small changes to accounting policies and disclosure requirements, none of which are of any significance or have any material impact.

FURTHER INFORMATION

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The Financial Statements

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/18 Restated					2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
67,102	(7,983)	59,119	Fire Service Operations		71,225	(8,421)	62,804
1,129	-	1,129	Corporate and Democratic Core		1,050	-	1,050
3,830	(3,802)	28	National Resilience / International Search and Rescue		9,995	(9,914)	81
732	-	732	Non-Distributed Costs	40	46,041	-	46,041
72,793	**(11,785)**	**61,008**	**Cost Of Services**		**128,311**	**(18,335)**	**109,976**
51	-	51	Other operating expenditure	9	650	(581)	69
34,766	(2,083)	32,683	Financing and investment income and expenditure	10	33,632	(2,281)	31,351
-	(61,230)	(61,230)	Taxation and non-specific grant income	11	-	(61,754)	(61,754)
		32,512	**(Surplus) or Deficit on Provision of Services**	27			**79,642**
		-	(Surplus) or deficit on revaluation of fixed assets				-
		(39,739)	Remeasurement of the net defined benefit liability				(162)
		(39,739)	**Other Comprehensive Income and Expenditure**				**(162)**
		(7,227)	**Total Comprehensive Income and Expenditure**				**79,480**

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in the year of the Authority are broken down between gains and losses incurred with generally accepted accounting practices and the statutory adjustments required to return the amount chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the Statutory General Fund Balance movements in the year following those adjustments.

	Notes	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018		**(27,715)**	**-**	**(5,045)**	**(32,760)**	**1,105,874**	**1,073,114**
Movement in reserves during 2018/19							
Total Comprehensive Income and Expenditure		79,642	-	-	**79,642**	(162)	79,480
Adjustments between accounting basis & funding basis under regulations	7	(76,991)	-	189	**(76,802)**	76,802	-
Increase or Decrease in 2018/19		**2,651**	**-**	**189**	**2,840**	**76,640**	**79,480**
Balance at 31 March 2019 carried forward		**(25,064)**	**-**	**(4,856)**	**(29,920)**	**1,182,514**	**1,152,594**

Restated	Notes	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017		**(31,858)**	**-**	**(4,581)**	**(36,439)**	**1,116,780**	**1,080,341**
Movement in reserves during 2017/18							
Total Comprehensive Income and Expenditure		32,512	-	-	**32,512**	(39,739)	(7,227)
Adjustments between accounting basis & funding basis under regulations	7	(28,369)	-	(464)	**(28,833)**	28,833	-
Increase or Decrease in 2017/18		**4,143**	**-**	**(464)**	**3,679**	**(10,906)**	**(7,227)**
Balance at 31 March 2018 carried forward		**(27,715)**	**-**	**(5,045)**	**(32,760)**	**1,105,874**	**1,073,114**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves 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 2018 Restated £000		Notes	31 March 2019 £000
66,791	Property, Plant and Equipment	12	63,636
374	Intangible Assets	13	149
-	Assets Held for Sale	18	-
-	Long-term Investments	14	-
-	Long-term Debtors	14	-
67,165	**Long-term Assets**		**63,785**
-	Current Intangible Assets		-
22,058	Short-term Investments	14	17,088
650	Assets Held for Sale	18	550
527	Inventories	15	608
11,671	Short-term Debtors	16	16,309
8,560	Cash and Cash Equivalents	14 & 17	4,669
43,466	**Current Assets**		**39,224**
(1,996)	Short-term Borrowing	14	(1,084)
(15,966)	Short-term Creditors	19	(10,271)
(17,962)	**Current Liabilities**		**(11,355)**
(18,147)	Long-term Creditors	14	(17,753)
(948)	Provisions	20	(1,155)
(37,600)	Long-term Borrowing	14	(37,335)
(1,109,088)	Other Long-term Liabilities	14 & 40	(1,188,005)
(1,165,783)	**Long-term Liabilities**		**(1,244,248)**
(1,073,114)	**Net Liabilities**		**(1,152,594)**
(32,760)	Usable Reserves	21	(29,920)
1,105,874	Unusable Reserves	22	1,182,514
1,073,114	**Total Reserves**		**1,152,594**

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.

2017/18 Restated £000		Notes	2018/19 £000
32,512	Net (surplus) or deficit on the provision of services		79,642
(46,075)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(82,086)
(1,768)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	357
(15,331)	**Net cash flows from Operating Activities**		**(2,087)**
14,508	Investing Activities	25	1,372
5,112	Financing Activities	26	4,606
4,289	**Net increase or decrease in cash and cash equivalents**		**3,891**
(12,849)	Cash and cash equivalents at the beginning of the reporting period		(8,560)
(8,560)	**Cash and cash equivalents at the end of the reporting period**	17	**(4,669)**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2018/19 and the Service Reporting Code of Practice 2018/19, 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. Going Concern

Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting.

iii. 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 contracts with service recipients, whether for services or the provision of goods, is recognized when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 accrual 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 may not be collected.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no 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.

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.

PYR Adjustment – Local Government Pension Scheme Deficit Payment

The 2017/18 accounts were constructed on the basis that the Local Government Pension Scheme (LGPS) employer's deficit payment was accounted for in total in 2017/18. However, the LGPS Pension valuations had spread this payment over three years. This prior year adjustment brings the pension valuations in line with the accounting entries for 2017/18. This adjustment has no effect on the General fund Balance and 2017/18 comparative figures have been amended as follows and are reflected were necessary in the notes to the accounts.

Comprehensive Income and Expenditure Statement

2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000		PYR Adj	Restated 2017/18 Gross Expenditure £000	Restated 2017/18 Gross Income £000	Restated 2017/18 Net Expenditure £000
69,014	(7,983)	61,031	Fire Service Operations	(1,912)	67,102	(7,983)	59,119

Movement in Reserves Statement

Restated	PYR Adj	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017		**(31,858)**	**-**	**(4,581)**	**(36,439)**	**1,116,780**	**1,080,341**
Movement in reserves during 2017/18							
Total Comprehensive Income and Expenditure	(1,912)	32,512	-	-	**32,512**	(39,739)	(7,227)
Adjustments between accounting basis & funding basis under regulations	1,912	(28,369)	-	(464)	**(28,833)**	28,833	-
Increase or Decrease in 2017/18		**4,143**	**-**	**(464)**	**3,679**	**(10,906)**	**(7,227)**
Balance at 31 March 2018 carried forward		**(27,715)**	**-**	**(5,045)**	**(32,760)**	**1,105,874**	**1,073,114**

Balance Sheet

31 March 2018		PYR Adj	Restated 31 March 2018 £000
(1,111,000)	Other Long-term Liabilities	1,912	1,109,088
1,107,786	Unusable Reserves	(1,912)	1,105,874

Cash Flow Statement

2017/18 £000		PYR Adj	Restated 2017/18 £000
34,424	Net (surplus) or deficit on the provision of services	(1,912)	32,512
(45,939)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	1,912	(44,027)

PYR Adjustment – Pension Fund Disaggregation

In 2017/18 and prior, the accounts were constructed on the basis that in order to produce a separate Pension Fund Account (See page 93) cash would be the balancing item in order to disaggregate the transactions into separate entities. This has now been revised and a debtor has been used in the Fire Service Accounts with a corresponding creditor in the pension fund accounts. This adjustment has no effect on the General fund Balance and 2017/18 comparative figures have been amended as follows and are reflected were necessary in the notes to the accounts.

Balance Sheet

31 March 2018		PYR Adj	Restated 31 March 2018 £000
4,795	Short-term Debtors	6,876	11,671
15,134	Cash and Cash Equivalents	(6,574)	8,560
(15,664)	Short-term Creditors	(302)	(15,966)

Cash Flow Statement

2017/18 £000		PYR Adj	Restated 2017/18 £000
(44,027)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(2,048)	(46,075)
(21,471)	Cash and Cash equivalents at the beginning of reporting period	8,622	(12,849)

17. Cash and Cash Equivalents

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

31 March 2018		PYR Adj	Restated 31 March 2018 £000
9	Cash Held by Authority	0	9
5,722	Bank Current Accounts	(6,574)	(852)
9,403	Short-term Deposits with Building Societies	0	9,403
15,134	**Total Cash and Cash Equivalents**	(6,574)	8,560

Firefighters Pension Fund accounts (Net Assets Statement)

2017/18 £000		PYR Adj	Restated 2017/18 £000
(6,574)	Cash	6,574	0
0	Creditors (Merseyside Fire Service)	(6,574)	(6,574)

vi. Charge 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 amortisation. 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, impairment losses and amortisation 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 wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructure.

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

Post-employment Benefits

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

- The Firefighters Pension Schemes for uniformed employees, administered by LPP - Your Pension Service (LPP Your Pension Service, PO Box 1382, Preston, Lancashire, PR2 0WQ).
- 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 retirements.

The Pension fund account is balanced to zero by either:

- Crediting a top-up grant receivable from the Home Office where income to the fund is less than its expenditure.
- Debiting an amount payable to the Home Office 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 present value at current prices, using a discount rate of 3.6% (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 the following components:

- Service cost comprising:
  - 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 as a result of a scheme amendment or curtailment 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.
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - 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 as Other Comprehensive Income and Expenditure
  - 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 transfers 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 that 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 Reporting Period

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.

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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) 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 financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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 CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, sither on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivable and contract assets. Only lifetime losses are recognised for trade receivable (debtors) held by the Authority.

Imapirment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss (FVPL) 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. Fair value gains and losses are recognized as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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.

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is need under the policies set out in the section on Provision, Contingent Liabilities and Contingent Assets.

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 31st 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 in the form of 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-ringfenced 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, stationery and vehicle parts.

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. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation

- its expenses, including its share of any expenses incurred jointly.

xv. 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 are 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.

xvi. 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 2018/19 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services is 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.
- National Resilience / International Search and Rescue – costs not apportioned.
- 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.

xvii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising of:

- 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:

- 23 Community Fire Stations (plus 1 Marine Rescue Station) are measured on a Depreciated Replacement Cost basis as the property is classed as specialised with no readily made market available. Two Community fire stations are treated as assets held for sale and valued at current value less costs to sell.
- the balance of the property portfolio consisting of Headquarters, Training Academy, Fire Control Centre, Engineering Centre of Excellence and Houses are valued on a current value basis as buildings could be used for alternative purposes
- assets under construction are valued on depreciated historical cost basis
- all other assets are measured at the current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current 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 current value.

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation 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.

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 previous 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 non-current 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.

xviii. Private Finance Initiative (PFI) and Similar Contracts

The Authority lead a North West PFI project to replace 16 fire stations across Merseyside, Lancashire and Cumbria. Merseyside Fire & Rescue Service built 7 new PFI Stations. The building programme for Merseyside started in April 2011, with first station opening in April 2012 and the last station opening 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 five 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
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, 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.

xix. 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.

xx. 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.

xxi. 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.

xxii. 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.

xxiii. Local Taxation

Council Tax

In their capacity as billing authorities the District Councils of Knowsley, Liverpool, Sefton, St Helens and Wirral act as agents: they collect and distribute council tax income on behalf of the major preceptors and themselves. The cash collected by the billing authorities from council tax debtors belongs proportionately to the billing authorities and the major preceptors. There will therefore be a debtor/creditor position between the billing authorities and the Fire Authority to be recognised since the net cash paid to the Fire Authority in the year will not be its share of cash collected from council tax payers.

NNDR

From the 1st April 2013 the District Councils of Knowsley, Liverpool, Sefton, St. Helens and Wirral collect National Non Domestic Rates (NNDR) income on behalf of Central Government and the Fire Authority as well as themselves. The relevant shares of NNDR income are Central Government (50%), District Council (49%) and the Fire Authority (1%), being the shares as defined by the Business Rates Retention Regulations 2012. The NNDR income distributed to each of the three parties is the amount after deducting an allowance for the District Councils cost of collection. The NNDR cash collected by the billing authority belongs proportionately to Central Government, the District Council and the Fire Authority; there will therefore be a debtor/creditor position between these parties to be recognised since the net cash paid in the year to each party will not be their share of the cash collected from business ratepayers.

For both council tax and NNDR, the income reflected in the CIES in year is the Fire Authority's share of the income relating to that year. However the amount of council tax / NNDR income that can be credited to the General Fund for the year is determined by statute and may be different from the accrued income position shown in the CIES. An adjustment is made via the Movement in Reserves Statement for the difference between the income due under proper accounting practice and the income per statute.

Prior to the 1st April 2013 the Districts Councils collected NNDR solely on behalf of Central Government and not the Fire Authority.

2. Accounting Standards that have been Issued but Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) has introduced several changes in the accounting policies which will be required from 1st April 2019. The Code requires the disclosure of information relating to the expected impact of an accounting change required by a new standard that has been issued but not yet adopted. The Authority does not consider any changes to have a significant impact on the 2018/19 Statement of Accounts.

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. Previously the vehicles were insured fully comprehensive, but premiums were deemed too expensive in comparison to self insurance. However, costs are closely monitored to ensure best value for money.
- 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.

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 31st March 2019 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 makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt 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 £580,000 for every year that useful lives have to be reduced.
	The Authority operates a 5 year revaluation programme for Land and Buildings held on the Balance Sheet. The Authority in conjunction with its valuers have reviewed these assets, taking into account various factors such as building cost indices and local knowledge. As a result it is judged that the potential difference in value that would result from a formal revaluation is not material, therefore the risk of material misstatement to the Balance Sheet is low.	If land and building valuations were to change by 1% this would result in an increase/decrease in valuation of £622,000. However, within the year, two new fire stations became operational and were revalued under Depreciated Replacement Cost. This led to a revaluation loss within the year of £4.9m.
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 40)	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 £11.9m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions

McCloud	The decisions of the Court of Appeal in the Sargeant/McCloud (McCloud) cases have ruled that the transitional protections afforded to older members when the Firefighter Pension Scheme(s), FPS, and Local Government Pension Scheme, LGPS, constituted unlawful age discrimination. On 27th June 2019 the Supreme Court denied the Government permission to appeal this decision. The Government Actuary's Department (GAD) has carried out some costings of the potential effect of McCloud on the FPS and LGPS as a whole, and the Authority has received updated past service liability costs from the relevant actuaries based on these costings and assumptions. The estimated cost of the McCloud case has increased past service costs for the FPS by £44.3m and LGPS by £1.8m. At this stage it is uncertain what the final compensation or remedy will be offered up by the Government to the Employment Tribunal.	The additional past service costs assumed for the McCloud case are very sensitive to the assumptions made by the actuaries. In particular judgement is expected to be highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted by the actuaries:- FPS assumes Pay growth of +2.0% above CPI, if the long term salary growth assumptions were 1.0% pa lower, then the impact on the past service cost is expected to be a change of around -10% on the provision. LGPS assumes Pay growth of +1.5% above CPI, if the long term salary growth assumptions were equal to CPI the costs in relation to McCloud would be insignificant and could be assumed to be neutral.
Arrears	At 31st March 2019, the Authority had a balance of sundry debtors of £834,000. A review of significant balances suggested that a credit loss provision of 8.84% (£73,900) was appropriate.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £73,900 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 £34,000 in the provision.

5. Material Items of Income and Expense

The following services have been outsourced to an external provider.

	2018/19 £000	2017/18 £000
IT & Communications	1,869	1,844
Estates	1,213	1,133

6. Events After the Balance Sheet Date

There are no events after the balance sheet date to be reported.

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 2018/19

2018/19	Usable Reserves

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
- Pensions costs (transferred to (or from) the Pensions Reserve)	(79,120)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	(14)	-	-
- Council Tax and NDR (transferred to the Collection Fund Adjustments Account)	(70)	-	-
- Holiday pay (transferred to the Accumulated Absences Reserve)	(58)	-	-
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(11,067)	-	(2,100)
Total Adjustments to Revenue Resources	**(90,329)**	**-**	**(2,100)**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Reserve	1,673	(1,673)	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(8)	8	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	8,234	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,439	-	-
Total Adjustments between Revenue and Capital Resources	**13,338**	**(1,665)**	**-**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	1,665	-
Application of capital grants to finance capital expenditure	-	-	2,289
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	**-**	**1,665**	**2,289**
Total Adjustments	**(76,991)**	**-**	**189**

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18

2017/18 Restated	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
- Pensions costs (transferred to (or from) the Pensions Reserve)	(33,458)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	(15)	-	-
- Council Tax and NDR (transferred to the Collection Fund Adjustments Account)	338	-	-
- Holiday pay (transferred to the Accumulated Absences Reserve)	108	-	-
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(5,067)	-	(700)
Total Adjustments to Revenue Resources	**(38,094)**		**(700)**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Reserve	382	(382)	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,513	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,830	-	-
Total Adjustments between Revenue and Capital Resources	**9,725**	**(382)**	**-**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	382	-
Application of capital grants to finance capital expenditure	-	-	236
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	**-**	**382**	**236**
Total Adjustments	**(28,369)**	**-**	**(464)**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund in 2018/19.

	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Emergency Related Reserves:							
Bellwin Reserve	**147**	-	-	**147**	-	75	**222**
Insurance Reserve	**700**	-	159	**859**	(476)	-	**383**
Emergency Planning Reserve	**75**	-	-	**75**	(75)	-	**-**
Catastrophe Reserve	**100**	-	-	**100**	(100)	-	**-**
Modernisation Challenge:							
Smoothing Reserve	**1,981**	(175)	-	**1,806**	(1,356)	-	**450**
Pensions Reserve	**500**	(178)	-	**322**	(322)	-	**-**
Recruitment Reserve	**3,100**	(845)	745	**3,000**	-	-	**3,000**
Invest To Save Reserve	**1,000**	-	-	**1,000**	(364)	259	**895**
Capital Investment:							
Capital Investment Reserve	**16,613**	(5,884)	1,592	**12,321**	(2,770)	4,880	**14,431**
Emerging Technologies Reserve	**60**	(2)	-	**58**	(58)	-	**-**
PFI Annuity Reserve	**2,169**	(77)	-	**2,092**	(106)	-	**1,986**
Equality and Accessibility Reserve	**285**	-	-	**285**	(285)	-	**-**
Specific Projects:							
Health & Safety Reserve	**2**	-	4	**6**	-	24	**30**
Equipment Reserve	**301**	(33)	79	**347**	(263)	8	**92**
Research and Consultation Reserve	**24**	-	-	**24**	-	-	**24**
Clothing Reserve	**166**	(108)	250	**308**	(66)	-	**242**
Healthy Living / Olympic Legacy Reserve	**40**	(6)	1	**35**	-	-	**35**
Training Reserve	**450**	-	-	**450**	(300)	-	**150**
Inflation:							
Inflation Reserve	**500**	-	200	**700**	-	-	**700**
Total	**28,213**	**(7,308)**	**3,030**	**23,935**	**(6,541)**	**5,246**	**22,640**
Ringfenced Reserves							
Princes Trust Reserve	**92**	-	29	**121**	(82)	-	**39**
Community Risk Management Reserve	**320**	-	5	**325**	-	-	**325**
Energy Reserve	**132**	-	9	**141**	(162)	40	**19**
New Dimensions Reserve	**1,101**	(2)	94	**1,193**	(1,193)	41	**41**
Total	**1,645**	**(2)**	**137**	**1,780**	**(1,437)**	**81**	**424**
Total Earmarked Reserves	**29,858**	**(7,310)**	**3,167**	**25,715**	**(7,978)**	**5,327**	**23,064**

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

Catastrophe Reserve

This reserve was set up in light of any risk to the Authority and the need for resources to cope with any major or protracted incidents. This reserve has been realigned with the Capital Investment Reserve.

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 and to help avoid firefighter redundancies.

Pensions Reserve

This reserve was 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 over a three year period. Also due to recent changes in commutation factors for firefighters in terms of any backdated claims.

Recruitment Reserve

Over the next decade almost two thirds of firefighters are expected to retire. In addition, it takes almost a year to train a firefighter across the full range of competencies. In order to meet this challenge in a prudent and structured fashion a reserve of £3m has been created to support staff recruitment to manage effective succession planning.

Invest To Save Reserve

Some reserves were realigned in the year to create a more generic reserve for schemes to invest in up front in order to establish long-term savings.

Capital Investment Reserve

This reserve was created to contribute towards unforeseeable costs associated with large strategic capital schemes and to provide a resource for future station merger schemes and the refurbishment of the Training and Development Academy.

Emerging Technologies Reserve

This reserve has been created to invest in Information Technology within the Fire Service. This reserve has been realigned with the Capital Investment Reserve.

PFI Annuity Reserve

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

Equality and Accessibility Reserve

Following a recent station access audit, the service needs to carry out some works to ensure all its property portfolio is compliant with current regulations. This reserve has been realigned with the Capital Investment Reserve.

Health & Safety Reserve

This reserve was created to assist the Authority's investment in health and safety issues in the workplace.

Equipment Reserve

This reserve was created to fund the purchase of equipment, furniture and small community based schemes.

Research and Consultation Reserve

This reserve has been created for investment in fire related academic research.

Clothing Reserve

This reserve has been created for investment in fire clothing/boots/helmets.

Healthy Living / Olympic Legacy Reserve

To improve community health where it links to fire service outcomes and to exploit and maximise opportunities and initiatives arising from the World Firefighter Games.

Training Reserve

This reserve has been created to allow additional resources and training for the additional costs required for emergency services collaboration.

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. It should be noted that assumptions on pay increases in the budget are low (1%).

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

2017/18 £000		2018/19 £000
51	(Gains)/losses on the transfer and disposal of non-current assets	69
51	**Total**	**69**

10. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
3,730	Interest payable and similar charges	3,694
31,036	Pensions interest cost	29,938
(1,905)	Expected return on pensions assets	(2,015)
(178)	Interest receivable and similar income	(266)
-	Other investment income	-
32,683	**Total**	**31,351**

11. Taxation and Non-Specific Grant Income

2017/18 £000		2018/19 £000
(27,049)	Council tax income	(28,147)
(4,360)	National non-domestic rates (local share)	(4,173)
-	National non-domestic rates pool	-
(14,755)	National non-domestic rates top up grant	(15,273)
(13,664)	Revenue support grant	(12,050)
(1,402)	Capital grants and contributions	(2,111)
(61,230)	**Total**	**(61,754)**

12. Property, Plant and Equipment

Movements in 2018/19:

	Land & Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property Plant and Equipment £000
Cost or Valuation					
At 1 April 2018	**63,934**	**193**	**19,780**	**83,907**	**18,825**
Additions	610	5,231	2,829	8,670	59
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,927)	-	-	(4,927)	-
Derecognition – disposals	(650)	-	-	(650)	-
Derecognition – other	-	-	(1,197)	(1,197)	-
Assets reclassified (to)/from held for sale	(1,709)	-	-	(1,709)	-
Other movements in cost or valuation	4,458	(4,933)	-	(475)	-
At 31 March 2019	**61,716**	**491**	**21,412**	**83,619**	**18,884**
Accumulated Depreciation and Impairment					
At 1 April 2018	**(7,338)**	**-**	**(9,778)**	**(17,116)**	**(1,425)**
Depreciation charge	(2,478)	-	(2,350)	(4,828)	(475)
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	-	-	1,197	1,197	-
Assets reclassified (to)/from held for sale	764	-	-	764	-
Other movements in depreciation and impairment	-	-	-	-	-
At 31 March 2019	**(9,052)**	**-**	**(10,931)**	**(19,983)**	**(1,900)**
Net Book Value					
At 31 March 2019	**52,664**	**491**	**10,481**	**63,636**	**16,984**
At 31 March 2018	**56,596**	**193**	**10,002**	**66,791**	**17,400**
Nature of Asset Holding					
Owned	34,116	491	10,481	45,088	-
Finance Lease	1,564	-	-	1,564	-
PFI	16,984	-	-	16,984	16,984
Total	**52,664**	**491**	**10,481**	**63,636**	**16,984**

Property, Plant and Equipment

Comparative Movements in 2017/18:

	Land & Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property Plant and Equipment £000
Cost or Valuation					
At 1 April 2017	**57,341**	**2,276**	**19,699**	**79,316**	**18,825**
Additions	704	5,317	3,106	9,127	-
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Derecognition – disposals	-	-	(470)	(470)	-
Derecognition – other	-	-	(2,555)	(2,555)	-
Assets reclassified (to)/from held for sale	(1,000)	-	-	(1,000)	-
Other movements in cost or valuation	6,889	(7,400)	-	(511)	-
At 31 March 2018	**63,934**	**193**	**19,780**	**83,907**	**18,825**
Accumulated Depreciation and Impairment					
At 1 April 2017	**(5,058)**	**-**	**(10,674)**	**(15,732)**	**(950)**
Depreciation charge	(2,742)	-	(1,946)	(4,688)	(475)
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	-	-	287	287	-
Derecognition – other	-	-	2,555	2,555	-
Assets reclassified (to)/from held for sale	462	-	-	462	-
Other movements in depreciation and impairment	-	-	-	-	-
At 31 March 2018	**(7,338)**	**-**	**(9,778)**	**(17,116)**	**(1,425)**
Net Book Value					
At 31 March 2018	**56,596**	**193**	**10,002**	**66,791**	**17,400**
At 31 March 2017	**52,283**	**2,276**	**9,025**	**63,584**	**17,875**
Nature of Asset Holding					
Owned	37,598	193	10,002	47,793	-
Finance Lease	1,598	-	-	1,598	-
PFI	17,400	-	-	17,400	17,400
Total	**56,596**	**193**	**10,002**	**66,791**	**17,400**

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. This is due to the station merger programme. Fire stations are being depreciated over the remaining useful life in line with the forecast openings of new fire stations.

- 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

Depreciation / Impairment Reconciliation 2018/19

The attached analysis gives a complete breakdown of all depreciation charges, impairments and reversal of prior year impairments and revaluation losses.

	I&E Account £000	MIRS Reversal £000	Fixed Assets £000	Intangible Assets £000	AHFS £000	Revaluation Reserve £000
Depreciation						
Fixed assets	4,828	(4,828)	(4,828)	-	-	-
Intangible assets	422	(422)	-	(422)	-	-
Total	**5,250**	**(5,250)**	**(4,828)**	**(422)**	**-**	**-**
Impairments						
(Gain)/loss on asset sales	(39)	39	-	-	39	-
General impairments (L&B)	475	(475)	(475)	-	-	-
Revaluation losses	4,927	(4,927)	(4,927)	-	-	
Total	**5,363**	**(5,363)**	**(5,402)**	**-**	**39**	**-**
Reversal of Prior Year						
Impairments	-	-	-	-	-	-
Revaluation losses	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total	**10,613**	**(10,613)**	**(10,230)**	**(422)**	**39**	**-**
Revaluation Gain						
Reversal of PY impairments	-	-	-	-	-	-
Reversal of PY revaluation gain	-	-	-	-	-	-
Net Gain	**-**	**-**	**-**	**-**	**-**	**-**

Capital Commitments

At 31st March 2019, 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 2019/20 and future years is £2.3m. Similar commitments at 31st March 2018 were £1.5m. The commitments can be analysed as follows:

• Building Schemes	£1.0m
• Equipment and ICT Schemes	£0.5m
• Vehicles	£0.8m
	£2.3m

Effects of Changes in Estimates

Two fire stations were put up for sale in 2018/19 and transferred to Assets Held For Sale.

• West Kirby Fire Station	£200,000
• Upton Fire Station	£350,000

Various properties were sold in 2018/19:-

• Allerton Fire Station	£910,000
• Whiston Fire Station	£310,000
• West Kirby LLAR House	£411,000
• Land at Brombrough Fire Station	£34,000
	£1,665,000

Revaluations

The Authority carries out a programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least 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 complete property portfolio valuation was completed in March 2015 and became effective as at 31/03/2015. 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 current 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 full valuation was completed in March 2015.

	Land and Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total £000
Carried at historical cost	-	491	21,412	**21,903**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2019	6,816	-	-	**6,816**
31 March 2015	41,527	-	-	**41,527**
Values at current value as at:				
31 March 2015	13,373	-	-	**13,373**
Total Cost or Valuation	**61,716**	**491**	**21,412**	**83,619**

Valuations at 31st March 2019 related to two new fire stations constructed and opened in year (Prescot and Saughall Massie).

13. 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.

The movement on intangible asset balances during the year is as follows:

	2018/19 Software Licenses £000	2017/18 Software Licenses £000
Balance at start of year:		
▪ Gross carrying amounts	374	140
▪ Accumulated amortisation	-	-
Net carrying amount at start of year	**374**	**140**
Additions:		
▪ Internal development	-	-
▪ Purchases	197	374
▪ 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	(422)	(140)
Other changes	-	-
Net carrying amount at end of year	**149**	**374**
Comprising:		
▪ Gross carrying amounts	374	374
▪ Accumulated amortisation	(225)	-
Total	**149**	**374**

14. Financial Instruments

Reclassification of Financial Instruments Due to the Adoption on IFRS 9

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost: These represent loans and loan-type arrangements where repayments of interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

- Financial assets at Fair Value through Other Comprehensive Income (FVOCI): These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed ofdepreciation is not applied to land

- Fair Value through Profit and Loss (FVTPL): These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

The table below shows the reclassification from the previous accounting standard (IAS 39) to the newly adopted standard (IFRS 9).

Category of Assets under IAS 39	Balance March 2018 £000	Reclassification £000	Balance As at 1 April 2019/18 £000	Category of Assets under IFRS 9
Short-term investments				**Short-term investments**
Loans and receivables - investments	22,058	-	22,058	Investments at amortised Cost
Cash & bank	8,560	-	8,560	Cash & bank
Debtors				**Debtors**
Financial assets carried at contract amounts	11,671	(10,963)	708	Debtors at amortised cost
Non-financial instruments	-	10963	10,963	Non-financial instruments
Short-term liabilities				**Short-term liabilities**
Financial liabilities at amortised cost (PWLB)	(500)	-	(500)	Financial liabilities at amortised cost (PWLB)
Financial liabilities at Fair Value through P&L	(700)	-	(700)	Financial liabilities at Fair Value through P&L
PFI liabilities	(363)	-	(363)	PFI liabilities at amortised cost
Merseyside Residual Debt	(41)	-	(41)	Merseyside Residual Debt at amortised cost
Creditors				**Creditors**
Financial liabilities carried at contract amount	(15,966)	(13,057)	(2,909)	Financial liabilities carried at amortised amount
Non-financial instruments	-	(13,057)	(13,057)	Non-financial instruments
Long-term liabilities				**Long-term liabilities**
Financial liabilities at amortised cost (PWLB)	(37,600)	-	(37,600)	Financial liabilities at amortised cost (PWLB)
PFI liabilities	(18,147)	-	(18,147)	PFI liabilities at amortised cost
Merseyside Residual Debt	(284)	-	(284)	Merseyside Residual Debt at amortised cost

IFRS 9 also applies to financial liabilities, which have been assessed to be categorised as amortised cost which is equivalent to the old classification of loans and receivables, under which all of the Council's financial liabilities fall (excluding PFI and leases).

All of the information that follow are based on the new standard.

Categories of Financial Instruments

The Authority's financial instruments include financial assets (investments and receivables) and financial liabilities (trade payables arising from day-to-day operations and borrowings). The main purposes of the Authority's financial instruments are to raise finance to support the Authority's day-to-day operations (by investing surplus cash balances where appropriate) and finance investment undertaken through the capital programme.

The following categories of financial instruments are carried on the Balance Sheet, were financial assets and liabilities have been identified which do not meet the financial instrument criteria they have been included in non-financial instruments for completeness.

	Non-Current		Current	
	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018 Restated
	£000	£000	£000	£000
Financial Assets				
Investments at amortised	-	-	17,088	22,058
Cash & Bank	-	-	4,669	8,560
Total Investments	**-**	**-**	**21,757**	**30,618**
Debtors				
Debtors at amortised cost	-	-	892	708
Non-financial instruments	-	-	15,417	10,963
Total Included in Debtors	**-**	**-**	**16,309**	**11,671**
Financial Liabilities				
Financial liabilities at amortised cost (PWLB)	(37,335)	(37,600)	(265)	(500)
Financial liabilities at fair value through profit and loss	-	-	-	(700)
Total Borrowings	**(37,335)**	**(37,600)**	**(265)**	**(1,200)**
Other Long-Term Liabilities				
Finance lease liabilities at amortised cost	-	-	-	-
PFI liabilities at amortised cost	(17,753)	(18,147)	(394)	(363)
Merseyside Residual Debt at amortised cost	(243)	(284)	(41)	(41)
Total Other Long-Term Liabilities	**(17,996)**	**(18,431)**	**(435)**	**(404)**
Creditors				
Creditors at amortised cost	-	-	(3,320)	(2,909)
Non-financial instruments	-	-	(6,951)	(13,057)
PWLB interest carried at amortised cost	-	-	(384)	(392)
Total Creditors	**-**	**-**	**(10,655)**	**(16,358)**
Total Borrowing	**(55,331)**	**(56,031)**	**(11,355)**	**(17,962)**

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:

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
• financial assets measured at fair value through profit or loss	-	-	-	-
• financial assets measured at amortised cost	-	-	-	-
• investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
• investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
Total net gains/losses	**-**	**-**	**-**	**-**
Interest revenue:				
• financial assets measured at amortised cost	(266)	-	(177)	-
• other financial assets measured at fair value through other comprehensive income	-	-	-	-
Total interest revenue	**(266)**	**-**	**(177)**	**-**
Interest expense:	3,694	-	3,730	
Fee income:				
• financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-
• trust and other fiduciary activities	-	-	-	-
Total fee income	**-**	**-**	**-**	**-**
Fee expense:				
• financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-
• trust and other fiduciary activities	-	-	-	-
Total fee expense	**-**	**-**	**-**	**-**

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 31st March 2019 of 4.25% to 11.125% for loans from the Public Works Loan Board (PWLB)
- no early repayment or impairment is recognised
- where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & Long term loans	37,600	58,047	38,100	57,443

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2019) arising from a commitment to pay interest to lenders above 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.

15. Inventories

	Clothing / Consumable Stores		Diesel / Maintenance Materials		Total	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	416	352	111	104	527	456
Purchases	128	474	787	726	915	1,200
Recognised as an expense in the year	(47)	(410)	(787)	(719)	(834)	(1,129)
Written-off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**497**	**416**	**111**	**111**	**608**	**527**

16. Debtors

	31 March 2019	31 March 2018 Restated
	£000	£000
Central Government bodies	11,513	7,563
Other local authorities	3,410	3,116
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,386	992
Total	**16,309**	**11,671**

17. Cash and Cash Equivalents

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

31 March 2018 Restated £000		31 March 2019 £000
9	Cash held by the Authority	8
(852)	Bank current accounts	(441)
9,403	Short-term deposits with building societies	5,102
8,560	**Total Cash and Cash Equivalents**	**4,669**

18. Assets Held for Sale

	Current		Non-Current	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Balance outstanding at start of year	**650**	**400**	**-**	**-**
Assets newly classified as held for sale:				
▪ property, plant and equipment	-	-	945	538
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	(72)	(38)
Revaluation gains	-	-	111	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				-
▪ property, plant and equipment	-	-	-	-
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(1,084)	(250)	-	-
Transfers from non-current to current	984	500	(984)	(500)
Other movements	-	-	-	-
Balance outstanding at year-end	**550**	**650**	**-**	**-**

19. Creditors

	31 March 2019 £000	31 March 2018 Restated £000
Central Government bodies	(4,010)	(10,184)
Other local authorities	(2,941)	(2,873)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(3,320)	(2,909)
Total	**(10,271)**	**(15,966)**

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

20. Provisions

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Business Rates Appeals £000	Total £000
Balance at 1 April 2018	**-**	**(219)**	**(729)**	**(948)**
Additional provisions made in 2018/19	-	(133)	(83)	**(216)**
Amounts used in 2018/19	-	9	-	**9**
Unused amounts reversed in 2018/19	-	-	-	**-**
Unwinding of discounting in 2018/19	-	-	-	**-**
Balance at 31 March 2019	**-**	**(343)**	**(812)**	**(1,155)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31st March 2019. 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 £0.5m.

Business Rates Appeals

This relates to Merseyside Fire Service's share of appeals at 31st March 2019 from the five precepting authorities.

21. Usable Reserves

31 March 2018 £000		31 March 2019 £000
-	Usable Capital Receipts Reserve	-
(5,045)	Usable Capital Grants Unapplied	(4,856)
(2,000)	General Fund Balance	(2,000)
(25,715)	Earmarked Reserves **(Note 8)**	(23,064)
(32,760)	**Total Usable Reserves**	**(29,920)**

22. Unusable Reserves

31 March 2018 Restated £000		31 March 2019 £000
(7,665)	Revaluation Reserve	(6,027)
4,131	Capital Adjustment Account	32
(14)	Financial Instruments Adjustment Account	-
1,108,804	Pensions Reserve	1,187,762
(344)	Collection Fund Adjustment Account	(286)
962	Accumulating Compensated Absences Adjustment Account	1,033
1,105,874	**Total Unusable Reserves**	**1,182,514**

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.

2017/18 £000			2018/19 £000
(8,805)	**Balance at 1 April**		**(7,665)**
-	Upward revaluation of assets	-	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
-	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-
975	Difference between fair value depreciation and historical cost depreciation	866	
165	Accumulated gains on assets sold or scrapped	772	
1,140	Amount written off to the Capital Adjustment Account		**1,638**
(7,665)	**Balance at 31 March**		**(6,027)**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation 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 31st March 2019.

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 additions to 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 subsequent costs.

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.

2017/18 £000		2018/19 £000	
9,465	**Balance at 1 April**		**4,131**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
5,237	• Charges for depreciation and impairment of non-current assets	5,303	
-	• Revaluation losses on property, plant and equipment	4,927	
141	• Amortisation of intangible assets	422	
658	• Revenue expenditure funded from capital under statute	830	
433	• 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	1,695	
6,469			13,177
(1,140)	Adjusting amounts written out of the Revaluation Reserve		(1,638)
5,329	Net written out amount of the cost of non-current assets consumed in the year		**11,539**
	Capital financing applied in the year:		
(382)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(1,665)	
-	• Use of the Major Repairs Reserve to finance new capital expenditure	-	
(702)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11)	
(236)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(2,289)	
(4,513)	• Statutory provision for the financing of capital investment charged against the General Fund	(8,234)	
(4,830)	• Capital expenditure charged against the General Fund	(3,439)	
(10,663)			**(15,638)**
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
4,131	**Balance at 31 March**		**32**

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 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 31st March 2019 will be charged to the General Fund over the next 2 years.

2017/18 £000		2018/19 £000
(29)	**Balance at 1 April**	**(14)**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
15	Proportion of discounts received in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	14
15	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	14
(14)	**Balance at 31 March**	**-**

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.

2017/18 Restated £000		2018/19 £000
1,115,085	**Balance at 1 April**	**1,108,804**
(39,739)	Remeasurements of the net defined benefit liability/(asset)	(162)
43,602	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	86,147
(10,144)	Employer's pensions contributions and direct payments to pensioners payable in the year	(7,027)
1,108,804	**Balance at 31 March**	**1,187,762**

Collection Fund Adjustment Account

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

2017/18 £000		2018/19 £000
(6)	**Balance at 1 April**	**(344)**
(338)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	58
(344)	**Balance at 31 March**	**(286)**

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 Absences Account

The Accumulating 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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000			2018/19 £000
1,070	**Balance at 1 April**		**962**
(575)	Settlement or cancellation of accrual made at the end of the preceding year	(533)	
467	Amounts accrued at the end of the current year	604	
(108)	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		71
962	**Balance at 31 March**		**1,033**

23. Cash Flow Statement – The surplus or deficit on the provision of services has been adjusted for the following non-cash movements

2017/18 Restated £000		2018/19 £000
(5,237)	Depreciation and impairment of non-current assets	(5,303)
-	Revaluation losses on property plant and equipment	(4,927)
(141)	Amortisation of intangible assets	(422)
(658)	Revenue expenditure treated as capital under statute	(830)
-	Movement in the donated assets account	-
(33,458)	Movement in pension liability	(79,120)
(433)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,695)
(4,643)	(Increase)/decrease in creditors	5,370
(1,798)	Increase/(decrease) in debtors	4,882
71	Increase/(decrease) in stocks	81
222	(Increase)/decrease in provisions	(122)
(46,075)		**(82,086)**

24. Cash Flow Statement – The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities

2017/18 £000		2018/19 £000
177	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	266
383	Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,674
(3,730)	Loan interest	(3,694)
1,402	Capital grants	2,111
(1,768)		**357**

25. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
10,160	Purchase of property, plant and equipment, investment property and intangible assets	9,697
7,000	Purchase of short-term and long-term investments	(5,000)
(700)	Other payments for investing activities	700
(383)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,674)
-	Proceeds from short-term and long-term investments	-
(1,569)	Other receipts from investing activities	(2,351)
14,508	**Net cash flows from investing activities**	**1,372**

26. Cash Flow Statement – Financing Activities

2017/18 £000		2018/19 £000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
335	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	363
1,041	Repayments of short term and long term borrowing	541
3,736	Other payments for financing activities	3,702
5,112	**Net cash flows from financing activities**	**4,606**

27. Expenditure and Funding Analysis

The "**Expenditure and Funding Analysis**" below outlines in more detail the reconciliation of the General Fund and CIES statements. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Restated				Notes	2018/19		
Net Expenditure Chargeable to General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Account £000			Net Expenditure Chargeable to General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Account £000
63,330	(4,211)	59,119	Fire Service Operations		62,143	661	62,804
480	649	1,129	Corporate and Democratic Core		475	575	1,050
-	28	28	National Resilience / International Search and Rescue		-	81	81
-	732	732	Non-Distributed Costs		-	46,041	46,041
63,810	**(2,802)**	**61,008**	**Net Cost of Services**		**62,618**	**47,358**	**109,976**
(59,667)	31,171	(28,496)	Other Income and Expenditure		(59,967)	29,633	(30,334)
4,143	**28,369**	**32,512**	**Surplus or Deficit**	**27**	**2,651**	**76,991**	**79,642**
(31,858)	-	-	Opening General Fund Balance		(27,715)	-	-
4,143	-	-	Less/Plus (Surplus) or Deficit on General Fund		2,651	-	-
(27,715)	**-**	**-**	**Closing General Fund Balance at 31 March**		**(25,064)**	**-**	**-**

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2017/18 Restated			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Fire Service Operations	(7,615)	3,495	(91)	**(4,211)**
Corporate and Democratic Core	550	100	(1)	**649**
National Resilience / International Search and Rescue	28	-	-	**28**
Non-Distributed Costs	-	732	-	**732**
Exceptional Items	-	-	-	**-**
Net Cost Services	**(7,037)**	**4,327**	**(92)**	**(2,802)**
Other Income and Expenditure from the Expenditure and Funding Analysis	2,378	29,131	(338)	**31,171**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,659)**	**33,458**	**(430)**	**28,369**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2018/19			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Fire Service Operations	(4,523)	5,101	83	**661**
Corporate and Democratic Core	519	55	1	**575**
National Resilience / International Search and Rescue	81	-	-	**81**
Non-Distributed Costs	-	46,041	-	**46,041**
Exceptional Items	-	-	-	**-**
Net Cost Services	**(3,923)**	**51,197**	**84**	**47,358**
Other Income and Expenditure from the Expenditure and Funding Analysis	1,652	27,923	58	**(29,633)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(2,271)**	**79,120**	**142**	**76,991**

1. **Adjustments for Capital Purposes**

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. **Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

3. **Other Differences**

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- The **Accumulated 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.

Segmental Income

Income received on a segmental basis is analysed below:

Services	2018/19 Income from Services £000	2017/18 Income from Services £000
Fire Service Operations	(8,421)	(7,983)
Corporate and Democratic Core	-	-
National Resilience / International Search and Rescue	(9,914)	(3,802)
Non-Distributed Costs	-	-
Exceptional Items	-	-
Net Cost Services	**(18,335)**	**(11,785)**

Expenditure and Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

Expenditure/Income	2017/18 Restated £000	2018/19 £000
Expenditure		
Employee benefits expenses	51,901	50,558
Past Service Costs	732	46,041
Other services expenses	13,704	19,874
Support service recharges	420	394
Depreciation, amortisation, impairment.	6,036	11,444
Interest payments	34,766	33,632
(Gain)/loss on disposal of assets	51	69
Total Expenditure	**107,610**	**162,012**
Income		
Fees, charges and other service income	(11,785)	(18,335)
Interest and investment income	(2,083)	(2,281)
Income from council tax, non-domestic rates, district rate income	(59,828)	(59,643)
Government grants and contributions	(1,402)	(2,111)
Total Income	**(75,098)**	**(82,370)**
Surplus or (Deficit) on the Provision of Services	**32,512**	**79,642**

28. 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. All these fire stations are completed and fully operational.

29. Members' Allowances

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

	2018/19 £000	2017/18 £000
Allowances	201	206
Expenses	22	20
Total	**223**	**226**

30. 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) £	Pension Contribution Note a £	Total
Chief Fire Officer – Dan Stephens	**2018/19**	68,352	-	-	-	-	5,585	**73,937**
Note a	**2017/18**	170,000	-	-	-	-	33,461	**203,461**
Chief Fire Officer – Phil Garrigan	**2018/19**	163,247	-	-	-	-	22,086	**185,333**
	2017/18	144,500	-	-	-	-	20,664	**165,164**
Deputy Chief Fire Officer	**2018/19**	135,194	-	-	-	-	16,500	**151,694**
	2017/18	93,122	-	-	-	-	13,317	**106,439**
Assistant Chief Fire Officer	**2018/19**	110,713	-	-	-	-	14,023	**124,736**
	2017/18	93,150	-	-	-	-	13,317	**106,467**
Director of Legal, Estates, Procurement & Democratic Services	**2018/19**	95,363	-	-	-	-	14,296	**109,659**
	2017/18	93,791	-	-	-	-	14,049	**107,840**
Director of Finance	**2018/19**	89,537	-	-	-	-	13,443	**102,980**
	2017/18	87,569	-	-	-	-	13,180	**100,749**

Note a
The Chief Fire Officer Dan Stephens retired from the Service in May 2018.

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

Remuneration Band	2018/19 Number of Employees	2017/18 Number of Employees
£50,000 - £54,999	21	34
£55,000 - £59,999	22	19
£60,000 - £64,999	19	8
£65,000 - £69,999	9	8
£70,000 - £74,999	2	5
£75,000 - £79,999	3	1
£80,000 - £84,999	1	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	1
£135,000 - £140,999	1	-
Total	**79**	**77**

Note a – In 2018/19, 69 of the 79 staff receiving over £50,000 are firefighting staff (in 2017/18 this was 69 of the 77), who provide fire cover (many of whom are receiving additional payments for working extra time or working more flexibly and providing resilience).

Note b – The bandings only include the remuneration of employees that have not been disclosed individually in the Authority's Senior Officer Remuneration note on the previous page.

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.

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Band		Total Cost of Exit Packages in Each Band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	-	-	1	1	1	1	14,689	3,810
£20,001 - £40,000	-	-	-	1	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	1	-	47,010
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	1	-	1	-	84,894
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1**	**3**	**1**	**3**	**14,689**	**135,714**

31. 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:

	2018/19 £000	2017/18 £000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	25	32
Fees payable in respect of National Fraud Initiative	1	-
Audit refund (returned earning audited bodies distribution)	-	(4)
Total	**26**	**28**

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19 £000	2017/18 £000
Credited to Taxation and Non-Specific Grant Income and Expenditure		
Council tax income/Local share non domestic rates	**(32,320)**	**(31,409)**
Non domestic rates	**(15,273)**	**(14,755)**
Non-ring fenced Government grants:		
Revenue Support Grant	**(12,050)**	**(13,664)**
Capital Grants and Contributions:		
National Resilience Grant	**(2,100)**	**(700)**
Police Collaboration Grant – Prescot	**-**	**(650)**
Other	**(11)**	**(52)**
Total	**(61,754)**	**(61,230)**
Credited to Services		
National Resilience / International Search and Rescue Grant	**(9,640)**	**(4,022)**
New Dimensions Grant (Home Office)	**(877)**	**(878)**
Fire Control Implementation Grant (Home Office)	**(263)**	**(254)**
PFI Credits (Ministry of Housing, Communities and Local Government)	**(2,097)**	**(2,097)**
Emergency Services Mobile Communications Programme Grant	**(342)**	**(468)**
Other Grants (Ministry of Housing, Communities and Local Government / Home Office)	**(1,339)**	**(637)**
Total	**(14,558)**	**(8,356)**

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

33. 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 16 and 19.

2017/18 Receipts	2017/18 Payments	Related Party Transactions	2018/19 Receipts	2018/19 Payments
		Central Government		
14,755	-	Redistributed National Non-Domestic Rates	15,273	-
13,664	-	Revenue Support Grant	12,050	-
236	-	Capital Grants	2,288	-
-	3,731	Employers National Insurance Contributions	-	3,568
		Local Authority Precept (Council Tax & Business Rates)		
3,218	-	Knowsley	3,136	-
9,551	-	Liverpool	9,967	-
4,192	-	St Helens	4,371	-
6,839	-	Sefton	7,059	-
7,609	-	Wirral	7,787	-
		Pensions		
-	1,312	Merseyside Superannuation Fund Employers Contributions	-	1,384
-	2,868	Merseyside Superannuation Fund Deficit Employers Contributions	-	-
29,173	33,597	Pension Fund (Home Office)	29,567	37,928

Central Government

Central Government has significant influence 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 32 grant income.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 29. 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 2018/19, there were no reported material transactions with related parties.

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 throughout the year. There were no reported material related party transactions in respect of 2018/19.

Entities Controlled or Significantly Influenced by the Authority

Joint Control Centre

Merseyside Fire and Rescue Authority and Merseyside Police Authorities had entered into a contract to develop and build a joint Merseyside Command and Control Centre. The proposed design solution included a new two-storey building extension attached to the rear of the current Fire Service Headquarters and a refurbishment of the existing area of the building. Work on the project started on the 8th April 2013 and the project was completed during 2014/15.

National Resilience / International Search and Rescue

The Authority currently represents the National Fire & Rescue Service in providing support to a number of Government Departments. This involved taking the lead and managing national projects on their behalf. The list below identifies the Government Department and the area of business where the Authority provided support in 2018/19. The Government provides funding and the actual expenditure has been included within the accounts of the Authority.

Home Office

The provision and support of National Resilience Capabilities. Budget: Revenue £9.4m, Capital £2.1m.

Department for Food & Rural Affairs

The management of National Flood Response Assets. Budget: Revenue £0.1m.

Department for International Development

Emergency Deployment Teams Programme. Budget Revenue £0.9m.

34. 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 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.

	2018/19 £000	2017/18 £000
Opening Capital Financing Requirement	**(64,280)**	**(64,784)**
Capital investment		
Property, plant and equipment	(8,670)	(9,127)
Investment properties	-	-
Intangible assets	(197)	(374)
Revenue Expenditure Funded from Capital under Statute	(830)	(658)
Sources of finance		
Capital receipts	1,665	382
Government grants and other contributions	2,298	939
Sums set aside from revenue:		
• Direct revenue contributions	3,439	4,830
• [MRP/loans fund principal]	8,234	4,512
Closing Capital Financing Requirement	**(58,341)**	**(64,280)**
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrowing (supported by government financial assistance)	-	-
Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(5,939)	(504)
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase/(decrease) in Capital Financing Requirement	**(5,939)**	**(504)**

35. Leases

Authority as Lessee

Finance Leases

In the past the Authority had acquired a number of fire engines and breathing apparatus under finance leases, but as at 31st March 2019 the Authority has no outstanding finance leases.

The Authority built a fire station for £1.7m on land currently owned by Liverpool City Council. Although a lease is in place between the Authority and Liverpool City Council no further cash flows are envisaged. See below current values.

	31 March 2019 £000	31 March 2018 £000
Other Land and Buildings	1,564	1,598
Vehicles, Plant, Furniture and Equipment	-	-
Total	**1,564**	**1,598**

Operating Leases

The Authority has a policy on vehicle provision and as part of that a number of vehicles have been acquired through operating leases; these vehicles have typical lives of between 3 and 5 years.

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	36	77
Later than one year and not later than five years	51	21
Later than five years	-	-
Total	**87**	**98**

Authority as Lessor

Finance Leases

The Authority, in conjunction with Merseyside Police, has built a Joint Command and Control Centre. The lease to the Police is for a period of 40 years. The Police have invested all capital monies up front to the value of their share of the asset and no residual value is anticipated for the property when the lease comes to an end. There is therefore no long term debtor for the lease as all the liabilities have been paid up front.

36. Private Finance Initiatives and Similar Contracts

The Authority lead on a North West PFI project to replace 16 fire stations in Merseyside, Lancashire and Cumbria. Merseyside Fire Service built 7 new fire stations. The total value of the PFI scheme is £47.886m of which £19.787m relates to Merseyside Fire and Rescue Service. The contract for building the new stations is with Balfour Beatty Fire and Rescue NW Limited and the building programme for Merseyside started in April 2011. The first station for Merseyside was completed in April 2012 and the last station was completed in July 2013.

The contract runs for 25 years from completion and hand over of the last station and includes both 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.

Property, Plant and Equipment

The following table shows the value of assets recognised under PFI arrangements and analyses the movement in the value of assets during the year:

Movement in Value of Assets (7 Fire Stations)	Land £000	Buildings £000	Total £000
Value at 31st March 2018	**1,025**	**16,375**	**17,400**
Additions	-	59	**59**
Depreciation/Impairment	-	(475)	**(475)**
Value at 31st March 2019	**1,025**	**15,959**	**16,984**

Payments

The Authority makes an agreed payment each year which is increased annually 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 started in 2012/13 after the Authority's first station of the project was completed and handed over to the Authority. Payments to the contractor for 2018/19 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2019/20	721	394	1,685	**2,800**
Payable within 2 to 5 years	3,084	1,950	6,437	**11,471**
Payable within 6 to 10 years	4,392	3,561	7,076	**15,029**
Payable within 11 to 15 years	5,085	5,437	5,376	**15,898**
Payable within 16 to 20 years	5,094	6,804	2,407	**14,305**
Payable within 21 to 25 years	-	-	-	**-**
Total	**18,376**	**18,146**	**22,981**	**59,503**
Paid in 2018/19	698	363	1,709	**2,770**
Grand Total	**19,074**	**18,509**	**24,690**	**62,273**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

	31 March 2019 £000	31 March 2018 £000
Balance outstanding at start of year	(18,510)	(18,845)
Payments during the year	363	335
Capital expenditure incurred in the year	-	-
Other movements	-	-
Total	**(18,147)**	**(18,510)**

The PFI liability represents the outstanding long term liability to the contractor for capital expenditure. A fair value disclosure has not been provided for the PFI liability as the actual borrowing lies with the PFI provider and not the Authority. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is no basis on which the Authority can exchange a financial liability held by a third party, as they are not directly a market participant.

37. Impairment Losses

The Authority incurred expenditure of £475,000 in 2018/19 and £511,000 in 2017/18, 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.

38. Capitalisation of Borrowing Costs

The Authority has not capitalised any borrowing costs in 2018/19.

39. Termination Benefits

The Authority terminated the contract of 3 employees in 2018/19, incurring liabilities of £135,714 (£14,689 in 2017/18) – see note 30 for the number of exit packages and the total cost per band.

40. 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 rescue service.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits in the reported cost of services is recognised 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

2017/18 Restated				2018/19		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
2,846	-	**2,846**	• current service cost	2,828	-	**2,828**
-	-	**-**	• past service costs	1,771	-	**1,771**
12	-	**12**	• settlements and curtailments	-	-	**-**
43	-	**43**	▪ administration expenses	45	-	**45**
			Financing and Investment Income and Expenditure			
748	23	**771**	• Net interest expense	721	22	**743**
3,649	**23**	**3,672**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**5,365**	**22**	**5,387**
			Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement			
			Remeasurement of the net defined benefit liability Comprising:			
(3)	-	**(3)**	• Return on scheme assets (excluding the amount included in the net interest expense)	(2,847)	-	**(2,847)**
-	-	**-**	• Actuarial gains and losses arising on changes in demographic assumptions	-	-	**-**
(4,514)	(20)	**(4,534)**	• Actuarial gains and losses arising on changes in financial assumptions	6,235	29	**6,264**
-	-	**-**	• Other experiences (gain)/loss on liabilities	-	-	**-**
(868)	**3**	**(865)**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**8,753**	**51**	**8,804**
			Movement in Reserves Statement			
(3,649)	(23)	**(3,672)**	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(5,365)	(22)	**(5,387)**
			Actual amount charged against the General Fund Balance for pensions in the year:			
2,273	-	**2,273**	• Employers' contributions payable to scheme	1,374	-	**1,374**
-	51	**51**	• Retirement benefits payable to pensioners	-	52	**52**
			Prior year restated			
(2,273)	-	**(2,273)**	• Employer contributions payable to scheme removed			
4,185	-	**4,185**	• Employer contributions payable to scheme restated			

Firefighters Pension Scheme

2017/18 FPS 1992 £000	2017/18 Injury Awards £000	2017/18 FPS 2006 £000	2017/18 FPS 2015 £000	2017/18 Total £000		2018/19 FPS 1992 £000	2018/19 Injury Awards £000	2018/19 FPS 2006 £000	2018/19 FPS 2015 £000	2018/19 Total £000
					Comprehensive Income and Expenditure Statement					
					Cost of Services					
6,300	210	-	4,340	**10,850**	• current service cost	4,940	140	-	4,230	**9,310**
720	-	-	-	**720**	• past service costs	44,030	-	240	-	**44,270**
-	-	-	-	**-**	• settlements and curtailments	-	-	-	-	**-**
					Financing and Investment Income and Expenditure					
26,790	930	350	290	**28,360**	• Net interest expense	25,740	920	110	410	**27,180**
33,810	**1,140**	**350**	**4,630**	**39,930**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**74,710**	**1,060**	**350**	**4,640**	**80,760**
					Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement					
					Remeasurement of the net defined benefit liability Comprising:					
(29,332)	-	1	2,889	**(26,442)**	• Return on scheme assets (excluding the amount included in the net interest expense)	(34,624)	-	(19)	3,344	**(31,299)**
(27,000)	(1,330)	(90)	(690)	**(29,110)**	• Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	**-**
24,750	250	170	60	**25,230**	• Actuarial gains and losses arising on changes in financial assumptions	25,400	660	180	980	**27,220**
2,200	2,780	(9,320)	(540)	**(4,880)**	• Other experiences (gain)/loss on liabilities	(1,760)	1,590	(30)	700	**500**
4,428	**2,840**	**(8,889)**	**6,349**	**4,728**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**63,726**	**3,310**	**481**	**9,664**	**77,181**
					Movement in Reserves Statement					
(33,810)	(1,140)	(350)	(4,630)	**(39,930)**	• Reversal of net charges made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(30,680)	(1,060)	(110)	(4,640)	**(36,490)**
					Actual amount charged against the General Fund Balance for pensions in the year:					
2,688	-	1	1,479	**4,168**	• Employers' contributions payable to scheme	2,046	-	1	1,804	**3,851**
-	1,740	-	-	**1,740**	• Retirement benefits payable to pensioners	-	1,750	-	-	**1,750**

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2019 is a surplus of £0.162m and to the 31st March 2018 is a surplus of £39.739m.

- Past service costs and curtailment costs are the result of increased benefits being paid in the event of members retiring during the year. Those costs which result from redundancy/efficiency retirements are classified as curtailment costs, with any other amounts being regarded as past service costs.

Pension Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme

2017/18 Restated				2018/19		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(106,347)	(882)	**(107,229)**	Present value of the defined benefit obligation	(117,716)	(881)	**(118,597)**
75,993	-	**75,993**	Fair value of plan assets	81,895	-	**81,895**
(30,354)	**(882)**	**(31,236)**	***Net liability arising from defined benefit obligation***	**(35,821)**	**(881)**	**(36,702)**
			Prior year restated			
(75,993)	**-**	**(75,993)**	Fair value of scheme assets removed			
77,905	**-**	**77,905**	Fair value of scheme asset restated			
(28,442)	**(882)**	**(29,324)**	***Net liability arising from defined benefit obligation***			

Firefighters Pension Scheme

2017/18						2018/19				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
(1,025,270)	(36,820)	(4,320)	(13,070)	**(1,079,480)**	Present value of the defined benefit obligation	(1,086,950)	(38,380)	(4,800)	(20,930)	**(1,151,060)**
-	-	-	-	-	Fair value of plan assets	-	-	-	-	-
(1,025,270)	**(36,820)**	**(4,320)**	**(13,070)**	**(1,079,480)**	***Net liability arising from defined benefit obligation***	**(1,086,950)**	**(38,380)**	**(4,800)**	**(20,930)**	**(1,151,060)**

Reconciliation of the Movements in the Fair Value of Scheme Assets
Local Government Pension Scheme

2017/18 Restated				2018/19		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
73,455	-	**73,455**	Opening fair value of scheme assets	77,905	-	**77,905**
1,905	-	**1,905**	Interest income	2,015	-	**2,015**
			Re-measurement gain/(loss):			
3	-	**3**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	2,847	-	**2,847**
(43)	-	**(43)**	▪ Administration expenses	(45)	-	**(45)**
2,273	51	**2,324**	Contributions from employer	1,374	52	**1,426**
574	-	**574**	Contributions from employees into the scheme	600	-	**600**
(2,174)	(51)	**(2,225)**	Benefits paid	(2,801)	(52)	**(2,853)**
75,993	**-**	**75,993**	***Net liability arising from defined benefit obligation***	**81,895**	**-**	**81,895**
			Prior year restated			
(2,273)	**(51)**	**(2,324)**	Contribution from employer removed			
4,185	**51**	**4,236**	Contribution from employer restated			
77,905	**-**	**77,905**	***Net liability arising from defined benefit obligation***			

Firefighters Pension Scheme

2017/18						2018/19				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
-	**-**	**-**	**-**	**-**	Opening fair value of scheme assets	**-**	**-**	**-**	**-**	**-**
					Re-measurement gain/(loss):					
29,332	-	(1)	(2,889)	**26,442**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	34,624	-	19	(3,344)	**31,299**
2,688	1,740	1	1,479	**5,908**	Contributions from employer	2,046	1,750	1	1,804	**5,601**
1,570	-	-	1,420	**2,990**	Contributions from employees into the scheme	1,090	-	-	1,560	**2,650**
(33,590)	(1,740)	-	(10)	**(35,340)**	Benefits paid	(37,760)	(1,750)	(20)	(20)	**(39,550)**
-	**-**	**-**	**-**	**-**	***Net liability arising from defined benefit obligation***	**-**	**-**	**-**	**-**	**-**

Return on scheme assets is effectively a balancing figure because we know that there is 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. The return on scheme assets is combined with the other return on assets for both schemes.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

Local Government Pension Scheme

2017/18 Funded Benefits £000	2017/18 Unfunded Benefits £000	2017/18 Total £000		2018/19 Funded Benefits £000	2018/19 Unfunded Benefits £000	2018/19 Total £000
(106,950)	(930)	(107,880)	Opening balance at 1 April	(106,347)	(882)	(107,229)
(2,846)	-	(2,846)	Current service cost	(2,828)	-	(2,828)
(2,653)	(23)	(2,676)	Interest cost	(2,736)	(22)	(2,758)
(574)	-	(574)	Contributions by scheme participants	(600)	-	(600)
			Re-measurement (gains) and losses:			
-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	-	-	-
4,514	20	4,534	• Actuarial gains/losses arising from changes in financial assumptions	(6,235)	(29)	(6,264)
-	-	-	• Other experience gains and losses	-	-	-
-	-	-	Past service cost	(1,771)	-	(1,771)
(12)	-	(12)	Settlements and curtailments	-	-	-
2,174	51	2,225	Benefits paid	2,801	52	2,853
(106,347)	**(882)**	**(107,229)**	**Closing balance at 31 March**	**(117,716)**	**(881)**	**(118,597)**

Firefighters Pension Scheme

2017/18 FPS 1992 £000	2017/18 Injury Awards £000	2017/18 FPS 2006 £000	2017/18 FPS 2015 £000	2017/18 Total £000		2018/19 FPS 1992 £000	2018/19 Injury Awards £000	2018/19 FPS 2006 £000	2018/19 FPS 2015 £000	2018/19 Total £000
(1,023,530)	(35,720)	(13,210)	(8,200)	(1,080,660)	Opening balance at 1 April	(1,025,270)	(36,820)	(4,320)	(13,070)	(1,079,480)
(6,300)	(210)	-	(4,340)	(10,850)	Current service cost	(4,940)	(140)	-	(4,230)	(9,310)
(26,790)	(930)	(350)	(290)	(28,360)	Interest cost	(25,740)	(920)	(110)	(410)	(27,180)
(1,570)	-	-	(1,420)	(2,990)	Contributions by scheme participants	(1,090)	-	-	(1,560)	(2,650)
					Re-measurement (gains) and losses:					
27,000	1,330	90	690	29,110	• Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-
(24,750)	(250)	(170)	(60)	(25,230)	• Actuarial gains/losses arising from changes in financial assumptions	(25,400)	(660)	(180)	(980)	(27,220)
(2,200)	(2,780)	9,320	540	4,880	• Other experience gains and losses	1,760	(1,590)	30	(700)	(500)
(720)	-	-	-	(720)	Past service cost	(44,030)	-	(240)	-	(44,270)
-	-	-	-	-	Settlements and curtailments	-	-	-	-	-
33,590	1,740	-	10	35,340	Benefits paid	37,760	1,750	20	20	39,550
(1,025,270)	**(36,820)**	**(4,320)**	**(13,070)**	**(1,079,480)**	**Closing balance at 31 March**	**(1,086,950)**	**(38,380)**	**(4,800)**	**(20,930)**	**(1,151,060)**

Local Government Pension Scheme assets comprised:

2017/18 Restated				2018/19		
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000
2,080	-	2,080	**Cash & Cash Equivalents**	2,386	-	2,386
			Equity Instruments:			
16,415	-	16,415	• UK	12,573	2,163	14,736
24,657	-	24,657	• Overseas	17,103	8,379	25,482
41,072	**-**	**41,072**	**Sub-total equity instruments**	**29,676**	**10,542**	**40,218**
			Bonds:			
2,797	-	2,797	• UK Corporate	2,969	-	2,969
3,373	-	3,373	• UK Government	3,529	-	3,529
6,318	-	6,318	• UK Index Linked	6,491	-	6,491
12,488	**-**	**12,488**	**Sub-total bonds**	**12,989**	**-**	**12,989**
			Property:			
-	4,526	4,526	• UK Direct Property	-	4,999	4,999
148	1,176	1,324	• UK Property Managed	162	1,492	1,654
-	1,091	1,091	• Overseas Property Managed	-	1,165	1,165
148	**6,793**	**6,941**	**Sub-total property**	**162**	**7,656**	**7,818**
			Private Equity:			
8	2,563	2,571	• UK	-	2,601	2,601
-	2,438	2,438	• Overseas	-	2,904	2,904
8	**5,001**	**5,009**	**Sub-total private equity**	**-**	**5,505**	**5,505**
			Other Investment Funds:			
-	397	397	• Hedge Funds UK	71	335	406
-	2,041	2,041	• Hedge Funds Overseas	-	2,071	2,071
86	1,839	1,925	• Infrastructure UK	142	3,020	3,162
-	1,535	1,535	• Infrastructure Overseas	-	1,997	1,997
1,044	1,979	3,023	• Opportunities UK	754	2,512	3,266
444	950	1,394	• Opportunities Overseas	712	1,365	2,077
1,574	**8,741**	**10,315**	**Sub-total other investment funds**	**1,679**	**11,300**	**12,979**
57,370	**20,535**	**77,905**	**Total assets**	**46,892**	**35,003**	**81,895**

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 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2018/19	2017/18	2018/19	2017/18
Interest on Plan	2.5%	2.5%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	22.2	22.0	22.0	21.9
Women	25.0	24.8	22.0	21.9
Longevity at 65 for future pensioners:				
Men	25.2	25.0	23.9	23.9
Women	27.9	27.8	23.9	23.9
Rate of CPI inflation	2.2%	2.1%	2.4%	2.3%
Rate of increase in salaries	3.7%	3.6%	4.3%	4.3%
Rate of increase in pensions	2.3%	2.2%	2.3%	2.3%
Rate for discounting scheme liabilities	2.4%	2.6%	2.5%	2.6%
Take-up of option to convert annual pension into retirement lump sum	25%	25%	25%	25%-

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis overleaf have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumption remain the constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Local Government Pension Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	2,284	(2,284)
Rate of inflation (increase or decrease by 0.1%)	2,187	(2,187)
Rate of increase in salaries (increase or decrease by 0.1%)	372	(372)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,147)	2,147

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 85% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation will be completed on 31st March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Authority anticipates paying £1.494m contributions to the scheme in 2019/20. This forecast excludes the £2,869m fixed payment element of the deficit to be paid in 2017/18 for the 3 years 2017/18 – 2019/20. The Authority was able to secure a discount by paying the 3 year period upfront rather than on a monthly basis. As a result a payment of £2,869m was made in April 2017 in relation to the pension fund historic deficit, all of which was chargeable to the General Fund in 2017/18 in accordance with statutory provisions.

Impact on the Defined Benefit Obligation in the Firefighters Pension Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	29,000	(29,000)
Rate of increase in salaries (increase or decrease by 0.1%)	1,400	(1,400)
Rate of increase in pensions (increase or decrease by 0.1%)	15,600	(15,600)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(19,200)	19,200

In addition, the past service cost in respect to the McCloud judgement is expected to be highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted, if the long-term salary growth assumptions were 1% pa lower, then the impact on past service costs is expected to be a change of around 10% on the provision. Alternative forms of remedy may have different levels of sensitivity to these assumptions.

Impact on the Authority's Cash Flows

The Authority anticipates paying £3,897m contributions to the scheme in 2019/20.

41. Nature and Extent of Risks Arising from Financial Instruments

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

- 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's investment priorities are (a) the security of capital and (b) liquidity of its investments. The Authority aims to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. All investments are in sterling and all cash balances are invested in accordance with the Code of Practice and with regard to the statutory guidance.

A counterparty list of institutions with which the Authority invests is maintained by reference to the criteria set out below for these different categories of institution and their credit rating. Regardless of these criteria, the money market is closely monitored and any institution is suspended from the counterparty lending list should any doubts arise concerning its financial standing. Under the guidance, investments fall into two separate categories, either specified or non-specified investments.

Specified investments offer high security and high liquidity and satisfy the conditions set out below:-

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable in sterling only
- The investment is not a long-term investment (has a maturity of less than one year)
- The investment does not involve the acquisition of share capital or loan capital in any corporate body
- The investment is made with a body or in an investment scheme which has been awarded a high credit rating by a credit rating agency, or the UK government, a local authority, a parish or community authority.

Specified investments will comprise of the following institutions:-

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a gilt with less than one year to maturity)
- Supranational bonds of less than one year's duration.
- UK Local Authorities
- Money Market Funds

- Enhanced Money Market (Cash) Funds.
- UK Banks
- Foreign banks registered in the UK
- Building Societies

The Authority will invest in UK institutions or non-UK and domiciled in a country which has a minimum Sovereign long term rating "AA". The institutions 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 Fitch (or equivalent) criteria:

- Long-term credit rating A-

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 that are part nationalised UK banks.

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 used by the Authority in 2018/19 were as follows:

• UK Government (including gilts and the DMADF)	Unlimited
• UK local authorities (each)	Unlimited
• Part Nationalised UK banks	£4 million
• Money Market Funds (AAA rated)	£3 million
• Enhanced Money Market (Cash) Funds (AAA rated)	£3 million
• UK Banks and Building Societies (A- or higher rated)	£2 million
• Foreign banks registered in the UK (A or higher rated)	£2 million

No limits on investments with the UK Government and Local Authorities were set because they are considered to be of the highest credit quality and are essentially risk free. The limits placed on the other categories reflected some uncertainty and marginally higher risk profile of the institutions within those categories.

Non Specified Investments

Non-specified investments do not, by definition, meet the requirements of a specified investment. The Ministry of Housing, Communities and Local Government (MHCLG) guidance requires that greater detail is provided of the intended use of non-specified investments due to greater potential risk. However, circumstances may have dictated that the following types of non-specified investments may have been used:

- Deposits with the Authority's own banker were unlimited for transactional purposes and to allow for unusual cash flow circumstances.

- Deposits with maturity of greater than one year (including forward deals in excess of one year from inception to repayment) with any bank or building society that meets the credit rating criteria above.

- 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 £1m. Building Society rankings are checked annually with the Building Societies Association.

Bank and Money Market Fund ratings were 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.

Credit ratings are only the starting point when considering credit risk. The Code of Practice requires the Authority to supplement credit rating information with additional operational market information which will be applied before making any specific investment decision from the agreed pool of counterparties. Credit Default Swaps and negative rating watches/outlooks are examined and the financial press, internet and financial information systems are monitored for market information regarding its counterparties. It also receives daily e-mails from various market participants that could identify potential problems. Any information that casts doubt on an institution's creditworthiness is acted on by suspending investment with that institution.

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 £17m 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 31st March 2019 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 2019 £000	Average Lifetime Expected Loss Rate default %	Lifteime Expected Loss 31 March 2019 %	Lifetime Expected Loss 31 March 2019 £000	Lifetime Expected Loss 31 March 2018 £000
	A	B	C	(A X C)	
Investments	17,088	-	-	-	-
Customers	834	5.67	8.84	74	201
				74	**201**

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 users a provision matrix to calculate its credit loss provision on trade receivables. This takes account of many factors including historical credit loss experience and expectations about the future, including the economy and market conditions.

Aged Debtor Analysis	31 March 2019 £000	Lifetime Expected Loss Rate (B)	31 March 2018 £000
Less than 30 days (normal terms)	553	3%	17
31-60 days	74	8%	6
61-90 days	10	20%	2
Over 90 days	197	25%	49
	834	**8.84%**	**74**

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Authority seeks to maintain liquid short term deposits of at least £1 million available daily. 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 economically viable to do so)* making early repayments. The maturity analysis of financial liabilities is as follows:

Number of Years	Public Works Loan Board (PWLB)		Merseyside Residual Debt (MRD)	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Less than one	265	500	41	41
Between one and two	450	265	41	41
Between two and five	3,165	3,615	123	123
Between five and ten	-	-	79	120
Between ten and fifteen	-	-	-	-
Between fifteen and twenty	2,000	2,000	-	-
Between twenty and twenty five	-	-	-	-
Between twenty five and thirty	4,500	3,500	-	-
Between thirty and thirty five	12,360	9,860	-	-
Between thirty five and forty	14,860	16,860	-	-
Between forty and forty five	-	1,500	-	-
More than forty five	-	-	-	-
Total	**37,600**	**38,100**	**284**	**325**

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 or 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 50% 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 31st March 2019, 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	3
Increase in interest receivable on variable rate investments	(324)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	**(321)**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**(321)**
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) (See Note 14)	604

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.

42. Contingent Liabilities

Municipal Mutual Insurance Limited

Municipal Mutual Insurance Limited issued a levy notice on 1st January 2014 by the Scheme Administrator at a rate of 15% on Established Scheme Liabilities which exceeded £50,000 in aggregate. This equated to £250,000 which was paid in January 2014 with Municipal Mutual Insurance Limited covering the balance. In March 2016 we were informed by Municipal Mutual Insurance Limited the 15% will need to be increased to 25%. This payment of £180,000 was paid in May 2016. The Authority maintains an insurance reserve to cover any further fluctuations in the levy.

Firefighters Pension Fund Accounts

Fund Account

2017/18 £000		2018/19 £000
	Contributions receivable:	
	Fire Authority:	
(3,816)	• Contributions in relation to pensionable pay	(3,537)
(352)	• Early retirements	(314)
-	• Pension Holiday grant	-
(2,868)	Firefighters contributions	(2,773)
(7,036)		**(6,624)**
(141)	**Transfers in from other authorities**	**(118)**
	Benefits payable:	
28,694	• Pensions	30,117
4,903	• Commutation and lump sum retirement benefits	7,811
-	• Lump sum death benefits	-
33,597		**37,928**
	Payments to and on account of leavers:	
-	• Transfers out to other authorities	-
-	• Refunds of contributions	-
-		**-**
26,420	**Net amount payable for the year**	**31,186**
(26,420)	Top – up grant payable by the Government	(31,186)
-		**-**

Net Assets Statement

2017/18 Restated £000		2018/19 £000
	Current assets	
6,876	Debtors (Pension Fund Home Office)	10,944
	Current liabilities	
(302)	Creditors (HMRC)	(318)
(6,574)	Creditors (Merseyside Fire and Rescue Service)	(10,626)
-		-

Notes to Pension Fund Account

Contribution Rates

Under the firefighters pension regulations the contribution rates for employers were as follows:

Pensionable Pay Deductions	1992 Scheme	2006 Scheme	Pensionable Pay Deductions	2015 Scheme
Employer's Contributions	21.7%	11.9%	Employer's Contributions	14.3%
Employee Contributions:			Employee Contributions:	
£0 - £15,609	11.0%	8.5%	£0 - £27,818	11.0%
£15,610 - £21,852	12.2%	9.4%	£27,819 - £51,515	12.9%
£21,853 - £31,218	14.2%	10.4%	£51,516 - £142,500	13.5%
£31,219 - £41,624	14.7%	10.9%	£142,501 >	14.5%
£41,625 - £52,030	15.2%	11.2%		
£52,031 - £62,436	15.5%	11.3%		
£62,437 - £104,060	16.0%	11.7%		
£104,061 - £124,872	16.5%	12.1%		
£124,873 >	17.0%	12.5%		

Ill Health Contributions

Ill health contributions for firefighters who retire early due to ill health are also paid into the fund. This is based on their average pensionable pay at the time of retirement and the severity of illness classed into two tiers. (Upper Tier and Lower Tier - Upper Tier being the more severe). The payments by the Authority are based as follows:

- Upper Tier – 4*Pensionable Pay
- Lower Tier – 2*Pensionable Pay

Benefits Paid

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

Home Office Grant

There are no investment assets and the fund is balanced to zero each year by receipt of a top up grant from the Home Office, 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 40 in the main set of Accounts does take account of this and its long term pension obligation under IAS19.

Debtors

	31 March 2019 £000	31 March 2018 Restated £000
Central Government bodies	10,944	6,876
Total	**10,944**	**6,876**

Creditors

	31 March 2019 £000	31 March 2018 Restated £000
Central Government bodies (HMRC)	(318)	(302)
Other local authorities	(10,626)	(6,574)
Total	**(10,944)**	**(6,876)**

Statement of Responsibilities for the Statement of Accounts

The Director of Finance's responsibilities

The Director of Finance 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 Director of Finance 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 Director of Finance 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 2019 and of its expenditure and income for the year ended 31st March 2019.

Ian Cummins
Director of Finance
30th May 2019

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 Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Statement of Approval for the Statement of Accounts

The Statement of Approval for the Statement of Accounts is to be signed by the chair of the Authority meeting at which the Authority approves the Statement of Accounts. This is normally given after the audit of the Statement of Accounts which is due to take place in June and July.

AUDITORS REPORT TO FOLLOW

Glossary of terms used in the Statement of Accounts

This Glossary of Terms is designed to aid interpretation of the Authority's 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.

CAPITAL RECEIPTS
Income received from the sales of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

CARRYING AMOUNT
The balance sheet value recorded of either an asset or a liability.

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.

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.

EARMARKED RESERVES
The Authority holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

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.

FINANCIAL INSTRUMENTS
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

FIXED ASSETS
Assets that yield benefits to the Authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

GENERAL FUND
This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and government grants.

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

INTANGIBLE FIXED ASSETS
These are fixed assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software, licenses and patents.

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.

LIABILITIES
These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

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.

MHCLG
Ministry of Housing, Communities and Local Government is the Government Department responsible for the national policy on local government.

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 (NBV)
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.

NET REALISABLE VALUE (NRV)
Net realisable value is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

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.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

2018-2019 MERSEYSIDE FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

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

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

1.3 Corporate Governance is a phrase used to describe how organisations direct and control what they do. For Fire and Rescue Authorities this also includes how an Authority relates to the communities that it serves. The Authority has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework "*Delivering Good Governance in Local Government*" (2016). A copy of the code is available on our website at www.merseyfire.gov.uk. The key principles of the Authority's Code of Corporate Governance are outlined below;

1. Three high level principles underpin Corporate Governance:-
   - Openness and inclusivity
   - Accountability
   - Integrity

2. These high level principles are supported by seven detailed principles of good governance which are:
   - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
   - Ensuring openness and comprehensive stakeholder engagement
   - Defining outcomes in terms of sustainable economic, social, and environmental benefits
   - Determining the interventions necessary to optimise the achievement of the intended outcomes
   - Developing MFRA capacity, including the capability of its leadership and the individuals within it
   - Managing risks and performance through robust internal control and strong public financial management
   - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

1.4 This statement fulfils the Authority's statutory requirement to prepare a statement of internal control in accordance with proper practices, and to present an annual review of the effectiveness of the current system.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

2.3 The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31st March 2019.

3.0 THE GOVERNANCE FRAMEWORK

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

3.2 **Identifying and Communicating the Authority's Mission and outcomes for citizens and service users:**

3.2.1 After consulting with the citizens of Merseyside and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the mission, aims and service objectives for the organisation. The Authority approved a new IRMP, 2017/20, on 23rd February 2017. The IRMP established the service priorities for 2017/20. The Authority is currently consulting on a draft supplement to the Integrated Risk Managed Plan (IRMP) 2017-20. If approved, the alternative proposals contained within the supplement will extend the current plan to 2021, aligning it to our medium term financial plans.

3.2.2 The Authority's Mission reflects a clear focus on the core duties and functions in relation to Operational Preparedness, Operational Response and Prevention and Protection. The Authority's mission is to *achieve;* ***Safer Stronger Communities – Safe Effective Firefighters.*** To deliver this the Authority has established four key corporate 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 partners and our community to protect the most vulnerable.

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

3.2.3 The Mission statement is focused upon outcomes around operational preparedness, response and prevention and protection. It is very important that the organisation's priorities are unambiguous and easily understood by members, staff, communities and other stakeholders. In particular, it is essential that the safety and effectiveness of firefighters is seen as a fundamental factor in the achievement of safer, stronger communities.

3.3 **Monitoring the achievement of the Authority's objectives through a comprehensive performance management framework:**

3.3.1 IRMP and other service projects are incorporated into one document – the Service Delivery Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Community Safety and Protection Committee (or any other committee if applicable) and the Strategic Leadership Team. Station Community Safety Plans have also been developed to give details of the activities taking place throughout Merseyside. The reporting process applies traffic light status to for each performance indicator in the Service Delivery Plan and attention is drawn to progress achieved and matters to be addressed. Copies of the Service Delivery Plan can be found on the Authority's website.

3.4 The Internal Control Environment:

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

3.4.2 Policy and decision making process

The Authority has meaningful democratic control over its activities via an **approved committee structure** with agreed Terms of Reference that are reviewed once a year by the Authority at its Annual General Meeting. The Authority has a **written Constitution** that was reviewed in 2018/19 and approved by the Authority at its meeting on 14th June 2018 (CFO/037/18), which is published and sets out how the Authority operates, how decisions are made, and the procedures which are followed to ensure these are efficient, transparent and accountable to local citizens. The Constitution is reviewed every year by the Authority at its AGM.

The Authority meet with Strategic Managers and other stakeholders as required to consider the strategic vision and instigate future plans/targets for the Authority.

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

3.4.3 Management Structure

Management Structure - The Authority has a **clear management structure** with defined roles and responsibilities. A Strategic Leadership Team (SLT), meet on a fortnightly basis to review and agree on issues that arise during the year. SLT have established five strategic boards to feed into SLT, the role of each board is to consider any issues associated with that board's remit and if necessary make a recommendation on the matter for SLT to consider. The Authority has an **approved scheme of delegation within its Constitution** that is reviewed by members on an annual basis.

3.4.4 Established Policies, Procedures & Regulations

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

- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations, Procedural & Contract Standing Orders, Scheme of Delegation
- Anti-Fraud & Corruption Policy & Strategy
- Fraud Response Plan
- Confidential Reporting Policy
- Complaints Procedure

- Code of Corporate Governance
- Constitution
- Code of Conduct
- Full range of Equality and Diversity Policies and Procedures
- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedure, discipline process, through to performance development reviews
- Information Governance and Security – Policies and Service Instructions to Protect the Authority's information, data, and assets

3.4.5 SLT carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress against the action plans

3.4.6 Internal Audit Function
The Authority has a strong Internal Audit function arrangement with Liverpool City Council, and has well-established protocols for working with External Audit.

3.4.7 Risk Management Strategy
The Authority has a well-established and embedded risk management strategy. The Audit Sub-Committee has corporate ownership of the risk register and receive regular updates on any new risks or changes to risks. As all Authority and service reports to SLT have a standing section on risk this allows SLT an opportunity to regularly consider new and updated risks facing the Service at their fortnightly meetings.

3.4.8 Financial Management
The Authority produces a five year financial plan that takes into account Revenue, Capital, Reserves and Prudential Borrowing forecasts. The Authority has a history of strong and effective financial management, as confirmed in the Grant Thornton 2017/18 Annual Audit Letter and Audit Findings Report;

"We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources"

Financial management in the Authority and the reporting of financial standing is undertaken through a comprehensive Finance system including a general ledger, accountancy and budgeting. Monthly budget statements are sent out to all cost centre managers and the Authority receives regular comprehensive financial review reports to update members on the current and anticipated year-end financial performance.

4.0 REVIEW OF EFFECTIVENESS

4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the SLT and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

4.3 The Authority and Its Committees

4.3.1 The Authority

The Authority considered at its Annual General meeting on 14th June 2018 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the Constitution document on the Authority's web site, but are summarised as follows;

- The Authority – approves the Authority's budget and precept, considers variations to standing orders & financial regulations; the revenue budget and capital plan; issuing of a precept; adopting a members' allowance scheme; appointment to committees; scheme of delegation to officers; any matters which by law must be reserved to the Authority itself; maintain a Constitution.

- The Policy and Resources Committee **–** to determine new strategies, policies or changes in strategy relating to the development and delivery of services. Exercise financial control over expenditure within the approved revenue budgets and capital programme of the Authority. Establish and direct procedures for the implementation, monitoring and amendment of the revenue budget and capital programme and all other financial matters that impact on the Authority's financial position. Consider all matters related to the management of the Authority's assets including buildings, land, ICT and other assets.

- The Community Safety and Protection Committee – consider all matters related to the development and delivery of services appropriate to this Committee. This includes matters relating to: Operational Preparedness; Operational Response; and Prevention and Protection. Considers all matters related to the delivery of services to the diverse communities of Merseyside, and the development, promotion and delivery of a coordinated strategy for developing and maintaining safer communities.

- The Scrutiny Committee – to view and/or scrutinise the objectives of the Authority's Integrated Risk Management Plan (IRMP) and performance against these objectives. To carry out joint member/officer pre and post-implementation scrutiny of any major project, scheme, or key decision taken by the Authority or its standing committees.

- The Joint Police & Fire Collaboration Committee – to act as a Strategic Board to oversee collaboration between Merseyside Police (MP) and the Authority. To consider any reports on proposals for collaboration and potential budget savings or working arrangements.

- The Audit Committee – to consider the internal audit's annual report and opinion, and a summary of internal audit activity and the level of assurance it can give the Authority's corporate governance arrangements. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. To monitor the risk register and effective development and operation of risk management. To determine allegations made under the Members Code of Conduct Procedure and refer sanctions proposed and any complaint allegation requiring further investigation to the full Authority. To act as Investigating and Disciplinary Committee where an allegation which could constitute misconduct or gross misconduct is made against the Chief Fire Officer, Deputy Chief Fire Officer or the Monitoring Officer.

  Receive reports on the effectiveness of internal control processes, including probity and to receive Internal Audit reports in this respect. Liaise with the external audit function over the appointment of the external auditor. Comment on the scope and depth of external audit work and consider in detail the recommendations of the external auditor's annual audit's letter. Consider all matters relating to internal and external audit activity and all matters relating to the regulatory framework.

  To appoint Task and finish Groups to undertake detailed work, involving relevant Scrutiny Members, key reference holders and relevant officers.

- <u>The Appeals Committee</u> – to consider whether to assent to applications for specific licences as may be referred to the Committee by the Health and Safety Executive or the Chief Fire Officer.

4.4 Management Review

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

4.4.2 There a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2018/19 Service Delivery Plan broke down the Authority's key objectives for the year and identified a lead officer for each project. A "traffic light" system identified the actual progress against performance indicators throughout the year and any areas of concern with options to bring the project back on track were reported to management and the Community Safety and Protection Committee. SLT received regular updates from managers on the delivery of services against targets throughout the year and this allowed senior management an opportunity to scrutinise progress. Performance against Local Performance Indicators is considered in depth each month by the Performance Management Group.

4.4.3 The Risk Register was updated for new risks and the status of existing risks was re-assessed during the year. The Register considers the Authority's tolerance for risk and any mitigating actions that can reduce the likelihood/severity of the perceived risk. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority.

4.4.4 The Authority employed appropriate professional staff:

- A Statutory Monitoring Officer (Section 5 LGHA) responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. The Director of Legal Services fulfils this role and is a qualified and experienced lawyer. The Director of Legal Services is supported by a suitably robust and fit for purpose legal team. No actions of the Authority were deemed ultra vires in the year and all relevant laws and regulations have been complied with so far as is known by the Monitoring Officer.

- A Responsible Finance Officer (Section 73 LGA 1985) to ensure the proper and effective administration of the financial affairs of the Authority. The Director of Finance fulfils this role and is a qualified and experienced accountant. The Director of Finance is supported in this role by a Head of Finance and finance team that includes a number of professionally qualified and experienced finance staff. The Director of Finance ensures the Authority has an approved, realistic and affordable five year financial plan for revenue and capital expenditure which links to the IRMP and the Service Delivery Plan. The financial planning process is well embedded and understood across the Authority by staff and members. Details of the approved budget are available to all stakeholders in a simple and summarised statement on the Authority's website

  The above statutory posts are key members of SLT.

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

4.4.6 Grant Thornton approved an unqualified Statement of Accounts for 2017/18 and it is anticipated this will be repeated in 2018/19. A detailed year-end report is presented to the Authority in a clear and understandable format. A simplified summary statement of accounts is available on the Authority's Website to ensure the outturn position is communicated effectively to all stakeholders.

4.5 Internal Audit

4.5.1 The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal

Audit in Local Government 2006. The internal audit plan for 2018/19, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the relevant managers as appropriate and the Director of Finance. An interim and year-end Internal Audit Plan reports are submitted to the Audit sub Committee that included summary findings of all completed audit reports and implementation of any agreed recommendations. The Annual Review of Internal Audit Report concluded that:

"it is our opinion that we can provide Substantial Assurance that the system of internal control in place at Merseyside Fire & Rescue Service for the year ended 31st March 2019 accords with proper practice. The 2018/19 fundamental systems audits have shown a substantial level of compliance and none of the audits have identified weaknesses that have required a corporate impact assessment of Major or Moderate. Based on the audit work carried out in 2018/19 we are not aware of any significant control weaknesses within the Service which impact on the Annual Governance Statement"

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

4.6 External Review

4.6.1 External audit services are carried out by Grant Thornton. The scope of the work undertaken by External Audit is;

- The audit of the financial statements
- To reach a conclusion on the economy, efficiency and effectiveness in the use of resources (the value for money (VFM) conclusion
- To work on the whole of government accounts return.

4.6.2 External Audit will comment upon the Authority's 2018/19 statutory financial statements and make a VFM conclusion during the 2019/20 financial year in the Annual Audit Findings report and Annual Audit and Inspection Letter. These documents reflect the Auditor's findings and conclusions from auditing the Statement of Accounts. During 2018/19 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2017/18 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2017/18 financial statements.

4.7 Year-end Review

4.7.1 The current governance and internal control arrangements continue to be reviewed and refined on an ongoing basis and that they continue to be regarded as fit for purpose in accordance with the governance framework. This review provides an acceptable overall assurance of the effectiveness of the Authority's system of internal control.

SIGNIFICANT GOVERNANCE ISSUES

4.8 The CIPFA guidance suggests that the following criteria should be applied when judging what may constitute a significant control issue:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The issue has led to a material impact on the accounts.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

4.9 Following the announcement of the 2016/17 - 2019/20 Local Government Finance Settlement the Authority faced a significant reduction in the level of government grant support over this period. The reduction in Government support over this period has meant the Authority faced at least an £11m financial challenge, assuming all budget assumptions remain valid. The Authority approved a financial plan to meet this challenge at the 2016/17, Budget Authority meeting, and updated and ratified the plan at the 2017/18 & 2018/19 Budget Authority meetings.

4.10 In light of increased operational and protection risks (following a number of national and international incidents), and expected findings from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the Authority approved a £1m investment back into frontline service in the 2019/20 five year medium term financial plan. The Chief Fire Officer and Director of Finance have been challenged with delivering the required saving to fund the £1m from expected savings on servicing historic capital debt and the annual deficit payment relating to historic accrued benefits in the Local Government Pension Scheme.

4.11 Whilst no significant weaknesses have been identified in control systems at present, the following have been identified as critical internal control issues for the forthcoming year which the Authority will continue to monitor and action as appropriate:

- The Authority's proposals to deliver the approved £1m savings required in the current financial plan to fund the £1m re-investment in frontline services. The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The assumptions made in the medium term financial plan, particularly around inflation, pay awards, firefighter pension contributions and future government grants (whilst based on the best information available) are subject to potential change in such volatile times.
- The recruitment of sufficient firefighters to maintain the required response staffing levels in light of the fact the Authority may lose approximately half of its current firefighters through natural retirements over the next five years of so. The Authority has established a recruitment reserve so it can fund the required recruitment in advance of the expected retirements over the period.

Taken together these factors result in a significant potential risk to the Authority's medium term financial plan. Reliable monitoring and forecasting processes are in place and the Director of Finance will ensure any variation to assumptions made in the medium term financial plan are identified at the earliest possible time. The Financial Review reports will keep Members informed on the impact of any variation to the assumptions in the financial plan and recommended corrective action.

4.12 The 2017 Policing and Crime Act places a statutory duty on the three emergency services (Ambulance, Fire and Police) to keep collaboration opportunities under review and to collaborate where this would improve efficiency and effectiveness. The Authority continues to maintain ongoing discussions with Merseyside Police and North West Ambulance Service on developing opportunities for greater collaboration.

4.13 Under the Cities and Local Government Devolution Act (2016), in November 2015, the Government agreed to devolve a range of powers and responsibility to the Liverpool City Region Combined Authority. The model includes a directly elected City Region Mayor over the Combined Authority Area, who was elected in May 2017. The Mayor may seek to take over the future governance of the Merseyside OPCC and Merseyside Fire and Rescue Authority at some future point, subject to the relevant support from the Government. The Authority will work with the Merseyside Police, the Office of the Police and Crime Commissioner and the Liverpool City Region Mayor, if asked, to establish the future governance arrangement for Merseyside Fire and Rescue Service.

CERTIFICATION

5.0 **To the best of our knowledge, the governance arrangements, as defined above, have been operating during the year and up to the date of the approval of the Annual Accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Authority will continue the operation of its governance framework and take steps to carry out the actions for managing any governance issues identified above or that materialise in the year.**

Signed……………………………………..
JAMES ROBERTS
CHAIR OF THE AUDIT COMMITTEE

Signed……………………………………..
P. GARRIGAN
CHIEF FIRE OFFICER

Signed ……………………………………..
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25 July 2019

Dear Sirs

Merseyside Fire and Rescue Authority - Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Merseyside Fire and Rescue Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Authority's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. However, in order to verify that the property valuations in the Balance Sheet are reasonable, as it is four years since the last full valuation, we have commenced a full property revaluation exercise. This will certify asset values as at 31st March

2019. As the review will not be completed before 31st July 2019 we propose to share the findings with you and if necessary make the necessary amendments to the financial statements. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vi Except as disclosed in the financial statements:

a there are no unrecorded liabilities, actual or contingent
b none of the assets of the Authority has been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. The decision of the Court of Appeal in the Sargeant/McCloud (McCloud) cases have ruled that the transitional protections afforded to older members when the Firefighter Pension Scheme(s), FPS, and Local Government Pension Scheme, LGPS, constituted unlawful age discrimination. On 27th June 2019 the Supreme Court denied the Government permission to appeal this decision. The Government Actuary's Department (GAD) has carried out some costings of the potential effect of McCloud on the FPS and LGPS as a whole. The Authority has received updated past service liability costs from the relevant actuaries and included these estimates in the financial statements. At this stage it is uncertain what the final compensation or remedy to be offered up by the Government to the Employment Tribunal will be. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The 2017/18 accounts were constructed on the basis that the Local Government Pension Scheme (LGPS) employer's deficit payment was accounted for in total in 2017/18. However, the LGPS Pension valuations had spread this payment over three years. This prior year adjustment brings the pension valuations in line with the accounting entries for 2017/18.

In 2017/18 and prior, the accounts were constructed on the basis that in order to produce a separate Pension Fund Account cash would be the balancing item in order to disaggregate the transactions into separate entities. This has now been revised and a debtor has been used in the Fire Service Accounts with a corresponding creditor in the pension fund accounts.

The financial statements are free of material misstatements, including omissions.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii Except for the potential impact of the property asset revaluation exercise that is ongoing, we have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

xv We have communicated to you all deficiencies in internal control of which management is aware.

xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Policy and Resources Committee at its meeting on 25 July 2019.

Yours faithfully

Name……………………………

Position – Director of Finance

Date 25th July 2019

Name……………………………

Position - Chair of Policy & Resources Committee

Date 25th July 2019

Signed on behalf of Merseyside Fire and Rescue Authority

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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