Public Document Pack

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

R. Groves
Monitoring Officer

Tel: 0151 296 4000
Extn: 4236 Vicky Campbell

Our ref VC/RG

Date: 16th September 2023

Dear Sir/Madam,

You are invited to attend a meeting of the **AUDIT COMMITTEE** to be held at **1.00 pm** on **TUESDAY, 27TH SEPTEMBER, 2022** in the Liverpool Suite - Fire Service Headquarters.

Yours faithfully,

PP – Vicky Campbell

Monitoring Officer

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MERSEYSIDE FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

27 SEPTEMBER 2022

AGENDA

Members

Cllr Jan Grace (Chair)
Cllr Edna Finneran
Cllr Harry Gorman
Cllr Lynnie Hinnigan
Cllr Andrew Makinson
Cllr Hugh Malone
Anthony Boyle

1. Preliminary Matters

The Authority is 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.

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

To consider the minutes for the last meeting held on 7th June 2022.

3. Audit Findings 2021/22 (Pages 9 - 44)

To consider the verbal presentation from Georgia Jones from the Authority's External Auditors – Grant Thornton, concerning the audit finding following their audit of the Authority's 2021/22 financial statements.

4. Statement Of Accounts 2021/22 - Approval of Unaudited Statements (Pages 45 - 168)

To consider Report CFO/044/22 of the Director of Finance, concerning the audited 2021/22 Statement of Accounts for approval and to request that they be authorised for issue.

5. **Financial Review 2022/23 - April to June** (Pages 169 - 198)

To consider Report CFO/045/22 of the Director of Finance, concerning the revenue, capital, and reserves financial position for the Authority for 2022/23. The Authority receives regular comprehensive financial reviews during the year which provide a full health check on the Authority's finances. This report covers the period April to June 2022.

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.

MERSEYSIDE FIRE AND RESCUE AUTHORITY

7TH JUNE 2022

MINUTES

Present: Cllr Linda Maloney (chair)
Cllr Jan Grace
Cllr Andrew Makinson
Cllr Edna Finneran
Cllr Hugh Malone

Also Present:

Apologies of absence were received from: Cllr Lisa Preston

1. **Preliminary Matters**

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

RESOLVED that:

a) no declarations of interest were made by individual members in relation to any items 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 Last Meeting**

RESOLVED that the minutes of the last meeting held on 10th February 2022 were agreed as an accurate record.

3. **Grant Thornton 2021/22 Audit Plan**

Georgia Smith presented the Audit Plan for 2021/22, which considered the risks identified as part of their audit work. Members were advised that some of the risk identified were common across local government and the public sector such as evaluations on land and buildings.

The report presented the value for money work undertaken.

Councillor Makinson noted the Authority's relationship with the district authorities and asked if there was a need to review that risk in relation to electricity contracts, as discussed at the recent Urgency Committee. It was explained that the Authority had three lines of defence starting with the Audit Committee who were charged with scrutinising governance arrangements and procurements. Secondly, Internal Audit were able to provide a plan in relation to emerging risks that could provide the Members with some insight into whether the risk needed to be escalated. Finally, External Audit consider the risks and whether the appropriate level of assurance is provided.

The Chief Fire Officer, Phil Garrigan, queried the change in costs for Grant Thornton's services for the 2020/21 audit, which had risen by £6,000 from the proposal received in 2021. Georgia Smith explained that extra work had been undertaken on the evaluation of land and buildings and there had been delays as well as issues with the quality of information provided during that process. Extra work was undertaken to provide assurance and these additional costs were being reviewed by PSAA as part of a rigorous challenge process. Ian Cummins added that the level of assurance needed had changed as a result of new demands by the Government which were subsidises with a grant of £15,000 for the additional work. Furthermore, actions had been taken to ensure that the right standard of information would be provided on time in the future.

Members queried the financial risk surrounding pension liability which was a common issue in public sector bodies. It was explained that under accounting standards that apply to the year-end financial statements, the Authority must report the estimated total pension liability over the fifed of the fund. This liability estimate is reviewed each and can change significantly as small changes to pension assumptions can material change the liability estimate (up and down). Ian Cummins noted that this was different to the budget which considers the annual employer contribution that is funded from the General Fund, and not the pension liability.

RESOLVED that the contents of the report be noted.

4. Grant Thornton Request - Informing the Audit Risk Assessment 2021/22

Ian Cummins presented the report which considered the Authority's response to a questionnaire from external audit on management processes and oversight.

Councillor Makinson noted that there had been no cases of fraud and asked if there are attempted cases of fraud how they were managed by the Authority. Members were advised that the anti-fraud policy was being reviewed alongside the whistle-blowing policy to ensure it can be effective and clear as possible. If there was any suspected fraud there involving statutory officers this would be reported to the Audit Committee and dependant upon circumstances there would be a full investigation and a report back to the Audit Committee and for all other officers the matters will be coined in accordance with the policies in force.
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With regards to training, Ria Groves, Monitoring Officer, explained that this was to be delivered this year as well as training on the Gifts and Hospitality Policy.

Ian Cummins noted that Internal Audit were also considering the Authority's Fraud Policies and that work was progressing as expected. Any significant proposed changes to the current policies would be brought back to the Authority for consideration.

RESOLVED that:

a) the Director of Finance and Procurement's responses to the Grant Thornton risk assessment questions outlined in Appendix A be reviewed; and

b) the responses outlined in Appendix A be approved.

5. Treasury Management 2021/22 Annual Report

Members were reminded that they had received regular updated on performance against the Treasury Management Strategy as part of its quarterly reports. The report advised Members on the 2021-22 outturn provision and activities undertaken by the Authority and it was highlighted that Treasury Management performance had been in line with the approved strategy and within the agreed borrowing limits.

RESOLVED that the report be noted.

6. 2021/22 Annual Year End Internal Audit Plan

Members considered the 2021/22 annual end of year report which provided summaries of the work carried out by Internal Audit. It was noted that Internal Audit had concluded that the Authority provided substantial assurances in accordance with proper practice and that based on their work they were not aware of any significant weaknesses.

RESOLVED that the contents of the report be noted.

7. The Annual Governance Statement 2021/2022

The Members considered the Annual General Statement for 2021/22 which provided a review of governance and the systems of internal control in operation throughout the year.

The report outlined the potential risk and challenges to be faced in 2022-23 and Ian Cummins noted that the current position was that the Authority had the financial resilience to meet those challenges.

RESOLVED that the 2021/2022 Annual Governance Statement be approved.

8. 2022/23 internal audit plan

Ian Cummins presented the proposed plan for 2022-23 which suggested audit work to be carried out over the next year. It was explained that the Authority had

112 audit days as part of its service level agreement with Liverpool City Council and 12 audit days had been carried forward into 2022-23 as a result of deferred work.

The allocation had been considered by the Strategic Leadership Team with 57 days arranged to cover seven strategy reviews. The balance of days would be apportioned to ad hoc unplanned audit work and audit management.

The Chief Fire Officer acknowledged the comments previously made by Councillor Makinson in respect of third party contractual arrangements and the recent Urgency Committee. It was explained that the Authority had considered its utility costs and its arrangements with Liverpool City Council which would be reviewed.

Furthermore, it was noted that there was a timescale in the plan for counter fraud policies which would provide Members with reassurance that their concerns were being addressed.

RESOLVED that:

a) the proposed audit plan and the areas of focus within be sighted and considered; and

b) the 2022/23 Internal Audit Plan be approved.

Close

Date of next meeting Tuesday, 27 September 2022

Grant Thornton

The Audit Findings for Merseyside Fire and Rescue Authority

Year ended 31 March 2022

September 2022

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Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Georgia Jones

Name : Georgia Jones
For Grant Thornton UK LLP
Date : 27 September 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Merseyside Fire and Rescue Authority ('the Authority') financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site during July-September. Our findings are summarised on pages 5 to 17. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Authority's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion in Appendix E or material changes to the financial statements, subject to the following outstanding matters;

- finalising our testing in journals, PPE, grant income, employee benefit expenditure, debtors and pension lump sum.
- responses to queries on related parties
- responses on query in relation to external confirmations
- letter from the pension fund auditor and PFI team
- receipt of management representation letter (see appendix F}; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks for Merseyside Fire Authority.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code. We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Audi tor's report in December 2022.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 7 June 2022.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 27 September 2022, as detailed in Appendix E. These outstanding items include:

- finalising our testing in journals, PPE, grant income, employee benefit expenditure, debtors and pension lump sum.
- responses to queries on related parties
- responses on query in relation to external confirmations
- letter from the pension fund auditor and PFI team
- receipt of management representation; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 7 June 2022.

We detail in the table our determination of materiality for Merseyside Fire and Rescue Authority.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,808,220	We have used planning materiality which equates to around 2% of your gross operating expenditure for 2020/21 and 2021/22. This is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	1,356,165	Assessed as 75% of financial statements materiality and based on our knowledge of the Authority and consideration of previous audit findings and adjustments.
Trivial matters	90,400	Assessed as 5% of financial statements materiality
Materiality for senior officers' remuneration	15,401	The senior officer remuneration disclosures has been identified as an area operating specific materiality due to the sensitive nature of disclosures in this area. This has been assessed as 2% of total senior remuneration.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Authority, which was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness We have not identified any changes to accounting policies or the estimation process. Our audit work on journals is in progress, from the work completed to date we have not identified any issues in respect of management override of controls.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk Revenue: ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: There is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; The culture and ethical frameworks of local authorities, including Mersey Fire, mean that all forms of fraud are seen as unacceptable.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Mersey Fire and Rescue, mean that all forms of fraud are seen as unacceptable. Therefore and as reported in our Audit Plan, we do not consider this to be a significant risk. Whilst not a significant risk, we have performed audit procedures and testing of material revenue items. Our audit work is complete and has not identified any matters that would lead to a change in our risk assessment.
Expenditure: In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of 'other service expenditure' in our audit scoping and testing assessment.	In response to this risk we have: • evaluated the Authority's policy for the recognition of non-pay expenditure • documented the goods received not invoiced accruals process and the processes management have in place, challenging key assumptions, the appropriateness of source data and the basis for calculations • obtained a listing from the cash book of non-pay payments made in April and May 2022 to ensure they have been charged to the appropriate year • obtained a listing from the Accounts Payable system of invoices received in April and May 2022 to ensure they have been charged to the appropriate year • substantively tested a sample of year-end accounts payable and accrual balances. Our audit work has not identified any issues in respect of this significant risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Authority revalues its land and buildings on a five year rolling basis, with 20% of assets valued each year and a desktop valuation performed on the remaining assets. In the intervening years, such as 2021/22, the Authority requests a confirmation from its engaged valuation expert (Dears Brack) to ensure that there is no material difference. This valuation (£74.211m in 2020/21) represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's valuation of land and buildings are not materially misstated and evaluate the design of the associated controls • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year, to see if they had been input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our audit work is substantially complete and to date has not identified any key issues in respect to this significant risk. We noted a number of assets have been fully depreciated and written out of the asset register yet remain in use. The implication being that the original life allocated to the asset may not have been accurate. We also identified that although the Authority have floor plans in place, the measurements stated on the floor plans are not accurate when compared to the valuer's measurements. It is important for the Authority to maintain up to date and accurate floor plans to support the valuation process. We have made recommendations on page 22 in respect of these issue.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability (£1,165m in 2020/21, £1,156m in 2021/22) is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 3.1% effect on the liability for the Firefighters pension and a 0.1% change in assumption would have approximately 3.4% effect on the liability for the Local Government Pension Fund. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Merseyside Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work to date has not identified any issues in respect of valuation of the pension fund liability. We are waiting for the response from the pension fund auditor before this work can be finalised.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £81.2m	Other land and buildings comprises £68m of specialised assets such as Fire Stations and Training School, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£13.2m) are not specialised in nature and are required to be valued at market value at year end. The Authority has engaged Dears Brack to complete the valuation of properties as at 31st March 2022 on a five yearly cyclical basis. 20% of total assets were revalued during 2021/22, with a desktop valuation performed on the remaining assets. The total year end valuation of land and buildings was £81.2m, a net increase/decrease of £7m from 2020/21 (£74.2m).	We have reviewed and assessed the details supporting the estimates and judgements in this area, considering; • Revised ISA540 requirements in guidance note; • Assessment of management's expert, your external valuer; • Completeness and accuracy of the underlying information used to determine the estimate • Appropriateness of any alternative site assumptions • Impact of any changes to valuation method • Consistency of estimate against near neighbours/GE report • Reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements The valuation method remains consistent with the prior year. The valuer has prepared their valuations in accordance with RICS Valuation – Global Standards.	Light Purple

Assessment

- Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £1,156m	The Authority's total net pension liability at 31 March 2022 is £1,156m (PY £1,165m) comprising the Firefighters and Local Government Pension Scheme (Merseyside Pension Fund). The Authority uses the Government Actuarial Department (GAD) and Mercers to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019 for Merseyside Pension Fund and 2020 for the Firefighters Pension Scheme. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9m net actuarial gain during 2021/22.	We have: • Assessed management's expert • Assessed of actuary's approach taken, detail work undertaken to confirm reasonableness of approach We have no concerns over the competence, capabilities and objectivity of the actuary used by the Authority. We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary – See below considerations of key assumptions in your pension fund valuation:	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	Mercer: 2.8% GAD: 2.65%	2.7-2.8% 2.65%	●
Pension increase rate	Mercer: 3.5% GAD: 3%	3.0-3.5% 3%	●
Salary growth	Mercer: 4.9% GAD: 4.75%	4.25-5.0% 4.75%	●
Life expectancy – Males currently aged 45 / 65	Mercer: 22.4/20.9 GAD: 23.2/21.5	22.2-24.8/20.7-23.3 23.2-25.4/21.5-23.8	●
Life expectancy – Females currently aged 45 / 65	Mercer: 25.9/24.0 GAD: 23.2/21.5	25.7-27.5/23.8-25.5 23.2-25.4/21.5-23.8	●

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

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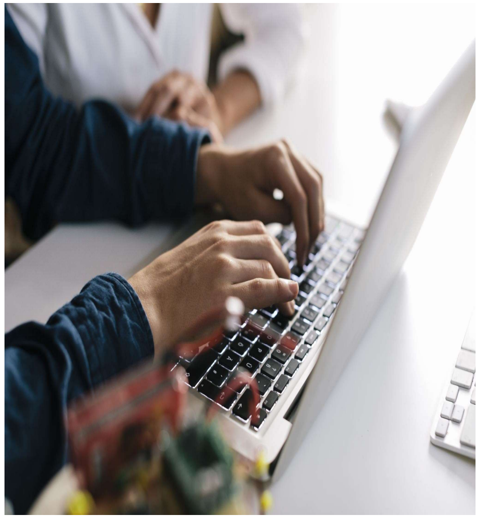
We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is included in the Audit Committee papers.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banking and investment institutions that the Authority holds deposits or loans with. This permission was granted and the requests were sent. We have queries on 2 of these recommendation which are with the institutions. However we have undertaken alternative procedures on this. In order to gain the required assurance.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

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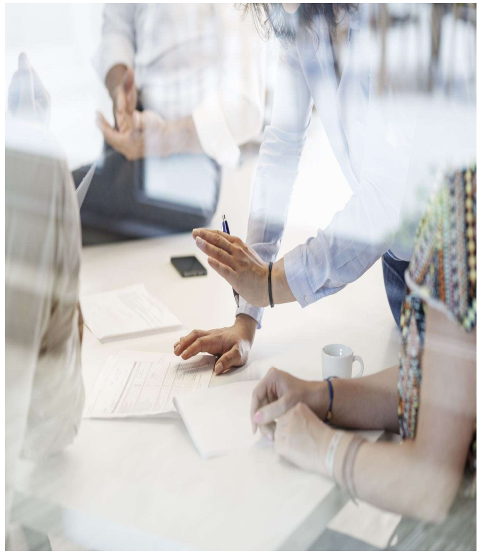
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Inconsistencies have been identified in the Narrative Report but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The guidance for 2021/22 has not yet been issued by the NAO however in previous years the Authority did not exceed the threshold required for the work and we expect this to be the case in 2021/22.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Merseyside Fire Authority in the audit report, as detailed in Appendix E, due to incomplete VFM work and WGA.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work to date has not identified any risks.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Appendices

A. Action plan – Audit of Financial Statements

We have identified 2 recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Depreciation asset lives Our audit work identified a number of assets which have been fully depreciated and written out of the asset register yet remain in use. The implication being that the original life allocated to the asset may not have been accurate.	The Authority should review asset lives are to ensure they remain appropriate. Management response In some instances, for example Fire Appliances, the Authority may keep the asset beyond its economic life to provide some resilience to the Service by moving the asset from the frontline and hold it as a reserve. It is therefore felt the current asset life used to determine depreciation and the write-off from the balance sheet is correct as the full economic value has been consumed over the existing asset lives. However, we will consider the current asset lives and amend if we deem some economic residual value is left in the asset.
Medium	Floor plans Our audit work identified the Authority have floor plans in place but the measurements stated on the floor plans are not always accurate. It is important for the Authority to maintain up to date and accurate floor plans to support the valuation process.	The Authority should update the floor plan measurement held on record, so they can agree these to the valuer's figure used in valuation Management response The Service will review and amend floor plans as required.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Merseyside Fire and Rescue Authority's 2020/21 financial statements, which resulted in 2 recommendations being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Valuations of the Authority's Land and Buildings** We determined the valuation of Land and Buildings to be a risk requiring special audit consideration. We recommended that management consider the arrangements it has in place with its valuer and look to obtain and retain the evidence supporting the year end valuations to avoid delays in the audit process	Management accepted the recommendation. Apart from the 20% of assets revaluated each year, management has agreed with external valuer to get detailed working sheet for each asset being valued under the desktop exercise.
✓	**Audit Fees** The cost of External Audit Services must be disclosed correctly in the financial statement in line with the Code requirements and ethical standards. We recommended that management ensure that the audit fees disclosed correctly reflect those stated in the Audit Plan, with narrative explanations for any difference due to notification of additional fees.	Management accepted the recommendation. For 2021/22, The financial statement disclosure will show the Audit Fee per Audit Plan with a note to explain what is charged in year with any accruals.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any adjustments which will impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Narrative Report	The Balance sheet position section has not been updated from prior year figures.	✓
Property, Plant and Equipment Note 12	The depreciation for a disposal of £2,053k derecognition was incorrectly classified within the note. The amendment has been made from 'Assets reclassified to/from held for sale' to 'Derecognition – other' row.	✓
Audit Fee Note 31	Additional disclosure was made for the Redmond Review and PSAA refund lines in the note.	✓
Financial Instruments Note 14	PFI fair value was calculated using the discount rate as at June 2022 but this should be the discount rate as at the 31 March 2022. This has been completed and the figure has been amended from £17,827,309 to £16,948,912.	✓

D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

Audit fees	Proposed fee	Final fee
Authority Audit	41,079	TBC
Total audit fees (excluding VAT)	£41,079	TBC

The fees reconcile to the financial statements

• Fees per financial statements (rounded)	£64,766
• Additional fee in relation to 2020/21	(£21,000)
• Additional fee in relation to 2019/20	(£3,800)
• Additional fee in relation to 2021/22 not billed yet	£1,113
• Total fees per above	£41,079

E. Audit opinion - draft

A draft of our audit opinion is included below.

We anticipate we will provide the Authority with an unmodified audit report

Independent auditor's report to the members of Merseyside Fire and Rescue Authority

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Merseyside Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the pension fund account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance & Procurement's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance & Procurement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so

E. Audit opinion - draft

we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance & Procurement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance & Procurement with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance & Procurement's and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance & Procurement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

E. Audit opinion - draft

Responsibilities of the Authority, the Director of Finance & Procurement and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 94, 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 & Procurement. The Director of Finance & Procurement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance & Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance & Procurement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Fire and Rescue Services Act 2004. We also identified the following additional regulatory frameworks in respect of the firefighters pension fund, the Public Services Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud

E. Audit opinion - draft

risks identified for the audit.. We determined that the principal risks were in relation to:

  – Large and unusual journal entries and accounting estimates.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance & Procurement has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and unusual journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

E. Audit opinion - draft

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Merseyside Fire and Rescue Authority for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Name Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date:

F. Management Letter of Representation

LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

Royal Liver Building

Liverpool

L3 1PS

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Merseyside Fire Authority
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Merseyside Fire Authority for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Authority 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 2021/22 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 2021/22 ("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. Such accounting estimates include revaluations of land and buildings. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for, valuation of land and buildings, depreciation, pension fund liability and business rates impairment. No changes to the estimation process was made in the year. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

F. Management Letter of Representation

vi. 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. 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.

vii. 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.

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's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as *[they are immaterial to the results of the Authority and its financial position at the year-end OR list reasons]*. The financial statements are free of material misstatements, including omissions.

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

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

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.

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xvi. 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. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.

F. Management Letter of Representation

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

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

xix. 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.

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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

xxv. 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

xxvi. 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 Audit Committee at its meeting on 27 September 2022.

Yours faithfully

Name................................

Position..............................

Date.................................

Name................................

Position..............................

Date.................................

Signed on behalf of the Authority

G. Audit letter in respect of delayed VFM work

Our ref:

Your ref:

Cllr Linda Maloney

Chair of Audit Committee

Fire Service Headquarters

16 September 2022

Dear Cllr Maloney

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report for 2021-22, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay

Yours faithfully

Georgia Jones

Director

Grant Thornton

grantthornton.co.uk

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Agenda Item 4

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	**AUDIT COMMITTEE**		
DATE:	**27TH SEPTEMBER 2022**	**REPORT NO:**	**CFO/044/22**
PRESENTING OFFICER	**IAN CUMMINS**		
RESPONSIBLE OFFICER:	**IAN CUMMINS**	**REPORT AUTHOR:**	**IAN CUMMINS DIRECTOR OF FINANCE AND PROCUREMENT**
OFFICERS CONSULTED:	**STRATEGIC LEADERSHIP TEAM**		
TITLE OF REPORT:	**STATEMENT OF ACCOUNTS 2021/22 - APPROVAL OF AUDITED STATEMENTS**		

APPENDICES:	**APPENDIX A:** **APPENDIX B:**	**STATEMENT OF ACCOUNTS 2021/22** **LETTER OF REPRESENTATION**

Purpose of Report

1. To present to Members the audited 2021/22 Statement of Accounts for approval and request that they be authorised for issue.

Recommendation

It is recommended that Members delegate authority to the Chair of the Audit Committee and the Director of Finance & Procurement, as the s151 officer to;

a) amend and approve for publication the 2021/22 Statement of Accounts , attached as Appendix A to this report, and
b) amend and sign the letter of representation in relation to the 2021/22 accounts, attached as Appendix B. Once Grant Thornton have completed the audit.

Introduction and Background

3. Merseyside Fire and Rescue Authority (‘Authority’) has a statutory duty to approve and sign-off for publication the Statement of Accounts for the previous year usually before 31st July of the following year. The Government has amended the relevant regulations so that for the 2021/22 Statement of Accounts the deadline has been extended to the 30th November 2022. The 2021/22 Statement of Accounts are attached to this report as Appendix A, for Members’ consideration and approval.

4. Members considered the 2021/22 year-end general fund outturn position in report CFO/036/22, that was approved by the Policy and Resources Committee on 28th

July 2022. That report identified net revenue expenditure in the year of £57.047m against a budget of £59.250m, and a resulting favourable variance of £2.203m (before any adjustments for year-end reserves). The report identified that £0.250m was required to be carried forward as earmarked reserves, leaving an actual saving in 2021/22 of £1.953m. Members approved the utilisation of this saving to increase the Inflation reserve to cover the expected increase in energy costs and potential higher pay settlements. Therefore, after taking these adjustments into account net expenditure in the year was consistent with the general fund budget.

5. The financial statements within the Statement of Accounts 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 the General Fund Account (taxation). So whilst there is a neutral net General Fund Account position in 2021/22, as per paragraph 4, the Comprehensive Income and Expenditure Statement (CIES) indicates a net surplus of £7.972m for the year because of additional accounting transactions relating mainly to pensions but also depreciation and some other technical adjustments. These accounting entries do not impact on the approved revenue budget’s bottom line and may be viewed as notional entries that are obligatory in order to adhere to the various accounting requirements.

6. At the time of writing this report Grant Thornton, the Authority’s current external auditors, have yet to finalise the audit of the Statement of Accounts, however no major issues have been identified. Grant Thornton’s “Audit Findings” report can be found elsewhere on today’s Agenda, and it will summarise their findings in relation to the 2021/22 Statement of Accounts. However, **the outturn position on the revenue account, capital programme, and movement on reserves reported to Policy & Resources Committee on 28th July 2022 (CFO/036/22) has not changed**.

Statement of Accounts;

7. The Statement of Accounts is a record of the Authority’s financial activities for 2021/22, with comparative figures for 2020/21. 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.

8. On 1st April 2010 the Authority, along with all other Local Authorities, adopted International Financial Reporting Standards (IFRS). The accounts for 2021/22 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**

9. The Statement of Accounts must be prepared in accordance with the relevant accounting 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.

10. The Authority sets the 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 taxpayers. (*Paragraph 4 of this report outlined the 2021/22 General Fund position for the service).*

11. The analysis below identifies and briefly explains some of the largest movements between the figures in the formal statement of accounts for 2021/22 :-

12. **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 2021/22 (after taking into account the creation of reserves) this becomes net surplus of £7.972m 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:

	Note	Detailed Adjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
Net General Fund 2021/22 year-end position:	**Note**	-	-	-
1 Net creation of earmarked reserves	(a)	-	-	**(4,417)**
2 Asset valuation / charges and capital funding adjustments				
Depreciation, impairment and revaluation adjustment	(b)	2,269		
Revenue Expenditure Funded from Capital Under Statute	(c)	2,679		
Asset disposal / write-offs / revaluation losses		58		
MRP / interest adjustment	(f)	(2,344)		
Capital Expenditure Funded from the Revenue Account		(2,140)		
Capital grants income		(2,023)	**(1,501)**	
3 Pension related adjustments	(d)			
Pension contributions payable to pension fund (employer)		(10,216)		
Pension contributions payable to pension fund (top-up grant)		(31,269)		
Pension current service costs		18,915		
Pension past service costs		-		
Net interest on the defined benefit liability scheme		23,075	**505**	
4 Other technical accounting adjustments	(e)			
Timing differences for premiums and discounts		(333)		
Timing differences for council tax / NNDR		(2,155)		
Timing differences for compensated absences		(71)	**(2,559)**	
Total adjustments				**(3,555)**
Surplus or deficit on provision of services				**(7,972)**

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, including revaluation losses and the reversal of any prior year valuation losses and impairments.

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. 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). It also includes timing differences for premiums and discounts over the unexpired life of the loans refinanced.

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.

13. **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 Statement identifies the Authority held **£43.791m** in **usable reserves** as at 31.03.2022. Of this, the Authority held £10.292m in reserves on behalf of the Home Office to fund the refresh of National Assurance assets, these funds are not available to the Authority and any unspent grant must be paid back to Government. Excluding the Home Office unapplied grant, at the end of 2021/22 the Authority's usable reserves were £33.499m, a net increase of £4.417m on the 2021/22 opening balance. The increase is due to a net increase in the Inflation Reserve of £2.519m, due to the expected increase in energy and pay costs in 2022/23; an increase in the Capital Investment Reserve to fund the new Training and Development Academy; and the balance relates to the remaining movement in other reserves in the year. These committed reserves are required in order to carry forward 2021/22 funds into 2022/23 to meet projects now re-phased into future years, or, to offset identified potential risks to the Authority's financial plan (such as higher than anticipated energy costs and pay awards). The Authority General Reserve has remained at £3.000m or 5% of the gross budget throughout the year. The General Reserve provides a relatively small cushion to enable the Authority to cover the risk of unexpected events within the year that lead to significant unplanned expenditure.

A reduction in **unusable reserves** of £18.947m - unusable reserves are not available to fund expenditure 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 2021/22, £8.905m.

14. **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** – increased by £7.919m. This was mainly due to a £6.200m net revaluation increase on Land and Buildings. Additions in the year, including assets under construction, increased asset values by £4.036m, but depreciation adjustments reduced values by £2.247m. A revaluation in intangible assets due to the net amortisation in the year reduced asset values by a further £0.071m.

- **Current Assets** – increased by £4.447m. The re-phasing of planned capital spend and the receipt of grant monies in advance of expenditure has resulted in an increase in Short Term Investments of £3.907m and a £6.683m increase in Cash & Cash Equivalents. Short-term debtors have reduced by £5.900m. This is due to a decrease in the Home Office firefighter pension debtor of £2.331m, reduction in receipt of a Home Office National Resilience Grant of £2.520m, reduction in expected Government grants for NNDR and Council Tax Collection Fund Deficit arising in 2021/22 of £1.542m, the balance of £0.493m relates to an increase in various smaller grants and debtors. The remaining movements reflect small changes in assets held for sale and other inventory values.

- **Current Liabilities** – reduced by £1.173m. An increase in short-term creditors of £2.341m due to an increase in various creditor accruals and grant prepayments (spend will be incurred in 2022/23). Short-term borrowing has reduced by £3.031m, and is made up of loans to be paid in the following year. – (PWLB movement of £2.835m and other loans £0.196m compared to 2020/21). The bank overdraft has also reduced by £0.483m.

- **Long Term Liabilities** – reduced by £9.734m;
  - Other long-term liabilities – reduced by £8.946m. £8.905m 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. Note that this change is offset by a contra increase in the Pensions Reserve (Unusable Reserves) of £8.905m. 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 £0.506m. This reduction relates to PFI contract payments to be paid in the coming year and moved to short term borrowing.
  - Provisions – A net reduction of £0.117m. 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 by £0.012m, but the Business Rates Appeals provision was reduced by £0.129m (see note 20 in Statement of Accounts).

- Long-term borrowing relates to Public Works Loan Board (PWLB) and has reduced by £0.165m reflecting the fact that loans of £0.165m will be repaid in the coming year and moved to short-term borrowing.

- **Usable Reserve** increase of £4.326m – this is the net movement in reserves in the year. The unapplied capital grant held by the Authority on behalf of the Home Office to fund the refresh of National Assurance assets is carried forward as a reserve. The value of the Home Office reserve reduced by £0.091m in the year, but these funds are not available to the Authority and any unspent grant must be paid back to Government. The Authority's usable reserves were £33.499m, a net increase of £4.417m on the 2021/22 opening balance. The increase is due to a net increase in the Inflation Reserve of £2.519m, due to the expected increase in energy and pay costs in 2022/23; an increase in the Capital Investment Reserve to fund the new Training and Development Academy; and the balance relates to the remaining movement in other reserves in the year. These committed reserves are required in order to carry forward 2021/22 funds into 2022/23 to meet projects now re-phased into future years, or, to offset identified potential risks to the Authority's financial plan (such as higher than anticipated energy costs and pay awards).

- **Unusable Reserves** reduction of £18.947m. 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 expenditure. A reduction in the Pension Reserve of £8.905m to reflect changes in the liability of the pension schemes accounts for a lot of this increase. The other movements relate to the Capital Adjustment Account increase of £2.186m, (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 increased by £5.297m due to the Land and Building revaluation and difference between fair value depreciation and historical cost depreciation. The Collection Fund Adjustment Account has reduced in year to reflect Collection Rates of £2.155m. The balance relates to small movements on other accounts of £0.404m.

15. **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 increased from -£0.478m to £6.688m. This in part is due to the current treasury management strategy that sets specific criteria for investments (security and liquidity) and therefore cash may be held over the short term while suitable longer term investment opportunities are identified. Also, 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.

16. 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.

17. 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 and Procurement are required on the letter. The proposed letter of representation is attached to this report as Appendix B.

Equality and Diversity Implications

18. None directly related to this report.

Staff Implications

19. None directly related to this report.

Legal Implications

20. 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 30th November in the current year for the 2021/22 Statement of Accounts.

Financial Implications & Value for Money

21. The report confirms the 2021/22 outturn position is consistent with that previously reported.

Risk Management, Health & Safety, and Environmental Implications

22. None directly related to this report.

Contribution to Our Vision:	To be the best Fire & Rescue Service in the UK.
Our Purpose:	Here to serve, Here to protect, Here to keep you safe.

23. 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/036/22 "Revenue and Capital Outturn 2021-2022" Policy & Resources 28th July 2022.

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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Appendix A

Merseyside Fire & Rescue Authority

2021/22
Statement of Accounts
UNAUDITED

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2021 – 2022

CONTENTS **Page**

Narrative Report by the Director of Finance and Procurement

Introduction

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31st March 2022, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2021/22 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 About / Finance and Accounts. 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 2021/22 and the future. It also provides a summary of the financial position at 31st March 2022 and is structured as below:

- Background to the Authority & Key Information
- The 2021/22 Non-Financial Performance
- The Authority2021/22 Revenue Budget and Financial Challenge
- 2021/22 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2021/22 to 2025/26
- Treasury Management
- Balance Sheet Financial Position at 31st March 2022
- Future Financial Challenge / Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2021/22.

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. The Office of National Statistics (ONS) 2020 figures showed that Merseyside has a population of 1.434m. The population is split 48.9% male and 51.1% female, with 18.1% of the population being children (0-15), 63.8% being of working age (16-64) and 18.0% above 65. Merseyside has an aging population and is one of the most deprived areas in England, with Knowsley being the third most deprived local authority in England and Liverpool being forth. There are more affluent areas, for example, in West Wirral and North Sefton, but large areas of Merseyside fall within the highest ratings of social deprivation, which includes high levels of poverty, social exclusion and crime.

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 2021/22, 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	(2 Labour, 2 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 (CFO), 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
- Head of Legal (Monitoring Officer)
- Director of Finance and Procurement (Section 151 Officer)
- Director of People and Organisational Development
- Director of Strategy and Performance
- Area Manager for Operational Preparedness
- Area Manager for Operational Response
- Area Manager for National Resilience
- Area Manager for Prevention
- Area Manager for Protection

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 2021-24 was approved by the Fire Authority and published on 30th June 2021. The IRMP included proposals to meet the challenges it faces whilst aspiring to continue to deliver an excellent service to the residents of Merseyside. The IRMP takes into account existing and emerging risk(s), demand and vulnerability such as; the ageing population of Merseyside; socio-economic vulnerability to fire and other risks; impact and requirements of the Grenfell enquiry report; impact of fire and rescue service inspection; marine and weather-related incidents such as flooding; and the increased risk of terrorism. In general, our work to deliver against the IRMP has progressed well and ensures the Authority's commitment to maintain operational response times despite continuing financial challenges. 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.

Vision, Purpose & Aims

The Authority approved a revised Leadership Message and associated vision, purpose, aims, values and behaviours of the Service, that captures the organisations key people priorities, developed in order to deliver the best possible services to the Merseyside community through the professionalism and capabilities of our people. The Authority's new Vision, Purpose and Aims are:

Our Vision;

To be the best Fire & Rescue Service in the UK. One team, putting its communities first

Our Purpose;

Here to serve. Here to protect. Here to keep you safe.

Our Aims;

Protect
We protect people from harm*, provide advice, guidance and when absolutely necessary use enforcement to keep the public and our firefighters safe.*

Prevent
We are there for you. *We are a visible presence that provides reassurance, support and advice. Alongside our partners, we protect the most vulnerable and reduce inequalities.*

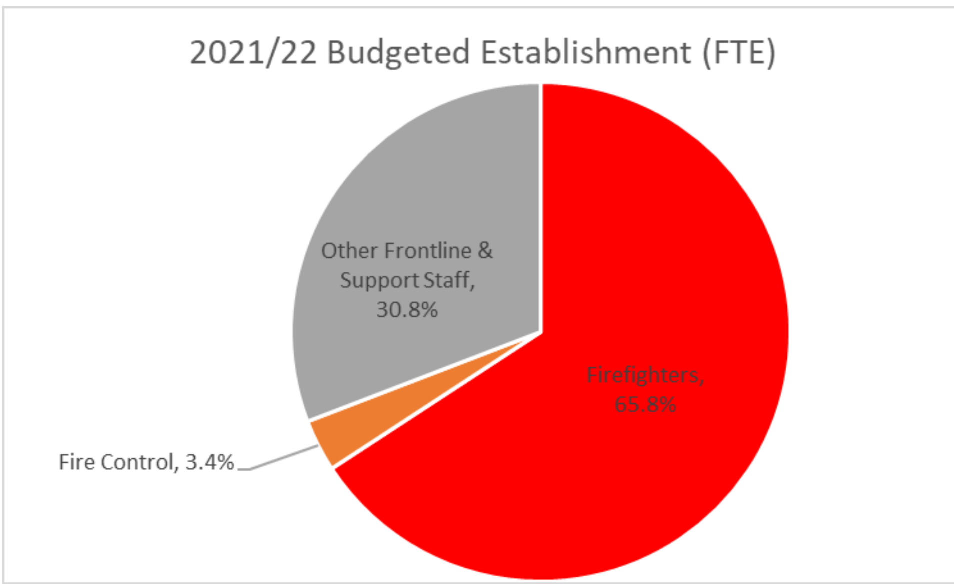
Prepare
We will always be the best that we can be *by having highly skilled and trained people who plan for every risk and keep our teams safe and effective.*

Respond
We will be there when you need us most, *pulling out all the stops to save lives. Whether we are taking 999 calls, or attending incidents, we keep our communities safe.*

The vision, purpose & aims, along with the approved IRMP, determine the Authority's priorities that are reflected in the allocation of resources within the approved budget and financial plan agreed by the Authority in the February before the commencement of the new budget year.

Staffing, Fire Appliances & Fire Stations

The 2021/22 budgeted establishment was 976 FTE employees. Most of the staff are involved in front line service delivery (Firefighters, Marine Rescue, Community Prevention and Protection work).



As a direct consequence of the scale of Government cuts since 2010/11 there has been an inevitable impact on frontline services.

In 2010/11, the budgeted establishment for firefighters was approximately 1,000 firefighters compared to the 642 FTE in the 2021/22 establishment, a reduction of -358 or -36%. Over the same period, support staff have reduced from 425 to 301 a reduction of -124 or -29%. The loss of support posts has an impact on the front line as some of these post reductions carried out fire prevention and response work within the Merseyside community.

Following the approval of the 2021-2024 IRMP, the Authority moved to an operational response model that had 31 fire appliances available day and night (a combination of wholetime and retained). This was an increase on the 26 proposed in the original 2017/20 IRMP. In practical terms, this will mean that during the day the Authority will have 27 appliances immediately available with a further 4 available within 30 minutes. Ten years ago, the Authority 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 22 by the end of 2020/21. The 22 stations 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. The 2021-2024 IRMP includes the building of a new superstation in Long Lane to replace Aintree and Croxteth fire stations, although this will see the number of fire stations fall to 21, the response times in Aintree and Croxteth will actually improve. In addition to community fire stations, the Authority has a Marine Rescue Unit, a Training and Development Academy, a Headquarters and an Operational Workshop/Stores.

The Authority 2021/22 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 2021/22 Authority's performance against the key performance indicators (KPI's) is summarised in the table below:

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2020/21	Target 2021/22	Performance 2021/22	Status
TO00	Total number of emergency calls received	19778	*Quality Assurance*	22693	Quality Assurance
TC01	Total number of incidents attended	15867	16273	18283	Target Missed
TC02	Total number of fires in Merseyside	6142	7159	6904	Target Achieved
TC03	Total number of primary fires attended	1770	2262	1984	Target Achieved
QTC04	Total number of secondary fires attended	4372	4897	4920	Target Missed
TC05**	Total number of special services attended	4250	*Quality Assurance*	5345	Quality Assurance
TC06	Total number of false alarms attended	5475	5497	6034	Target missed
TR08*	Attendance standard – first attendance of an appliance at a life risk incidents in 10 mins	95.4%	90.0%	95.4%	Target Achieved
TD09	The % of available shifts lost to sickness absence, all personnel	4.27%	4.00%	5.40%	Target missed
TE10	Total carbon output of all MFRS buildings	57.4	65.0	55.6	Target Achieved
DWELLING FIRES					
DC11	Number of accidental dwelling fires	799	861	839	Target Achieved
DC12	Number of deaths in accidental dwelling fires	7	8	4	Target Achieved
DC13	Number of injuries in accidental dwelling fires attended	59	90	61	Target Achieved
DC14	Number of deliberate dwelling fires in occupied properties	139	138	120	Target missed
DC15	Number of deliberate dwelling fires in unoccupied properties	16	20	18	Target Achieved
DC16	Number of deaths in deliberate dwelling fires	0	1	0	Target Achieved
DC17	Number of injuries in deliberate dwelling fires	14	13	9	Target Achieved

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2020/21	Target 2021/22	Performance 2021/22	Status
NON-DOMESTIC PROPERTY					
NC11	Number of deliberate fires in non-domestic premises	37	81	21	Target Achieved
NC12	Number of accidental fires in non-domestic premises	126	179	150	Target Achieved
ANTI SOCIAL BEHAVIOUR					
AC11	Number of deliberate vehicle fires attended	306	569	402	Target Achieved
AC12	Number of accidental vehicle fires attended	168	197	207	Target Missed
AC13	Number of deliberate anti-social behaviour fires (small)	2993	3208	3363	Target Missed
AC14	Number of accidental small fires attended	1379	1689	1557	Target Achieved
AC15	Number of ‘other’ primary fires attended	179	217	197	Target Achieved
ROAD TRAFFIC COLLISIONS					
RC11	Number of road traffic collisions (RTC) attended	555	*Quality Assurance*	830	Quality Assurance
RC12	Number of injuries in road traffic collisions attended	232	*Quality Assurance*	284	Quality Assurance
RC13	Number of fatalities in road traffic collisions attended	8	*Quality Assurance*	17	Quality Assurance
RC14	New: Number of Killed & Seriously Injured (KSI) in RTC's across Merseyside *Based on Partnership RTC data*	347	*Quality Assurance*	477	Quality Assurance
RC15	New: Number of KSI's affecting 16-24 age group - *Based on Partnership RTC data*	59	110	85	Target Achieved
FALSE ALARMS					
FC11	The number of false alarm calls due to automatic fire alarm equipment in non-domestic properties	460	583	550	Target Achieved
FC12	The number of false alarm calls due to smoke alarm actuation in domestic properties	2880	2949	2963	Target Missed
FC13	Total number of false alarms attended discounting false alarm good intent	3465	*Quality Assurance*	3700	Quality Assurance
FC22	Number of malicious false alarms attended	125	222	187	Target Achieved
FC23	Number of false alarm good intent attended	2010	1743	2334	Target missed
STAFF SICKNESS & INJURIES					
WD11	% of available shifts lost to sickness absence per wholetime equivalent GREY book (operational) personnel	4.05%	4%	5.70%	Target missed
WD12	% of available shifts lost to sickness absence per wholetime equivalent GREY book (operational) personnel	4.62%	4%	5.40%	Target missed
WR13	Total number of operational staff injuries	35	47	36	Target Achieved

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

Most incident types including fires and emergency calls received are higher than in 2020/21 when we were at the height of the COVID-19 pandemic. This had an impact on performance for parts of that year when households and businesses were in lockdown. Staff continued to target those most at risk of either setting fires or being a victim of fire throughout the pandemic. The Authority has continued to meet its attendance standard target (90%) of the first appliance being in attendance at all life risk incidents within 10 minutes.

Road Traffic Collisions (RTCs) attended (830) increased when compared to 2020/21 (555). This is again an indication of life returning to some normality after the lock-downs of 2020/21. However, this indicator is based on the RTCs that the Service is requested to attend and does not reflect the total number of RTCs in Merseyside or the RTCs involving the Service's targeted age group of people aged 16-24. Partnership data recording 'killed and seriously injured in RTC's' also shows an increase in the number of incidents in 2021/22 (477) when compared to 2020/21 (357) reflecting more vehicles and people on the roads as restrictions have relaxed.

At the end of 2021/22 sickness among operational personnel was at 5.40%, with shifts lost to sickness absence exceeding the target of 4%. The COVID-19 outbreak caused sickness to increase among all staff. If Covid related sickness is removed from this figure sickness absence is 3.13%, which is considerably less than the 4% target.

The 2021/22 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 taxpayers. 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.

Historical Impact of Government's Austerity Plan 2010/11 – 2019/20

The Authority faced an unprecedented financial challenge over the period 2010/11 – 2019/20 as the Government implemented an austerity plan in an attempt to reduce national debt. A significant element of the Government's plan was to reduce the level of funding for local government (including 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 greater 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 Authority's 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 of £60.3m was 29% lower in real terms. This scale of cuts meant unavoidable reductions in the front line operational services over this period. The impact of the required savings over the 2011/12 – 2019/20 period on staffing, fire appliances & fire stations has already been outlined.

2021/22 – 2025/26 Medium Term Financial Plan

If any organisation wants to be successful, its budget setting and medium term financial plan (MTFP) must allocate resources to support its key strategic aims and priorities. This is a vital consideration when organisations face periods of severe financial challenge. For many years now, the Authority has maintained a five year comprehensive MTFP and Capital Programme. The MTFP is rolled forward each year and plans prudently to deal with all known reductions in Government funding and required investments in the Service. The Authority approved a 2021/2022 – 2025/2026 medium term financial plan (MTFP) at the Budget Authority meeting on 25th February 2021 that set a balanced 2021/2022 budget. The MTFP report is available on the Authority's website and includes all the necessary financial information in a single report. The report considers:-

- Forecast Revenue Estimates
- The Proposed Capital Programme
- Any Revenue Savings and Growth Options
- The Treasury Management Strategy
- The Minimum Revenue Payment Policy for the Authority
- A Reserves Strategy

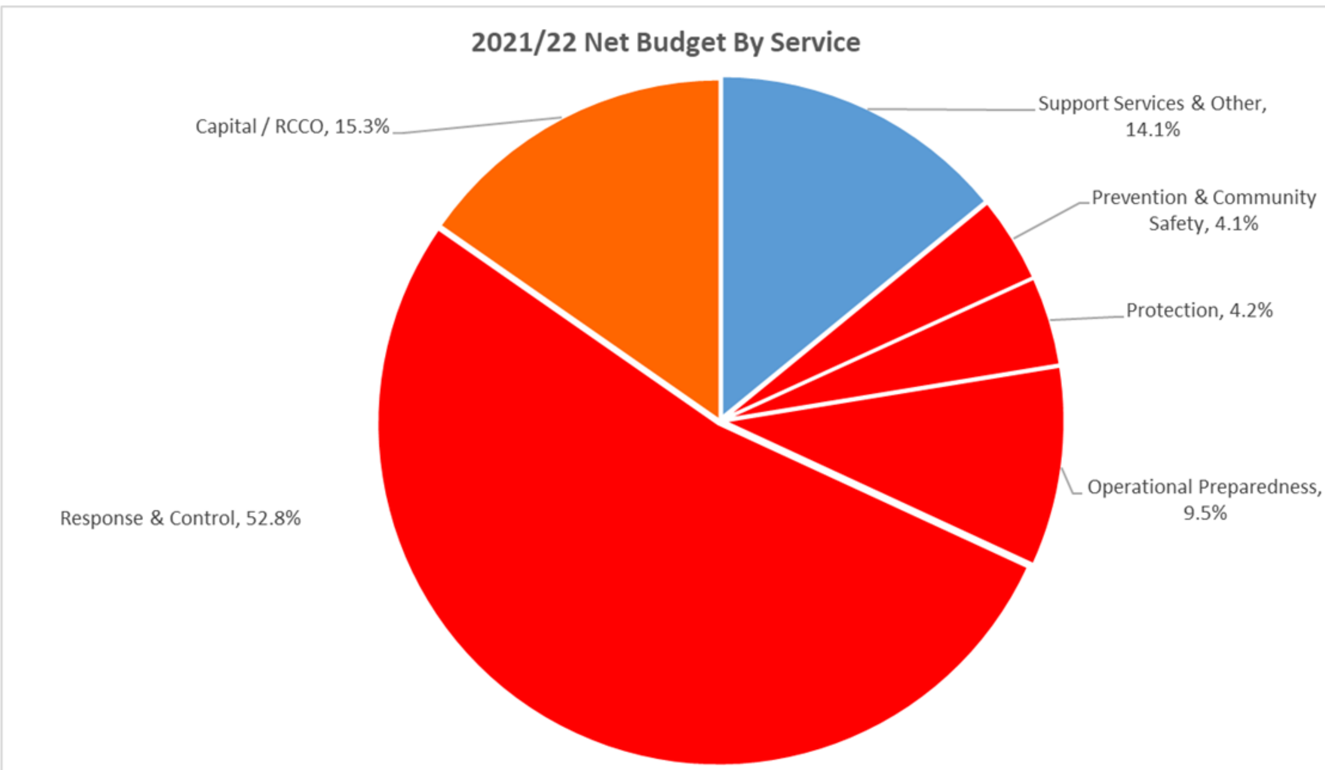
By considering all the financial issues to be taken into account in a single report ensures that the Authority can:-

- Consider the borrowing freedoms available under the prudential code

- Reflect best practice
- Provide value for money
- Focus on the link between capital investment decisions and revenue budgets
- Continue to develop their strategic financial plan

Although the MTFP indicated a potential small financial challenge by 2025/26, the Authority agreed that due to the significant uncertainty over future Government funding it would defer any consideration of the potential future financial challenge at this time. Government grant *(Settlement Funding Assessment, SFA)* funds 50% of the Authority's revenue budget requirement with the balance coming from Council Tax income. The Authority's 2021/22 SFA increased by 0.2% compared to the 2020/21 SFA, and in addition the Government did provide some further one-off grant (£0.955m) to offset the impact of the economic impact of Covid-19 on council tax funds. The approved 2021/22 MTFP revised the previous 2021/22 pay assumption from 2% to 0% in light of the Government's direction on a pay freeze for the public sector.

Overall, the Authority was able to approve a balanced 2021/22 Budget without the need to identify new Service savings, and, in addition, make a one-off £3.035m contribution to the new Training and Development Academy reserve. The Authority set its General Fund budget for 2021/22 at £59.250m, of which approximately 71% directly funds activities related to fire response or prevention work. An analysis of the budget over the Authority's strategic services is outlined in the chart below, (those activities highlighted in red are deemed frontline services):-



The Authority adopted a reserves strategy that maintained a General Reserve of £3.000m and anticipated (based on the estimated forecast when the 2021/22 budget was approved) Earmarked Reserves as at 01.04.21 of £27.171m. These reserves are required to cater for specific risks, projects and one-off initiatives and, in particular, to help the Authority manage effectively the financial pressures it faces.

The 2021/22 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 approved General Fund budget remained constant throughout the year at £59.250million. The table below summarises the **actual general revenue fund position** at year-end and compares it to the budget. Overall, the Authority spend matched the budget after taking into account the £2.203 million increase in earmarked reserves approved at the year-end to cover planned expenditure in 2022/23 and future years.

Programme	Fire Service Budget £'000	Fire Authority £'000	National Resilience £'000	Total Budget £'000	Actual £'000	Variance £'000
Expenditure						
Employee costs	51,696	343	2,571	54,610	53,244	(1,366)
Premises costs	2,643	-	4	2,647	2,394	(253)
Transport costs	1,286	-	6,490	7,776	7,376	(400)
Supplies and services	3,549	21	4,019	7,589	6,928	(661)
Agency services	6,595	-	666	7,261	7,026	(235)
Central support services	505	124	-	629	614	(15)
Capital financing	5,885	-	5	5,890	5,854	(36)
Income	(15,439)	-	(13,755)	(29,194)	(28,532)	662
Net expenditure	**56,720**	**488**	**-**	**57,208**	**54,904**	**(2,304)**
Contingency pay & prices	-	-	-	-	-	-
Interest on balances	(172)	-	-	(172)	(71)	(101)
	56,548	**488**	**-**	**57,036**	**54,833**	**(2,203)**
Movement on reserves	2,214	-	-	2,214	4,417	2,203
Overall financial position	**58,762**	**488**	**-**	**59,250**	**59,250**	**-**

The Authority had adopted a strategy that would aim as far as possible to utilise any in year revenue savings to fund additional debt repayments via the Minimum Revenue Provision, MRP, in order to free up future debt servicing budget to re-invest in front line services. Throughout the year managers looked at every opportunity to maximise savings against the approved budget to enable an increase in the capital reserve. The 2021/22 year-end “underspend” was £2.203m however, after taking into account specific year-end earmarked reserves requests of £0.250m, the available underspend was £1.953m. In April 2022, the Authority was advised that the fixed price electricity contract had ended in March and the Authority faced a potential 200% increase in electricity costs in 2022/23, equating to an estimated £1.0m increase in costs. In addition, pressure on future pay awards is growing with the increase in CPI to 9.1% in May 2022 and potentially higher by the year-end. The current MTFP assumes a 2.5% increase in 2022/23 pay award, each additional 1% would increase costs by £0.5m. Therefore, rather than increase the Capital Reserve with the available £1.953m underspend the Authority will use it to increase the Inflation Reserve to provide a one-off resource in 2022/23 to cover potential higher electricity and pay costs, and review the future budget provision during the 2023/24 budget process.

After taking account of the year-end reserves 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 surplus of £7.972m 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 below reconciles the General Fund to the CIES “*Deficit on Provision of Services*” statement:

	Note	Detailed Adjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
Net General Fund 2021/22 year-end position:	**Note**	-	-	-
1 Net creation of earmarked reserves	(a)	-	-	**(4,417)**
2 Asset valuation / charges and capital funding adjustments				
Depreciation, impairment and revaluation adjustment	(b)	2,269		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	2,679		
Asset disposal / write-offs / revaluation losses		58		
MRP / interest adjustment	(f)	(2,344)		
Capital Expenditure Funded from the Revenue Account (CERA)		(2,140)		
Capital grants income		(2,023)	**(1,501)**	
3 Pension related adjustments	(d)			
Pension contributions payable to pension fund (employer)		(10,216)		
Pension contributions payable to pension fund (top-up grant)		(31,269)		
Pension current service costs		18,915		
Pension past service costs		-		
Net interest on the defined benefit liability scheme		23,075	**505**	
4 Other technical accounting adjustments	(e)			
Timing differences for premiums and discounts		(333)		
Timing differences for council tax / NNDR		(2,155)		
Timing differences for compensated absences		(71)	**(2,559)**	
Total adjustments				**(3,555)**
Surplus or deficit on provision of services				**(7,972)**

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, including revaluation losses and the reversal of any prior year valuation losses and impairments.*

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. 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). It also includes timing differences for premiums and discounts over the unexpired life of the loans refinanced.*

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).*

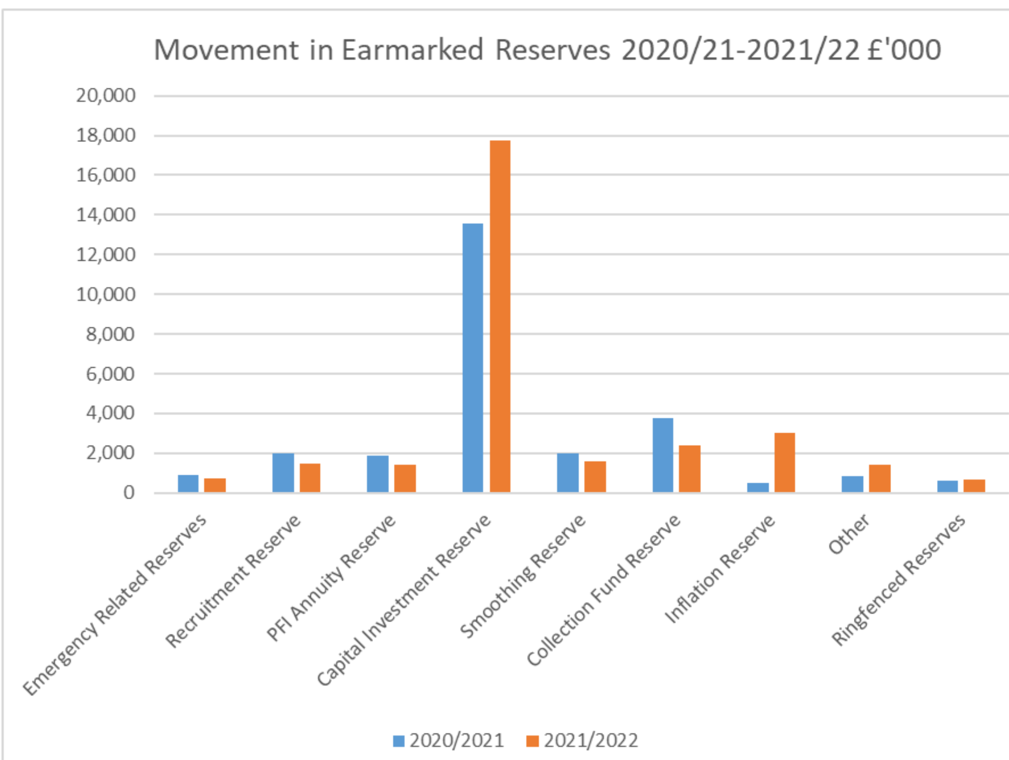
Whilst the CIES shows the true accounting position for the year, it is the General Fund position which more directly reflects the impact on Merseyside residents as it records only those expenses which statute allows to be charged against the Authority's annual budget, the amounts to be set aside as reserves 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, 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 Resilience £10.292m 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 2021/22 the Authority's earmarked reserves were £30.499m, a net increase of £4.417m on the opening balance of £26.082m. The capital reserve had a net increase of £4.106m, mainly due to funds being re-credited to the reserve as the scheme start date was re-phased until 2022/23. Expected inflationary pressures on utilities and pay in 2022/23 meant over the year the inflation reserve increased by £2.519m. As planned, the Authority had to reimburse the Merseyside Billing authorities Council Tax and Business Rates Collection Funds for monies paid over in 2020/21 but not collected due to COVID-19 discounts and impacts introduced by the Government, therefore £1.368m was drawndown from the Collection Fund Reserve to cover this payment. The other movements reflect monies set-a-side for projects or specific risks that may impact on the Authority over the coming years. The Authority General Reserve has remained at £3.000m or 5% of the gross budget throughout the year, which provides a relatively small cushion to enable the Authority to cover the risk of unexpected events within the year leading to significant unplanned expenditure.

The table below summarises the main types of committed reserves.

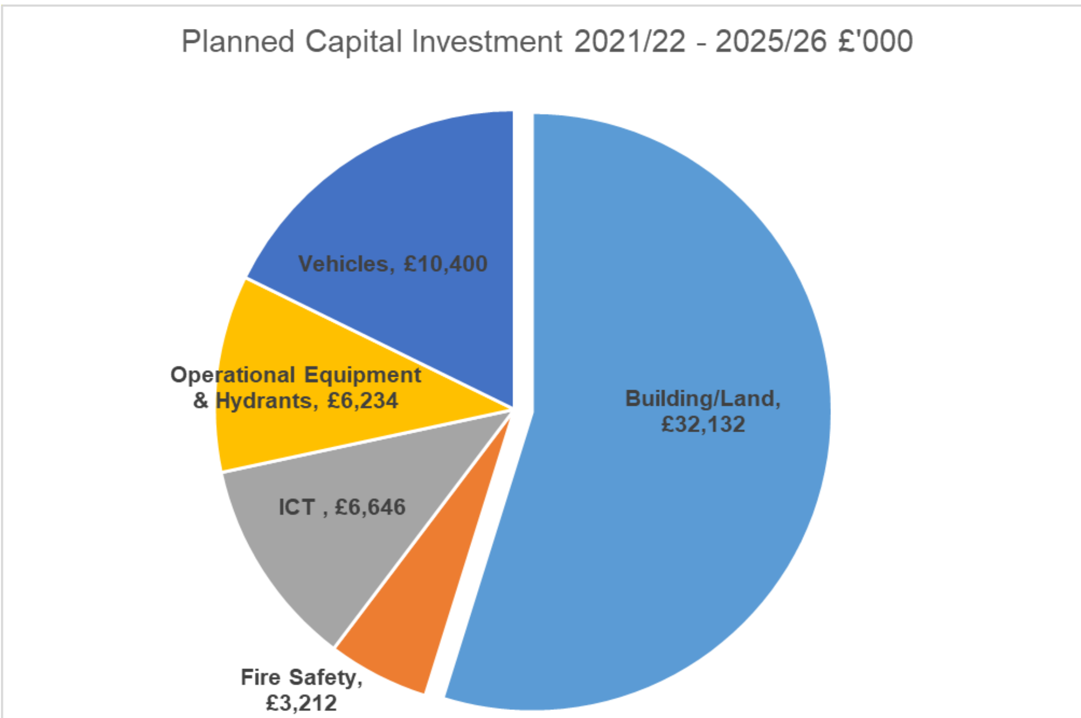


Capital Strategy and Capital Programme 2021/22 to 2025/26

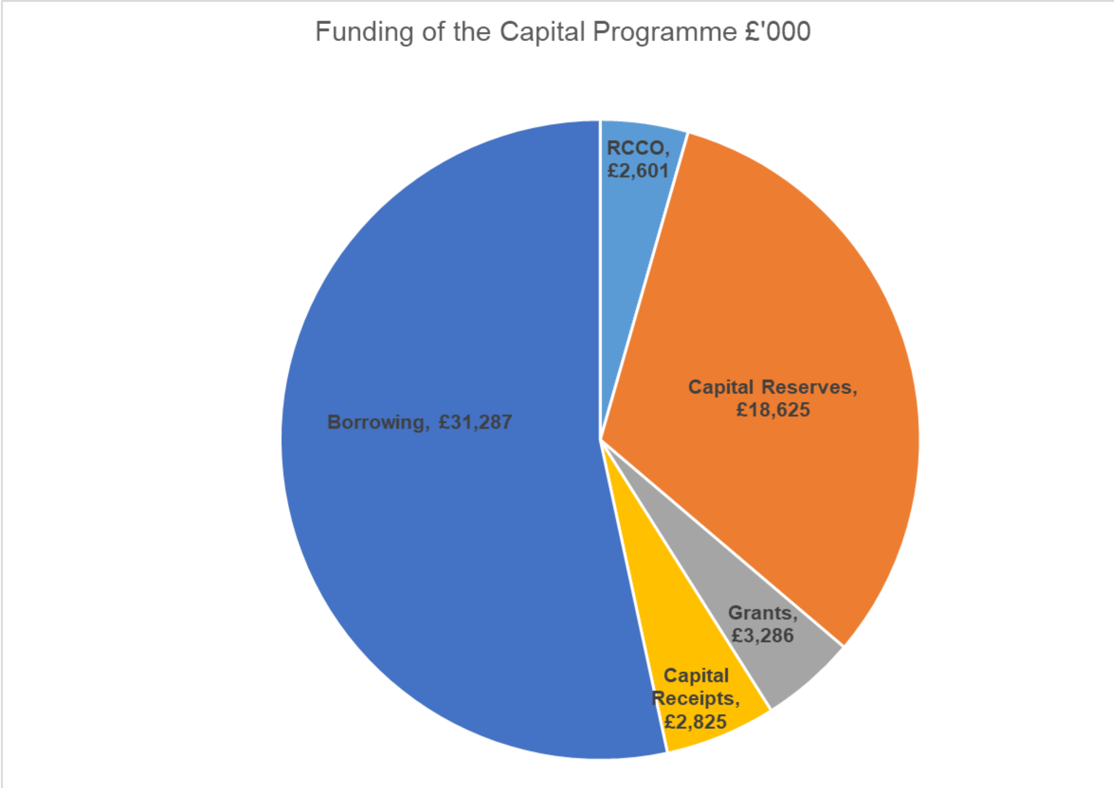
Each financial year the Authority produces a capital programme to manage major capital schemes. Owing to the nature of capital expenditure, a large number of schemes span more than one financial year, therefore the programme is a rolling programme covering five financial years.

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 2021/22 – 2025/26 capital budget of £58.624m over its planned investments which are mainly in the Authority's property, vehicles, prevention (household smoke alarms) and ICT assets:



This capital programme has a borrowing requirement of £31.287m 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 2021/22 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 2021/22 into Future Years £'000	Variance £'000
Expenditure				
Building/Land	3,607	1,937	1,666	(4)
Fire Safety	672	565	-	(107)
ICT	1,510	710	800	-
Operational Equip & Hydrants	3,766	2,314	1,429	(23)
Vehicles	1,566	1,449	117	-
TOTAL	**11,121**	**6,975**	**4,012**	**(134)**
Financing				
Capital Receipts	350	292	-	(58)
Revenue and Reserves	2,140	2,140	-	-
Grants	3,286	2,114	1,172	-
Unsupported Borrowing	5,345	2,429	2,840	(76)
TOTAL	**11,121**	**6,975**	**4,012**	**(134)**

The most significant items of capital expenditure have been:

- The pre-construction works at the new Training and Development / Superstation site
- Fire station refurbishment at Heswall
- Installation of smoke alarms

- Upgrades and replacement of ICT software and hardware
- Purchase of Home Office National Resilience assets
- 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 2021/22-2025/26 Medium Term Financial Plan (MTFP), which is available on the Authority's website. The key elements are:

- The Treasury Management Strategy 2021/22
- The External Debt and Treasury Management Prudential Indicators and Limits for 2021/22 to 2023/24
- The Investment Strategy 2021/22
- 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 are required by the CIPFA Treasury Management Code of Practice and are 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 £36.9m at the start of the year to £33.9m at the end following the repayment of £3.0m of loans in the year. Interest paid during the year on existing long-term borrowing totalled £1.849m

Balance Sheet Financial Position at 31st March 2022

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 £23.273m over the year, and as a consequence the current net liability on total reserves has decreased from (£1,097.010m) to (£1,073.737m). 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 £1,156.236m 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

The Authority continues to plan prudently and approved a balanced 2022/23 Budget and five-year medium term financial plan (MTFP) at its meeting on 24 February 2022. However, as the Government funding contributes nearly 50% of the total Authority revenue funding and the Government announced only a one-year settlement for 2022/23, this has meant a lack of certainty and predictability over future Authority funding, making it difficult to plan beyond 2022/23.

The MTFP also relies upon some key assumptions around future pay, council tax levels and other factors. The current MTFP indicates that the Authority may potentially face a financial challenge from 2024/25. Due to the level of uncertainty around the forecasts, the Authority will consider any future challenges as part of the 2023/24 budget setting process when some of these uncertainties should be resolved, especially as it is expected that the Government will have announced a multi-year financial settlement for 2023/24 and future years. The Authority has established specific reserves to cover the risk of a variation to the key assumptions in the MTFP and these reserves would allow the Authority time to approve structural changes to deliver the required permanent savings over the longer term.

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 a quarter 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.

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 in line 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 2022 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 2021/22 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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000		Notes	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
79,887	(15,312)	64,575	Fire & Rescue Service Operations		72,911	(15,864)	57,047
1,025	-	1,025	Corporate and Democratic Core		1,376	-	1,376
9,499	(9,302)	197	National Resilience / International Search and Rescue		14,777	(12,669)	2,108
-	-	-	Non-distributed costs		-	-	-
90,411	**(24,614)**	**65,797**	**Cost of services**		**89,064**	**(28,533)**	**60,531**
-	(27,714)	(27,714)	Other operating expenditure	9	58	(31,269)	(31,211)
29,888	(2,112)	27,776	Financing and investment income and expenditure	10	28,520	(2,382)	26,138
-	(65,232)	(65,232)	Taxation and non-specific grant income	11	-	(63,430)	(63,430)
		627	**(Surplus) or deficit on provision of services**	27			**(7,972)**
		-	Impairment losses charged to the revaluation reserve				-
		(1,499)	(Surplus) or deficit on revaluation of fixed assets				(5,891)
		66,510	Remeasurement of the net defined benefit liability				(9,410)
		65,011	**Other comprehensive income and expenditure**				**(15,301)**
		65,638	**Total comprehensive income and expenditure**				**(23,273)**

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 2021		**(29,082)**	**-**	**(10,383)**	**(39,465)**	**1,136,475**	**1,097,010**
<u>Movement in reserves during 2021/22</u>							
Total comprehensive income and expenditure		(7,972)	-	-	**(7,972)**	(15,301)	(23,273)
Adjustments between accounting basis & funding basis under regulations	7	3,555	-	91	**3,646**	(3,646)	**-**
Increase or decrease in 2021/22		**(4,417)**	**-**	**91**	**(4,326)**	**(18,947)**	**(23,273)**
Balance at 31 March 2022 carried forward		**(33,499)**	**-**	**(10,292)**	**(43,791)**	**1,117,528**	**1,073,737**

	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 2020		**(21,767)**	**-**	**(3,590)**	**(25,357)**	**1,056,729**	**1,031,372**
<u>Movement in reserves during 2020/21</u>							
Total comprehensive income and expenditure		627	-	-	**627**	65,011	65,638
Adjustments between accounting basis & funding basis under regulations	7	(7,942)	-	(6,793)	**(14,735)**	14,735	-
Increase or decrease in 2020/21		**(7,315)**	**-**	**(6,793)**	**(14,108)**	**79,746**	**65,638**
Balance at 31 March 2021 carried forward		**(29,082)**	**-**	**(10,383)**	**(39,465)**	**1,136,475**	**1,097,010**

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 2021 £000		Notes	31 March 2022 £000
84,936	Property, plant and equipment	12	92,925
142	Intangible assets	13	72
85,078	**Long-term Assets**		**92,997**
29,107	Short-term investments	14	33,014
350	Assets held for sale	18	-
1,038	Inventories	15	1,145
25,643	Short-term debtors	16	19,743
5	Cash and cash equivalents	14 & 17	6,688
56,143	**Current assets**		**60,590**
(4,082)	Short-term borrowing	14	(1,051)
(16,451)	Short-term creditors	19	(18,792)
(483)	Bank overdraft	14 & 17	-
(21,016)	**Current liabilities**		**(19,843)**
(16,858)	Long-term creditors	14	(16,352)
(1,169)	Provisions	20	(1,052)
(33,885)	Long-term borrowing	14	(33,720)
(1,165,303)	Other long-term liabilities	14 & 40	(1,156,357)
(1,217,215)	**Long-term liabilities**		**(1,207,481)**
(1,097,010)	**Net liabilities**		**(1,073,737)**
(39,465)	Usable reserves	21	(43,791)
1,136,475	Unusable reserves	22	1,117,528
1,097,010	**Total reserves**		**1,073,737**

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.

2020/21 £000		Notes	2021/22 £000
627	Net (surplus) or deficit on the provision of services		(7,972)
(11,098)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(13,876)
4,941	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(660)
(5,530)	**Net cash flows from operating activities**		**(22,508)**
4,573	Investing activities	25	8,667
4,510	Financing activities	26	6,675
3,553	**Net increase or decrease in cash and cash equivalents**		**(7,166)**
(3,075)	Cash and cash equivalents at the beginning of the reporting period		478
478	**Cash and cash equivalents at the end of the reporting period**	17	**(6,688)**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The statement of accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. 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 2021/22 and the Service Reporting Code of Practice 2021/22, 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 recognised 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.

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 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 that 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 to the accumulated absences account 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 restructuring. 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 – Local Pension Partnership (LPP, 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, Castle Chambers, 43 Castle Street, Liverpool, L2 9SH).

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 taxpayers 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 Pension 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 future earnings for current employees.
- Liabilities are discounted to their present value at current prices, using a discount rate of 2.8% (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.
- Re-measurements 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, 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 (CIES) 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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, 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 CIES 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 cash flow characteristics. There are three main classes of financial assets, measured at:

- amortised cost, and
- 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 (i.e. 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 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, either 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 receivables (debtors) held by the Authority.

Impairment 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 Other Comprehensive Income

Financial assets that are measured at FVOCI 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 recognised as they arise in Other Comprehensive Income.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at 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 recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair Value Measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's 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 needed 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 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 2021/22 (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 / Department for Environment, Food & Rural Affairs / Research Projects – 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 three 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:

- 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:

- 22 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.
- 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 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 8 – 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 leads a North West PFI project, which replaced sixteen fire stations across Merseyside, Lancashire and Cumbria. Merseyside Fire & Rescue Service built seven new PFI Stations. The building programme for Merseyside started in April 2011, with the 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** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

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 HMRC. 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 taxpayers.

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 2021/22 (the Code) has introduced several changes in the accounting policies, which will be required from 1st April 2022. 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.

IFRS 16 Accounting for leases will have an impact on the Authority's Accounts. This standard, however, has been deferred from 2020/21 to 2024/25 due to pressures on Local Government due to the Pandemic. The only Asset deemed affected by standard would be the car lease scheme. Currently this relates to 25 vehicles with a valuation of £340,000. Although this would have no material impact to the Accounts the envisaged changes for current year Accounts would have been:

DR	CIES - Depreciation Charge	149,000
CR	CIES - Operating Lease Reversal	151,000
DR	CAA - Unusable Reserves	2,000
DR	Property, Plant and Equipment (vehicles)	340,000
CR	Lease Liability	340,000

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 at 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 2022 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 £79,000 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 valuer had all its land and buildings valued at 31 March 2019, taking into account various factors such as buildings cost indices and local knowledge of markets. In order to keep costs up to date 20% of the land and buildings are fully revalued each year from 2020 on a 5-year rolling basis. These figures are then used to update property portfolio on an annual basis.	Land and building revaluations increased by £7m to £81m and therefore a 1% change in valuation would result in an increase/decrease in valuation of £810,000.
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 were to change by 1%, this would result in a gain/loss of £12.0m.

Pension Assets	The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, has impacted on global markets. This will have had an impact on Pension Funds worldwide. Below are some key issues and risks that have been identified by the Merseyside Pension Fund. **Unquoted Investments** For 2021/22 there is additional uncertainty regarding the valuations of illiquid assets, due to the time it will take to fully realise the impact of COVID-19 on such assets. The valuations have been updated based upon the available information as at 31 March 2022 and maybe subject to variations as further information becomes available. There are assets such as Private Equity investments that are not publicly listed and as such, there is a degree of estimation involved in these valuations. The International Private Equity and Venture Capital Valuation 57 (IPEV) Board issued additional guidance on these given the magnitude of the COVID-19 crisis as at 31 March. Hedge funds are valued at the fair value provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators feel necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuations. Direct property and pooled property funds use valuation techniques to determine the carrying amount. Where possible these valuations are based on observable data, but where this is not possible, management of the Fund uses the best available data.	The effects on the net pensions liability for changes in the assumptions used have been evaluated for their potential impact (see page 85 for potential changes in assumptions of 0.1%). An additional impact has been included for Investment returns on the LGPS.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions

Pensions McCloud	The decisions of the Court of Appeal in the Sargeant/McCloud (McCloud) cases ruled that transitional protection that enabled some members of the Firefighter Pension Scheme(s), FPS, to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period constituted unlawful age discrimination. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters' Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and HMT published their response to their consultation on 4 February 2021, confirming their approach to remedying age discrimination, in line with their proposals. The liability calculations have been updated to be in line with the agreed final remedy. The Government Actuary's Department (GAD) has carried out costings of the potential effect of McCloud on the FPS, and Mercers on the Authority's LGPS fund. The Authority has received updated past service liability costs from the relevant actuaries based on these costings and assumptions.	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 +4.75% p.a., if the long-term salary growth assumptions were 0.1% pa lower, then the impact on the past service cost is expected to be a change of around -£1.8m on the provision. LGPS assumes Pay growth of +4.9% above CPI, if the long-term salary growth assumptions vary by 0.1%, Service Costs would change by £0.3m.
Arrears	At 31st March 2022, the Authority had a balance of sundry debtors of £101,000. A review of significant balances suggested that no credit loss provision was required.	
Provisions	The Authority has made provision for Injury and Damage Compensation claims based on an estimate of potential payouts. As at 31st March 2022, this totalled £240,000.	Claims calculations are based on past-experience. If the estimate were to change by 10%, this would result in a change of £24,000 in the provision.
	The Authority has made provisions for the proportion of Business Rates Appeals from all 5 Precepting Authorities. As at 31st March 2022, this totalled £812,000.	Figures are provided by the 5 Local Precepting Authorities. There was concern on collection rates and appeals that were affected by the COVID-19 pandemic, and recently the increase in utility costs.

General Concerns
The current and ongoing Impact of the COVID-19 pandemic has created further uncertainty around all estimates including mortality rates, asset values and the general economic climate. The rising cost of utility costs is also causing concern on all future estimates.

5. Material Items of Income and Expense

The following services have been outsourced to an external provider.

	2021/22 £000	2020/21 £000
IT & Communications	1,929	1,892
Estates	1,514	1,441

6. Events After the Reporting Period

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. The following sets out a description of the reserves that the adjustments are made against.

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 account (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. The current balance reflects Home Office grants for the procurement of National Resilience assets.

Adjustments between Accounting Basis and Funding Basis under Regulations 2021/22

2021/22	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)	(505)	-	-
- Financial instruments (transferred to the financial instruments adjustments account)	333	-	-
- Council Tax and NNDR (transferred to the collection fund adjustments account)	2,154	-	-
- Holiday pay (transferred to the accumulated absences reserve)	71	-	-
- 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):	(3,274)	-	(2,023)
Total adjustments to revenue resources	**(1,221)**	**-**	**(2,023)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital reserve	295	(295)	-
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	(3)	3	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	2,344	-	-
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	2,140	-	-
Total adjustments between revenue and capital resources	**4,776**	**(292)**	**-**
Adjustments to capital resources			
Use of the capital receipts reserve to finance capital expenditure	-	292	-
Application of capital grants to finance capital expenditure	-	-	2,114
Cash payments in relation to deferred capital receipts	-	-	-
Total adjustments to capital resources	**-**	**292**	**2,114**
Total adjustments	**3,555**	**-**	**91**

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21

2020/21	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves 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)	(5,607)	-	-
- Financial instruments (transferred to the financial instruments adjustments account)	-	-	-
- Council Tax and NNDR (transferred to the collection fund adjustments account)	(3,723)	-	-
- Holiday pay (transferred to the accumulated absences reserve)	11	-	-
- 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):	(4,232)	-	(6,996)
Total adjustments to revenue resources	**(13,551)**	**-**	**(6,996)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital reserve	1,342	(1,342)	-
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	(27)	27	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	1,810	-	-
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	2,484	-	-
Total adjustments between revenue and capital resources	**5,609**	**(1,315)**	**-**
Adjustments to capital resources			
Use of the capital receipts reserve to finance capital expenditure	-	1,315	-
Application of capital grants to finance capital expenditure	-	-	203
Cash payments in relation to deferred capital receipts	-	-	-
Total adjustments to capital resources	**-**	**1,315**	**203**
Total adjustments	**(7,942)**	**-**	**(6,793)**

8. Movements in 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 2021/22.

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
Emergency Related Reserves:							
Bellwin Reserve	**222**	-	-	**222**	-	-	**222**
Insurance Reserve	**499**	-	-	**499**	-	-	**499**
Facing the Future / COVID-19 Reserve	**355**	(355)	200	**200**	(370)	170	**-**
Collection Fund Reserve	**-**	-	3,788	**3,788**	(2,403)	1,035	**2,420**
Modernisation Challenge:							
Smoothing Reserve	**2,000**	-	-	**2,000**	(412)	-	**1,588**
Pensions Reserve	**-**	-	55	**55**	(80)	677	**652**
Recruitment Reserve	**3,000**	(1,000)	-	**2,000**	(550)	-	**1,450**
Invest To Save Reserve	**549**	(267)	-	**282**	-	-	**282**
Capital Investment:							
Capital Investment Reserve	**8,426**	(2,172)	7,330	**13,584**	(5,178)	9,284	**17,690**
Emerging Technologies Reserve	**-**	-	-	**-**	-	30	**30**
PFI Annuity Reserve	**1,862**	-	4	**1,866**	(2,544)	2,120	**1,442**
Specific Projects:							
Health & Safety Reserve	**33**	-	41	**74**	(19)	-	**55**
Equipment Reserve	**91**	-	61	**152**	(15)	68	**205**
Community Engagement Reserve	**8**	-	-	**8**	-	-	**8**
Clothing Reserve	**328**	(303)	-	**25**	(25)	90	**90**
Health & Wellbeing Reserve	**20**	-	5	**25**	(20)	2	**7**
Training Reserve	**150**	-	-	**150**	-	-	**150**
Inflation:							
Inflation Reserve	**700**	(200)	-	**500**	(500)	3,019	**3,019**
Total	**18,243**	**(4,297)**	**11,484**	**25,430**	**(12,116)**	**16,495**	**29,809**
Ringfenced Reserves:							
Princes Trust Reserve	**82**	-	-	**82**	(82)	15	**15**
Community Risk Management Reserve	**318**	(10)	-	**308**	(5)	-	**303**
Energy Reserve	**8**	-	90	**98**	(40)	75	**133**
New Dimensions Reserve	**116**	-	48	**164**	-	75	**239**
Total	**524**	**(10)**	**138**	**652**	**(127)**	**165**	**690**
Total Committed Reserves	**18,767**	**(4,307)**	**11,622**	**26,082**	**(12,243)**	**16,660**	**30,499**

Bellwin 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.

Facing the Future / COVID-19 Reserve

This reserve was created from all grants received from Government for COVID-19 in order to alleviate financial pressures on the service due to the effect of the pandemic. The balance as at 31 March 2022 will be used to ensure all Authority premises are COVID-19 safe.

Collection Fund Reserve

The economic impact of Covid-19 during 2020/21 and 2021/22 on retail and other businesses was significant and to help alleviate the financial impact the Government announced new business rate reliefs for retail and other businesses for both years. However, as these discounts were announced after the billing authorities had advised the Authority on the expected business rate income yield, it meant the Authority received cash from the relevant Billing Authority Collection Fund that was no longer to be collected. This has resulted in significant forecasted Collection Fund deficits in 2021/22 and 2022/23 that the regulations require the Authority to repay the Billing Authority in the following year. The Government announced a number of grants to offset the Collection Fund deficits but these grants have been paid in the year the Government announced the discounts (2020/21 and 2021/22). Therefore, the Collection Fund Reserve has been established to carry forward the Government grants so they can be drawndown into the General Fund to cover the anticipated Collection Fund deficit charge in 2022/23 and future years (the 2020/21 deficit recovery is spread over a three-year period).

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 £2m has been allocated 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 building of the Training and Development Academy.

Emerging Technologies Reserve

This reserve has been created to invest in Information Technology within the Fire & Rescue Service.

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.

Community Engagement 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.

Health & Wellbeing Reserve

To improve community health where it links to fire & rescue 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. This reserve has been increased substantially in 2021/22 to cover utility cost increases in 2022/23 and potential higher than expected pay inflation.

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

2020/21 £000		2021/22 £000
(615)	(Gains)/losses on the disposal of non-current assets	58
(27,099)	Gain in relation to Government grant payable to Pension Fund on Authority's behalf	(31,269)
(27,714)	**Total**	**(31,211)**

10. Financing and Investment Income and Expenditure

2020/21 £000		2021/22 £000
3,585	Interest payable and similar charges	3,488
26,303	Pensions interest cost	25,032
(1,913)	Expected return on pensions assets	(1,957)
(199)	Interest receivable and similar income	(70)
-	Other investment income	(355)
27,776	**Total**	**26,138**

11. Taxation and Non-Specific Grant Income

2020/21 £000		2021/22 £000
(29,498)	Council tax income	(30,831)
(1,721)	National non-domestic rates (local share)	(3,495)
-	National non-domestic rates pool	-
(15,839)	National non-domestic rates top up grant	(15,839)
(11,178)	Revenue support grant	(11,241)
(6,996)	Capital grants and contributions	(2,024)
(65,232)	**Total**	**(63,430)**

12. Property, Plant and Equipment

Movements in 2021/22:

	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 2021	**74,211**	**-**	**22,303**	**96,514**	**22,985**
Additions	789	1,074	2,173	4,036	5
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	6,273	-	-	6,273	2,534
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(73)	-	-	(73)	-
Derecognition – disposals	-	-	-	-	-
Derecognition – other	-	-	(2,053)	(2,053)	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2022	**81,200**	**1,074**	**22,423**	**104,697**	**25,524**
Accumulated depreciation and impairment					
At 1 April 2021	**-**	**-**	**(11,578)**	**(11,578)**	**-**
Depreciation charge	(2,001)	-	(2,247)	(4,248)	(607)
Depreciation written out to the revaluation reserve	2,001	-	-	2,001	607
Depreciation written out to the surplus/deficit on the provision of services	-	-	-	-	-
Impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in surplus/deficit on the provision of services	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-
Derecognition – other	-	-	2,053	2,053	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-
At 31 March 2022	**-**	**-**	**(11,772)**	**(11,772)**	**-**
Net book value					
At 31 March 2022	**81,200**	**1,074**	**10,651**	**92,925**	**25,524**
At 31 March 2021	**74,211**	**-**	**10,725**	**84,936**	**22,985**
Nature of asset holding					
Owned	53,171	1,074	10,651	64,896	-
Finance lease	2,505	-	-	2,505	-
PFI	25,524	-	-	25,524	25,524
Total	**81,200**	**1,074**	**10,651**	**92,925**	**25,524**

Property, Plant and Equipment

Comparative Movements in 2020/21:

	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 2020	**71,991**	**5,120**	**20,374**	**97,485**	**22,885**
Additions	487	3,078	2,846	6,411	11
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	(368)	-	-	(368)	89
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(5,513)	-	-	(5,513)	-
Derecognition – disposals	-	-	(257)	(257)	-
Derecognition – other	-	-	(660)	(660)	-
Assets reclassified (to)/from held for sale	(584)	-	-	(584)	-
Other movements in cost or valuation	8,198	(8,198)	-	-	-
At 31 March 2021	**74,211**	**-**	**22,303**	**96,514**	**22,985**
Accumulated depreciation and impairment					
At 1 April 2020	**-**	**-**	**(10,103)**	**(10,103)**	**-**
Depreciation charge	(1,867)	-	(2,367)	(4,234)	(582)
Depreciation written out to the revaluation reserve	1,867	-	-	1,867	582
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	-	-	232	232	-
Derecognition – other	-	-	660	660	-
-Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-
At 31 March 2021	**-**	**-**	**(11,578)**	**(11,578)**	**-**
Net book value					
At 31 March 2021	**74,211**	**-**	**10,725**	**84,936**	**22,985**
At 31 March 2020	**71,991**	**5,120**	**10,271**	**87,382**	**22,885**
Nature of asset holding					
Owned	49,076	-	10,725	59,801	-
Finance lease	2,150	-	-	2,150	-
PFI	22,985	-	-	22,985	22,985
Total	**74,211**	**-**	**10,725**	**84,936**	**22,985**

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 8 – 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

Depreciation / Impairment Reconciliation 2021/22

The analysis below 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	4,248	(4,248)	(4,248)	-	-	-
Intangible assets	331	(331)	-	(331)	-	-
Total	**4,579**	**(4,579)**	**(4,248)**	**(331)**	**-**	**-**
Impairments & Revaluation Losses						
(Gain)/loss on Assets Sold	-	-	-	-	-	-
General impairments (L&B)	73	(73)	(73)	-	-	-
Revaluation losses (L&B New Build)	-	-	-	-	-	-
Total	**73**	**(73)**	**(73)**	**-**	**-**	**-**
Grand total	**4,652**	**(4,652)**	**(4,321)**	**(331)**	**-**	**-**
Revaluations						
Revaluation in/out in year to CAA	-	-	-	-	-	595
Revaluation gain	-	-	8,274	-	-	(8,274)
Reversal of PY impairments	(145)	145	-	-	-	145
Reversal of PY revaluation gain	(2,238)	2,238	-	-	-	2,238
Net gain	**(2,383)**	**2,383**	**8,274**	**-**	**-**	**(5,296)**

Capital Commitments

At 31st March 2022, 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 2022/23 and future years is £2.8m. Similar commitments at 31st March 2021 were £3.7m. The commitments can be analysed as follows:

- Building Schemes £0.7m
- Equipment and ICT Schemes £0.5m
- Vehicles £0.6m
- National Resilience (NRAT) £1.0m

£2.8m

Effects of Changes in Estimates

No properties were put up for sale in 2021/22.

One property was sold in 2021/22:-

- Formby LLAR House £292,050

Revaluations

The Authority carries out a rolling 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 (Dears Brack Chartered Surveyors). Valuations of land and buildings are 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 2019 and became effective as at 31/03/2019. The Authority now evaluates 20% of its land & buildings every year and updates its valuations based on use in line with valuer's assumptions. 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 & rescue service valuers (Dears 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. All land and buildings were revalued at 31 March 2019 and then 20% on a rolling 5-year basis; however the asset portfolio has been adjusted in line with the rolling basis according to asset categories.

	Land and Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total £000
Carried at historical cost	-	1,074	10,651	**11,725**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2022	64,796	-	-	**64,796**
Values at current value as at:				
31 March 2022	16,404	-	-	**16,404**
Total cost or valuation	**81,200**	**1,074**	**10,651**	**92,925**

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:

	2021/22 Software Licenses £000	2020/21 Software Licenses £000
Balance at start of year:		
▪ Gross carrying amounts	286	184
▪ Accumulated amortisation	(144)	(74)
Net carrying amount at start of year	**142**	**110**
Additions:		
▪ Internal development	-	-
▪ Purchases	261	388
▪ 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	(331)	(356)
Other changes	-	-
Net carrying amount at end of year	**72**	**142**
Comprising:		
▪ Gross carrying amounts	287	286
▪ Accumulated amortisation	(215)	(144)
Total	**72**	**142**

14. Financial Instruments

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 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Financial assets				
Investments at amortised	-	-	33,014	29,107
Cash & bank	-	-	6,688	5
Total investments	**-**	**-**	**39,702**	**29,112**
Debtors				
Debtors at amortised cost	-	-	6,879	8,991
Non-financial instruments	-	-	12,864	16,652
Total included in debtors	**-**	**-**	**19,743**	**25,643**
Financial liabilities				
Financial liabilities at amortised cost (PWLB)	(33,720)	(33,885)	(165)	(3,000)
Financial liabilities at amortised cost (LCC)	-	-	-	(200)
Bank overdraft	-	-	-	(483)
Total borrowings	**(33,720)**	**(33,885)**	**(165)**	**(3,683)**
Other long-term liabilities				
Finance lease liabilities at amortised cost	-	-	-	-
PFI liabilities at amortised cost	(16,352)	(16,858)	(506)	(466)
Merseyside Residual Debt at amortised cost	(121)	(162)	(41)	(41)
Total other long-term liabilities	**(16,473)**	**(17,020)**	**(547)**	**(507)**
Creditors				
Creditors at amortised cost	-	-	(4,937)	(3,250)
Non-financial instruments	-	-	(13,855)	(13,201)
PWLB interest carried at amortised cost	-	-	(339)	(375)
Total creditors	**-**	**-**	**(19,131)**	**(16,826)**
Total borrowing	**(50,193)**	**(50,905)**	**(19,843)**	**(21,016)**

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:

	2021/22		2020/21	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £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	-	-	-	-
Total net gains/losses	**-**	**-**	**-**	**-**
Interest revenue:				
• Financial assets measured at amortised cost	(70)	-	(199)	-
• Other financial assets measured at fair value through other comprehensive income	-	-	-	-
Total interest revenue	**(70)**	**-**	**(199)**	**-**
Interest expense:	3,488	-	3,585	-
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 2022 of 4.25% to 10.5% 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 be 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 2022		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & long-term loans	33,885	50,206	36,885	57,682
PFI Liability	16,858	16,949	17,324	18,284

The PWLB 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 2022) arising from a commitment to pay interest to lenders above current market rates.

The PFI fair value of the liability is higher than the carrying amount and is defined as the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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 be approximate to fair value.

15. Inventories

	Clothing / Consumable Stores		Diesel / Maintenance Materials		Total	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	917	537	121	112	1,038	649
Purchases	643	1,211	759	583	1,402	1,794
Recognised as an expense in the year	(532)	(831)	(763)	(574)	(1,295)	(1,405)
Written-off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**1,028**	**917**	**117**	**121**	**1,145**	**1,038**

16. Debtors

	31 March 2022 £000	31 March 2021 £000
Central Government bodies	15,196	21,714
Other local authorities	4,068	3,453
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	479	476
Total	**19,743**	**25,643**

17. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March 2021 £000		31 March 2022 £000
5	Cash held by the Authority	8
(483)	Bank current accounts	(73)
-	Short-term deposits with building societies	6,753
(478)	**Total cash and cash equivalents**	**6,688**

18. Assets Held for Sale

	Current		Non-Current	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Balance outstanding at start of year	**350**	**350**	**-**	**-**
Assets newly classified as held for sale:				
▪ property, plant and equipment	-	-	-	584
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	-	(304)
Revaluation gains	-	-	-	420
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
▪ property, plant and equipment	-	-	-	-
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(350)	(700)	-	-
Transfers from non-current to current	-	700	-	(700)
Other movements	-	-	-	-
Balance outstanding at year-end	**-**	**350**	**-**	**-**

19. Creditors

	31 March 2022	31 March 2021
	£000	£000
Central Government bodies	(9,546)	(7,187)
Other local authorities	(5,459)	(6,944)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(3,787)	(2,320)
Total	**(18,792)**	**(16,451)**

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 2021	**-**	**(228)**	**(941)**	**(1,169)**
Additional provisions made in 2021/22	-	(51)	129	**78**
Amounts used in 2021/22	-	39	-	**39**
Unused amounts reversed in 2021/22	-	-	-	**-**
Unwinding of discounting in 2021/22	-	-	-	**-**
Balance at 31 March 2022	**-**	**(240)**	**(812)**	**(1,052)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31st March 2022. 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 2022 from the five precepting authorities.

21. Usable Reserves

31 March 2021 £000		31 March 2022 £000
-	Usable capital receipts reserve	-
(10,383)	Usable capital grants unapplied	(10,292)
(3,000)	General Fund balance	(3,000)
(26,082)	Earmarked reserves **(Note 8)**	(30,499)
(39,465)	**Total usable reserves**	**(43,791)**

22. Unusable Reserves

31 March 2021 £000		31 March 2022 £000
(21,088)	Revaluation reserve	(26,385)
(12,143)	Capital adjustment account	(14,329)
-	Financial instruments adjustment account	(333)
1,165,141	Pensions reserve	1,156,236
3,653	Collection fund adjustment account	1,498
912	Accumulating compensated absences adjustment account	841
1,136,475	**Total unusable reserves**	**1,117,528**

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.

2020/21 £000		2021/22 £000
(20,227)	**Balance at 1 April**	**(21,088)**
(1,499)	Upward revaluation of assets	(8,274)
-	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	2,383
(1,499)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**(5,891)**
537	Difference between fair value depreciation and historical cost depreciation	577
101	Accumulated gains on assets sold or scrapped	17
638	Amount written off to the capital adjustment account	**594**
(21,088)	**Balance at 31 March**	**(26,385)**

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 2022.

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.

2020/21 £000		2021/22 £000
(16,919)	**Balance at 1 April**	**(12,143)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,234	• Charges for depreciation and impairment of non-current assets	4,321
5,422	• Revaluation losses on property, plant and equipment	(2,383)
356	• Amortisation of intangible assets	331
516	• Revenue expenditure funded from capital under statute	2,679
700	• 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	350
11,228		5,298
(640)	Adjusting amounts written out of the revaluation reserve	(594)
10,588	Net written out amount of the cost of non-current assets consumed in the year	**4,704**
	Capital financing applied in the year:	
(1,315)	• Use of the capital receipts reserve to finance new capital expenditure	(292)
-	• Use of the major repairs reserve to finance new capital expenditure	-
-	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
(203)	• Application of grants to capital financing from the capital grants unapplied account	(2,114)
(1,810)	• Statutory provision for the financing of capital investment charged against the General Fund	(2,344)
(2,484)	• Capital expenditure charged against the General Fund	(2,140)
(5,812)		**(6,890)**
-	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	-
(12,143)	**Balance at 31 March**	**(14,329)**

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 discount received in the year relates to the re-financing of the PFI loan and the discount being released over the remaining unexpired life of the loan.

2020/21 £000		2021/22 £000
-	**Balance at 1 April**	
-	Discounts received in the year and charged to the Comprehensive Income and Expenditure Statement	(355)
-	Proportion of discounts received in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	22
-	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	(333)
-	**Balance at 31 March**	**(333)**

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.

2020/21 £000		2021/22 £000
1,093,024	**Balance at 1 April**	**1,165,141**
66,510	Remeasurements of the net defined benefit liability/(asset)	(9,410)
42,934	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	41,990
(37,327)	Employer's pensions contributions and direct payments to pensioners payable in the year	(41,485)
1,165,141	**Balance at 31 March**	**1,156,236**

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 taxpayers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

2020/21 £000		2021/22 £000
(72)	**Balance at 1 April**	**3,653**
3,725	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	(2,155)
3,653	**Balance at 31 March**	**1,498**

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 2022. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2020/21 £000		2021/22 £000
923	**Balance at 1 April**	**912**
(568)	Settlement or cancellation of accrual made at the end of the preceding year	(630)
557	Amounts accrued at the end of the current year	559
(11)	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)
912	**Balance at 31 March**	**841**

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

2020/21 £000		2021/22 £000
(4,234)	Depreciation and impairment of non-current assets	(4,321)
(5,422)	Revaluation losses on property plant and equipment	2,383
(356)	Amortisation of intangible assets	(331)
(516)	Revenue expenditure treated as capital under statute	(2,679)
-	Movement in the donated assets account	-
(5,607)	Movement in pension liability	(505)
(700)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(350)
(5,766)	(Increase)/decrease in creditors	(2,306)
11,089	Increase/(decrease) in debtors	(5,862)
389	Increase/(decrease) in stocks	107
25	(Increase)/decrease in provisions	(12)
(11,098)		**(13,876)**

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

2020/21 £000		2021/22 £000
199	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	159
1,331	Proceeds from the sale of property plant and equipment, investment property and intangible assets	326
(3,585)	Loan interest	(3,524)
-	PFI refinancing	355
6,996	Capital grants	2,024
4,941		**(660)**

25. Cash Flow Statement – Investing Activities

2020/21 £000		2021/22 £000
7,315	Purchase of property, plant and equipment, investment property and intangible assets	6,976
6,000	Purchase of short-term and long-term investments	4,000
(200)	Other payments for investing activities	200
(1,331)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(326)
-	Proceeds from short-term and long-term investments	-
(7,211)	Other receipts from investing activities	(2,183)
4,573	**Net cash flows from investing activities**	**8,667**

26. Cash Flow Statement – Financing Activities

2020/21 £000		2021/22 £000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	(356)
429	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	466
491	Repayments of short-term and long-term borrowing	3,041
3,590	Other payments for financing activities	3,524
4,510	**Net cash flows from financing activities**	**6,675**

27. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) 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.

2020/21				Notes	2021/22		
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**
54,379	10,196	64,575	Fire & Rescue Service Operations		54,427	2,620	57,047
465	560	1,025	Corporate and Democratic Core		477	899	1,376
-	197	197	National Resilience / International Search and Rescue		-	2,108	2,108
-	-	-	Non-Distributed Costs		-	-	-
54,844	**10,953**	**65,797**	**Net cost of services**		**54,904**	**5,627**	**60,531**
(62,159)	(3,011)	(65,170)	Other income and expenditure		(59,321)	(9,182)	(68,503)
(7,315)	**7,942**	**627**	**Surplus or deficit**	**27**	**(4,417)**	**(3,555)**	**(7,972)**
(21,767)	-	-	Opening General Fund balance		(29,082)	-	-
(7,315)	-	-	Less/plus (surplus) or deficit on General Fund		(4,417)	-	-
(29,082)	**-**	**-**	**Closing General Fund balance at 31 March**		**(33,499)**	**-**	**-**

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2020/21			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Fire & Rescue Service Operations	2,001	8,206	(11)	**10,196**
Corporate and Democratic Core	450	110	-	**560**
National Resilience / International Search and Rescue	197	-	-	**197**
Non-distributed costs	-	-	-	**-**
Exceptional items	-	-	-	**-**
Net cost of services	**2,648**	**8,316**	**(11)**	**10,953**
Other income and expenditure from the expenditure and funding analysis	(4,026)	(2,709)	3,724	**(3,011)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	**(1,378)**	**5,607**	**3,713**	**7,942**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2021/22			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Fire & Rescue Service Operations	(5,868)	8,536	(48)	**2,620**
Corporate and Democratic Core	736	163	-	**899**
National Resilience / International Search and Rescue	2,108	-	-	**2,108**
Non-distributed costs	-	-	-	**-**
Exceptional items	-	-	-	**-**
Net cost of services	**(3,024)**	**8,699**	**(48)**	**5,627**
Other income and expenditure from the expenditure and funding analysis	1,523	(8,194)	(2,511)	**(9,182)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	**(1,501)**	**505**	**(2,559)**	**(3,555)**

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 i.e. 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.
- For **financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

3. Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the comprehensive income and expenditure statement and amounts payable/receivable to be recognised under statute.

- 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 NNDR 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	2021/22 Income from Services £000	2020/21 Income from Services £000
Fire & Rescue Service Operations	(15,864)	(15,312)
Corporate and Democratic Core	-	-
National Resilience / International Search and Rescue	(12,669)	(9,302)
Non-distributed costs	-	-
Exceptional items	-	-
Total income analysed on a segmental basis	**(28,533)**	**(24,614)**

Expenditure and Income Analysed By Nature

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

Expenditure/Income	2021/22 £000	2020/21 £000
Expenditure		
Employee benefits expenses	61,548	59,069
Past service costs	-	-
Other services expenses (including REFCUS)	24,774	20,837
Support service recharges	474	493
Depreciation, amortisation, impairment.	2,269	10,012
Interest payments	28,520	29,888
(Gain)/loss on disposal/transfer of assets	58	(615)
Total expenditure	**117,643**	**119,684**
Income		
Fees, charges and Government grant revenue income	(28,533)	(24,614)
Interest and investment income	(2,383)	(2,112)
Income from council tax, non-domestic rates, district rate income	(61,406)	(58,236)
Government grants and contributions (Capital)	(2,024)	(6,996)
Government grant (pension fund top-up grant)	(31,269)	(27,099)
Total income	**(125,615)**	**(119,057)**
(Surplus) or deficit on the provision of services	**(7,972)**	**627**

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 five districts of Merseyside. The total allowances paid to members within the year were:

	2021/22 £000	2020/21 £000
Allowances	200	203
Expenses	13	9
Total	**213**	**212**

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 £	Total
Chief Fire Officer – Phil Garrigan	**2021/22**	173,597	-	-	-	-	49,685	**223,282**
	2020/21	170,825	-	-	-	-	48,823	**219,648**
Deputy Chief Fire Officer	**2021/22**	147,821	-	-	-	-	42,572	**190,393**
	2020/21	145,459	-	-	-	-	41,892	**187,351**
Assistant Chief Fire Officer	**2021/22**	121,517	-	-	-	-	34,997	**156,514**
	2020/21	119,577	-	-	-	-	34,438	**154,015**
Director of Finance and Procurement	**2021/22**	101,288	-	-	-	-	17,509	**118,797**
	2020/21	99,602	-	-	-	-	17,214	**116,816**
Head of Legal	**2021/22**	69,020	-	-	-	-	12,078	**81,098**
	2020/21	64,393	-	-	-	-	11,049	**75,442**

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	2021/22 Number of Employees	2020/21 Number of Employees
£50,000 - £54,999	43	40
£55,000 - £59,999	33	30
£60,000 - £64,999	11	16
£65,000 - £69,999	14	8
£70,000 - £74,999	12	8
£75,000 - £79,999	3	4
£80,000 - £84,999	3	5
£85,000 - £89,999	4	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	1
£135,000 - £140,999	-	-
Total	**124**	**113**

Note a – In 2021/22, 114 of the 124 staff receiving over £50,000 are firefighting staff (in 2020/21 this was 103 of the 113), 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	-	-	2	2	2	2	1,058	7,021
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2**	**2**	**2**	**2**	**1,058**	**7,021**

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:

	2021/22 £000	2020/21 £000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	65	30
National Fraud Initiative	-	1
Redmond Review Local Audit Fee Grant	(13)	
Public Sector Audit Appointments (PSAA) refund	(5)	-
Total	**47**	**31**

The audit fee charge for 2021/22 includes additional charges of £21,000 relating to 2020/21 and £3,800 relating to 2019/20.

The Redmond Review on Local Audit Fees is a Grant to help local bodies meet additional Audit fee pressures.

The PSAA refund relates to the re-allocation of surplus funds from 2020-21 to all scheme members.

:

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

	2021/22 £000	2020/21 £000
Council tax income/Local share non-domestic rates	**(34,326)**	**(31,219)**
Non-domestic rates	**(15,839)**	**(15,839)**
Non-ring fenced Government grants:		
Revenue support grant	**(11,241)**	**(11,178)**
Capital grants and contributions:		
National Resilience grant	**(2,024)**	**(6,996)**
Other		**-**
Total	**(63,430)**	**(65,232)**
Credited to services		
Pensions grant (Home Office)	**(3,025)**	**(3,025)**
National Resilience / International Search and Rescue grant	**(12,007)**	**(9,204)**
New Dimensions grant (Home Office)	**(877)**	**(877)**
Fire Control Implementation grant (Home Office)	**(244)**	**(295)**
PFI Credits (Ministry of Housing, Communities and Local Government)	**(2,097)**	**(2,097)**
COVID-19 grant (Ministry of Housing, Communities and Local Government)	**(179)**	**(1,631)**
Emergency Services Mobile Communications Programme grant	**(153)**	**-**
Pension Admin grant (Home Office)	**(56)**	**(55)**
Collection Fund Deficit grant (Ministry of Housing, Communities and Local Government)	**(1,035)**	**(2,577)**
Apprenticeship grant funding (Education & Skills)	**(451)**	**(390)**
Small Business Rates Relief (SBRR) (Ministry of Housing, Communities and Local Government)	**(1,400)**	**(1,267)**
Home Office fire safety grants	**(314)**	**-**
Home Office Training & Development Academy build grant	**(1,670)**	**-**
DCLG council tax support grant	**(956)**	**-**
Other grants (Ministry of Housing, Communities and Local Government / Home Office)	**(453)**	**(324)**
Total	**(24,917)**	**(21,742)**

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.

2020/21 Receipts	2020/21 Payments	Related Party Transactions	2021/22 Receipts	2021/22 Payments
		Central Government		
15,839	-	Redistributed national non-domestic rates	15,839	-
11,178	-	Revenue support grant	11,241	-
6,996	-	Capital grants	2,024	-
-	3,657	Employers national insurance contributions	-	3,803
		Local authority precept (council tax & business rates)		
3,243	-	Knowsley	3,547	-
8,870	-	Liverpool	10,044	-
4,440	-	St Helens	4,735	-
6,833	-	Sefton	7,504	-
7,829	-	Wirral	8,496	-
		Pensions		
-	1,533	Merseyside superannuation fund employers contributions	-	1,523
-	-	Merseyside superannuation fund deficit employers contributions	-	-
27,219	37,341	Pension fund (Home Office)	31,480	41,668

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 2021/22 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 2021/22, 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 2021/22.

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 & Rescue 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 2021/22. 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. Revenue £11.447m, Capital £2.024m.

Department for Food & Rural Affairs

The management of National Flood Response Assets. Revenue £0.116m.

Foreign, Commonwealth and Development Office

Emergency Deployment Teams Programme. Revenue £1.106m.

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.

	2021/22 £000	2020/21 £000
Opening capital financing requirement	**(52,198)**	**(50,695)**
Capital investment		
Property, plant and equipment	(4,036)	(6,411)
Investment properties	-	-
Intangible assets	(261)	(388)
Revenue expenditure funded from capital under statute	(2,679)	(516)
Sources of finance		
Capital receipts	292	1,315
Government grants and other contributions	2,114	203
Sums set aside from revenue:		
• Direct revenue contributions	2,140	2,484
• MRP/loans fund principal	2,344	1,810
Closing capital financing requirement	**(52,284)**	**(52,198)**
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)	86	1,503
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase/(decrease) in capital financing requirement	**85**	**1,503**

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 2022 the Authority has no outstanding finance leases.

The Authority, however, built Toxteth 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 2022 £000	31 March 2021 £000
Other land and buildings (excluding depreciation)	2,150	2,150
Depreciation / impairments	(45)	(44)
Revaluation	387	38
Additions	13	6
Total	**2,505**	**2,150**

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 2022 £000	31 March 2021 £000
Not later than one year	89	123
Later than one year and not later than five years	69	128
Later than five years	-	-
Total	**158**	**251**

Authority as Lessor

Finance Leases

The Authority, in conjunction with Merseyside Police, has built a Joint Command and Control Centre and a Joint Fire and Police Station at Prescot. The leases for both schemes are for a period of 40 years. The Police have invested all capital monies up front to the value of their share of the assets and no residual value is anticipated for the properties when the leases come to an end. There is therefore no long-term debtor for the leases 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 & Rescue 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 2021	**1,845**	**21,140**	**22,985**
Additions	-	5	**5**
Depreciation/impairment	-	(607)	**(607)**
Revaluation	430	2,711	**3,141**
Value at 31st March 2022	**2,275**	**23,249**	**25,524**

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 2021/22 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2022/23	853	506	1,632	**2,991**
Payable within 2 to 5 years	3,669	2,504	6,119	**12,292**
Payable within 6 to 10 years	5,233	4,587	6,357	**16,177**
Payable within 11 to 15 years	6,061	7,027	4,101	**17,189**
Payable within 16 to 20 years	1,816	2,233	461	**4,510**
Payable within 21 to 25 years	-	-	-	**-**
Total	**17,632**	**16,857**	**18,670**	**53,159**
Paid in 2021/22	797	466	1,627	**2,890**
Grand Total	**18,429**	**17,323**	**20,297**	**56,049**

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 2022 £000	31 March 2021 £000
Balance outstanding at start of year	(17,324)	(17,753)
Payments during the year	466	429
Capital expenditure incurred in the year	-	-
Other movements	-	-
Total	**(16,858)**	**(17,324)**

The PFI liability represents the outstanding long-term liability to the contractor for capital expenditure.

37. Impairment Losses

The Authority incurred expenditure of £73k in 2021/22 and £0 in 2020/21, which did not add value to the buildings. 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 2021/22.

39. Termination Benefits

The Authority terminated the contract of two employees in 2021/22, incurring liabilities of £7,021 (£1,058 in 2020/21) – 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 taxpayers 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

2020/21				2021/22		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
2,896	-	**2,896**	• Current service cost	3,637	-	**3,637**
-	-	**-**	• Past service costs	-	-	**-**
-	-	**-**	• Settlements and curtailments	-	-	**-**
48	-	**48**	▪ Administration expenses	48	-	**48**
			Financing and investment income and expenditure			
723	17	**740**	• Net interest expense	759	16	**775**
3,667	**17**	**3,684**	***Total post-employment benefits charged to the surplus or deficit on the provision of services***	**4,444**	**16**	**4,460**
			Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement			
			Remeasurement of the net defined benefit liability comprising:			
(12,352)	-	**(12,352)**	• Return on scheme assets (excluding the amount included in the net interest expense)	(6,705)	-	**(6,705)**
(2,077)	(17)	**(2,094)**	• Experience gains and losses on liabilities	314	2	**316**
18,373	73	**18,446**	• Actuarial gains and losses arising on changes in financial assumptions	(300)	-	**(300)**
-	-	**-**	• Actuarial gains and losses arising on changes in demographic assumptions	(1,036)	(5)	**(1,041)**
7,611	**73**	**7,684**	***Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement***	**(3,283)**	**13**	**(3,270)**
			Movement in Reserves Statement			
(3,667)	(17)	**(3,684)**	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(4,444)	(16)	**(4,460)**
			Actual amount charged against the General Fund Balance for pensions in the year:			
1,522	-	**1,522**	• Employers' contributions payable to scheme	1,500	-	**1,500**
-	55	**55**	• Retirement benefits payable to pensioners	-	55	**55**

Firefighters Pension Scheme

2020/21						2021/22				
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
					Comprehensive Income and Expenditure Statement					
					Cost of Services					
2,160	360	-	13,080	**15,600**	• current service cost	1,010	350	-	13,870	**15,230**
-	-	-	-	**-**	• past service costs	-	-	-	-	**-**
-	-	-	-	**-**	• settlements and curtailments	-	-	-	-	**-**
					Financing and Investment Income and Expenditure					
21,920	790	20	920	**23,650**	• Net interest expense	20,200	700	340	1,060	**22,300**
24,080	**1,150**	**20**	**14,000**	**39,250**	***Total post-employment benefits charged to the surplus or deficit on the provision of services***	**21,210**	**1,050**	**340**	**14,930**	**37,530**
					Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement					
					Remeasurement of the net defined benefit liability comprising:					
-	-	-	-	**-**	• Return on scheme assets (excluding the amount included in the net interest expense)	-	-	-	-	**-**
-	-	-	-	**-**	• Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	**-**
84,310	2,040	2,830	6,560	**95,740**	• Actuarial gains and losses arising on changes in financial assumptions	(10,410)	(300)	(390)	(1,180)	**(12,280)**
(33,380)	(1,370)	13,290	(11,770)	**(33,230)**	• Other experiences (gain)/loss on liabilities	640	30	(80)	10,010	**10,600**
75,010	**1,820**	**16,140**	**8,790**	**101,760**	***Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement***	**11,440**	**780**	**(130)**	**23,760**	**35,850**
					Movement in Reserves Statement					
(24,080)	(1,150)	(20)	(14,000)	**(39,250)**	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(21,210)	(1,050)	(340)	(14,930)	**(37,530)**
					Actual amount charged against the General Fund balance for pensions in the year:					
36,600	-	50	(2,670)	**33,980**	• Employers' contributions payable to scheme	40,900	-	10	(2,700)	**38,210**
-	1,770	-	-	**1,770**	• Retirement benefits payable to pensioners	-	1,720	-	-	**1,720**

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2022 is a gain of £9.410m and to the 31st March 2021 is a loss of £66.510m.
- 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

2020/21				2021/22		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(130,520)	(740)	**(131,260)**	Present value of the defined benefit obligation	(133,627)	(698)	**(134,325)**
93,559	-	**93,559**	Fair value of plan assets	101,449	-	**101,449**
(36,961)	**(740)**	**(37,701)**	***Net liability arising from defined benefit obligation***	**(32,178)**	**(698)**	**(32,876)**

Firefighters Pension Scheme

2020/21						2021/22				
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
(1,029,980)	(35,750)	(16,990)	(44,720)	**(1,127,440)**	Present value of the defined benefit obligation	(1,000,520)	(34,810)	(16,850)	(71,180)	**(1,123,360)**
-	-	-	-	**-**	Fair value of plan assets	-	-	-	-	**-**
(1,029,980)	**(35,750)**	**(16,990)**	**(44,720)**	**(1,127,440)**	***Net liability arising from defined benefit obligation***	**(1,000,520)**	**(34,810)**	**(16,850)**	**(71,180)**	**(1,123,360)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme

2020/21 Funded Benefits £000	2020/21 Unfunded Benefits £000	2020/21 Total £000		2021/22 Funded Benefits £000	2021/22 Unfunded Benefits £000	2021/22 Total £000
80,037	-	**80,037**	Opening fair value of scheme assets	93,559	-	**93,559**
1,913	-	**1,913**	Interest income	1,957	-	**1,957**
			Re-measurement gain/(loss):			
12,352	-	**12,352**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	6,705	-	**6,705**
(48)	-	**(48)**	▪ Administration expenses	(48)	-	**(48)**
1,522	55	**1,577**	Contributions from employer	1,500	55	**1,555**
638	-	**638**	Contributions from employees into the scheme	630	-	**630**
(2,855)	(55)	**(2,910)**	Benefits paid	(2,854)	(55)	**(2,909)**
93,559	**-**	**93,559**	***Net liability arising from defined benefit obligation***	**101,449**	**-**	**101,449**

Firefighters Pension Scheme

2020/21 FPS 1992 £000	2020/21 Injury Awards £000	2020/21 FPS 2006 £000	2020/21 FPS 2015 £000	2020/21 Total £000		2021/22 FPS 1992 £000	2021/22 Injury Awards £000	2021/22 FPS 2006 £000	2021/22 FPS 2015 £000	2021/22 Total £000
-	-	-	-	-	Opening fair value of scheme assets	-	-	-	-	-
					Re-measurement gain/(loss):					
35,087	-	49	(8,037)	**27,099**	Employers contribution from Government (top-up grant)	39,962	-	8	(8,701)	**31,269**
1,513	1,770	1	5,367	**8,651**	Contributions from employer	938	1,720	2	6,001	**8,661**
530	-	-	2,710	**3,240**	Contributions from employees into the scheme	330	-	-	2,810	**3,140**
(37,130)	(1,770)	(50)	(40)	**(38,990)**	Benefits paid	(41,230)	(1,720)	(10)	(110)	**(43,070)**
-	**-**	**-**	**-**	**-**	***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 show the funds required by government to balance the fund. This is known as the top-up grant and effectively is the employers' contribution.

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

Local Government Pension Scheme

2020/21 Funded Benefits £000	2020/21 Unfunded Benefits £000	2020/21 Total £000		2021/22 Funded Benefits £000	2021/22 Unfunded Benefits £000	2021/22 Total £000
(110,909)	(722)	(111,631)	Opening balance at 1 April	(130,520)	(740)	(131,260)
(2,896)	-	(2,896)	Current service cost	(3,637)	-	(3,637)
(2,636)	(17)	(2,653)	Interest cost	(2,716)	(16)	(2,732)
(638)	-	(638)	Contributions by scheme participants	(630)	-	(630)
			Remeasurement (gains) and losses:			
-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	1,036	5	1,041
(18,373)	(73)	(18,446)	• Actuarial gains/losses arising from changes in financial assumptions	300	-	300
2,077	17	2,094	• Other experience gains and losses	(314)	(2)	(316)
-	-	-	Past service cost	-	-	-
-	-	-	Settlements and curtailments	-	-	-
2,855	55	2,910	Benefits paid	2,854	55	2,909
(130,520)	**(740)**	**(131,260)**	**Closing balance at 31 March**	**(133,627)**	**(698)**	**(134,325)**

Firefighters Pension Scheme

2020/21 FPS 1992 £000	2020/21 Injury Awards £000	2020/21 FPS 2006 £000	2020/21 FPS 2015 £000	2020/21 Total £000		2021/22 FPS 1992 £000	2021/22 Injury Awards £000	2021/22 FPS 2006 £000	2021/22 FPS 2015 £000	2021/22 Total £000
(991,570)	(35,700)	(900)	(33,260)	(1,061,430)	Opening balance at 1 April	(1,029,980)	(35,750)	(16,990)	(44,720)	(1,127,440)
(2,160)	(360)	-	(13,080)	(15,600)	Current service cost	(1,010)	(350)	-	(13,870)	(15,230)
(21,920)	(790)	(20)	(920)	(23,650)	Interest cost	(20,200)	(700)	(340)	(1,060)	(22,300)
(530)	-	-	(2,710)	(3,240)	Contributions by scheme participants	(330)	-	-	(2,810)	(3,140)
					Remeasurement (gains) and losses:					
-	-	-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-
(84,310)	(2,040)	(2,830)	(6,560)	(95,740)	• Actuarial gains/losses arising from changes in financial assumptions	10,410	300	390	1,180	12,280
33,380	1,370	(13,290)	11,770	33,230	• Other experience gains and losses	(640)	(30)	80	(10,010)	(10,600)
-	-	-	-	-	Past service cost	-	-	-	-	-
-	-	-	-	-	Settlements and curtailments	-	-	-	-	-
37,130	1,770	50	40	38,990	Benefits paid	41,230	1,720	10	110	43,070
(1,029,980)	**(35,750)**	**(16,990)**	**(44,720)**	**(1,127,440)**	**Closing balance at 31 March**	**(1,000,520)**	**(34,810)**	**(16,850)**	**(71,180)**	**(1,123,360)**

Local Government Pension Scheme assets comprised:

2020/21				2021/22		
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
2,114	**-**	**2,114**	**Cash & cash equivalents**	**2,176**	**-**	**2,176**
			Equity instruments:			
14,155	1,862	16,017	• UK	14,902	1,686	16,588
21,912	9,627	31,539	• Overseas	22,643	11,113	33,756
36,067	**11,489**	**47,556**	**Sub-total equity instruments**	**37,545**	**12,799**	**50,344**
			Bonds:			
1,207	-	1,207	• UK corporate	1,093	-	1,093
3,116	-	3,116	• UK Government	2,967	-	2,967
7,410	-	7,410	• UK index linked	8,484	-	8,484
505	-	505	• Overseas corporate	497	-	497
-	(309)	(309)	• Derivative contracts	-	(333)	(333)
12,238	**(309)**	**11,929**	**Sub-total bonds**	**13,041**	**(333)**	**12,708**
			Property:			
-	4,435	4,435	• UK direct property	-	5,494	5,494
168	1,647	1,815	• UK property managed	125	1,561	1,686
-	2,143	2,143	• Overseas property managed	-	2,539	2,539
168	**8,225**	**8,393**	**Sub-total property**	**125**	**9,594**	**9,719**
			Private equity:			
-	1,871	1,871	• UK	10	2882	2,892
-	6,072	6,072	• Overseas	-	6,327	6,327
-	**7,943**	**7,943**	**Sub-total private equity**	**10**	**9,209**	**9,219**
			Other investment funds:			
150	561	711	• Hedge funds UK	156	416	572
-	3,480	3,480	• Hedge funds overseas	-	3,559	3,559
122	3,396	3,518	• Infrastructure UK	-	4,547	4,547
-	2,666	2,666	• Infrastructure overseas	-	3,038	3,038
28	1,834	1,862	• Opportunities UK	-	1,873	1,873
131	3,256	3,387	• Opportunities overseas	166	3,528	3,694
431	**15,193**	**15,624**	**Sub-total other investment funds**	**322**	**16,961**	**17,283**
51,018	**42,541**	**93,559**	**Total assets**	**53,219**	**48,230**	**101,449**

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 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2021/22	2020/21	2021/22	2020/21
Interest on plan	8.5%	15.2%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	20.9	21.0	21.5	21.4
Women	24.0	24.1	21.5	21.4
Longevity at 65 for future pensioners:				
Men	22.4	22.6	23.2	23.1
Women	25.9	26.0	23.2	23.1
Rate of CPI inflation	3.4%	2.7%	3.0%	2.4%
Rate of increase in salaries	4.9%	4.2%	4.75%	4.2%
Rate of increase in pensions	3.5%	2.8%	3.00%	2.4%
Rate for discounting scheme liabilities	2.8%	2.1%	2.65%	2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis overleaf has 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 assumptions remain 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)	4,064	(4,064)
Rate of inflation (increase or decrease by 0.1%)	2,287	(2,287)
Rate of increase in salaries (increase or decrease by 0.1%)	315	(315)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,249)	2,249
Investment returns (increase or decrease by 1.0%)	(1,011)	1,011

Impact on the Authority's Cash Flows

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 31st 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 £1.549m contributions to the scheme in 2022/23. The latest triennial valuation as at 31st March 2019 shows the Authority has a funding surplus of 103.3% and therefore no more deficit payments are envisaged over the next 3 years.

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)	42,000	(42,000)
Rate of increase in salaries (increase or decrease by 0.1%)	1,800	(1,800)
Rate of increase in pensions (increase or decrease by 0.1%)	16,000	(16,000)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(18,400)	18,400

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 £7.056m contributions to the scheme in 2022/23.

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, 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

- Ultra short duration bonds forms
- 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 exists 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 2020/21 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
• Ultra short duration bonds 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 £33m 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 2022 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 un-collectability over the last five financial years, adjusted to reflect current market conditions.

Exposure to Credit Risk

	Amount at 31 March 2022 £000	**Average Lifetime Expected Loss Rate default %**	**Lifetime Expected Loss 31 March 2022 %**	**Lifetime Expected Loss 31 March 2022 £000**	**Lifetime Expected Loss 31 March 2021 £000**
	A	B	C	(A X C)	
Investments	33,014	-	-	-	-
Customers	101	7.16	-	-	73
				-	**73**

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 2022 £000	Lifetime Expected Loss Rate (C) 31 March 2022	Lifetime Expected Loss 31 March 2022 £000
Less than 30 days (normal terms)	67	0%	0
31-60 days	20	0%	0
61-90 days	2	0%	0
Over 90 days	12	0%	0
	101	**0%**	**0**

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) 31 March 2022 £000	31 March 2021 £000	Merseyside Residual Debt (MRD) 31 March 2022 £000	31 March 2021 £000
Less than one	165	3,000	41	41
Between one and two	-	165	40	41
Between two and five	-	-	80	120
Between five and ten	-	-	-	-
Between ten and fifteen	-	-	-	-
Between fifteen and twenty	2,000	2,000	-	-
Between twenty and twenty five	2,500	-	-	-
Between twenty five and thirty	5,000	6,000	-	-
Between thirty and thirty five	19,275	17,750	-	-
Between thirty five and forty	4,945	7,970	-	-
Between forty and forty five	-	-	-	-
More than forty five	-	-	-	-
Total	**33,885**	**36,885**	**161**	**202**

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 2022, 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	2
Increase in interest receivable on variable rate investments	(476)
Increase in Government grant receivable for financing costs	-
Impact on surplus or deficit on the provision of services	**(474)**
Decrease in fair value of fixed rate investment assets	-
Impact on other comprehensive income and expenditure	**(474)**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure) (See note 14)	(7,932)

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. As at 31st March 2022, the latest statement shows the levy remaining at 25%.

Firefighters Pension Fund Accounts

Fund Account

2020/21 £000		2021/22 £000
	Contributions receivable:	
	Fire Authority:	
(6,692)	• Contributions in relation to pensionable pay	(6,790)
(189)	• Early retirements	(146)
-	• Pension Holiday grant	-
(2,901)	Firefighters contributions	(2,978)
(9,782)		**(9,914)**
(340)	**Transfers in from other authorities**	**(274)**
	Benefits payable:	
32,227	• Pensions	32,688
4,752	• Commutation and lump sum retirement benefits	8,705
-	• Lump sum death benefits	96
36,979		**41,489**
	Payments to and on account of leavers:	
362	• Transfers out to other authorities	179
-	• Refunds of contributions	-
362		**179**
27,219	**Net amount payable for the year**	**31,480**
(27,219)	Top – up grant payable by the Government	(31,480)
-		**-**

Net Assets Statement

2020/21 £000		2021/22 £000
	Current assets	
11,084	Debtors (Pension Fund Home Office)	8,834
	Current liabilities	
(335)	Creditors	(1,442)
(10,749)	Creditors (Merseyside Fire and Rescue Service)	(7,392)
-		-

Notes to Pension Fund Account

Contribution Rates

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

Pensionable Pay Deductions	FPS92	FPS06	Pensionable Pay Deductions	FPS15
Employer's contributions	37.3%	27.4%	Employer's Contributions	28.8%
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 2022 £000	31 March 2021 £000
Central Government bodies	8,834	11,084
Total	**8,834**	**11,084**

Creditors

	31 March 2022 £000	31 March 2021 £000
Central Government bodies (HMRC)	351	(335)
Other local authorities	7,392	(10,749)
Other entities and individuals	1,091	-
Total	**8,834**	**(11,084)**

Statement of Responsibilities for the Statement of Accounts

The Director of Finance and Procurement's responsibilities

The Director of Finance and Procurement 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 and Procurement 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 and Procurement 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 2022 and of its expenditure and income for the year ended 31st March 2022.

Ian Cummins
Director of Finance and Procurement
XX/XX/XX

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 and Procurement.
- 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 accounts for the year 1st April 2021 to 31st March 2022, were approved for issue on XX/XX/XX by Merseyside Fire and Rescue Audit Committee.

Chair of the Audit Committee Meeting Approving the Accounts
XX/XX/XX

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.

2021-2022 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 2022.

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 vision, aims and service objectives for the organisation. The Authority approved a new IRMP that extends the current plan to 2024 and established the service priorities for that period. The proposals in the IRMP are aligned to the Authority's medium term financial plans and have therefore been resourced.

3.2.2 The Authority's Vision reflects a clear focus on the core duties and functions in relation to Operational Preparedness, Operational Response and Prevention and Protection. The Authority's vision is*; **To be the best Fire & Rescue Service in the UK, (One team, putting its communities first).*** To deliver this, the Authority has established four key corporate aims:

- **Prepare**
  We will always be the best that we can be by having highly skilled and trained people who plan for every risk and keep our teams safe and effective.

- **Respond**
  We will be there when you need us most, pulling out all the stops to save lives. Whether we are taking 999 calls, or attending incidents, we keep our communities safe.

- **Prevent**
  We are there for you. We are a visible presence that provides reassurance, support and advice. Alongside our partners, we protect the most vulnerable and reduce inequalities.

- **Protect**
  We protect people from harm, provide advice, guidance and when absolutely necessary use enforcement to keep the public and our firefighters safe.

3.2.3 The Vision 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 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 comprise many systems, policies, procedures and operations, however the system cannot 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 2021/22 and approved by the Authority at its meeting on 10 June 2021 (CFO/032/21), 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 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 2020/21 Annual Audit Letter and Audit Findings Report;

"Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for ensuring the Authority can continue to deliver financially sustainable services"………… "We did not identify any risks of significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness in our risk assessment. Further work confirmed this view"

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

4.3 The Authority and Its Committees

4.3.1 The Authority

The Authority considered at its Annual General meeting on 10 June 2021 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, Assistant Chief Fire Officer, Director of Finance and Procurement 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 (Director of Finance and Procurement), Monitoring Officer (Head of Legal Services) 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 2021/22 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 Head 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 and Procurement fulfils this role and is a qualified and experienced accountant. The Director of Finance and Procurement 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 and Procurement 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 2020/21 and it is anticipated this will be repeated in 2021/22. 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 2021/22, 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 and Procurement. An interim and year-end Internal Audit Plan reports are submitted to the Audit 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:

"From the Internal Audit work undertaken in compliance with the PSIAS in 2021/22, it is our opinion that we can provide ***Substantial Assurance*** *that the system of internal control in place at Merseyside Fire & Rescue accords with proper practice. This opinion is based on the individual assurance levels we have provided for each of the audit reviews undertaken during the year and includes consideration of the wider sources of assurance provided to the Authority…… The priority work on fundamental systems audits completed to date have shown a substantial level of compliance. Based on the audit work carried out in 2021/22 we are not aware of any significant control weakness, 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 2021/22 statutory financial statements and make a VFM conclusion during the 2022/23 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 2021/22 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2020/21 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2020/21 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.

5.0 SIGNIFICANT GOVERNANCE ISSUES

5.1.1 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.

5.1.2 Whilst no significant weaknesses have been identified in control systems at present, the assumptions made in the Medium Term Financial Plan (MTFP), particularly around inflation, pay awards, and future government grants (whilst based on the best information available**) are subject to potential change in such volatile times**. The Director of Finance and Procurement will ensure that any variation to the assumptions made in the MTFP are identified at the earliest possible time, and, reported to Members' through the quarterly financial review reports. The Authority has established specific reserves to cover the risk of a variation to the key assumptions in the MTFP and these reserves would allow the Authority time to approve structural changes to deliver the required permanent savings over the longer term.

5.1.3 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.

5.1.4 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 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.

5.2 COVID-19 Impact (2021/2022)

5.2.1 During 2021/22, the Authority committee meetings returned to the pre-COVID-19 arrangements.

5.2.2 **The impact of social distancing on the Service**: The operational response continued as normal throughout 2021/22. Non-operational activities continued on an agile basis as and when required depending on national levels of COVID-19 infections and Government advice. By the end of the year, all services returned to the pre-COVID-19 arrangements.

5.2.3 **Financial impact:** the Authority received no new specific COVID-19 grant in 2021/22 but the limited additional costs incurred in the year could be contained within the available budget.

CERTIFICATION

6.0 **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......L. J. Maloney......
L. MALONEY
CHAIR of AUDIT COMMITTEE

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

Signed ....
I. CUMMINS
DIRECTOR OF FINANCE & PROCUREMENT

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27 September 2022

Dear Sirs

Merseyside Fire and Rescue Authority
Financial Statements for the year ended 31 March 2022

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 2022 for the purpose of expressing an opinion as to whether the Authority 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 2021/22 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 2021/22 ("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.

c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

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

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xvi. 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. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.

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

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

xix. 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.

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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

xxv. 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

xxvi. 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 Audit Committee at its meeting on 27 September 2022.

Merseyside FIRE & RESCUE SERVICE

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27 September 2022

Dear Sirs

Merseyside Fire and Rescue Authority
Financial Statements for the year ended 31 March 2022

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 2022 for the purpose of expressing an opinion as to whether the Authority 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 2021/22 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 2021/22 ("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.

Stonewall
DIVERSITY CHAMPION

POSITIVE ABOUT DISABLED PEOPLE

c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

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

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xvi. 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. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.

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

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

xix. 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.

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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

xxv. 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

xxvi. 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 Audit Committee at its meeting on 27 September 2022.

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	27 SEPTEMBER 2022	REPORT NO:	CFO/045/22
PRESENTING OFFICER	IAN CUMMINS DIRECTOR OF FINANCE AND PROCUREMENT		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	FINANCIAL REVIEW 2022/23 - APRIL TO JUNE		

APPENDICES:		
	APPENDIX A1:	REVENUE BUDGET MOVEMENTS SUMMARY
	APPENDIX A2:	FIRE AND RESCUE SERVICE REVENUE BUDGET MOVEMENTS
	APPENDIX A3:	CORPORATE SERVICE REVENUE BUDGET MOVEMENTS
	APPENDIX A4:	BUDGET MOVEMENTS ON RESERVES
	APPENDIX B:	CAPITAL PROGRAMME 2022/23
	APPENDIX C:	APPROVED AUTHORITY CAPITAL PROGRAMME 2022/23 – 2026/27

Purpose of Report

1. To review the revenue, capital, and reserves financial position for Merseyside Fire and Rescue Authority ('Authority') for 2022/23. The Authority receives regular comprehensive financial reviews during the year which provide a full health check on the Authority's finances. This report covers the period April to June 2022.

Recommendation

2. It is recommended that Members;
   a. note the contents of the report, and
   b. approve the proposed revenue and capital budget alignments,
   c. approve the use of the £3m inflation reserve to cover 2022/23 pay awards above the 2.5% MTFP assumption and higher energy costs, and
   d. instruct the Director of Finance and Procurement to continue to work with budget managers to maximise savings in 2022/23.

Executive Summary

Revenue:
The Authority approved a five-year medium-term financial plan (MTFP) at the Budget Authority meeting on 24 February 2022. The approved MTFP delivered a balanced budget for 2022/23 based on key budget assumptions around costs, in particular pay. This report updates members on the 2022/23 budget position and any issues arising in the year that may impact on the future years' financial position.

The MTFP assumed a 2.5% pay award for 2022/23, but recent 2022/23 public sector pay awards have been around 5%. Local government staff have had an initial offer of a £1,925 fixed sum for all grades, and this would equate to a 6% increase on the green/red book staff employee budget, 3.5% or £0.430m above the budget assumption. The initial firefighters pay offer was 2%, but this is unlikely to be accepted. Each 1% above the 2.5% firefighter pay assumption would add approximately £0.400m to the budget challenge. Members have received a number of reports on the impact of the current high energy prices and a potential increase in energy costs of +200% or £1m above the budget for 2022/23. As a result of the expected higher pay and energy inflation a potential £2m to £3m overspend against the current budget is forecast in 2022/23.

This report proposes to use the £3m inflation reserve to fund any pay awards and energy costs above those assumed in the 2022/23 budget. The Authority will need to consider the ongoing impact of higher pay and energy costs as part of the 2023/24 budget process.

The total budget requirement remains at the original budget level of £61.792m. Appendix A1 – A4 outline in detail all the revenue budget and reserve movements between April and June 2022.

Capital:
The MTFP includes a five-year capital programme. The original programme included a total investment of £61.604m over the 2022/23 – 2026/27 period, of which £41.829m related to 2022/23. The capital programme planned spend has increased by £9.207m, of which £4.013m relates to the re-phasing of schemes from 2021/22 into 2022/23; £4.171m for the new TDA/Station (CFO/031/022); and £1.023m for Home Office funded schemes. The revised Capital Programme is outlined in Appendix B and C.

Reserves & Balances:
The general balance remains unchanged at £3.000m. All movements in committed reserves are outlined in Appendix A4.

Treasury Management:
No new long-term borrowing has been arranged and the Authority has continued its policy of reducing investments and only taking short term borrowing to cover cash flow requirements.

Introduction and Background

3. The purpose of this report is to enable the Authority to monitor its income and expenditure levels against its budget on a regular basis throughout the year to ensure effective financial management.

4. This report is the review of the Authority's position up to the end of June of the financial year 2022/23 (April – June 2022).

5. In order to ensure that the financial reviews provide a regular and effective financial health check on all aspects of the Authority's finances the following structure has been adopted.

<u>Financial Review Structure</u>

<u>Section</u>	<u>Content</u>
A	Current Financial Year Review:- • Revenue Budget, • Capital Programme, and • Movement on Reserves
B	Treasury Management Review

(A) <u>Current Financial Year – 2022/23</u>

6. The purpose of the financial review report is to provide Members with an assurance that the approved budget remains robust and that the current forecast of expenditure can be contained within the available resources. If actual expenditure or income for the year is inconsistent with the current budget then the report will, if necessary, identify the appropriate corrective action.

Revenue Position:

7. <u>Budget Movements</u>: there have been a number of budget adjustments with no net impact because they are either self-balancing virements within department budgets or budget increases financed by reserves in line with previously agreed Authority decisions. The budget adjustments in quarter 1 included:-

- A net contribution from reserves of £0.394m.
  - The Authority approved the new TDA/Station report CFO/031/022 at the June AGM meeting, and this included an increase in the TDA reserve of +£0.200m funded from a drawdown from the New Dimensions reserve of -£0.200m.
  - A £0.333m drawdown from the TDA reserve to fund planned work on the new TDA.

- Further development work on the Prevention and Protection ICT application, CFRMIS, has been funded by a planned £0.061m drawdown from the Capital reserve.
- A full breakdown of the reserve movements is outlined in Appendix A4.

- Increase in temporary staff and other costs funded from £0.962m of one-off grants and income (Protection, ESN, Apprentice Levy and other external funding).

- Other self-balancing virements to cover small adjustments within non-employee budget lines.

8. **The net budget requirement remains at £61.792m, which is consistent with the original budget**.

9. Update on Budget Assumptions and forecast actual expenditure:

10. The key budget assumptions for 2022/23 are:

    - Annual pay awards of 2.5%, and
    - General price inflation of 2% and Energy inflation of 12%,
    - The new TDA / Station can be built within the approved budget,
    - No significant unplanned growth pressures would materialise in the year,

11. **Annual Pay awards;**
    The MTFP **assumed a 2.5% pay award for 2022/23**, but recent 2022/23 public sector pay awards have been around 5%.

    Local government staff have had an initial offer of a £1,925 fixed sum for all grades, and this would equate to a **6% increase** on the green/red book staff employee budget, 3.5% or £0.430m above the budget assumption.

    The initial firefighters pay offer was 2%, but this is unlikely to be accepted. For **each 1%** above the 2.5% firefighter pay increase assumption, would add **approximately £0.400m** to the budget challenge.

    The impact of the 2022/23 pay award will only be known once the pay award has been accepted by the employees, and will be reported back to Members in a future financial review report.

12. **Non-pay inflation – energy;**
    Members have received a number of reports on the impact of the current high energy costs on the budget. The estimated increase in energy costs in 2022/23 is currently +200% or £1m above the budget, but this may change depending on future tariffs and usage particularly over the winter period.

13. As a result of the higher pay and energy inflation a potential £2m to £3m overspend against the current budget is expected in 2022/23. In order to ensure the revenue budget remains in a balanced position throughout 2022/23,

the Director of Finance and Procurement recommends that members approve the use of the £3m inflation reserve to fund the expected higher pay awards and energy costs in 2022/23.

14. The Authority will need to consider the ongoing impact of higher pay and energy costs as part of the 2023/24 budget process.

15. Further to the issues outlined above and after reviewing expenditure and income up to the end of June 2022 the expectation is that all other costs and income will be consistent with the approved budget.

16. The Director of Finance and Procurement will continue to monitor the position during the year to look to deliver savings to contribute towards the funding of the 2022/23 pay awards and increased energy costs.

17. Debtor accounts under £5,000 may be written off by the Director of Finance and Procurement. No account was written-off under delegated powers in the first quarter.

Capital Programme Position:

18. Members approved a 5-year capital programme worth £61.604m over the 2022/23 – 2026/27 period, of which £41.829m related to 2022/23 at the Authority Budget meeting on 24th February 2022, (CFO/007/22). The programme has increased by £9.207m, due to:

    a. the 2021/22 approved year-end re-phasing of projects into 2022/23 of £4.012m, as reported to the Policy and Resources Committee on 28th July 2022, CFO/036/22, and

    b. Report CFO/031/22 (AGM 9th June 2022) approved the new TDA/station project and increase in budget of £4.171m.

    c. An increase in the National Resilience Assurance Team asset refresh programme of £1.000m, funded from Home Office grant, and

    d. An increase in the Emergency Services Communication scheme of £0.048m. However, as £0.025m of this has been vired from the current ICT capital hardware budget, the net impact is an increase of £0.023m. The Home Office has allocated funding to cover the net increase of £0.023m.

19. The capital programme changes are summarised in the table overleaf. The revised detailed capital programme is attached as Appendix B (2022/23 Capital Programme) and Appendix C (2022/23–2026/27 Capital Programme) to this report.

Movement in the 5 Year Capital Programme						
	Total Cost	2022/23	2023/24	2024/25	2025/26	2026/27
Expenditure	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amendments to Approved Schemes;						
Year-end re-phasing of schemes 21/22.	4,012.5	4,012.5				
New TDA/Station scheme	4,171.0	333.0	3,838.0			
NRAT asset refresh	1,000.0	1,000.0				
Reduction in ICT Hardware	-25.0	-25.0				
ESN	48.0	48.0				
	9,206.5	**5,368.5**	**3,838.0**	**0.0**	**0.0**	**0.0**
Funding						
Grant						
Home Office - NRAT	1,000.0	1,000.0				
Home Office - ESN	23.0	23.0				
Capital Reserve (New TDA/Station scheme)	333.0	333.0				
Capital Receipts (Sale of part of Vesty/Richie Ave -New TDA/Station scheme)	1,200.0	1,200.0				
Borrowing						
Re-phasing of 21/22 Schemes from 21/22	4,012.5	4,012.5				
New TDA/Station scheme	2,638.0		2,638.0			
	9,206.5	**6,568.5**	**2,638.0**	**0.0**	**0.0**	**0.0**

Use of Reserves:

20. The analysis in Appendix A4 outlines a £0.394m drawdown from reserves in quarter 1, as a result of: -

- Contribution to the TDA reserve of +£0.200m funded from a drawdown from the New Dimensions reserve of -£0.200m (CFO/031/022).

- A £0.333m drawdown from the TDA has been made in quarter 1 to fund planned work on the new TDA.

- Continued development of the Prevention and Protection ICT application CFRMIS requires a planned £0.061m drawdown from the Capital reserve to fund this work.

21. As outlined in paragraph 13, and subject to Members' approval, the intention is to drawdown from the £3m inflation reserve during the year to meet the cost of the expected higher pay and energy costs once they are known.

22. The general revenue reserve has remained unchanged at £3.000m.

(B) <u>Treasury Management</u>

23. The Authority continues to "buy in" Treasury Management from Liverpool City Council. The following paragraphs reflect Treasury Management activities in the period April to June 2022.

24. **Prospects for Interest Rates;**

Following Russia's invasion of Ukraine in February 2022, global inflationary pressures have intensified sharply, leading to a sizeable deterioration in the outlook for world and UK growth.

The economic backdrop in the April-June quarter was characterised by higher oil, gas and commodity prices, fears of rising and persistent inflation and its damaging impact on consumers' cost of living, little indication of an imminent end to Russia-Ukraine hostilities and supply chain bottlenecks exacerbated by war in Ukraine and lockdowns in China.

Added to this was tough rhetoric and action by central bankers globally on fighting inflation through higher interest rates and quantitative tightening even as financial conditions became increasingly difficult for consumers, more so for those whose wages have not kept pace with inflation.

In the UK inflation remained elevated. Ofgem, the energy regulator, increased the energy price cap by 54% in April 2022, equivalent to around £700 for a household with average energy consumption (the cap had already increased 12% back in October 2021). May 2022 data showed CPI edging higher to 9.1% while the core CPI rate, which removes energy, fuel and food was 5.9%. RPI rose to 11.7%.

Unsurprisingly, with disposable income squeezed and another energy cap increase due in October 2022, consumer confidence plummeted to the level last seen during the 2008/09 financial crisis. Quarterly GDP growth was 0.8% in the January-March quarter and the Bank of England now expects a decline of 0.3% in Q2 2022.

Having increased interest rates by 0.25% in April 2022, the Bank of England's Monetary Policy Committee on the 15th of June 2022 voted 6-3 to increase the official Bank Rate by 0.25% to 1.25%. Those members in the minority preferred to increase Bank Rate by 0.5%. Rises in the input and output producer price measures suggest further inflationary pressure is in the pipeline. The Bank of England is therefore unlikely to become complacent, so further rate rises look likely in the near term.

PWLB rates and gilt yields have been volatile throughout the first quarter of 2022/23 and this is likely to remain the case throughout this financial year. PWLB rates have risen for longer term loans, from 2.62% at the start of the financial year to 3.47% by the end of the first quarter, reaching a high point of 3.68% on 21 June 2022 before falling back in response to the weak economic outlook.

The strategy indicated that the overall structure of interest rates whereby short term rates are lower than long term rates has continued for some time. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

25. **Capital Borrowings and the Portfolio Strategy;**
The borrowing requirement comprises the expected movements in the Capital Financing Requirement and reserves plus any maturing debt which will need to be re-financed. The Authority does not envisage that any new long term borrowing will be required in 2022/23. Current market conditions continue to be unfavourable for any debt rescheduling.

26. **Annual Investment Strategy;**
The investment strategy for 2022/23 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with DLUHC Guidance and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list.

Extreme caution has been taken in placing investments to ensure security of funds rather than rate of return. The use of deposit accounts with highly rated or part-nationalised banks and AAA rated money market funds has enabled reasonable returns in a low interest rate environment. Recent increases to Bank of England base rates have also improved the prospects for investment returns. In the period 1st April to 30 June 2022, the average rate of return achieved on average principal available was 1.48%. This compares with an average SONIA rate (Sterling Overnight Rate) of 0.89%.

The credit ratings and individual limits for each institution within the categories of investments to be used by the Authority in 2022/23 are as follows:

UK Government (including gilts and the DMADF)	Unlimited
UK Local Authorities (each)	Unlimited
Part Nationalised UK banks	£4m
Money Market Funds (AAA rated)	£3m
Enhanced Money Market (Cash) Funds (AAA rated)	£3m
Ultra-Short Duration Bond Funds (AAA rated)	£3m
UK Banks and Building Societies (A- or higher rated)	£2m
Foreign banks registered in the UK (A or higher rated)	£2m

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

The Authority had investments of £43.250m as at 30th June 2022, see table overleaf:

ANALYSIS OF INVESTMENTS END OF QUARTER 1 2022/23

Institution	Credit Rating	MM Fund*	DMADF	Bank / Other	Building Society	Local Authority	Average Interest
		£		£	£	£	%
Blackrock		3,000,000					0.90
DGLS		1,700,000					0.78
Federated Investors UK (Overnight)		2,200,000					1.12
Fidelity ICF		3,000,000					0.95
Goldman Sachs		900,000					0.95
Legal & General		3,000,000					0.94
HSBC	A			1,000,000			0.30
HSBC (MFRS Deposit Account)	A			4,450,000			0.11
Santander	A			2,000,000			0.76
Sumitomo	A			2,000,000			0.50
Leeds B Soc					2,000,000		0.90
Nationwide BS					2,000,000		0.30
Newcastle BS					2,000,000		0.18
Principality BS					1,000,000		1.55
Blackpool Council						2,000,000	0.61
City of Kingston upon Hull						3,000,000	0.36
Medway Council						2,000,000	0.60
North Lanarkshire						2,000,000	0.60
PCC Merseyside						2,000,000	0.60
Wyre Forest DC						2,000,000	2.00
Totals		**13,800,000**	**0**	**9,450,000**	**7,000,000**	**13,000,000**	**0.75**
Total Current Investments						**43,250,000**	

**MM Fund - Money Market Funds -these are funds that spread the risk associated with investments over a wide range of credit worthy institutions.*

27. **External Debt Prudential Indicators;**
The external debt indicators of prudence for 2022/23 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£73 million
Operational boundary for external debt:	£56 million

Against these limits, the maximum amount of debt reached at any time in the period 1 April to 30 June 2022 was £33.9 million.

28. **Treasury Management Prudential Indicators;**
The treasury management indicators of prudence for 2022/23 required by the Prudential Code were set in the strategy as follows:

a) Interest Rate Exposures

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 50%

The maximum that was reached in the period 1 April to 30 June 2022 was as follows:

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 0%

b) Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowing were set and the maximum and minimum that was reached for each limit in the period 1st April to 30 June 2022 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	50%	0%	1%	1%
12 months and within 24 months	50%	0%	0%	0%
24 months and within 5 years	50%	0%	0%	0%
5 years and within 10 years	50%	0%	0%	0%
10 years and above	100%	0%	99%	99%

c) Total principal sums invested for periods longer than 365 days

The limit for investments of longer than 365 days was set at £2 million for 2022/23. No such investments have been placed during 2022/23.

Equality and Diversity Implications

29. There are no equality and diversity implications contained within this report.

Staff Implications

30. There are no staff implications contained within this report.

Legal Implications

31. There are no legal implications directly related to this report.

Financial Implications & Value for Money

32. See Executive Summary.

Risk Management, Health & Safety, and Environmental Implications

33. There are no Risk Management, Health & Safety and Environmental implications directly related to this report.

Contribution to Our Vision: To be the best Fire & Rescue Service in the UK.

Our Purpose: Here to serve, Here to protect, Here to keep you safe.

34. 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/007/22 "MFRA Budget and Financial Plan 2022/2023-2026/2027" Authority 24th February 2022.

GLOSSARY OF TERMS

MTFP Medium Term Financial Plan

TDA Training & Development Academy

CFRMIS Community Fire Risk Management Information System

GDP Gross Domestic Product

PWLB Public Works Loans Board

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APPENDIX A1

2022/23 REVENUE BUDGET MOVEMENT SUMMARY

Actual 2021/22	SERVICE REQUIREMENTS	Base Budget 2022/23	Reserve Draw-down	Virements	Qtr 1 Budget 2022/23
£'000		£'000	£'000	£'000	£'000
54,427	Fire Service	78,641	394	-9	79,026
477	Corporate Management	488	0	12	500
0	NRAT MFRS Lead Authority (Budget Neutral)	0	0	0	0
54,904		79,129	394	3	79,526
0	Contingency for Pay/Price Changes	1,126	0	-3	1,123
54,904	TOTAL SERVICE EXPENDITURE	80,255	394	0	80,649
-70	Interest on Balances	-172	0	0	-172
54,834	NET OPERATING EXPENDITURE	80,083	394	0	80,477
	Contribution to/(from) Reserves:				
	Emergency Related Reserves				
-1,368	Facing The Future COVID-19 Reserve	0	0	0	0
-200	Collection Fund Deficit Reserve	-1,306	0	0	-1,306
	Modernisation Challenge				
-412	Smoothing Reserve	0	0	0	0
597	Pensions Reserve	0	0	0	0
-550	Recruitment Reserve	0	0	0	0
	Capital Investment Reserve				
4,136	Capital Investment Reserve	-16,991	-194	0	-17,185
-424	PFI Annuity Reserve	-69	0	0	-69
	Specific Projects				
-19	Community Sponsorship Reserve	0	0	0	0
53	Equipment Reserve	0	0	0	0
-18	Health and Wellbeing Reserve	0	0	0	0
2,519	Inflation Reserve	0	0	0	0
65	Clothing Reserve	0	0	0	0
	Ringfenced Reserves				
-68	Princes Trust Reserve	0	0	0	0
-5	Community Risk Management Reserve	0	0	0	0
35	Energy Reserve	75	0	0	75
75	New Dimensions Reserve	0	-200	0	-200
0	Appropriation to / From Revenue Balances	0	0	0	0
4,416	Movement in Reserves	-18,291	-394	0	-18,685
59,250	BUDGET REQUIREMENT	61,792	0	0	61,792
-31,492	Settlement Funding Assessment	-31,251	0	0	-31,251
2,836	Collection Fund Deficit	1,147	0	0	1,147
-30,594	Precept Income	-31,688	0	0	-31,688
-59,250	BUDGET FUNDING	-61,792	0	0	-61,792

2022/23 FIRE SERVICE REVENUE BUDGET MOVEMENT

Actual 2021/22	SERVICE REQUIREMENTS	Base Budget 2022/23	Reserve Draw-down	Virements	Qtr 1 Budget 2022/23
£'000		£'000	£'000	£'000	£'000
	EMPLOYEES				
	Uniformed				
33,473	Firefighters	35,026		371	35,397
1,506	Control	1,463		21	1,484
2,602	Additional Hours	1,306			1,306
37,581	**TOTAL UNIFORMED**	37,795	0	392	38,187
	APT&C and Manual				
9,567	APT&C	10,763		199	10,962
146	Tender Drivers	147			147
191	Catering	201			201
613	Transport Maintenance	665		-2	663
51	Hydrant Technicians	54			54
97	Casuals	0			0
10,665	**TOTAL APT&C/MANUAL**	11,830	0	197	12,027
	Other Employee Expenses				
60	Allowances	58		2	60
0	Removal Expenses	1			1
710	Training Expenses	454		143	597
13	Other Expenses	9			9
8	Staff Advertising	7			7
112	Development Expenses	80			80
113	Employee Insurance	147			147
-163	MPF Pen Fixed Rate	-169			-169
55	Enhanced Pensions	52			52
4	SSP & SMP Reimbursements	0			0
119	Catering Expenditure	125			125
-412	HFRA Capitalisation Payroll	-375			-375
619	**TOTAL OTHER EMPLOYEE EXPENSES**	389	0	145	534
	Pensions				
1,715	Injury Pension	1,790			1,790
38	Sanction Charges	21			21
147	Ill Health Retirement Charges	174			174
4	Injury Gratuity	0			0
1,904	**TOTAL PENSIONS**	1,985	0	0	1,985
50,769	**TOTAL EMPLOYEES**	51,999	0	734	52,733
	PREMISES				
18	Building Maintenance Repairs	29			29
11	Site Maintenance Costs	25			25
905	Energy	990			990
46	Rent	46			46
1,120	Rates	1,586			1,586
200	Water	300			300
13	Fixtures	15			15
25	Contract Cleaning	0			0
52	Insurance	54			54
2,390	**TOTAL PREMISES**	3,045	0	0	3,045
	TRANSPORT				
331	Direct Transport	312		-2	310
8	Tunnel & Toll Fees	11			11
136	Operating Lease	133			133
434	Other Transport Costs	470			470
69	Car Allowances	91			91
233	Insurance	223			223
1,211	**TOTAL TRANSPORT**	1,240	0	-2	1,238

2022/23 FIRE SERVICE REVENUE BUDGET MOVEMENT *(continued)*

Actual 2021/22	SERVICE REQUIREMENTS	Base Budget 2022/23	Reserve Draw-down	Virements	Qtr 1 Budget 2022/23
£'000		£'000	£'000	£'000	£'000
	SUPPLIES & SERVICES				
10	Administrative Supplies	13		4	17
294	Operational Supplies	296		7	303
6	Hydrants	11			11
52	Consumables	44		1	45
99	Training Supplies	103		-7	96
93	Fire Prevention Supplies	55		31	86
3	Catering Supplies	26		-4	22
419	Uniforms	330		8	338
74	Printing & Stationery	95		1	96
2	Operating Leases	1			1
314	Professional Fees/Service	232		60	292
739	Communications	782		-12	770
14	Postage	15			15
13	Command/Control	8		3	11
363	Computing	297	61	85	443
270	Medicals	271		-2	269
41	Travel & Subsistence	66		5	71
119	Grants/Subscriptions	105		5	110
1	Advertising	2		1	3
35	Insurances	37			37
0	Furniture	13		3	16
72	Laundry	82			82
14	Hospitality	6		1	7
0	Seconded Officers In	0		30	30
3,047	**TOTAL SUPPLIES & SERVICES**	**2,890**	**61**	**220**	**3,171**
	AGENCY SERVICES				
168	Super Fund Admin	126			126
1,533	ICT Service Provider	1,517		8	1,525
438	ICT Managed Suppliers	437		-39	398
2,897	PFI Unitary Charges ((Int/Principal/Op Costs)	2,891			2,891
1,514	Estates Service Provider	1565			1,565
6,550	**TOTAL AGENCY SERVICES**	**6,536**	**0**	**-31**	**6,505**
	CENTRAL EXPENSES				
474	Finance & Computing	472		11	483
474	**TOTAL CENTRAL EXPENSES**	**472**	**0**	**11**	**483**
	CAPITAL FINANCING				
3,687	PWLB Debt Charges	5,121			5,121
51	MRB Debt Charges	60			60
2,134	Revenue Contribution to Capital	20,738	333	33	21,104
-23	Early Settement of Debt (Pfi Refin)	-22			-22
5,849	**TOTAL CAPITAL FINANCING**	**25,897**	**333**	**33**	**26,263**
70,290	**TOTAL EXPENDITURE**	**92,079**	**394**	**965**	**93,438**
	INCOME				
12,892	Specific Grants	10,838		808	11,646
88	Sales	1		3	4
1,356	Fees & Charges	1,152		154	1,306
14	Reinforcing Moves	5			5
1,025	Rents etc	984			984
159	Recharges Secondments	210			210
174	Contributions	125		9	134
144	Recharges Internal	113			113
11	Other Income	10			10
15,863	**TOTAL INCOME**	**13,438**	**0**	**974**	**14,412**
54,427	**NET EXPENDITURE**	**78,641**	**394**	**-9**	**79,026**

APPENDIX A3

2022/23 CORPORATE MANAGEMENT REVENUE BUDGET MOVEMENT

Actual 2021/22	SERVICE REQUIREMENTS	Base Budget 2022/23	Reserve Draw-down	Virements	Qtr 1 Budget 2022/23
£'000		£'000	£'000	£'000	£'000
	EXPENDITURE				
	Finance & Legal costs				
79	Finance Officer	79			79
45	Legal Officer	59		12	71
	Democratic Rep (1020)				
9	- Travel & Subsistence	17			17
2	- Conference Fees	2			2
200	- Members Allowances	204			204
1	- Telephones	1			1
0	- Training	1			1
1	- Hospitality	1			1
	Central Expenses (1030)				
15	Bank Charges	15			15
47	District Audit Fees	30			30
78	Subscriptions	79			79
477	**TOTAL EXPENDITURE**	488	0	12	500

2022/23 NATIONAL RESILIENCE ASSURANCE REVENUE BUDGET MOVEMENT

Actual 2021/22	SERVICE REQUIREMENTS	Base Budget 2022/23	Reserve Draw-down	Virements	Qtr 1 Budget 2022/23
£'000		£'000	£'000	£'000	£'000
	EXPENDITURE				
2,151	Employee Costs			1,896	1,896
4	Premises Costs			2	2
6,165	Transport Costs			6,651	6,651
3,868	Supplies and Services Costs			2,127	2,127
476	Agency Costs			778	778
0	Central Expenditure			66	66
5	Capital Financing Costs			5	5
12,669	**TOTAL EXPENDITURE**	0	0	11,525	11,525
	INCOME				
12,669	Income			11,525	11,525
0	**NET EXPENDITURE**	0	0	0	0

Budgeted Movement on Reserves 2022/23

	Opening Balance	2022/23 Approved Budget Drawdown	Qtr 1 Drawdown & changes	Closing Balance
Commmitted Reserves	**£'000**	**£'000**	**£'000**	**£'000**
Emergency Related Reserves				
Bellwin / Emergency Planning Reserve	222			222
Insurance Reserve	499			499
Facing The Future COVID-19 Reserve	0			0
Collection Fund Reserve	2,420	-1,306		1,114
Modernisation Challenge				
Smoothing Reserve	1,588			1,588
Pensions Reserve	652			652
Recruitment Reserve	1,450			1,450
Invest to Save / Collaboration Reserve	282			282
Capital Investment Reserve	17,720	-16,991	-194	535
PFI Annuity Reserve	1,442	-69		1,373
Specific Projects				
Community Sponsorship Reserve	55			55
Equipment Reserve	205			205
Community Engagement Reserve	8			8
Training Reserve	150			150
Health and Wellbeing Reserve	7			7
Inflation Reserve	3,019			3,019
Clothing Reserve	90			90
Ringfenced Reserves				
Princes Trust Reserve	15			15
Community Risk Management Reserve	303			303
Energy Reserve	133	75		208
New Dimensions Reserve	239		-200	39
Total Earmarked Reserves	**30,499**	**-18,291**	**-394**	**11,814**
General Revenue Reserve	**3,000**	**0**	**0**	**3,000**
Total Reserves	**33,499**	**-18,291**	**-394**	**14,814**

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Capital Programme 2022/23

EXPENDITURE		**Approved Budget**	**Approved Re-phasing from 2021/22**	**Qtr 1 Virements**	**Qtr 1 Budget**	**Actual to 01.07.22**
		£	**£**	**£**	**£**	**£**
BUILDING & LAND PROGRAMME						
BLD001	Roofs & Canopy Replacements	40,000	103,400		143,400	6,550
BLD004	Concrete Yard Repairs	60,000	20,500		80,500	3,085
BLD005	Tower Improvements	20,000	6,600		26,600	0
BLD007	L.E.V. Sys In App Rooms	25,000	7,500		32,500	0
BLD013	Appliance Room Floors	105,000	37,000		142,000	0
BLD014	Boiler Replacements	65,000	12,800		77,800	0
BLD016	Community Station Investment	50,000	23,000		73,000	0
BLD018	Conference Facilities H/Q	35,000	5,000		40,000	0
BLD020	5 Year Electrical Test	70,000	54,600		124,600	11,929
BLD026	Corporate Signage	25,000	4,700		29,700	0
BLD031	Diesel Tanks	0	19,400		19,400	7,200
BLD032	Power Strategy (Generators)	5,000	17,000		22,000	0
BLD033	Sanitary Accommodation Refurb	95,000	21,200		116,200	0
BLD034	Office Accommodation	65,000	13,500		78,500	1,012
BLD039	F.S. Refurbishment Heswall	75,000	72,100		147,100	10,217
BLD041	F.S. Refurbishment Aintree	159,900			159,900	0
BLD044	Asbestos Surveys	20,000	8,400		28,400	
BLD050	LLAR Accommodation Belle Vale	0	49,800		49,800	0
BLD053	Lighting Replacement	22,900			22,900	0
BLD055	F.S. Refurbishment Bromborough	1,250,000	23,700		1,273,700	6,714
BLD057	F.S. Refurbishment Crosby	50,000	43,400		93,400	760
BLD058	H.V.A.C. Heating, Vent & Air Con	50,000	12,200		62,200	7,468
BLD060	D.D.A. Compliance Work	160,000	53,300		213,300	3,132
BLD061	Lighting Conductors Surge Protectors	30,000	18,000		48,000	1,415
BLD062	Emergency Lighting	30,000	14,200		44,200	0
BLD063	F.S. Refurbishment Kirby	369,500			369,500	0
BLD067	Gym Equipment Replacement	70,000	33,500		103,500	2,970
BLD070	Workshop Enhancement	0	9,800		9,800	482
BLD071	Station Refresh	0	21,400		21,400	8,658
BLD073	SHQ Museum	191,000			191,000	0
BLD075	LLAR Accommodation Newton Le Willows	450,000	14,600		464,600	9,402
BLD081	SHQ Stage C Works				0	-15,014
BLD083	St Helens Fire Station Build				0	-93,220
BLD084	F.S. Refurbishment Croxteth	0	37,400		37,400	0
BLD085	F.S. Refurbishment Speke/Garston	150,000	146,500		296,500	1,136
BLD086	F.S. Refurbishment Old Swan	150,000	146,500		296,500	5,078
BLD088	F.S. Refurbishment Kensington	134,900			134,900	0
BLD089	F.S. Refurbishment Toxteth/Hub	200,000			200,000	0
BLD090	F.S. Refurbishment Wallasey	50,000	13,000		63,000	0
BLD091	New Build TDA	27,556,000	402,100	827,000	28,785,100	164,622
BLD092	Service HQ. Offices	50,000	48,600		98,600	12,555
BLD093	Refurbishment MF1	150,000			150,000	0
BLD094	Security Enhancement Works	25,000	2,800		27,800	5,079
BLD095	Electric Vehicle Infrastructure	50,000			50,000	0
BLD096	Passive Strategy	20,000			20,000	
BLD097	Saughill Massie Wig Wags	100,000			100,000	
CON001	Energy Conservation Non-Salix	120,000	52,900		172,900	0
CON002	Energy Conservation Salix	0	1,800		1,800	
EQU002	Fridge/Freezer Rep Prog	10,000	23,000		33,000	254
EQU003	Furniture Replacement Prog	10,000	28,700		38,700	6,276
TDA001	TDA Refurbishment	0	42,100		42,100	16,586
	Total	**32,364,200**	**1,666,000**	**827,000**	**34,857,200**	**184,348**
FIRE SAFETY						
FIR002	Smoke Alarms (H.F.R.A.)	235,000	0		235,000	46,888
FIR005	Installation Costs (H.F.R.A.)	375,000	0		375,000	0
FIR006	Deaf Alarms (H.F.R.A.)	25,000	0		25,000	0
FIR007	Replacement Batteries (H.F.R.A.)				0	281
	Total	**635,000**	**0**	**0**	**635,000**	**47,168**

Capital Programme 2022/23

EXPENDITURE		Approved Budget	Approved Re-phasing from 2021/22	Qtr 1 Virements	Qtr 1 Budget	Actual to 01.07.22
		£	£			£
ICT						
FIN001	F.M.I.S. Replacement	253,500	0		253,500	0
IT002	I.C.T. Software	562,000	11,500		573,500	382,258
IT003	I.C.T. Hardware	456,660	186,800	-320,000	323,460	34,069
IT005	I.C.T. Servers	146,000	98,600		244,600	
IT018	I.C.T. Network	42,000	56,100		98,100	55,215
IT019	Website Development	0	15,700		15,700	
IT026	I.C.T. Operational Equipment	62,200	15,300		77,500	4,883
IT027	I.C.T. Security	2,000			2,000	1,646
IT028	System Development Portal	75,000	44,700		119,700	
IT030	I.C.T. Projects / Upgrades	5,000	3,200		8,200	
IT055	C3i C&C Comms and Info system	5,000	2,300		7,300	
IT058	New Emergency Services Network	0	54,300		54,300	
IT059	ESMCP Project Control room integration	0	92,000		92,000	
IT062	Capita Vision 3 Update	0	145,300		145,300	
IT063	PIPS System Upgrade	120,000			120,000	
IT064	999 EYE Emergency Streaming	0	40,000		40,000	
IT065	Dynamic Cover Response Tool	0	35,000		35,000	
IT066	ESN Ready	662,000		48,000	710,000	
IT067	DCS Upgrade	108,000			108,000	
IT068	Command & Cotrol Suite TDA	700,000		-199,000	501,000	
	Total	**3,199,360**	**800,800**	**-471,000**	**3,529,160**	**478,071**
NATIONAL RESILIENCE ASSET REFRESH						
OPS055	NRAT Operational Equipment	0	1,172,600		1,172,600	205,142
VEH011	NRAT Vehicles	0		1,000,000	1,000,000	
	Total	**0**	**1,172,600**	**1,000,000**	**2,172,600**	**205,142**
OPERATIONAL EQUIP. & HYDRANTS						
OPS001	Gas Tight Suits Other Ppe	6,000	7,700		13,700	988
OPS003	Hydraulic Rescue Equipment	85,000			85,000	
OPS005	Resuscitation Equipment	50,000	9,700		59,700	
OPS009	Pod Equipment	0	96,700		96,700	
OPS011	Thermal Imaging Cameras	0	10,800		10,800	
OPS016	Gas Detection Equipment	28,000	5,300		33,300	
OPS022	Improvements To Fleet	43,200	12,000		55,200	4,792
OPS023	Water Rescue Equipment	15,000			15,000	
OPS024	BA equipment / Comms	10,000	29,100		39,100	500
OPS026	Rope Replacement	10,000	4,700		14,700	918
OPS027	Light Portable Pumps	0	30,000		30,000	
OPS033	Marine Rescue Launch	20,000	6,100		26,100	
OPS034	Operational Ladders	64,000	24,000		88,000	17,448
OPS036	Radiation Detection Equipment	65,000			65,000	
OPS039	Water Delivery Hoses	47,000	3,600		50,600	
OPS049	Bulk Foam Attack Equipment	143,000			143,000	
OPS052	DEFRA FRNE Water Rescue Grant		16,000		16,000	
OPS054	Electrical Equipment	8,000			8,000	
HYD001	Hydrants (New Installations)	18,500			18,500	2,115
HYD002	Hydrants (Rep Installations)	18,500			18,500	
	Total	**631,200**	**255,700**	**0**	**886,900**	**26,761**
VEHICLES						
VEH001	Wtl'S Purchased	606,100	82,200		688,300	478,232
VEH002	Ancillary Vehicles	649,075	5,700		654,775	
VEH004	Special Vehicles	3,346,800			3,346,800	
VEH005	Vehicles water Strategy	357,500	16,400		373,900	
VEH010	Marine Rescue Vessels	40,000			40,000	
WOR001	Workshop Equipment		13,100		13,100	
	Total	**4,999,475**	**117,400**	**0**	**5,116,875**	**478,232**
	Grand Total	**41,829,235**	**4,012,500**	**1,356,000**	**47,197,735**	**1,419,723**

APPENDIX B

Capital Programme 2022/23

EXPENDITURE		Approved Budget	Approved Re-phasing from 2021/22	Qtr 1 Virements	Qtr 1 Budget	Actual to 01.07.22
		£	£			£
Capital Receipts						
	Sale of Newton 2 LLAR House	275,000			275,000	
	Vehicles & Equipment > £10,000			56,000	56,000	19,320
R.C.C.O. / Capital Reserve						
	Capitalisation of Sals HFRA (FIR005)	375,000			375,000	
	TDA Refurbishment (BLD091) Cap Inv Res	19,768,000		333,000	20,101,000	164,622
	ESN Funding	595,000		23,000	618,000	
Grant						
	NRAT National Resilience Grant		1,172,612	1,000,000	2,172,612	205,142
	Total Non Borrowing	**21,013,000**	**1,172,612**	**1,412,000**	**23,597,612**	**389,084**
Borrowing Requirement						
	Unsupported Borrowing	20,816,235	2,839,888	-56,000	23,600,123	1,030,639
	Borrowing	**20,816,235**	**2,839,888**	**-56,000**	**23,600,123**	**1,030,639**
	Total Funding	**41,829,235**	**4,012,500**	**1,356,000**	**47,197,735**	**1,419,723**

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Capital Programme 2022/23 to 2026/27

Capital Expenditure	Total Cost £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Building/Land	**45,965,200**	34,857,200	9,188,000	360,000	880,000	680,000
Fire Safety	**3,175,000**	635,000	635,000	635,000	635,000	635,000
ICT	**7,366,600**	3,529,160	828,460	1,121,460	762,860	1,124,660
NRAT Resilience Assets	**2,172,600**	2,172,600	0	0	0	0
Operational Equipment & Hydrants	**3,039,900**	886,900	474,000	1,133,000	316,000	230,000
Vehicles	**9,091,375**	5,116,875	700,650	1,315,850	1,818,000	140,000
Expenditure	**70,810,675**	**47,197,735**	**11,826,110**	**4,565,310**	**4,411,860**	**2,809,660**
2022/23 - 2026/27 Opening Approved Programme	***61,604,175***	***41,829,235***	***7,988,110***	***4,565,310***	***4,411,860***	***2,809,660***
Q1 Change to Opening Budget	**9,206,500**	**5,368,500**	**3,838,000**	**0**	**0**	**0**
Q1 Movements Explained by:						
2021/22 Capital Schemes Rephased	**4,012,500**	4,012,500				
TDA - Approved Increase in Scheme Costs	**4,171,000**	333,000	3,838,000			
NRAT - Asset Refresh	**1,000,000**	1,000,000				
ESN Ready net)	**23,000**	23,000				
Q1 Movement	**9,206,500**	**5,368,500**	**3,838,000**	**0**	**0**	**0**

Financing Available	Total £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Capital Receipts	**3,731,000**	**331,000**	**3,400,000**	**0**	**0**	**0**
RCCO	**2,493,000**	**993,000**	**375,000**	**375,000**	**375,000**	**375,000**
Capital Reserves	**20,101,000**	**20,101,000**	**0**	**0**	**0**	**0**
Grants	**2,172,612**	**2,172,612**	**0**	**0**	**0**	**0**
Total Non Borrowing	**28,497,612**	**23,597,612**	**3,775,000**	**375,000**	**375,000**	**375,000**
Unsupported Borrowing	**42,313,063**	**23,600,123**	**8,051,110**	**4,190,310**	**4,036,860**	**2,434,660**
Total Funding	**70,810,675**	**47,197,735**	**11,826,110**	**4,565,310**	**4,411,860**	**2,809,660**
2022/23 - 2026/27 Opening Approved Programme	***61,604,175***	***41,829,235***	***7,988,110***	***4,565,310***	***4,411,860***	***2,809,660***
Q1 Change to Opening Budget	**9,206,500**	**5,368,500**	**3,838,000**	**0**	**0**	**0**
Funding Change Explained by:						
RCCO	**23,000**	**23,000**	**0**	**0**	**0**	**0**
Capital Reserves	**333,000**	**333,000**	**0**	**0**	**0**	**0**
Capital Receipts	**1,200,000**	**0**	**1,200,000**	**0**	**0**	**0**
Grants	**1,000,000**	**1,000,000**	**0**	**0**	**0**	**0**
Unsupported Borrowing	**6,650,500**	**4,012,500**	**2,638,000**	**0**	**0**	**0**
Q1 Movements	**9,206,500**	**5,368,500**	**3,838,000**	**0**	**0**	**0**

Buildings Capital Programme 2022/23 to 2026/27

Type of Capital Expenditure	Total Cost £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Major Site Refurbishments						
BLD016 Community Station Investment	**73,000**	73,000				
BLD039 FS Refurbishment Heswall	**147,100**	147,100				
BLD041 FS Refurbishment Aintree	**159,900**	159,900				
BLD055 FS Refurbishment Bromborough	**1,273,700**	1,273,700				
BLD057 FS Refurbishment Crosby	**393,400**	93,400				300,000
BLD063 FS Refurbishment Kirkby	**369,500**	369,500				
BLD070 Workshop Enhancement	**9,800**	9,800				
BLD071 Station Refresh	**21,400**	21,400				
BLD084 FS Refurbishment Croxteth	**37,400**	37,400				
BLD085 FS Refurbishment Speke/Garston	**296,500**	296,500				
BLD086 FS Refurbishment Old Swan	**296,500**	296,500				
BLD088 FS Refurbishment Kensington	**134,900**	134,900				
BLD089 FS Refurbishment Toxteth	**200,000**	200,000				
BLD090 FS Refurbishment Wallasey	**563,000**	63,000			500,000	
BLD091 TDA New Build	**37,623,100**	28,785,100	8,838,000			
BLD093 Marine Fire 1 Refurbishment	**150,000**	150,000				
BLD095 Electric Vehicle Infrastructure Works	**125,000**	50,000	25,000	25,000	25,000	
	41,874,200	**32,161,200**	**8,863,000**	**25,000**	**525,000**	**300,000**
Other						
BLD073 SHQ Museum	**191,000**	191,000				
	191,000	**191,000**				
LLAR Accommodation Works						
BLD050 LLAR Accommodation Belle Vale	**49,800**	49,800				
BLD075 LLAR Accommodation Newton-le-Willows	**464,600**	464,600				
	514,400	**514,400**				
General Station Upgrade Works						
BLD001 Roofs & Canopy Replacements	**303,400**	143,400	40,000	40,000	40,000	40,000
BLD004 Concrete Yard Repairs	**160,500**	80,500	20,000	20,000	20,000	20,000
BLD005 Tower Improvements	**66,600**	26,600	10,000	10,000	10,000	10,000
BLD013 Non Slip Coating to Appliance Room Floors	**262,000**	142,000	30,000	30,000	30,000	30,000
BLD014 Boiler Replacements	**137,800**	77,800	15,000	15,000	15,000	15,000
BLD020 Electrical Testing	**204,600**	124,600	20,000	20,000	20,000	20,000
BLD031 Diesel Tanks	**19,400**	19,400				
BLD033 Sanitary Accommodation Refurbishment	**196,200**	116,200	20,000	20,000	20,000	20,000
BLD044 Asbestos Surveys	**68,400**	28,400	10,000	10,000	10,000	10,000
BLD060 DDA Compliance	**253,300**	213,300	10,000	10,000	10,000	10,000
	1,672,200	**972,200**	**175,000**	**175,000**	**175,000**	**175,000**
Other Works						
BLD007 L.E.V. System in Appliance Rooms	**52,500**	32,500	5,000	5,000	5,000	5,000
BLD018 Conference Facilities SHQ	**60,000**	40,000	5,000	5,000	5,000	5,000
BLD026 Corporate Signage	**49,700**	29,700	5,000	5,000	5,000	5,000
BLD032 Power Strategy	**42,000**	22,000	5,000	5,000	5,000	5,000
BLD034 Office Accommodation	**138,500**	78,500	15,000	15,000	15,000	15,000
BLD053 Headquarters Lighting	**22,900**	22,900				
BLD058 HVAC - Heating, Ventilation & Air Con	**102,200**	62,200			20,000	20,000
BLD061 Lightening Conductors & Surge Protection	**68,000**	48,000	5,000	5,000	5,000	5,000
BLD062 Emergency Lighting	**64,200**	44,200	5,000	5,000	5,000	5,000
BLD067 Gym Equipment Replacement	**183,500**	103,500	20,000	20,000	20,000	20,000
BLD092 Service Headquarters Offices	**98,600**	98,600				
BLD094 Security Enhancement Works	**127,800**	27,800	25,000	25,000	25,000	25,000
BLD095 Electric Vehicle Infrastructure Works	**25,000**					25,000
BLD096 Passive Fire Stragety	**100,000**	20,000	20,000	20,000	20,000	20,000
BLD097 Saughall Massie Wig Wags	**100,000**	100,000				
TDA001 TDA Refurbishment	**42,100**	42,100				
CON001 Energy Conservation Non-Salix	**200,000**	120,000	20,000	20,000	20,000	20,000
CON002 Energy Conservation Salix	**54,700**	54,700				
EQU002 Replacement programme for Fridge Freezers	**73,000**	33,000	10,000	10,000	10,000	10,000
EQU003 Furniture Replacement Programme	**108,700**	38,700	10,000	20,000	20,000	20,000
	1,713,400	**1,018,400**	**150,000**	**160,000**	**180,000**	**205,000**
	45,965,200	**34,857,200**	**9,188,000**	**360,000**	**880,000**	**680,000**
Original Budget	**39,634,200**	**32,364,200**	**5,350,000**	**360,000**	**880,000**	**680,000**
Current Programme	**45,965,200**	**34,857,200**	**9,188,000**	**360,000**	**880,000**	**680,000**
Changes	**6,331,000**	**2,493,000**	**3,838,000**			
Q1 Movements/Adjustments	**6,331,000**	**2,493,000**	**3,838,000**			
Slippage from 2021/22		1,666,000				
New TDA / Station						
From IT003 to BLD091 (CFO/031/22)		295,000				
From IT068 tO BLD091 (CFO/031/22)		199,000				
Authority approved increase in Budget		333,000	3,838,000			
TOTAL MOVEMENTS	**6,331,000**	**2,493,000**	**3,838,000**			

Fire Safety Capital Programme 2022/23 to 2026/27

Type of Capital Expenditure		Total Cost £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
FIR002	Smoke Alarms (100,000 HFRA target)	**1,175,000**	235,000	235,000	235,000	235,000	235,000
FIR005	Installation costs (HFRA)	**1,875,000**	375,000	375,000	375,000	375,000	375,000
FIR006	Deaf Alarms (HFRA)	**125,000**	25,000	25,000	25,000	25,000	25,000
		3,175,000	**635,000**	**635,000**	**635,000**	**635,000**	**635,000**
Original Budget		**3,175,000**	**635,000**	**635,000**	**635,000**	**635,000**	**635,000**
Current Programme		**3,175,000**	**635,000**	**635,000**	**635,000**	**635,000**	**635,000**
Changes							

ICT Capital Programme 2022/23 to 2026/27

Type of Capital Expenditure	Total Cost £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
IT002 ICT Software						
Software Licences	**10,100**	2,100	2,000	2,000	2,000	2,000
New Virtualisation Infrastructure	**75,000**		75,000			
5 Year Antivirus & Filtering Software	**200,000**	200,000				
MDT Software Solution Refresh	**100,000**	100,000				
Microsoft SQL Upgrade	**50,000**		50,000			
Logpoint Security Information and Event Mgmt (SIEM)	**80,000**		80,000			
Microsoft EA Agreement (Servers & Security)	**211,800**	43,800	42,000	42,000	42,000	42,000
Microsoft EA Agreement (Windows & Office)	**1,029,000**	213,000	204,000	204,000	204,000	204,000
Microsoft EA Agreement (Application Development)	**70,600**	14,600	14,000	14,000	14,000	14,000
Logpoint Subscription License	**103,000**					103,000
	1,929,500	**573,500**	**467,000**	**262,000**	**262,000**	**365,000**
IT003 ICT Hardware						
Desktops (target 20%)	**216,300**	40,100	40,100	40,100	48,000	48,000
Laptops/Tablets & Docking Stations (target 20%)	**402,000**	37,000	62,000	62,000	120,500	120,500
Monitors & Monitor Arms (target 20%)	**73,800**	17,800	14,000	14,000	14,000	14,000
Peripherals replacement (target 20%)	**15,000**	3,000	3,000	3,000	3,000	3,000
Mobile device replacement (target 20%)	**61,800**	12,360	12,360	12,360	12,360	12,360
Landline Handset Refresh	**10,000**		10,000			
Audio Visual Conference Facility - SHQ	**142,000**	142,000				
Audio Visual Conference Facility - Stations	**48,800**	48,800				
New Long Lane Station	**22,400**	22,400				
Backup Tape Drive 5-year asset refresh	**25,000**					25,000
IPTV 5-year asset refresh	**36,800**					36,800
	1,053,900	**323,460**	**141,460**	**131,460**	**197,860**	**259,660**
IT005 ICT Servers						
Server/storage replacement (target 20%)	**490,600**	230,600	65,000	65,000	65,000	65,000
Server/storage growth	**70,000**	14,000	14,000	14,000	14,000	14,000
SAN 5 Year Refresh	**135,000**			135,000		
	695,600	**244,600**	**79,000**	**214,000**	**79,000**	**79,000**
IT018 ICT Network						
Network Switches/Router replacement	**10,000**	2,000	2,000	2,000	2,000	2,000
Network Switches/Routers Growth	**25,000**	5,000	5,000	5,000	5,000	5,000
Network Data Port Replacement	**50,000**	10,000	10,000	10,000	10,000	10,000
Core Network Switch/Router upgrade	**256,100**	56,100		200,000		
MDT Wireless Network Replacement	**25,000**			25,000		
Public Wi-Fi Replacement	**15,000**			15,000		
Vesty Road Network Link Refresh	**40,000**			40,000		
Secondary FireControl backup telephony refresh	**40,000**			40,000		
PSTN replacement asset refresh	**125,000**					125,000
Enhanced Virgin Media Network Phase Five Wireless Access Points	**25,000**	25,000				
	611,100	**98,100**	**17,000**	**337,000**	**17,000**	**142,000**
IT026 ICT Operational Equipment						
Pagers/Alerters	**21,900**	5,900	4,000	4,000	4,000	4,000
Callmy Alert	**5,500**	1,500	1,000	1,000	1,000	1,000
Station Equipment Replacement	**54,700**	14,700	10,000	10,000	10,000	10,000
Toughpad Asset Refresh - Vehicles	**150,000**			150,000		
MDT Replacement (Not incl. in ESMCP)	**75,000**		75,000			
NEW Station End Network Equipment Asset Refresh	**140,000**				140,000	
Increase in Appliances - Equipment	**25,400**	25,400				
ICU existing hardware 5-year asset refresh	**20,000**					20,000
MDT (Screen and CPU) Front Line Vehicles: 5-year asset refresh	**210,000**					210,000
Bromborough Station Refurbishment	**30,000**	30,000				
	732,500	**77,500**	**90,000**	**165,000**	**155,000**	**245,000**
IT027 ICT Security						
Remote Access Security FOBS	**10,000**	2,000	2,000	2,000	2,000	2,000
Celestix 3-year renewal - VPN tokens	**44,000**		22,000			22,000
	54,000	**2,000**	**24,000**	**2,000**	**2,000**	**24,000**
IT058 New Emergency Services Network (ESN)						
ESN Radios / Infrastructure - Estimate	**54,300**	54,300				
	54,300	**54,300**				
IT063 Planning Intelligence and Performance System						
PIPS System upgrade	**120,000**	120,000				
	120,000	**120,000**				
Other IT Schemes						
IT019 Website Development	**55,700**	15,700			40,000	
IT028 System Development (Portal)	**119,700**	119,700				
IT030 ICT Projects/Upgrades	**28,200**	8,200	5,000	5,000	5,000	5,000
IT055 C.3.I. C.&.C Communication & Information	**27,300**	7,300	5,000	5,000	5,000	5,000
IT059 ESMCP Project Control Room Integration	**92,000**	92,000				
IT062 Capita Vision 3 Update (CFO/058/17)	**145,300**	145,300				
IT064 999 Emergency Streaming (999EYE)	**40,000**	40,000				
IT065 Dynamic Cover/Response Tool	**35,000**	35,000				
IT066 ESN Ready	**710,000**	710,000				
IT067 DCS Upgrade	**108,000**	108,000				
IT068 Command & Control Suite	**501,000**	501,000				
FIN001 FMIS/Eproc/Payroll/HR Replacement	**253,500**	253,500				
	2,115,700	**2,035,700**	**10,000**	**10,000**	**50,000**	**10,000**
	7,366,600	**3,529,160**	**828,460**	**1,121,460**	**762,860**	**1,124,660**
Original Budget	**7,036,800**	**3,199,360**	**828,460**	**1,121,460**	**762,860**	**1,124,660**
Current Programme	**7,366,600**	**3,529,160**	**828,460**	**1,121,460**	**762,860**	**1,124,660**
Changes	**329,800**	**329,800**				
Q1 Movements/Adjustments	**329,800**	**329,800**				
Slippage from 2021/22		800,800				
Virement s						
IT003 to IT066		(25,000)				
IT066 from IT003		25,000				
New TDA / Station						
From IT003 to BLD091 (CFO/031/22)		(205,000)				

ICT Capital Programme 2022/23 to 2026/27

Type of Capital Expenditure	Total Cost £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
From IT068 tO BLD091 (CFO/031/22)		(199,000)				
IT066 ESN		23,000				
TOTAL MOVEMENTS	**329,800**	**329,800**				

NRAT Reiliance Assets 2022/23 to 2026/27

Type of Capital Expenditure	Total Cost £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
OPS055 NRAT Asset Refresh	**1,172,600**	1,172,600	0	0	0	0
VEH011 NRAT Vehicles	**1,000,000**	1,000,000	0	0	0	0
	2,172,600	**2,172,600**	**0**	**0**	**0**	**0**
	2,172,600	**2,172,600**	**0**	**0**	**0**	**0**
Original Budget	**2,153,000**	**0**	**474,000**	**1,133,000**	**316,000**	**230,000**
Current Programme	**2,172,600**	**2,172,600**	**0**	**0**	**0**	**0**
Changes	**19,600**	**2,172,600**	**(474,000)**	**(1,133,000)**	**(316,000)**	**(230,000)**
Q1 Movements/Adjustments	**2,172,600**	**2,172,600**	**0**	**0**	**0**	**0**
Slippage from 2021/22		1,172,600				
Increase in VEH011		1,000,000				
TOTAL MOVEMENTS	**2,172,600**	**2,172,600**	**0**	**0**	**0**	**0**

Operational Equipment Capital Programme 2022/23 to 2026/27

Type of Capital Expenditure	Total Cost £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
OPS001 Gas Tight Suits Other PPE						
Gas Tight Suits	**31,700**	13,700	6,000	6,000	6,000	
Bump Hats	**2,000**			2,000		
	33,700	**13,700**	**6,000**	**8,000**	**6,000**	
OPS003 Hydraulic Rescue Equipment						
Hydraulic Rescue Equipment - Replacement Prog	**690,000**	85,000	85,000	350,000	85,000	85,000
Air Lifting Equipment - Air Bags & Control Units	**80,000**				80,000	
	770,000	**85,000**	**85,000**	**350,000**	**165,000**	**85,000**
OPS005 Resuscitation Equipment						
Resuscitation Rescue Equipment	**14,800**	14,800				
Appliance Resuscitation Equipment & Cylinders	**44,900**	44,900				
	59,700	**59,700**				
OPS009 POD Equipment						
Demountable Unit Refurbishment	**77,100**	77,100				
Gas Monitors	**19,600**	19,600				
	96,700	**96,700**				
OPS022 Improvements to Fleet						
Improvements to Fleet	**165,600**	45,600	30,000	30,000	30,000	30,000
PPV Fans	**5,500**	5,500				
Smoke Blockers	**4,100**	4,100				
	175,200	**55,200**	**30,000**	**30,000**	**30,000**	**30,000**
OPS024 BA Equipment/Communications						
BA Cylinder Replacement	**14,500**	14,500				
Rolling 10 year life	**630,000**			630,000		
BA Test Rig	**10,500**	10,500				
BA Set Batteries	**14,100**	14,100				
	669,100	**39,100**		**630,000**		
OPS036 Radiation/Gas Detection Equipment						
Radiation Detection Equipment	**45,000**	45,000				
Single Gas Detection Equipment	**20,000**	20,000				
	65,000	**65,000**				
OPS049 Bulk Foam Equipment						
Bulk Foam Attack Equipment	**48,900**	48,900				
Bulk Foam Stock	**94,100**	94,100				
	143,000	**143,000**				
Other Operational Equipment						
OPS011 Thermal imaging cameras	**185,800**	10,800	175,000			
OPS016 Gas Detection Equipment (MYRA DS)	**45,300**	33,300	12,000			
OPS023 Water Rescue Equipment	**75,000**	15,000	15,000	15,000	15,000	15,000
OPS026 Rope Replacement	**54,700**	14,700	10,000	10,000	10,000	10,000
OPS027 Light Portable Pumps	**30,000**	30,000				
OPS033 Marine Rescue Equipment	**66,100**	26,100	10,000	10,000	10,000	10,000
OPS034 Operational Ladders	**150,000**	88,000	17,000	15,000	15,000	15,000
OPS039 Water Delivery Hoses	**121,600**	50,600	17,000	18,000	18,000	18,000
OPS052 DEFRA FRNE	**16,000**	16,000				
OPS054 Electrical Equipment	**98,000**	8,000	60,000	10,000	10,000	10,000
	842,500	**292,500**	**316,000**	**78,000**	**78,000**	**78,000**
Hydrants						
HYD001 Hydrants (New Installations)	**92,500**	18,500	18,500	18,500	18,500	18,500
HYD002 Hydrants (Replacements)	**92,500**	18,500	18,500	18,500	18,500	18,500
	185,000	**37,000**	**37,000**	**37,000**	**37,000**	**37,000**
	3,039,900	**886,900**	**474,000**	**1,133,000**	**316,000**	**230,000**
Original Budget	**2,784,200**	**631,200**	**474,000**	**1,133,000**	**316,000**	**230,000**
Current Programme	**3,039,900**	**886,900**	**474,000**	**1,133,000**	**316,000**	**230,000**
Changes	**255,700**	**255,700**				
Q1 Movements/Adjustments	**255,700**	**255,700**				
Slippage from 2021/22		255,700				
TOTAL MOVEMENTS	**255,700**	**255,700**				

Vehicles Capital Programme 2022/23 to 2026/27

Type of Capital Expenditure	Price Per Unit	Total		2022/23		2023/24		2024/25		2025/26		2026/27	
		Units	Cost £	Units	£	Units	£	Units	£	Units	£	Units	£
VEH002 Ancillary Vehicles													
Cars													
Pool Cars - Skoda Fabia	13,000	**15**	**195,000**	15	195,000								
Pool Cars - Possible Electric	18,000	**20**	**360,000**					20	360,000				
Officer Response Cars - 2020/21 Price	22,650	**13**	**294,450**	6	135,900	7	158,550						
Officer Response Cars - 2025/26 Price	30,000	**7**	**210,000**							7	210,000		
4X4s													
Isuzi	24,000	**4**	**96,000**	3	72,000			1	24,000				
Vans													
Master/Transit Panel (CAP1903 - 6)	23,850	**5**	**119,250**	4	95,400			1	23,850				
Panel Van	22,000	**1**	**22,000**							1	22,000		
Panel Van - RTC reduction	31,000	**1**	**31,000**							1	31,000		
Courier van	25,000	**4**	**100,000**									4	100,000
Dog Van Mercedes Vito	49,775	**1**	**49,775**	1	49,775								
Water Rescue Van	35,000	**1**	**35,000**							1	35,000		
Mini Buses													
Fire Service - Blue Light	32,000	**1**	**32,000**							1	32,000		
Princes Trust - Disabled Access	32,000	**1**	**32,000**	1	32,000								
Princes Trust	24,900	**3**	**74,700**	3	74,700								
			1,651,175		**654,775**		**158,550**		**407,850**		**330,000**		**100,000**
VEH004 Special Vehicles													
CPL - Aerial Appliance	780,000	**2**	**1,634,100**	2	1,634,100								
Prime Movers/POD Long Term Capablity Mmer	168,050	**3**	**504,150**	1	168,050	2	336,100						
ICU	650,000	**1**	**650,000**	1	650,000								
BA Support Unit (POD) - NEW	250,000	**1**	**250,000**	1	250,000								
Crew Van for Drone	32,000	**1**	**32,000**	1	32,000								
Wildfire Appliance 4x4	50,000	**2**	**100,000**			2	100,000						
TDA Road Sweeper	83,650	**1**	**83,650**	1	83,650								
Curtain Sided Truck (Driving School)	86,000	**1**	**86,000**			1	86,000						
Water Rescue Unit	54,000	**1**	**54,000**	1	54,000								
Crane Lorry	200,000	**1**	**200,000**	1	200,000								
Water Bowser Appliance	275,000	**1**	**275,000**	1	275,000								
			3,868,900		**3,346,800**		**522,100**						
VEH010 Marine Rescue Vessels													
RNLI Class 75 Rib Boats			**357,500**		357,500								
			357,500		**357,500**								
VEH001 Fire Appliances													
Heavy Rescue Vehicle - Slippage CAP2029	233,500	**1**	**121,400**	1	121,400								
2021/22 Price CAP1971 - Balance Part Built	284,000	**4**	**566,900**	4	566,900								
2024/25 Price	290,000	**3**	**870,000**					3	870,000				
2025/26 Price	296,000	**3**	**888,000**							3	888,000		
NEW Electric Fire Appliances	600,000	**1**	**600,000**							1	600,000		
			3,046,300		**688,300**				**870,000**		**1,488,000**		
VEH005 Water Strategy Vehicles			**16,400**		**16,400**								
WOR001 Workshop Equipment													
Equipment			**43,100**		13,100		20,000		10,000				
Rolling Road Replacement (MOT bay)			**10,000**						10,000				
Smoke Analyser (MOT bay)			**8,000**						8,000				
Smoke Analyser (HGV)			**10,000**						10,000				
Workshop Equip Somers vehicle Lift.	20,000	**2**	**40,000**	2	40,000								
4 Post Vehicle Lift	20,000	**2**	**40,000**									2	40,000
			151,100		**53,100**		**20,000**		**38,000**				**40,000**
			9,091,375		**5,116,875**		**700,650**		**1,315,850**		**1,818,000**		**140,000**

	Total	2022/23	2023/24	2024/25	2025/26	2026/27
Original Budget	**8,973,975**	**4,999,475**	**700,650**	**1,315,850**	**1,818,000**	**140,000**
Current Programme	**9,091,375**	**5,116,875**	**700,650**	**1,315,850**	**1,818,000**	**140,000**
Changes	**117,400**	**117,400**				
Q1 Movements/Adjustments	**117,400**	**117,400**				
Slippage from 2021/22		117,400				
TOTAL MOVEMENTS	**117,400**	**117,400**				