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: 4113 Shauna Healey

Our ref SH/RG

Date: 31st January 2024

Dear Sir/Madam,

You are invited to attend a meeting of the **AUDIT COMMITTEE** to be held at **1.00 pm** on **THURSDAY, 8TH FEBRUARY, 2024** in the Liverpool Suite - Fire Service Headquarters.

The meeting is webcast live to YouTube and is available at the following link:

https://youtube.com/live/80yctvLI_sk?feature=share

Yours faithfully,

PP – S. Healey

Monitoring Officer

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MERSEYSIDE FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

8 FEBRUARY 2024

AGENDA

Members

Cllr Janet Grace (Chair),
Cllr Pat Moloney,
Cllr Sue Murphy,
Cllr Barbara Murray,
Mr Anthony Boyle,
Cllr Edna Finneran,
Cllr Sam Gorst,

1. **Apologies**

To consider any apologies for absence.

2. **Declarations of Interest**

To consider any declarations of interest.

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

To consider the minutes of the last meeting held on the 12th October 2023.

4. **2022/23 Audit Finding Report** (Pages 9 - 52)

To consider the 2022/23 audit findings report (CFO/08/24).

5. **Statement of Accounts 2022/23 - Approval of Audited Statements** (Pages 53 - 178)

To consider an update on the Statement of Accounts for 2022/23 (CFO/09/24).

6. **2022/23 Auditors Annual Report (Grant Thornton)** (Pages 179 - 200)

To consider a report of the external auditors, Grant Thornton (CFO/10/24).

7. **Financial Review 2023/24 - October to December** (Pages 201 - 236)

To consider the Financial Review for 2023/24 for the period of October - December (CFO/11/24).

8. **<u>Internal Audit Progress Report</u>** (Pages 237 - 250)

To consider a progress report from Internal Audit (CFO/12/24).

MERSEYSIDE FIRE AND RESCUE AUTHORITY

12 OCTOBER 2023

MINUTES

Present: Councillors **Jan Grace (Chair), Sue Murphy, Barbara Murray, Terry Byron, Sam Gorst, Pat Moloney and Mr Anthony Boyle.**

Also Present:

Nick Searle	Deputy Chief Fire Officer
Ian Cummins	Director of Finance and Procurement
Ria Groves	Monitoring Officer
Sophia Iqbal	Grant Thornton
Melanie Dexter	Internal Audit (LCC)

1. Apologies

Apologies were received from Councillor Edna Finneran and Councillor Terry Byron attended as a substitute.

2. Declarations of Interest

Councillor Pat Moloney declared an interest in item 4 2022/23 Audit Findings Report stating that he was a Member of the Merseyside Pension Fund. Councillor Terry Byron also declared an interest in Merseyside Pension Fund.

3. Minutes of the Last Meeting

RESOLVED that the minutes of the last meeting held on 24th May 2023 were approved as an accurate record.

4. 2022/23 Audit Findings Report

Director of Finance and Procurement, Ian Cummins introduced the report for 2022/23, noting that Grant Thornton were yet to complete their audit, but were confident that the current draft unqualified opinion would not change once the work was completed.

Engagement Manager, Sophia Iqbal from Grant Thornton presented the report, which summarised Grant Thornton's work on the financial statement for 2022/23. It was noted that all of the testing had now been completed and there were no significant issues identified to report. Members were advised that the Authority was undertaking some further work on floor plans and awaiting a letter from Merseyside Pension Fund before Grant Thornton could complete their audit.

Members were advised that the materiality had not changed and had remained at 2% of gross expenditure. The revenue and expenditure work was also complete and there were no issues to report to the Members.

Grant Thornton has reviewed the Authority's IT systems and had identified a finding relating to authorisation levels but there were no concerns to report.

Three audit recommendations had been identified and listed in the appendix. Members were advised that there had been some adjustments to the main statement, which were detailed in Appendix D of the report.

Councillor Sue Murphy asked for clarification on whether the discrepancy relating to floor plans would affect the Authority's insurance cover. It was explained that the issue was that a surveyor had omitted a floor of a station on a plan but that the Authority's data was accurate and the correct details hared with the insurers.

RESOLVED that Members noted the contents of the Auditors report.

5. Statement of Accounts 2022/23 - Approval of Audited Statements

Director of Finance, Ian Cummins presented the report, noting that Grant Thornton were waiting for some outstanding assurances before they were able to issue their final audit opinion.

Members were presented with the four core financial statements and a summary of any movements or significant changes as detailed in paragraphs 8 to 18 of the report.

RESOLVED that Members delegate authority to the Chair of the Audit Committee and Director of Finance & Procurement (as the s151 officer) to;

a) amend, if required, and approve for publication the audited Statement of Accounts 2022/23, attached as Appendix A to this report be approved; and

b) amend, if required, and sign the letter of representation in relation to the 2022/23 accounts, attached as Appendix B be approved.

6. 2022/23 Annual Year End Internal Audit Report

Director of Finance and Procurement, Ian Cummins introduced the report which provided a summary of the work undertaken by Internal Audit and the overall Internal Audit opinion for 2022/23.

Melanie Dexter, Liverpool City Council, presented the report noting that there had been substantial assurance that the Authority's systems of internal control accorded with proper practice.

It was noted that there had been 29 outstanding audit recommendations in 2022/23. To date, 20 had been closed down and nine were currently being worked on.

Councillor Susan Murphy asked when implementation of the outstanding recommendations would be complete and it was explained that Internal Audit were working with colleagues in finance to agree that process. Ian Cummins clarified that some of the recommendations were about efficiency and focused on paperwork and efficiency and did not impact on the control environment.

RESOLVED that

a) the contents of the report be noted; and

b) the proposed Internal Audit Service Charter, (attached as Appendix B), as the foundation of the working arrangements and expected standards Internal Audit must adhere to when undertaking their work be approved.

Date of the Next Meeting

The next meeting will take place on 8th February 2024.

Close

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<table>
<tr><td colspan="5">MERSEYSIDE FIRE AND RESCUE AUTHORITY</td></tr>
<tr><td>MEETING OF THE:</td><td colspan="4">AUDIT COMMITTEE</td></tr>
<tr><td>DATE:</td><td>08 FEBRUARY 2024</td><td>REPORT NO:</td><td colspan="2">CFO/08/24</td></tr>
<tr><td>PRESENTING OFFICER</td><td colspan="4">KEY AUDIT PARTNER AT GRANT THORNTON, GEORGIA JONES</td></tr>
<tr><td>RESPONSIBLE OFFICER:</td><td>GEORGIA JONES</td><td>REPORT AUTHOR:</td><td colspan="2">GEORGIA JONES</td></tr>
<tr><td>OFFICERS CONSULTED:</td><td colspan="4">N/A</td></tr>
<tr><td>TITLE OF REPORT:</td><td colspan="4">2022/23 AUDIT FINDINGS REPORT</td></tr>
</table>

APPENDICES:	**APPENDIX A:**	**THE AUDIT FINDINGS REPORT FOR MERSEYSIDE FIRE AND RESCUE AUTHORITY**

Purpose of Report

1. The Authority's Auditor, Grant Thornton, is required to report on the Authority's financial statements and if in their opinion they give a true and fair view of the financial position for the year.

2. To provide assurance that the financial statements have been prepared in accordance with the relevant local authority accounting Code(s) and standards. Grant Thornton's "Audit Findings" report is attached as Appendix A, for Members' consideration.

Recommendation

3. It is recommended that Members note the contents of the Auditor's report.

Introduction and Background

4. The Authority is required to prepare annually a set of financial statements, the Statement of Accounts, as required by the relevant codes and regulations. These statements must then be audited by an independent auditor, who will then issue an opinion on the statements. An unqualified opinion would mean the statements have been prepared in accordance with the codes and regulations and reflect a true and fair view of the financial position for that year.

5. The attached Auditor's "Audit Findings" report confirms Grant Thornton have substantially completed the audit of the Authority's financial statements and subject to outstanding queries being resolved, Grant Thornton anticipate issuing an unqualified opinion following today's Audit Committee, confirming that the 2022/23 financial statements:

   a) give a true and fair view of the financial position of the Authority's income and expenditure for the year; and

b) have been prepared in accordance with the relevant local authority accounting Code(s) and standards.

Equality and Diversity Implications

6. Not applicable

Staff Implications

7. Not applicable

Legal Implications

8. Not applicable

Financial Implications & Value for Money

9. Not applicable

Risk Management and Health & Implications

10. If the Auditor had qualified the accounts the Authority would be expected to resolve those issues and reissue the Statement of Accounts, and its financial management reputation would be harmed.

Environmental Implications

11. Not applicable

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.*

12. The achievement of sound financial administration is essential if the Service is to achieve the Authority's vision.

BACKGROUND PAPERS

NONE

GLOSSARY OF TERMS

NONE

Grant Thornton

The Audit Findings for Merseyside Fire and Rescue Authority

Year ended 31 March 2023

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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: January 2024

1. Headlines

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This table summarises the key findings and other matters arising from the statutory audit of Merseyside Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2023 for the attention of 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 and its 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), Narrative Report and Pension Fund Financial Statements), 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 and remotely during July-September. Our findings are summarised on pages 6 to 19. We have identified 3 adjustments to the financial statements that have resulted in a £17.8m adjustment to the Authority's Comprehensive Income and Expenditure Statement. This is a decrease to the surplus. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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

- receipt of management representation letter, see appendix G; 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 financial statements audit report opinion will be unqualified. We have been able to satisfy ourselves that the Authority has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

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 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 completed our VFM work, which is summarised on page 21, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
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 and expect to be able to certify the completion of the audit when we give our audit opinion
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog
Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions. Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk) We would like to thank everyone at the Authority, especially the finance team, for their support in working with us to meet the deadlines. The team have worked with us to ensure the audit is completed to the timescales required.
National context – level of borrowing
All Authorities are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Authority budgets, there are concerns as Authorities to look for alternative ways to generate income. We have seen an increasing number of Authorities look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by Authorities' existing resources, we have also seen some Authorities take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes. The impact of these huge debts on Authorities, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Authority has been able to maintain its level of borrowing over the year despite having approval for additional borrowing due to the Training and Development site. The Authority should continue to manage its resources to avoid excess borrowing.

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; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

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 8 February 2024, as detailed in Appendix H. These outstanding items include:

- receipt of management representation letter, see appendix G; 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

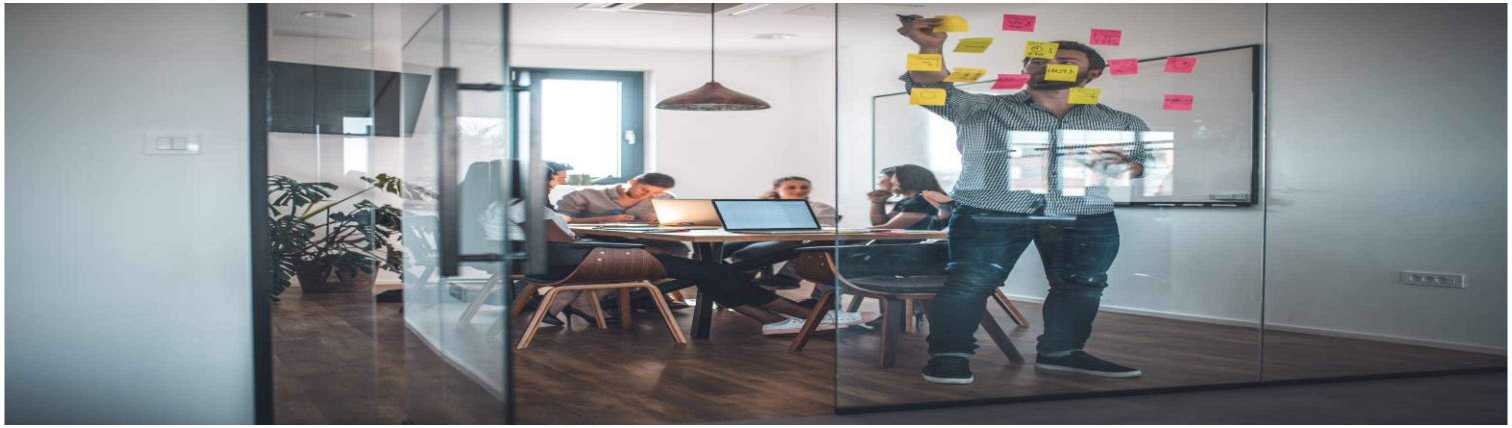
Our approach to materiality

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 24 May 2023.

We set out in this table our determination of materiality for Merseyside Fire and Rescue Authority.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,781,000	We have used planning materiality which equates to 2% of your gross operating expenditure for 2021/22 year and 1.96% of your gross expenditure for 2022/23. On receipt of the draft financial statements for 2022/23 we deemed it appropriate to retain the planning materiality figures. This level 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	1,335,750	This is based on specific risks and sensitivities at the Authority, such as the lack of deficiencies in control environment and quality of financial statements in prior years.
Trivial matters	89,000	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate.
Materiality for senior officer remuneration	See comment alongside	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures and have not set a materiality level. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors would alter the bandings reported for any individual.



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 and implementation 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 Our audit work in this area is complete and has 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. **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.	As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal to still remain appropriate. Notwithstanding that we have rebutted these risks we have undertaken the following: • reviewed and tested, on a sample basis, revenue and expenditure transactions • obtained a listing from the cash book of non-pay payments made and received in April and May 2023 to ensure they have been charged to the appropriate year • obtained a listing for the ledger of invoices received and paid in April and May 2023 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 in this area is complete and we have not identified any issues in this area.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Authority revalue 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 2022/23, the Authority requests a confirmation from its engaged valuation expert (Dears Brack) to ensure that there is no material difference. This valuation (£81.2m in 2021/22) 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. We noted that all assets have been revalued in the year by either an inspection valuation or desktop valuation therefore there are no assets not revalued. We challenged the valuer over the key assumptions such as obsolescence for properties and build costs applied for specialised properties, as well as the market value applied for non- specialised properties. During our review of the valuation report, we noted that the valuer has updated the measurement of Kirkdale Community Fire Station from previous years, and this update is attributed to a typo or calculation error in measurement. However, applying this revised floor area to the value of the station last year indicates it may have been £1.046m under valued. The Authority have inspected all assets which have been revalued on a depreciated replacement cost basis. We have agreed the floor areas to the valuers reports as well as to the floor plans and we are satisfied no further errors have been identified which will lead to a material misstatement in the financial statements. Our audit work in respect of valuation of land and buildings, is now complete and we have not identified any further issues.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability and surplus The Authority's pension fund net liability and surplus, as reflected in its balance sheet as the net defined benefit liability and net defined benefit asset, represents a significant estimate in the financial statements. The pension fund net liability and surplus is considered a significant estimate due to the size of the numbers involved (asset of £2.038m and liability of £842,298m in the Authority's balance sheet) 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. However, for the first time since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. 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 1.5% effect on the liability/surplus. 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 surplus 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; • reviewed managements assessment of IFRIC 14 and completed our own audit procedures; and • obtained assurances from the auditor of the 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. As part of the audit we noted the Authority had netted off the pension surplus from the local Government Pension Scheme (LGPS) with the liability on the Firefighters Scheme. IAS 19 only permits offsetting where there is a legal right to use a surplus of one plan to settle the obligation in another plan as this is not the case, the Authority have amended the accounts to show the asset and liability separately. As the LGPS identified a pension asset the Authority have considered the requirements of IFRIC 14 following our challenge. The revised calculations from the actuary have confirmed that the pension asset disclosed in the accounts is less than the asset ceiling and therefore correct to be disclosed as a pension asset. The fire fighters pension scheme (Government Actuary Department) had not included an adjustment for part year inflation in calculating the liability as at 31st March 2023. Given the current inflationary environment this was anticipated to have a material impact on the valuation, therefore a revised valuation was requested. The revised IAS 19 valuation shows an increase of £17.570 million in the pension liability. Management have amended the accounts to reflect this, see Appendix D for further details. Our audit work in respect of valuation of pension fund asset and liability is now complete and we have not identified any significant issues.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £88.165m	Other land and buildings comprises £73.858m 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 (£14.308m) 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 2023 on a five yearly cyclical basis. 20% of total assets were revalued during 2022/23, with a desktop valuation performed on the remaining assets. The total year end valuation of land and buildings was £88.165m, a net increase of £6.965m from 2021/22 (£81.200m).	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/BCIS 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

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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: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension surplus – £2.038m Net pension liability - £842.298m IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Authority's total net pension asset at 31 March 2023 is £2.038m (PY liability of £32.178m) comprising the Local Government Pension Scheme (Merseyside Pension Fund and a liability of £842.298m comprising the Firefighters pension Scheme and the unfunded element of the Local Government Pension Scheme. 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 2023. Given the significant value of the net pension fund liability/surplus, small changes in assumptions can result in significant valuation movements. There has been a £315m net actuarial gain during 2022/23.	See below	Light Purple

Audit Comments

We have:

- Assessed management's expert
- Assessed actuary's approach taken, and completed 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:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	Mercer: 4.8% GAD: 4.65%	4.70% - 4.90% 4.65%	●
Pension increase rate	Mercer: 2.8% GAD: 2.60%	2.80% 2.60%	●
Salary growth	Mercer: 4.2% GAD: 3.85%	3.95-4.25% 3.85%	●
Life expectancy – Males currently aged 45/65	Mercer: 22.6/21.2 GAD: 22.9/21.2	23.3-24.1/21.7-22.4 22.9-23.5/21.2-21.9	●
Life expectancy – Females currently aged 45/65	Mercer: 25.5/23.7 GAD: 22.9/21.2	25.3-26.0/23.5-24.2 22.9-25.0/21.2-23.5	●

The table above shows the male expectancy rate for Mercers being slightly less than the PwC range (0.7 for future pensioners and 0.5 for current pensioners). The impact of this is estimated at £0.619m decrease in the surplus reported. Therefore the estimate remains materially correct.

We identified that GAD had not considered part-year inflation when producing their IAS 19 estimate as at the 31st March 2023. We challenged this and management have obtained a revised actuary report based on updated inflationary figures. See Appendix D for the amendment made.

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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Findings
E-financials	ITGC assessment (design effectiveness only)	● (amber)	● (amber)	● (amber)	● (green)	We have noted that three members of the accounting team have the ability to post and authorize journals to the ledger and also hold administrator rights. This enables them to create new users and make changes to the ledger with minimal checks, indicating a lack of segregation of duties. This poses a higher risk of error or manipulation. We have reviewed the process around making changes to system user rights and did not identify any issues. However, we recommend that the authority review the procedures it has in place to monitor the activity of users with administrator rights.

Assessment

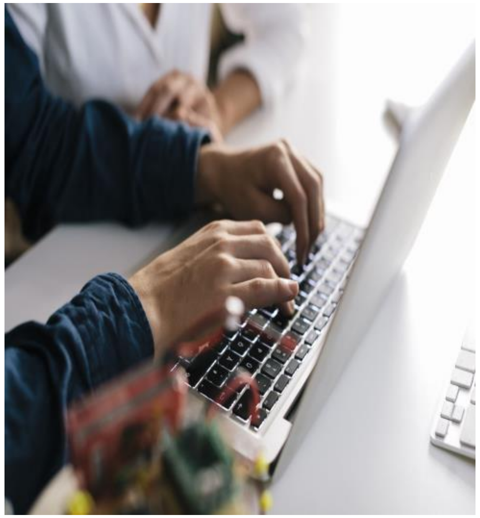
- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

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 Chair of the Audit Committee and been made aware of 2 instances. 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. Our work identified a minor point in that the Authority were gifted a vase which was engraved. Because of the personalised nature of the gift it was accepted but should have been reported to the Audit Committee for completeness and transparency. A recommendation has been raised in Appendix B in respect of this.
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 set out at Appendix G. Specific representation has been requested from management in respect of the valuation as assets under construction.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment bodies. This permission was granted and the requests were sent. All of these requests were returned with positive confirmations.
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

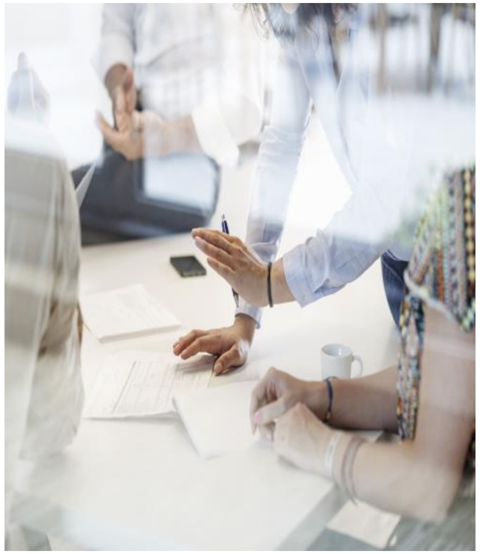
Our responsibility

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 Authority 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. No inconsistencies have been identified, one minor amendment was made to the Annual Governance Statement. We plan to issue an unmodified opinion in this respect – refer to Appendix H
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. Note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Merseyside Fire and Rescue Authority in the audit report, as detailed in Appendix H.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

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 did not identify any risks of significant weakness. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Authority'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 Authority'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 E.

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 Grant Thornton International Transparency report 2023.

4. Independence and ethics

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As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships or investments held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority's board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Authority's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 3 recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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
Low	**Note 4 Estimation Uncertainty** The code requires the local authority to disclose any estimation uncertainty at the year end that that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Authority have included a disclosure relating to arrears and provisions. However, there is no need to as they do not have a significant risk of material misstatement associated to them.	It is prudent to carefully balance the need for comprehensive disclosure with the potential to dilute the impact of other disclosures. **Management response** Whilst we accept the risk of material misstatement associated with the arrears and provisions figures is below that required to include any reference to these issues, it is felt that the information may be of interest to readers of the Statement of Accounts.
Low	**Note 33 Related Parties** Our work identified a minor point in that the Authority were gifted a vase which was engraved. Because of the personalised nature of the gift it was accepted but should have been reported to the Audit Committee for completeness and transparency.	All gifts that are accepted should be reported to the Audit Committee. **Management response** The current policy is to report on gifts accepted by an individual of a reasonable value. The vase was estimated to be £50 in value and would have normally been refused but because it had been engraved and refusal may have caused some “political” difficulties it was accepted on behalf of the Authority and remains as an Authority asset. However, all gifts that are accepted (the current practice is not to accept any gifts) will all be reported to the Audit Committee.
High	**Floor plans** We raised a recommendation last year that the Authority ensure floor plans are up to date and accurate. We have noted that a floor area has been updated for Kirkdale Fire Station as part of the valuation process this year, it being previously incorrect. The Authority must now ensure they are able to clearly demonstrate floor plans are an accurate reflection of floor area as this has the potential to have a material impact on valuations.	The Authority must now ensure they are able to clearly demonstrate floor plans are an accurate reflection of floor area . **Management response** The Service agreed as part of the last audit to review, and if required amend, the information on floor plans held by the Service. During 2022/23 as part of the review the Estates team not only considered their own records but also the data used by the independent valuer, who was tasked with providing property values for inclusion in the statement of accounts. During this review the Estates team found that the valuer had understated the floor area for Kirkdale fire station, however the Service records had the correct information. Therefore the valuer had understated the value of Kirkdale fire station. While the Estates team are confident that the property and floor area records they hold are accurate, they have committed to, over the coming weeks, review and confirm their information and then reconcile it with that used by the valuer. This exercise should be completed by mid to late October.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Merseyside Fire and Rescue Authority's 2021/22 financial statements, which resulted in 3 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 2 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**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.	This recommendation remains in the current year. Note the Authority agreed only to amend IF it was felt the asset had some economic residual value, most assets are simply held for resilience purposes in case of a once in a lifetime event or an unplanned events.
X	**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.	This recommendation remains in the current year see updated response on page 26.
✓	**Land Registry** Our audit work identified one property which had transferred to the Authority. However, the Land Registry have not updated their record's to confirm the land was owned by the Merseyside Fire and Rescue Authority. The Authority were unable to show us confirmation this had been requested. Although we are satisfied this has now been requested.	This has been implemented in 2022/23

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

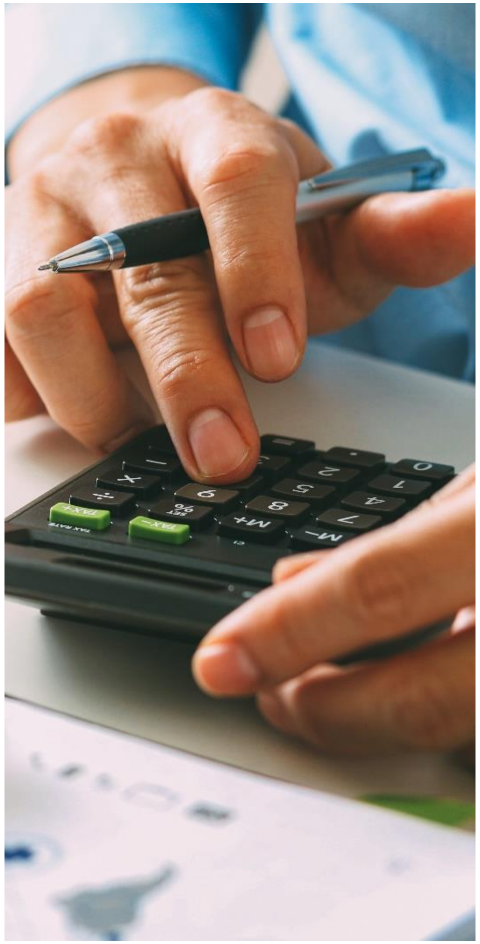
We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Land valuation	300	-300	300	300
Pension surplus and deficit from the 2 funds has been amended on the face of the balance sheet to show these separately	0	Dr Pension asset 2,038 Cr other long term liability 2,038	0	0
Pension Liability - Allowance for part year inflation following challenge of GAD.	17,570	-17,570	17,570	17,570
Overall impact	£17,870	(£17,870)	£17,870	£17,870

D. Audit Adjustments (continued)



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/issue/Omission	Auditor recommendations	Adjusted?
Narrative Report by the Director of Finance and Procurement	Minor amendment made to performance indicator's name (typo only)	✓
Annual Governance Statement	Minor amendment made to enhance the role of the s151 officer and internal audit	✓
Financial instruments note 14	Minor amendment to correct PFI fair value disclosure by £163k	

Impact of unadjusted misstatements

To date we have not identified any non trivial amendments which have not been amended.

E. Fees and non-audit services

We confirm below our final fees charged for the audit, no non-audit or audited related services have been undertaken for the Authority.

Audit fees	Proposed fee	Final fee
Scale fee	30,392	30,392
Additional work on Value for Money (VfM) under new NAO Code	8,000	8,000
Increased audit requirements of revised ISAs 540	1,800	1,800
Enhanced audit procedures on journals testing (not included in the Scale Fee)	2,000	2,000
Enhanced audit procedures for Payroll – Change of circumstances	500	500
Increased audit requirements of revised ISAs 315/ 240	2,000	2,000
Additional work on IFRIC14*	-	4,000
Additional work to review the revised IAS 19 valuation of the fire fighters pension scheme*	-	1,500
Additional work to verify floor plans		1,900
Total audit fees (excluding VAT)	**£44.692**	**£52,092**

* Additional fee is subject to approval by PSAA

The proposed fees reconcile to the financial statements:

- fees per financial statements 45,931
- additional fee in relation to 2021/22 (1,113)
- over accrual (126)
- total fees per above 44,692

F. Auditing developments

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Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

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[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 Grant Thornton UK LLP

Merseyside Fire and Rescue Authority
Financial Statements for the year ended 31 March 2023

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 2023 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 land and building valuations and pensions asset and liability valuations. 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. 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.

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.

G. Management Letter of Representation (cont)

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. 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.

xvi. We have reviewed the value of the assets under construction included within Note 12 Property, Plant and Equipment in the financial statements. These assets are valued at cost. We have reviewed the basis of the valuation and the costs incurred to date. We have considered if any impairment is required in relation to this valuation and have concluded we are satisfied that no impairment is necessary. We are satisfied that the assets within this category are disclosed at the correct value and not materially mis-stated.

G. Management Letter of Representation (cont)

Information Provided

xvii. 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.

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

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

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 9 February 2024.

Yours faithfully

Name…………………………… Name……………………………

Position………………………… Position…………………………

Date…………………………… Date……………………………

Signed on behalf of the Authority

H. Audit opinion - DRAFT

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 2023, 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 include the firefighters' pension fund accounts comprising the Fund Account, the Net Assets Statement and notes to the pension fund accounts. 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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 2022/23 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 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 2022) 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.

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.

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.

H. Audit opinion (Continued)

Our responsibilities and the responsibilities of the Director of Finance & Procurement with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance & Procurement is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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, 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.

Responsibilities of the Authority and the Director of Finance & Procurement

As explained more fully 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

H. Audit opinion (Continued)

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006).

We enquired of management 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 management, 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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to processing of inappropriate journals, in this regard we tested journals posted to accruals over performance materiality, material closing entry journals, journals which involved a credit to expenditure codes and a random selection of journals throughout the period. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on material year end manual journals with high risk characteristics,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and building and defined pension asset and liability valuations, and
- 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including significant accounting estimates related to property, plant and equipment and accruals. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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

H. Audit opinion (Continued)

- 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.

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.

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 2023.

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

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.

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 January 2023. 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.

H. Audit opinion (Continued)

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Merseyside Fire and Rescue Authority for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 44 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:

Georgia Jones, Key Audit Partner

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

Liverpool

Date:

I. Audit letter in respect of delayed VFM work

Cllr Janet Grace

Chair of Audit Committee

Fire Service Headquarters

26 September 2023

Dear Cllr Grace

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 2022-23, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2023.

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

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	8 FEBRUARY 2024	REPORT NO:	CFO/09/24
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	MIKE REA	REPORT AUTHOR:	MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	STATEMENT OF ACCOUNTS 2022/23 – APPROVAL OF AUDITED STATEMENTS		

APPENDICES:	APPENDIX A:	STATEMENT OF ACCOUNTS 2022/23
	APPENDIX B:	LETTER OF REPRESENTATION

Purpose of Report

1. To present to Members the audited 2022/23 Statement of Accounts for approval and request that they be authorised for issue.

Recommendation

2. 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) approve for publication the 2022/23 Statement of Accounts, attached as Appendix A to this report; and

   b) sign the letter of representation in relation to the 2022/23 accounts, attached as Appendix B.

Introduction and Background

3. Members will recall that the Statement of Accounts were originally brought to the Audit Committee on 12th October 2023 for approval. Following the committee meeting the Authority received an updated valuation for the Firefighters Pension Scheme, to take into account part year inflation. The valuation showed an increase of £17.570m in the pension liability, which exceeds the Authority's materiality levels. The Statement of Accounts have been amended to reflect the increase in liability and are presented to the Authority for approval.

4. The Authority's Auditor, Grant Thornton, is required to report on the Authority's financial statements (Statement of Accounts) and if in their opinion they;

   a. give a true and fair view of the financial position of the Authority's income and expenditure for the year; and

b. have been prepared in accordance with the relevant local authority accounting Code(s) and standards.

5. The 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 2022/23 Statement of Accounts, (and those for the next six years) the deadline has been extended to the 30th September 2023. The 2022/23 audited Statement of Accounts are attached to this report as Appendix A, for Members' consideration.

6. Grant Thornton's "Audit Findings" report can be found elsewhere on today's Agenda, and it summarises the Auditor's findings in relation to the 2022/23 Statement of Accounts. The Audit Findings report confirms that based on their findings to date, the 2022/23 Statement of Accounts meets the criteria in a. and b. above, and Grant Thornton intend to issue an unqualified opinion on the statements.

7. Note that Members considered the 2022/23 year-end general fund outturn position in report CFO/033/23, that was approved by the Policy and Resources Committee on 27th July 2023. That report identified net revenue expenditure in the year of £57.579m against a budget of £61.792m, and a resulting favourable variance of £4.213m (before any adjustments for year-end reserves). The report outlined that £0.924m was required to be carried forward as year-end earmarked reserves, leaving an actual saving in 2022/23 of £3.289m. Members approved the utilisation of this saving to increase the inflation reserve by £0.382m, (to mitigate the risk around high inflationary pressures), and, an increase in the capital reserve of £2.907m, (to offset capital inflationary costs and reduce planned borrowing to free up debt servicing costs in the future). Therefore, after taking these adjustments into account net expenditure in the year was consistent with the general fund budget. This report and the statement of accounts do not change the general fund outturn position.

8. 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 2022/23, as per paragraph 7, the Comprehensive Income and Expenditure Statement (CIES) indicates a net surplus of £6.064m 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 outturn position as reported in CFO/033/23, and, can be viewed as notional entries that are obligatory in order to adhere to the various local authority accounting Code(s) and regulations for preparing the financial statements within the Statement of Accounts.**

9. In order to assist Members' understanding of the financial statements, the following paragraphs provide further background to the purpose and contents of

the financial statements and the significant movements between 2021/22 and 2022/23.

Statement of Accounts;

10. The Statement of Accounts is a record of the Authority's financial activities for 2022/23 with comparative figures for 2021/22. 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.

11. On 1st April 2010 the Authority, along with all other Local Authorities, adopted International Financial Reporting Standards (IFRS). The accounts for 2022/23 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;

    a. **The Comprehensive Income and Expenditure Statement (CIES)**
    b. **Movement in Reserves Statement (MiRS)**
    c. **The Balance Sheet, and**
    d. **The Cash Flow Statement**

12. 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.

13. 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 7 of this report outlined the 2022/23 General Fund position for the service).

14. The analysis overleaf identifies and briefly explains some of the largest movements between the figures in the formal statement of accounts for 2022/23.

15. **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 2022/23 (after taking into account the creation of reserves) this becomes net surplus of £6.064m 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 CIES Expenditure Statement £'000
	Net General Fund 2022/23 year-end position:	**Note**	-	-	-
1	**Net creation of earmarked reserves**	(a)	-	-	**10,710**
2	**Asset valuation / charges and capital funding adjustments**				
	Depreciation, impairment and revaluation adjustment	(b)	4,324		
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	1,629		
	Asset disposal / write-offs / revaluation losses		(19)		
	MRP / interest adjustment	(f)	(3,923)		
	Capital Expenditure Funded from the Revenue Account (CERA)		(14,997)		
	Capital grants income		(6,320)	**(19,306)**	
3	**Pension related adjustments**	(d)			
	Pension contributions payable to pension fund (employer)		(9,933)		
	Pension contributions payable to pension fund (top-up grant)		(30,849)		
	Pension current service costs		15,024		
	Pension past service costs		-		
	Net interest on the defined benefit liability scheme		30,297	**4,539**	
4	**Other technical accounting adjustments**	(e)			
	Timing differences for premiums and discounts		23		
	Timing differences for council tax / NNDR		(1,920)		
	Timing differences for compensated absences		(110)	**(2,007)**	
	Total adjustments				**(16,774)**
	Surplus or deficit on provision of services				**(6,064)**

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).*

16. 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 taxpayers.

17. **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).

18. The Statement identifies the Authority held **£38.481m** in **usable reserves** as at 31/03/2023. Of this, the Authority held £15.692m 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 2022/23 the Authority's usable reserves were £22.789m, a net reduction of £10.710m on the 2022/23 opening balance. The decrease is due to planned draw-downs during the year for the new TDA scheme, to cover higher inflation on employee costs and historic collection fund adjustments. The committed reserves are required in order to carry forward funds from 2022/23 funds into 2023/24 to meet projects now re-phased into future years, or, to offset identified potential risks to the Authority's financial plan. The Authority General Reserve has remained at £3.000m or 5% of the gross budget throughout the year, and this 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.

19. A reduction in **unusable reserves** of £322.460m - unusable reserves are not available to fund spend and in reality simply reflect technical adjustments required in the accounting statements to adhere to the Code. The main entries relate to charges for notional depreciation and changes to pension liabilities and assets. Most of the reduction is down to changes in the liability of the pension schemes in 2022/23, £298.406m.

20. **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).

21. 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 £23.178m. This was mainly due to; a £6.335m net revaluation increase on Land and Buildings, and, additions in the year including assets under construction (mainly the new TDA/fire station) of £14.431m. The balance is made up of changes in depreciation / derecognition, and vehicle and equipment additions.

- **Current Assets** – reduced by £4.404m. The re-phasing of planned capital spend and the receipt of grant monies in advance of expenditure has resulted in a decrease in Short Term Investments of £5.755m and a £1.699m increase in Cash & Cash Equivalents. Short-term debtors have reduced minimally by £0.277m.

- **Current Liabilities** – reduced by £1.155m. A reduction in short-term creditors of £1.025m due to a decrease in various creditor accruals and grant prepayments (spend will be incurred in 2023/24). Short-term borrowing has reduced by £0.130m, and is made up of loans to be paid in the following year. – (PWLB movement of £0.165m and other loans £0.035m compared to 2021/22).

- **Long Term Liabilities** – reduced by £297.221m;

    - **Other long-term liabilities** – reduced by £296.408m. £298.406m 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 £298.406m. 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 £0.548m. 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 £0.265m. 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 has reduced by £0.102m, and the Business Rates Appeals provision was reduced by £0.163m (see note 20 in Statement of Accounts).

- **Usable Reserve** reduction of £5.310m – 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 increased by £5.400m 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 £22.789m, a net reduction of £10.710m on the 2022/23 opening balance. The reason for reduction in the Authority's earmarked reserves is outlined in paragraph 18 above, (funding of the new TDA/ fire station, collection fund adjustments and pay and energy inflation). These committed reserves are required in order to carry forward 2022/23 funds into 2023/24 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 £322.460m. As mentioned previously unusable reserves have been created to allow the technical aspects of accounting required by the Code to be reflected in the Statement of Accounts. Unusable reserves are not generally available to fund spend. A reduction in the Pension Reserve of £298.406m to reflect changes in the liability of the pension schemes accounts for the majority of the reduction in unusable reserves. The other movements relate to the Capital Adjustment Account of £15.626m, (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). A Revaluation Reserve adjustment of £6.420m due to the Land and Building revaluation and difference between fair value depreciation and historical cost depreciation. The Collection Fund Adjustment Account has reduced by £1.921m to reflect Collection Rates in the year. The balance relates to a net small reduction on other accounts of £0.087m.

22. **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.

23. 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.

24. 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 £6.688m to £8.387m. 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.

25. The overall structure of interest rates has for some time meant that short term rates have remained lower than long term rates. In this scenario, the Authority's strategy has continued to be to reduce investments and borrow for short periods and possibly at variable rates when required, rather than seek new long term borrowing.

26. **Members are requested to consider the Statement of Accounts, attached as Appendix A, and delegate authority to the Chair of the Audit Committee and Director of Finance and Procurement to authorise them for issue.** Once the Statement of Accounts have been authorised for issue the public will have access to the document via the Authority's website. A summary plain English statement of accounts is also available on the website.

27. 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 for Members' consideration. Once the audit work has been completed the letter will be signed by the Chair of the Audit Committee and Director of Finance and Procurement and sent to Grant Thornton.

Equality and Diversity Implications

28. None contained within the report.

Staff Implications

29. None contained within the report.

Legal Implications

30. The Authority has a statutory duty pursuant to regulation 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 September in the current year for the 2022/23 Statement of Accounts.

Financial Implications & Value for Money

31. The report confirms the 2022/23 outturn position is consistent with that previously reported.

Risk Management and Health & Implications

32. None directly related to this report.

Environmental Implications

33. None contained 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/033/23	Revenue and Capital Outturn 2022-2023" Policy & Resources 27th July 2023

GLOSSARY OF TERMS

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

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Merseyside Fire & Rescue Authority

2022/23
Statement of Accounts

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2022/2023

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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 2023, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2022/23 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 2022/23 and the future. It also provides a summary of the financial position at 31st March 2023, and is structured as below:

- Background to the Authority & Key Information
- The 2022/23 Non-Financial Performance
- The Authority 2022/23 Revenue Budget and Financial Challenge
- 2022/23 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2022/23 to 2026/27
- Treasury Management
- Balance Sheet Financial Position at 31st March 2023
- Future Financial Challenge / Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2022/23.

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. However, 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 2022/23, this was as follows:

Knowsley	2	(2 Labour)
Liverpool	6	(4 Labour, 1 Liberal Democrat, 1 Liverpool Community Independents Group)
Sefton	4	(3 Labour, 1 Liberal Democrat & Progressive Alliance Group)
St. Helens	2	(2 Labour)
Wirral	4	(2 Labour, 1 Conservative, 1 Green)

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.

The Authority 2022/23 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 2022/23 Authority's performance against the key performance indicators (KPI's) is summarised in the table below

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2021/22	Target 2022/23	Performance 2022/23	Status
TO00	Total number of emergency calls received	22693	*Quality Assurance*	24799	Quality Assurance
TC01	Total number of incidents attended	18283	18278	18735	Target missed
TC02	Total number of fires in Merseyside	6904	7034	7112	Target missed
TC03	Total number of primary fires attended	1984	2037	1859	On target
QTC04	Total number of secondary fires attended	4920	4997	5253	Target missed
TC05**	Total number of special services attended	5345	*Quality Assurance*	5306	Quality Assurance
TC06	Total number of false alarms attended	6034	5993	6317	Target missed
TR08*	Attendance standard – first attendance of an appliance at a life risk incidents in 10 mins	95.4%	90.0%	93.9%	On target
TD09	The % of available shifts lost to sickness absence, all personnel	5.40%	4.00%	4.95%	Target missed
TE10	Total carbon output of all MFRS buildings	55.6	65.0	52.8	On target

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2021/22	Target 2022/23	Performance 2022/23	Status
FIRES IN THE HOME					
DC11	Number of accidental dwelling fires	839	850	780	On target
DC12	Number of deaths in accidental dwelling fires	4	8	10	Target missed
DC13	Number of injuries in accidental dwelling fires attended	61	90	59	On target
DC14	Number of deliberate dwelling fires in occupied properties	120	129	119	On target
DC15	Number of deliberate dwelling fires in unoccupied properties	18	19	19	On target
DC16	Number of deaths in deliberate dwelling fires	0	1	0	On target
DC17	Number of injuries in deliberate dwelling fires	9	13	7	On target
FIRES IN NON-DOMESTIC PROPERTIES					
NC11	Number of deliberate fires in non-domestic premises	51	64	68	Target missed
NC12	Number of accidental fires in non-domestic premises	150	168	136	On target
SMALL AND ANTI-SOCIAL BEHAVIOUR FIRES					
AC11	Number of deliberate vehicle fires attended	402	419	288	On target
AC12	Number of accidental vehicle fires attended	207	193	218	Target missed
AC13	Number of deliberate anti-social behaviour fires (small)	3363	3293	3291	On target
AC14	Number of accidental small fires attended	1557	1704	1962	Target missed
AC15	Number of 'other' primary fires attended	197	195	231	Target missed
ROAD TRAFFIC COLLISIONS					
RC11	Number of road traffic collisions (RTC) attended	830	*Quality Assurance*	842	Quality Assurance
RC12	Number of injuries in road traffic collisions attended	284	*Quality Assurance*	314	Quality Assurance
RC13	Number of fatalities in road traffic collisions attended	17	*Quality Assurance*	8	Quality Assurance
RC14	New: Number of Killed & Seriously Injured (KSI) in RTC's across Merseyside *Based on Partnership RTC data*	477	*Quality Assurance*	454	Quality Assurance
RC15	New: Number of KSI's affecting 16-24 age group - *Based on Partnership RTC data*	85	110	84	On target
FALSE ALARMS					
FC11	The number of false alarm calls due to automatic fire alarm equipment in non-domestic properties	552	586	469	On target
FC12	The number of false alarm calls due to smoke alarm actuation in domestic properties	2958	2974	3141	Target Missed
FC13	Total number of false alarms attended discounting false alarm good intent	3697	*Quality Assurance*	3761	Quality Assurance
FC22	Number of malicious false alarms attended	187	201	151	On target
FC23	Number of false alarm good intent attended	2329	*Quality Assurance*	2556	Quality Assurance

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2021/22	Target 2022/23	Performance 2022/23	Status
STAFF SICKNESS & INJURIES					
WD11	% of available shifts lost to sickness absence per wholetime equivalent GREY book (operational) personnel	5.70%	4%	5.41%	Target missed
WD12	% of available shifts lost to sickness absence per wholetime equivalent Green and Red book (non uniformed) personnel	5.40%	4%	5.24%	Target missed
WR13	Total number of operational staff injuries	36	51	40	On target

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

Most incident types including total number of fires, secondary fires and emergency calls received are higher than in 2021/22. There were 24,799 emergency calls received during 2022/23 compared to 22,693 the previous year. The total number of accidental dwelling fires decreased this year with 780 fires attended compared to 839 in 2021/22.

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.

Where there is no target for an indicator the status is shown as 'Quality Assurance'. These are Performance Indicators where we either do not want to reduce numbers, or are unable to influence this incident type, such as some types of Special Service calls. Many are related to assisting partner agencies such as the Police and the Ambulance Service, particularly related to providing assistance and helping them enter buildings. Incident types we can influence such as road traffic collisions and water rescue incidents exist as separate indicators.

During 2022/23, Road Traffic Collisions (RTCs) attended (842) increased when compared to 2021/22 (830). However, the number of fatalities in RTC's attended by MFRS (8) were fewer than the previous year (15). This indicator is based on the RTC's that the Service is requested to attend and does not reflect the total number of RTCs in Merseyside. Data recording 'killed and seriously injured in RTC's' show a decrease in the number of incidents in 2022/23 (454) when compared to 2021/22 (476).

At the end of 2022/23, sickness among operational personnel was at 4.95%, with shifts lost to sickness absence exceeding the target of 4%. This is lower than in 2021/22, when absence was 5.40%. The COVID-19 outbreak was still having an impact on staff absence during 2022/23. If Covid related sickness is removed from this figure, sickness absence is 4.15%.

The 2022/23 Revenue Budget and Medium Term Financial Plan

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 – 2018/19 period on staffing, fire appliances & fire stations is outlined overleaf.

In 2010 the Authority;

- employed approximately 1,000 Full Time Equivalents (FTE) firefighters,
- employed 42 FTE fire control staff,
- employed 425 FTE support and technical staff,
- had 42 wholetime fire appliances immediately available and 1 retained - 43 appliances in total,
- had 26 full-time fire stations.

By 2018/19;

- the budgeted establishment for firefighters fell to 620 FTE, a reduction of -380 or -38%,
- 32 FTE staff in fire control, (24% lower),
- 290 FTE support and technical staff, (32% lower),
- fire appliances - 18 fulltime appliances; 6 day crewed appliances (immediately available during the day); and 2 fully wholetime retained appliances which are available on a 30 minute recall,
- approved plans to close or merge a number of fire stations that will see the number of fire stations reduce from 26 to 22 once the programme has been fully implemented, (2020), maintained by a variety of demand led duty cover systems.

2022/23 Budget and Medium Term Financial Plan

Budget

The Authority identified a need to re-invest back into frontline services in response to emergent and foreseeable risk from fire and other emergencies, particularly the services ability to respond to large and/or protracted incidents, as well as the need to enhance protection functions in the light of the Grenfell Tower fire, the Manchester terror attack and other major incidents.

In 2019/2020 and 2020/2021 the Authority's approved Budget re-invested over £1m back into Operational Response and Protection services by:-

- increasing the firefighter numbers by an additional 22 posts, to 642 and,
- an increase in retained (on call) contract holders,
- increase fire engine/appliance availability from 26 to 29 (plus the specialist rescue appliance), and
- the introduction of a new fire engineer post to work with partners ensuring the safety of residents in high-rise buildings.

The Authority's 2022/2023 Budget has continued to look to re-invest in frontline services by allocating additional resources in line with the approved IRMP for 2021–2024, and included further enhancements to the operational and protection capabilities of the Service by:-

- increasing the number of fire engines the Service can deploy from 29 (plus the Special Rescue Appliance) to 31 (plus the Special Rescue Appliance) by expanding the Hybrid duty system,
- introducing specialist teams to deal with all foreseeable risk,
- increasing investment in specialist appliances and other operational equipment,
- proposed to build a new £35m Training and Development Academy and Hybrid Station with rescue capability.

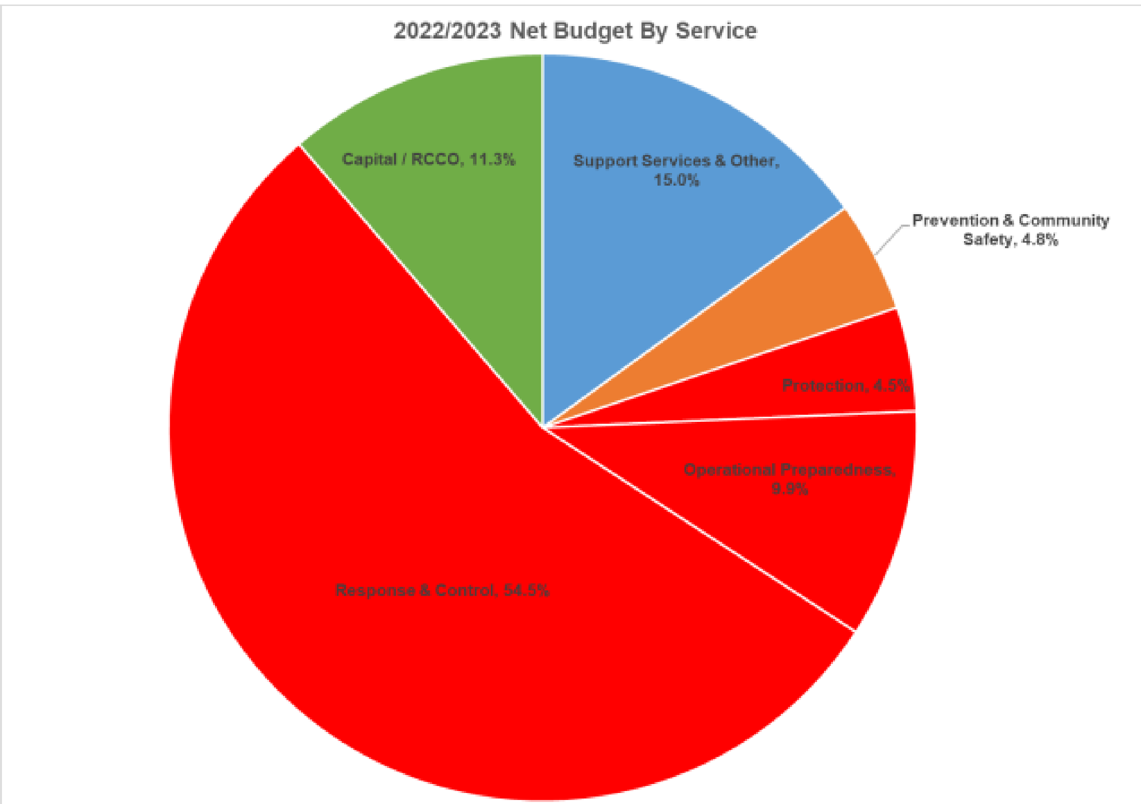
The investment the Authority has made in the Service since 2020/2021 has ensured Merseyside Fire and Rescue Service continues to be one of the best, if not the best fire and rescue services' in the country. In the latest HMICFRS inspection the Service scored an unprecedented three 'Outstanding' judgements across the eleven sub themes for its work preventing fires and other emergencies, its response to major and multi-agency incidents and for making the best use of its resources.

The Authority remains concerned that the impact of the previous service reductions due to Government funding cuts have gone too far and they are steadfast in their ambition to build resources back into the Service. The permanent investment it has managed to put into the Service since 2019/20 only delivers some of the additional resources it believes are required. The Authority also calls upon the Government to make the temporary 2020/21 Protection Services grants, that allowed a short-term investment in these services, permanent.

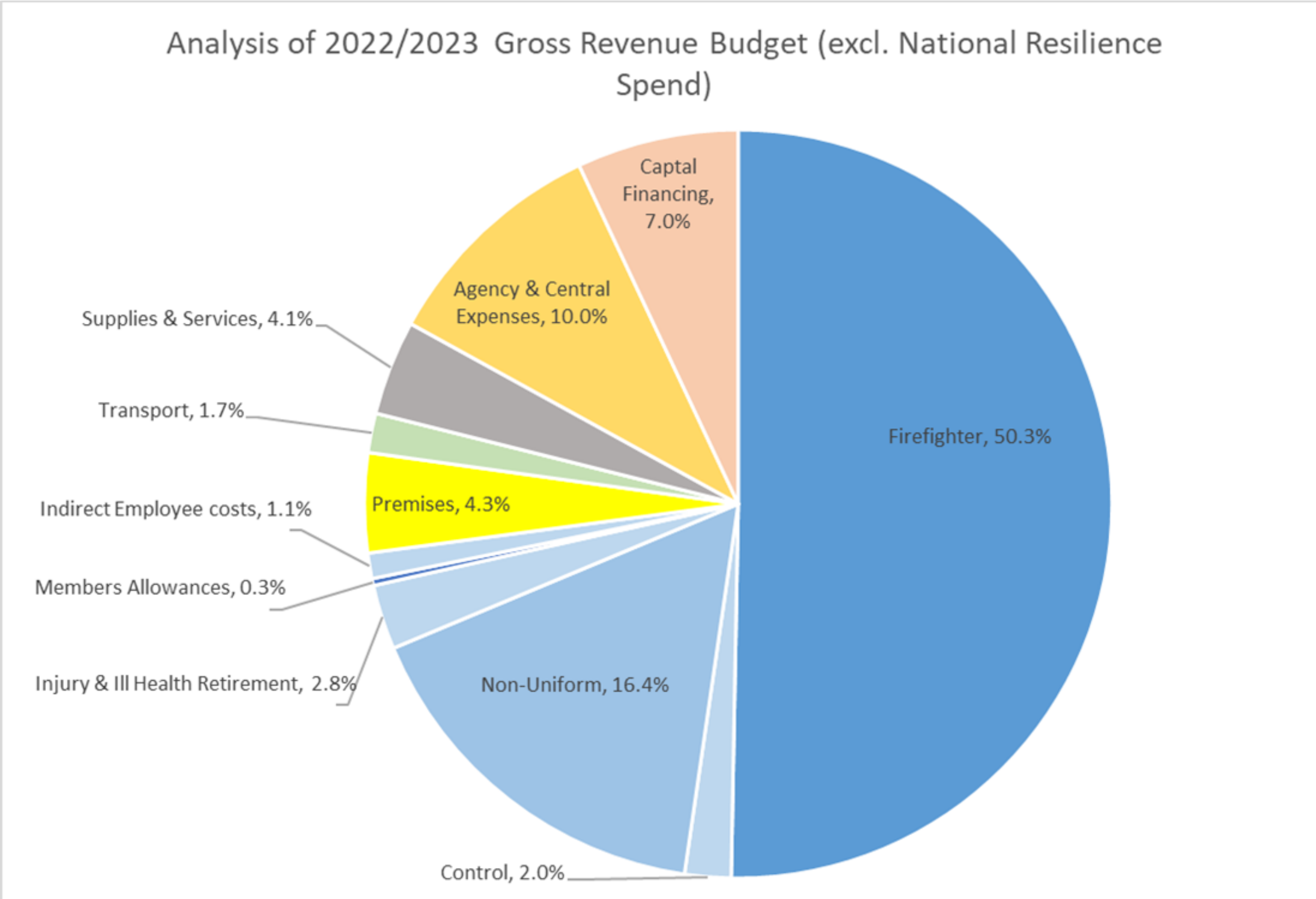
The 2022/2023 Government funding settlement was another one-year settlement, the Authority urge the Government to reinstate the multi-year approach for future years as short-term funding is a major barrier to effective financial planning and fails to provide a permanent solution to the fundamental challenges facing the Authority.

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 set its General Fund budget for 2022/2023 at £61.792m, and was able to approve a balanced 2022/2023 Budget without the need to identify new Service savings. In addition, the budget included a one-off £2.777m contribution to the new Training and Development Academy reserve. The Authority then monitors and manages expenditure throughout the year against the General Fund budget to ensure all expenditure is affordable and planned. The **General Fund position for the year is shown in the Movement in Reserves Statement**.

The pie chart below outlines a "thematic" analysis of the revenue budget. Most expenditure, 54.5%, goes on emergency and specialist response; 9.9% on Operational Preparedness; and, 9.3% on Protection, Prevention & Community Safety. Therefore 73.7% of expenditure is on the "front line" services, (those activities highlighted in red are deemed frontline services). The 11.3% on capital costs relates mostly to previous investment in front line assets, fire stations, vehicles and equipment. The remaining 15.0% is on support and operational enabling services.



An analysis of the revenue budget on a subjective basis is outlined in the pie chart overleaf. The majority, 73%, of planned revenue expenditure is predominantly employee related. This means that the key assumption in the budget forecast relates to future pay awards. The Budget assumed pay awards of 2.5% in each year of the MTFP.



Funding of the revenue budget requirement is split equally between Council Tax (Precept) and Government funding through the local government retained business rates formula (Settlement Funding Assessment, SFA).

The Government announced only a one-year, 2022/2023, SFA settlement. The Authority's 2022/2023 SFA increased by 1.1%, compared to the 2021/2022 SFA. However, as one of the Government measures to assist with the Country's economic recovery post Covid-19 was to freeze business rates in 2022/2023, rather than apply the September 2021 CPI increase of 3.1%, the Authority received an increase in its business rates compensation grant of £1.000m.

The Government restricts Council Tax / Precept increases to just under 2% unless the Authority holds a referendum for higher increases. As the cost of a referendum, and any re-billing of council tax demands if the vote doesn't support such an increase, is estimated at £1m, the Authority considers the financial risk too great for implementing this option. The 2022/2023 Precept increase was 1.96%.

As per the table below, the 2022/2023 forecast budget requirement based on key assumption over pay awards and other costs could be met from the expected funding in the year.

2022/23 - 2026/27 MTFP					
	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
FORECAST NET SPEND IN CURRENT MTFP	61,792	64,201	66,750	68,190	69,666
TOTAL FUNDING	-61,792	-64,201	-65,975	-67,307	-68,672
Forecast (Surplus) / Deficit	0	0	775	883	994

MTFP
As outlined in the previous table the Authority maintains a five-year revenue forecast. This forms part of a comprehensive five year MTFP and Capital Programme that is rolled forward each year. The approved 2022/2023 – 2026/2027 MTFP is available on the Authority's website. As future costs and funding levels are not known, the MTFP identifies the key assumptions used in the Plan; 2.5% increase in annual pay costs; 1% year-on-year increase in Government funding; and an increase in the Council Tax Precept of just under 2% in each year.

The MTFP includes all the necessary financial information in a single report to set a robust financial plan, it includes:-

- Forecast Revenue Estimates for the next five years
- The Proposed 5 year 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

The MTFP projects Authority spend and Government funding up to 2026/2027. However as the estimates are based on some key assumptions that are unpredictable (for example future Government funding for the Fire and Rescue Service is subject to a number of Government reviews and national economic performance), the Authority has noted the forecast financial challenge from 2024/2025 and will deal with any financial issues in future budget rounds

The 2022/23 Revenue Outturn Position

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

- the robustness of the key budget and MTFP assumptions,
- any required budget amendments,
- movements from and to reserves and the revenue budget.

The approved General Fund budget remained constant throughout the year at £61.792million. The table overleaf 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 a drawdown from the inflation reserve to cover higher energy costs and a firefighter pay award of 7%, and the need to cover a £2,000 reduction in council tax yield.

Programme	Fire Service Budget £'000	Fire Authority £'000	National Resilience £'000	Total Budget £'000	Actual £'000	Variance £'000
Expenditure						
Employee costs	54,219	367	2,411	56,997	55,270	(1,727)
Premises costs	4,394	-	3	4,397	4,056	(341)
Transport costs	1,419	-	6,730	8,149	7,874	(275)
Supplies and services	3,966	23	4,391	8,380	6,957	(1,423)
Agency services	6,838	-	778	7,616	7,223	(393)
Central support services	505	139	-	644	612	(32)
Capital financing	20,161	-	15	20,176	20,123	(53)
Income	(15,161)	-	(14,328)	(29,489)	(28,695)	794
Net expenditure	**76,341**	**529**	**-**	**76,870**	**73,420**	**(3,450)**
Contingency pay & prices	165	-	-	165	-	(165)
Interest on balances	(322)	-	-	(322)	(920)	(598)
	76,184	**529**	**-**	**76,713**	**72,500**	**(4,213)**
Movement on reserves	(14,921)	-	-	(14,921)	(10,710)	4,211
Overall financial position	**61,263**	**529**	**-**	**61,792**	**61,790**	**(2)**

Throughout the year managers looked at every opportunity to maximise savings against the approved budget to enable an increase in the capital reserve to manage long-term borrowing and debt costs. The 2022/2023 year-end “underspend” was £4.213m however, after taking into account specific year-end earmarked reserves requests of £0.924m, the available uncommitted underspend was £3.289m. The current cost of living crisis, high inflation, and increasing interest rates are putting pressure on Authority costs and in particular future pay awards. The current 2023/24 MTFP assumes a 5% increase in 2023/24 pay awards and 2.5% per annum thereafter, with each additional 1% adding £0.5m. Therefore, rather than increase the capital reserve by the full available underspend, £0.382m has been used to increase the inflation reserve to £1.250m as a short term fund to cover higher than expected inflation costs, with the balance increasing the capital reserve by £2.907m.

After taking account of the year-end reserves, and the need to cover a £2k shortfall in council tax yield, 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 £6.064m for the year. The CIES is prepared on a different basis to the General Revenue Fund, the CIES shows the accounting cost in the year in accordance with the relevant generally accepted accounting principles, rather than the amount funded from taxation (General Fund). The CIES includes such expenses as depreciation and amounts to reflect pension costs, which are not charged to council tax and are excluded from the General Fund statement. The CIES represents the amount by which the Authority’s overall net worth has moved over the year as shown in the Balance Sheet. The table overleaf reconciles the General Fund to the CIES “Deficit on Provision of Services” statement:

	Note	Detailed Adjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
Net General Fund 2022/23 year-end position:	**Note**	-	-	-
1 Net creation of earmarked reserves	(a)	-	-	**10,710**
2 Asset valuation / charges and capital funding adjustments				
Depreciation, impairment and revaluation adjustment	(b)	4,324		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	1,629		
Asset disposal / write-offs / revaluation losses		(19)		
MRP / interest adjustment	(f)	(3,923)		
Capital Expenditure Funded from the Revenue Account (CERA)		(14,997)		
Capital grants income		(6,320)	**(19,306)**	
3 Pension related adjustments	(d)			
Pension contributions payable to pension fund (employer)		(9,933)		
Pension contributions payable to pension fund (top-up grant)		(30,849)		
Pension current service costs		15,024		
Pension past service costs		-		
Net interest on the defined benefit liability scheme		30,297	**4,539**	
4 Other technical accounting adjustments	(e)			
Timing differences for premiums and discounts		23		
Timing differences for council tax / NNDR		(1,920)		
Timing differences for compensated absences		(110)	**(2,007)**	
Total adjustments				**(16,774)**
Surplus or deficit on provision of services				**(6,064)**

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

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.

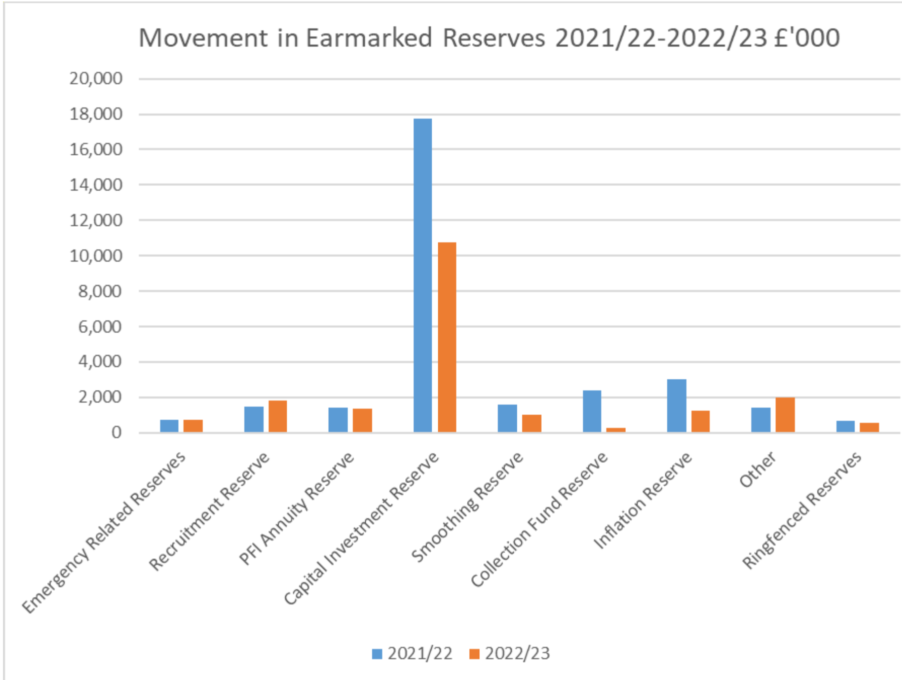
Budgeted Reserves
The Authority adopted a reserves strategy that maintained a General Reserve of £3.000m and anticipated (based on the estimated forecast when the 2022/2023 budget was approved) Earmarked Reserves as at 01.04.2022 of £30.950m (excluding any reserves created to hold Home Office National Resilience Funds to be carried forward). 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. Details of the budgeted reserves can be found in the MTFP.

Revenue Outturn Position
The Authority's committed reserves at the start of the year were £30.499m and, by the end of the year, they had reduced to £19.789m. This is a net reduction of £10.710m. The most significant movement in reserves in the year were:

- £11.394m was drawn-down from the capital reserve to contribute towards the new TDA and fire station build costs.
- £1.769m was draw-down from the inflation reserve to cover higher energy costs and the firefighter 2022/2023 pay award.
- £2.170m was drawn-down from the collection fund reserve of which £1.306m was used to cover the expected collection fund deficit arising from a Government freeze on business rates, and £0.864m transferred to the capital reserve.
- 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 overleaf summarises the main types of committed reserves.

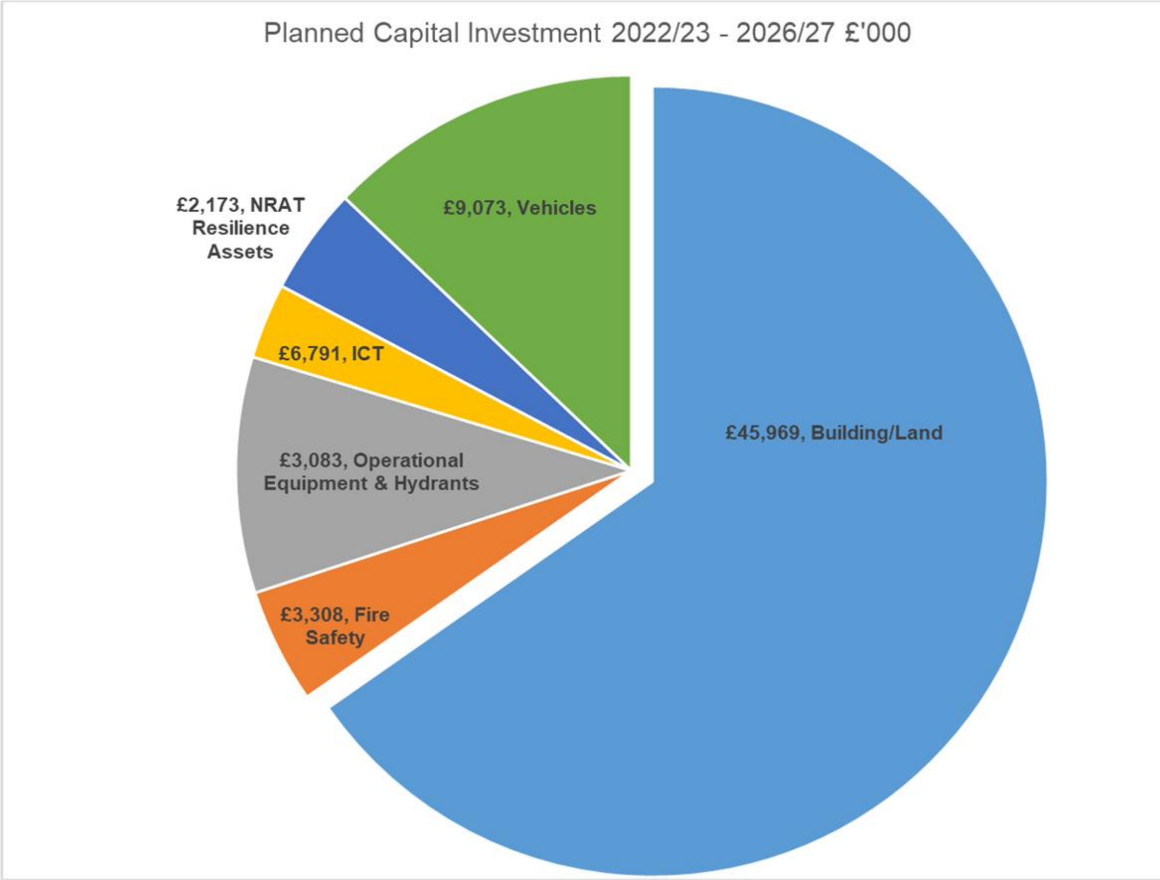


Capital Strategy and Capital Programme 2022/23 to 2026/27

Each financial year the Authority produces a five-year 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 a five-year period.

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 overleaf summarises the areas of planned investment over 2022/2023 – 2026/2027 based on the final approved capital budget of £70.397m:



This capital programme has a borrowing requirement of £42.327m across the whole life of the plan, with the balance of funding being met from reserves, capital receipts, revenue contributions and grants. 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, 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 most significant items of capital expenditure have been:

- The pre-construction works at the new Training and Development / Superstation site
- Fire station refurbishment at Bromborough
- 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

2022/2023 Capital Outturn Position

The 2022/2023 original capital budget was £41.846m and during the year this was adjusted for schemes being rephased from 2021/2022 and also schemes slipping into future years. As capital schemes by their very nature take more than one year to complete they are often subject to delays in obtaining planning permission; delays in finalising project specifications; and are subject to supply chain pressures, it is not unusual to have constant re-phasing of the planned spend. The final budget for 2022/2023 was £25.427m but based on the actual spend a further £6.334m planned spend has been re-phased into 2023/2024.

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 2022/2023-2026/2027 Medium Term Financial Plan (MTFP), which is available on the Authority's website. The key elements are:

- The Treasury Management Strategy 2022/2023
- The External Debt and Treasury Management Prudential Indicators and Limits for 2022/2023 to 2024/2025
- The Investment Strategy 2022/23
- 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 £33.9m at the start of the year to £33.7m at the end following the repayment of £0.2m of loans in the year. Interest paid during the year on existing long-term borrowing totalled £1.732m.

Balance Sheet Financial Position at 31st March 2023

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 increased by £317.150m over the year, and as a consequence the current net liability on total reserves has decreased from (£1,073.737m) to (£756.587m). 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 £857.830m 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 2023/2024 Budget and five-year medium term financial plan (MTFP) at its meeting on 23 February 2023. Unfortunately the Government announced only a one-year settlement for 2023/2024, and this has meant a lack of certainty and predictability over future Authority funding, making it difficult to plan beyond 2023/2024.

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 2024/2025. Due to the level of uncertainty around the forecasts, the Authority will consider any future challenges as part of the 2024/2025 budget setting process when some of these uncertainties should be resolved. The Authority has established specific reserves to cover the risk of a variation to the key assumptions in the MTFP in 2023/2024, and these reserves would allow the Authority time to approve structural changes to deliver any 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 2023 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.

There have been no significant changes made to the 2022/23 Code accounting policies and disclosure requirements.

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.

2021/22					2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
72,911	(15,864)	57,047	Fire & Rescue Service Operations		76,467	(16,258)	60,209
1,376	-	1,376	Corporate and Democratic Core		961	-	961
14,777	(12,669)	2,108	National Resilience / International Search and Rescue		13,360	(12,437)	923
89,064	**(28,533)**	**60,531**	**Cost of services**		**90,788**	**(28,695)**	**62,093**
58	(31,269)	(31,211)	Other operating income and expenditure	9	-	(30,868)	(30,868)
28,520	(2,382)	26,138	Financing and investment income and expenditure	10	36,492	(3,751)	32,741
-	(63,430)	(63,430)	Taxation and non-specific grant income	11	-	(70,030)	(70,030)
		(7,972)	**(Surplus) or deficit on provision of services**	27			**(6,064)**
		-	Impairment losses charged to the revaluation reserve				-
		(5,891)	(Surplus) or deficit on revaluation of fixed assets				(8,140)
		(9,410)	Remeasurement of the net defined benefit liability				(302,946)
		(15,301)	**Other comprehensive income and expenditure**				**(311,086)**
		(23,273)	**Total comprehensive income and expenditure**				**(317,150)**

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 2022		**(33,499)**	**-**	**(10,292)**	**(43,791)**	**1,117,528**	**1,073,737**
Movement in reserves during 2022/23							
Total comprehensive income and expenditure		(6,064)	-	-	**(6,064)**	(311,086)	(317,150)
Adjustments between accounting basis & funding basis under regulations	7	16,774	-	(5,400)	**11,374**	(11,374)	**-**
Increase or decrease in 2022/23		**10,710**	**-**	**(5,400)**	**5,310**	**(322,460)**	**(317,150)**
Balance at 31 March 2023 carried forward		**(22,789)**	**-**	**(15,692)**	**(38,481)**	**795,068**	**756,587**

	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**
Movement in reserves during 2021/22							
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**

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 2022 £000		Notes	31 March 2023 £000
92,925	Property, plant and equipment	12	114,036
72	Intangible assets	13	101
0	Pension Asset	40	2,038
92,997	**Long-term Assets**		**116,175**
33,014	Short-term investments	14	27,259
1,145	Inventories	15	1,074
19,743	Short-term debtors	16	19,466
6,688	Cash and cash equivalents	14 & 17	8,387
60,590	**Current assets**		**56,186**
(1,051)	Short-term borrowing	14	(921)
(18,792)	Short-term creditors	19	(17,767)
-	Bank overdraft	14 & 17	-
(19,843)	**Current liabilities**		**(18,688)**
(16,352)	Long-term creditors	14	(15,804)
(1,052)	Provisions	20	(787)
(33,720)	Long-term borrowing	14	(33,720)
(1,156,357)	Other long-term liabilities	14 & 40	(859,949)
(1,207,481)	**Long-term liabilities**		**(910,260)**
(1,073,737)	**Net liabilities**		**(756,587)**
(43,791)	Usable reserves	21	(38,481)
1,117,528	Unusable reserves	22	795,068
1,073,737	**Total reserves**		**756,587**

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.

2021/22 £000		Notes	2022/23 £000
(7,972)	Net (surplus) or deficit on the provision of services		(6,064)
(13,876)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(9,298)
(660)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	3,609
(22,508)	**Net cash flows from operating activities**		**(11,753)**
8,667	Investing activities	25	5,971
6,675	Financing activities	26	4,083
(7,166)	**Net increase or decrease in cash and cash equivalents**		**(1,699)**
478	Cash and cash equivalents at the beginning of the reporting period		(6,688)
(6,688)	**Cash and cash equivalents at the end of the reporting period**	17	**(8,387)**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The statement of accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23 and the Service Reporting Code of Practice 2022/23, 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-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

xii. Intangible Assets

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

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

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

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

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

xiii. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula. The Authority holds inventories of uniforms, smoke alarms, consumable items and vehicle parts.

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 2022/23 (the Code) has introduced several changes in the accounting policies, which will be required from 1st April 2023. 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 18 vehicles with a valuation of £218,000. Although this would have no material impact to the Accounts the envisaged changes for current year Accounts would have been:

DR	CIES - Depreciation Charge	112,000
CR	CIES - Operating Lease Reversal	(114,000)
DR	CAA - Unusable Reserves	2,000
DR	Property, Plant and Equipment (vehicles)	218,000
CR	Lease Liability	(218,000)

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 2023 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 £1,378,250 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 £88m and therefore a 1% change in valuation would result in an increase/decrease in valuation of £880,000.
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 pension's liability were to change by 1%, this would result in a gain/loss of £8.6m.
Pension Assets	**Unquoted Investments** The current "cost of living crisis", high inflation, and interest rate changes may impact on the level of certainty regarding the valuations of liquid assets. The valuations have been updated based upon the available information as at 31 March 2023. 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 84 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
Arrears	At 31st March 2023, the Authority had a balance of sundry debtors of £284,000. 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 2023, this totalled £138,000.	Claims calculations are based on past-experience. If the estimate were to change by 10%, this would result in a change of £13,800 in the provision.
	The Authority has made provisions for the proportion of Business Rates Appeals from all 5 Precepting Authorities. As at 31st March 2023, this totalled £649,000.	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.

5. Material Items of Income and Expense

The following services have been outsourced to an external provider.

	2022/23 £000	2021/22 £000
IT & Communications	**1,979**	**1,929**
Estates	**1,628**	**1,514**

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 2022/23

2022/23	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)	(4,540)	-	-
- Financial instruments (transferred to the financial instruments adjustments account)	(23)	-	-
- Council Tax and NNDR (transferred to the collection fund adjustments account)	1,921	-	-
- Holiday pay (transferred to the accumulated absences reserve)	110	-	-
- 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):	368	-	(6,320)
Total adjustments to revenue resources	**(2,164)**	**-**	**(6,320)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital reserve	19	(19)	-
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	-	-	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	3,922	-	-
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	14,997	-	-
Total adjustments between revenue and capital resources	**18,938**	**(19)**	**-**
Adjustments to capital resources			
Use of the capital receipts reserve to finance capital expenditure	-	19	-
Application of capital grants to finance capital expenditure	-	-	920
Cash payments in relation to deferred capital receipts	-	-	-
Total adjustments to capital resources	**-**	**19**	**920**
Total adjustments	**16,774**	**-**	**(5,400)**

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

2021/22	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)	(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**

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 2022/23.

	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
Emergency Related Reserves:							
Bellwin Reserve	**222**	-	-	**222**	-	-	**222**
Insurance and Legal Reserve	**499**	-	-	**499**	-	35	**534**
Facing the Future / COVID-19 Reserve	**200**	(370)	170	**-**	-	-	
Collection Fund Reserve	**3,788**	(2,403)	1,035	**2,420**	(2,170)	-	**250**
Modernisation Challenge:							
Smoothing Reserve	**2,000**	(412)	-	**1,588**	(588)	-	**1,000**
Severance / Holiday Pay Reserve	**-**	-	-	**-**	-	530	**530**
Pensions Reserve	**55**	(80)	677	**652**	(62)	-	**590**
Recruitment Reserve	**2,000**	(550)	-	**1,450**	-	364	**1,814**
Invest To Save Reserve	**282**	-	-	**282**	-	-	**282**
Capital Investment:							
Capital Investment Reserve	**13,584**	(5,178)	9,284	**17,690**	(11,454)	4,508	**10,744**
Emerging Technologies Reserve	**-**	-	30	**30**	-	7	**37**
PFI Annuity Reserve	**1,866**	(2,544)	2,120	**1,442**	(69)	-	**1,373**
Specific Projects:							
Health & Safety Reserve	**74**	(19)	-	**55**	-	-	**55**
Equipment Reserve	**152**	(15)	68	**205**	(10)	22	**217**
Community Engagement Reserve	**8**	-	-	**8**	(8)	-	**-**
Clothing Reserve	**25**	(25)	90	**90**	-	-	**90**
Health & Wellbeing Reserve	**25**	(20)	2	**7**	(7)	30	**30**
Training Reserve	**150**	-	-	**150**	-	62	**212**
Inflation:							
Inflation Reserve	**500**	(500)	3,019	**3,019**	(2,151)	382	**1,250**
Total	**25,430**	**(12,116)**	**16,495**	**29,809**	**(16,519)**	**5,940**	**19,230**
Ringfenced Reserves:							
Princes Trust Reserve	**82**	(82)	15	**15**	(15)	-	**-**
Community Risk Management Reserve	**308**	(5)	-	**303**	(13)	10	**300**
Energy Reserve	**98**	(40)	75	**133**	-	68	**201**
New Dimensions Reserve	**164**	-	75	**239**	(200)	19	**58**
Total	**652**	**(127)**	**165**	**690**	**(228)**	**97**	**559**
Total Committed Reserves	**26,082**	**(12,243)**	**16,660**	**30,499**	**(16,747)**	**6,037**	**19,789**

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 and Legal 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.

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 reserve was fully utilised in 2021/22.

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 drawn down into the General Fund to cover the anticipated Collection Fund deficit charge in 2022/23 and 2023/24 (the 2020/21 deficit recovery is spread over a three-year period ending 2023/24).

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.

Severance / Holiday Reserve

The Service is currently finalising an agreement with representative bodies over the rate, and number of years back pay, it pay eligible staff to meet the requirements of case law for pay during periods of holidays to reflect normal earning rather than being paid as flat as has been the case historically.

The reserve provides sufficient funding to cover four years of retrospective accrued additional leave payments.

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

Current firefighter retirement rates will see significant numbers of firefighters retire over the next five years. As it takes almost a year to train a firefighter across the full range of competencies this reserve has been established to allow the recruitment of firefighters in advance of expected retirements in order to allow 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 the costs associated with large strategic capital schemes and reduce the level of unsupported borrowing. A significant proportion of the reserve has been earmarked to support the funding of the Training and Development Academy and fire station.

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.

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. In 2022/23, the reserve increased substantially to cover 2022/23 and future years utility and staff cost increases above those assumed in the Medium Term Financial Plan, at least in the short-term. The Authority considers the longer-term funding of higher utility and pay costs as part of the following year's budget process.

Ringfenced Reserves

The Authority has a number of ring-fenced 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 Income and Expenditure

2021/22 £000		2022/23 £000
58	(Gains)/losses on the disposal of non-current assets	(19)
(31,269)	Gain in relation to Government grant payable to Pension Fund on Authority's behalf	(30,849)
(31,211)	**Total**	**(30,868)**

10. Financing and Investment Income and Expenditure

2021/22 £000		2022/23 £000
3,488	Interest payable and similar charges	3,364
25,032	Pensions interest cost	33,128
(1,957)	Expected return on pensions assets	(2,831)
(70)	Interest receivable and similar income	(920)
(355)	Other investment income	-
26,138	**Total**	**32,741**

11. Taxation and Non-Specific Grant Income

2021/22 £000		2022/23 £000
(30,831)	Council tax income	(32,299)
(3,495)	National non-domestic rates (local share)	(3,988)
-	National non-domestic rates pool	-
(15,839)	National non-domestic rates top up grant	(15,839)
(11,241)	Revenue support grant	(11,584)
(2,024)	Capital grants and contributions	(6,320)
(63,430)	**Total**	**(70,030)**

12. Property, Plant and Equipment

Movements in 2022/23:

	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 2022	**81,200**	**1,074**	**22,423**	**104,697**	**25,524**
Additions	330	14,431	2,174	16,935	28
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	6,335	-	-	6,335	2,787
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-
Derecognition – other	-	-	(1,819)	(1,819)	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2023	**87,865**	**15,505**	**22,778**	**126,148**	**28,339**
Accumulated depreciation and impairment					
At 1 April 2022	**-**	**-**	**(11,772)**	**(11,772)**	**-**
Depreciation charge	(4,526)	-	(2,159)	(6,685)	(695)
Depreciation written out to the revaluation reserve	4,526	-	-	4,526	695
Depreciation written out to the surplus/deficit on the provision of services	-	-	-	-	-
Impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in surplus/deficit on the provision of services	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-
Derecognition – other	-	-	1,819	1,819	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-
At 31 March 2023	**-**	**-**	**(12,112)**	**(12,112)**	**-**
Net book value					
At 31 March 2023	**87,865**	**15,505**	**10,666**	**114,036**	**28,339**
At 31 March 2022	**81,200**	**1,074**	**10,651**	**92,925**	**25,524**
Nature of asset holding					
Owned	57,117	15,505	10,666	83,288	-
Finance lease	2,409	-	-	2,409	-
PFI	28,339	-	-	28,339	28,339
Total	**87,865**	**15,505**	**10,666**	**114,036**	**28,339**

Property, Plant and Equipment

Comparative 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**

Depreciation

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

- Buildings – Straight-line allocation over the remaining life of the property as estimated by the valuer. The remaining life of the buildings range from 2 – 50 years. Depreciation has accelerated on buildings to be disposed of on completion of the new training and development academy.
- 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 2022/23

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	6,685	(6,685)	(6,685)	-	-	-
Intangible assets	359	(359)	-	(359)	-	-
Total	**7,044**	**(7,044)**	**(6,685)**	**(359)**	**-**	**-**
Impairments & Revaluation Losses						
(Gain)/loss on Assets Sold	-	-	-	-	-	-
General impairments (L&B)	-	-	-	-	-	-
Revaluation losses (L&B New Build)	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Grand total	**7,044**	**(7,044)**	**(6,685)**	**(359)**	**-**	**-**
Revaluations						
Revaluation in/out in year to CAA	-	-	-	-	-	1,720
Revaluation gain	-	-	10,861	-	-	(10,861)
Reversal of PY impairments	(825)	825	-	-	-	825
Reversal of PY revaluation gain	(1,896)	1,896	-	-	-	1,896
Net gain	**(2,721)**	**2,721**	**10,861**	**-**	**-**	**(6,420)**

Capital Commitments

At 31st March 2023, 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 2023/24 and future years is £27.1m. Similar commitments at 31st March 2022 were £2.8m. The commitments can be analysed as follows:

- Building Schemes £23.2m (includes £22.9m for new training centre)
- Equipment and ICT Schemes £ 1.2m
- Vehicles £ 0.9m
- National Resilience (NRAT) £ 1.8m

£27.1m

Effects of Changes in Estimates

No properties were put up for sale in 2022/23.

No properties were sold in 2022/23.

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	-	15,505	10,666	**26,171**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2023	70,514	-	-	**70,514**
Values at current value as at:				
31 March 2023	17,351	-	-	**17,351**
Total cost or valuation	**87,865**	**15,505**	**10,666**	**114,036**

Training Centre

Assets Under Construction relates to the new training and development academy and superstation. Total valuation of this scheme is:

- Spend to date (asset under construction) £15.5m
- Capital commitments outstanding £22.9m

£38.4m

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:

	2022/23 Software Licenses £000	2021/22 Software Licenses £000
Balance at start of year:		
▪ Gross carrying amounts	287	286
▪ Accumulated amortisation	(215)	(144)
Net carrying amount at start of year	**72**	**142**
Additions:		
▪ Internal development	-	-
▪ Purchases	388	261
▪ 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	(359)	(331)
Other changes	-	-
Net carrying amount at end of year	**101**	**72**
Comprising:		
▪ Gross carrying amounts	133	287
▪ Accumulated amortisation	(32)	(215)
Total	**101**	**72**

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 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
Financial assets				
Investments at amortised	-	-	27,259	33,014
Cash & bank	-	-	8,387	6,688
Total investments	**-**	**-**	**35,646**	**39,702**

Debtors				
Debtors at amortised cost	-	-	7,219	6,879
Non-financial instruments	-	-	12,247	12,864
Total included in debtors	**-**	**-**	**19,466**	**19,743**

Financial liabilities				
Financial liabilities at amortised cost (PWLB)	(33,720)	(33,720)	-	(165)
Financial liabilities at amortised cost (LCC)	-	-	-	-
Bank overdraft	-	-	-	-
Total borrowings	**(33,720)**	**(33,720)**	**-**	**(165)**
Other long-term liabilities				
Finance lease liabilities at amortised cost	-	-	-	-
PFI liabilities at amortised cost	(15,804)	(16,352)	(548)	(506)
Merseyside Residual Debt at amortised cost	(81)	(121)	(41)	(41)
Total other long-term liabilities	**(15,885)**	**(16,473)**	**(589)**	**(547)**
Creditors				
Creditors at amortised cost	-	-	(6,497)	(4,937)
Non-financial instruments	-	-	(11,270)	(13,855)
PWLB interest carried at amortised cost	-	-	(332)	(339)
Total creditors	**-**	**-**	**(18,099)**	**(19,131)**
Total borrowing	**(49,605)**	**(50,193)**	**(18,688)**	**(19,843)**

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:

	2022/23		2021/22	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
• Financial assets measured at fair value through profit or loss	-	-	-	-
• Financial assets measured at amortised cost	-	-	-	-
• Investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
Total net gains/losses	**-**	**-**	**-**	**-**
Interest revenue:				
• Financial assets measured at amortised cost	(920)	-	(70)	-
• Other financial assets measured at fair value through other comprehensive income	-	-	-	-
Total interest revenue	**(920)**	**-**	**(70)**	**-**
Interest expense:	**3,364**	**-**	**3,488**	**-**
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 2023 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 2023		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & long-term loans	33,720	35,081	33,885	50,206
PFI Liability	16,352	18,006	16,858	16,949

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 2023) 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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	1,028	917	117	121	1,145	1,038
Purchases	423	643	957	759	1,380	1,402
Recognised as an expense in the year	(490)	(532)	(961)	(763)	(1,451)	(1,295)
Written-off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**961**	**1,028**	**113**	**117**	**1,074**	**1,145**

16. Debtors

	31 March 2023 £000	31 March 2022 £000
Central Government bodies	13,423	15,196
Other local authorities	5,236	4,068
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	807	479
Total	**19,466**	**19,743**

17. Cash and Cash Equivalents

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

31 March 2022 £000		31 March 2023 £000
8	Cash held by the Authority	3
(73)	Bank current accounts	(121)
6,753	Short-term deposits with building societies	8,505
6,688	**Total cash and cash equivalents**	**8,387**

18. Assets Held for Sale

	Current		Non-Current	
	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Balance outstanding at start of year	**-**	**350**	**-**	**-**
Assets newly classified as held for sale:				
▪ property, plant and equipment	-	-	-	-
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
▪ property, plant and equipment	-	-	-	-
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Assets sold	-	(350)	-	-
Transfers from non-current to current	-	-	-	-
Other movements	-	-	-	-
Balance outstanding at year-end	**-**	**-**	**-**	**-**

19. Creditors

	31 March 2023	31 March 2022
	£000	£000
Central Government bodies	(7,950)	(9,546)
Other local authorities	(4,677)	(5,459)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(5,140)	(3,787)
Total	**(17,767)**	**(18,792)**

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 2022	-	(240)	(812)	**(1,052)**
Additional provisions made in 2022/23	-	(39)	163	**124**
Amounts used in 2022/23	-	141	-	**141**
Unused amounts reversed in 2022/23	-	-	-	**-**
Unwinding of discounting in 2022/23	-	-	-	**-**
Balance at 31 March 2023	**-**	**(138)**	**(649)**	**(787)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31st March 2023. 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 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 2023 from the five precepting authorities.

21. Usable Reserves

31 March 2022 £000		31 March 2023 £000
-	Usable capital receipts reserve	-
(10,292)	Usable capital grants unapplied	(15,692)
(3,000)	General Fund balance	(3,000)
(30,499)	Earmarked reserves **(Note 8)**	(19,789)
(43,791)	**Total usable reserves**	**(38,481)**

22. Unusable Reserves

31 March 2022 £000		31 March 2023 £000
(26,385)	Revaluation reserve	(32,805)
(14,329)	Capital adjustment account	(29,955)
(333)	Financial instruments adjustment account	(310)
1,156,236	Pensions reserve	857,830
1,498	Collection fund adjustment account	(423)
841	Accumulating compensated absences adjustment account	731
1,117,528	**Total unusable reserves**	**795,068**

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.

2021/22 £000		2022/23 £000
(21,088)	**Balance at 1 April**	**(26,385)**
(8,274)	Upward revaluation of assets	(10,861)
2,383	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	2,721
(5,891)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**(8,140)**
577	Difference between fair value depreciation and historical cost depreciation	1,720
17	Accumulated gains on assets sold or scrapped	-
594	Amount written off to the capital adjustment account	**(6,420)**
(26,385)	**Balance at 31 March**	**(32,805)**

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 2023.

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.

2021/22 £000		2022/23 £000
(12,143)	**Balance at 1 April**	**(14,329)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,321	• Charges for depreciation and impairment of non-current assets	6,685
(2,383)	• Revaluation losses on property, plant and equipment	(2,721)
331	• Amortisation of intangible assets	359
2,679	• Revenue expenditure funded from capital under statute	1,629
350	• 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	-
5,298		5,952
(594)	Adjusting amounts written out of the revaluation reserve	(1,720)
4,704	Net written out amount of the cost of non-current assets consumed in the year	**4,232**
	Capital financing applied in the year:	
(292)	• Use of the capital receipts reserve to finance new capital expenditure	(19)
-	• 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	-
(2,114)	• Application of grants to capital financing from the capital grants unapplied account	(920)
(2,344)	• Statutory provision for the financing of capital investment charged against the General Fund	(3,922)
(2,140)	• Capital expenditure charged against the General Fund	(14,997)
(6,890)		**(19,858)**
-	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	-
(14,329)	**Balance at 31 March**	**(29,955)**

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.

2021/22 £000		2022/23 £000
-	**Balance at 1 April**	**(333)**
(355)	Discounts received in the year and charged to the Comprehensive Income and Expenditure Statement	-
22	Proportion of discounts received in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	23
(333)	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**	**(310)**

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.

2021/22 £000		2022/23 £000
1,165,141	**Balance at 1 April**	**1,156,236**
(9,410)	Remeasurements of the net defined benefit liability/(asset)	(302,946)
41,990	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	45,321
(41,485)	Employer's pensions contributions and direct payments to pensioners payable in the year	(40,781)
1,156,236	**Balance at 31 March**	**857,830**

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.

2021/22 £000		2022/23 £000
3,653	**Balance at 1 April**	**1,498**
(2,155)	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	(1,921)
1,498	**Balance at 31 March**	**(423)**

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 2023. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2021/22 £000		2022/23 £000
912	**Balance at 1 April**	**841**
(630)	Settlement or cancellation of accrual made at the end of the preceding year	(584)
559	Amounts accrued at the end of the current year	474
(71)	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	(110)
841	**Balance at 31 March**	**731**

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

2021/22 £000		2022/23 £000
(4,321)	Depreciation and impairment of non-current assets	(6,685)
2,383	Revaluation losses on property plant and equipment	2,721
(331)	Amortisation of intangible assets	(359)
(2,679)	Revenue expenditure treated as capital under statute	(1,629)
-	Movement in the donated assets account	-
(505)	Movement in pension liability	(4,540)
(350)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-
(2,306)	(Increase)/decrease in creditors	1,033
(5,862)	Increase/(decrease) in debtors	130
107	Increase/(decrease) in stocks	(71)
(12)	(Increase)/decrease in provisions	102
(13,876)		**(9,298)**

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

2021/22 £000		2022/23 £000
159	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	623
326	Proceeds from the sale of property plant and equipment, investment property and intangible assets	37
(3,524)	Loan interest	(3,371)
355	PFI refinancing	-
2,024	Capital grants	6,320
(660)		**3,609**

25. Cash Flow Statement – Investing Activities

2021/22 £000		2022/23 £000
6,976	Purchase of property, plant and equipment, investment property and intangible assets	18,951
4,000	Purchase of short-term and long-term investments	(6,000)
200	Other payments for investing activities	-
(326)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(37)
-	Proceeds from short-term and long-term investments	-
(2,183)	Other receipts from investing activities	(6,943)
8,667	**Net cash flows from investing activities**	**5,971**

26. Cash Flow Statement – Financing Activities

2021/22 £000		2022/23 £000
-	Cash receipts of short-term and long-term borrowing	-
(356)	Other receipts from financing activities	-
466	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	506
3,041	Repayments of short-term and long-term borrowing	206
3,524	Other payments for financing activities	3,371
6,675	**Net cash flows from financing activities**	**4,083**

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.

2021/22				Notes	2022/23		
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
54,427	2,620	57,047	Fire & Rescue Service Operations		72,956	(12,747)	60,209
477	899	1,376	Corporate and Democratic Core		464	497	961
-	2,108	2,108	National Resilience / International Search and Rescue		-	923	923
-	-	-	Non-Distributed Costs		-	-	-
54,904	**5,627**	**60,531**	**Net cost of services**		**73,420**	**(11,327)**	**62,093**
(59,321)	(9,182)	(68,503)	Other income and expenditure		(62,710)	(5,447)	(68,157)
(4,417)	**(3,555)**	**(7,972)**	**Surplus or deficit**	**27**	**10,710**	**(16,774)**	**(6,064)**
(29,082)			Opening General Fund balance		(33,499)		
(4,417)			Less/plus (surplus) or deficit on General Fund		10,710		
(33,499)			**Closing General Fund balance at 31 March**		**(22,789)**		

Adjustments between Funding and Accounting Basis

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)**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2022/23			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Fire & Rescue Service Operations	(17,683)	5,022	(86)	**(12,747)**
Corporate and Democratic Core	429	69	(1)	**497**
National Resilience / International Search and Rescue	923	-	-	**923**
Non-distributed costs	-	-	-	**-**
Exceptional items	-	-	-	**-**
Net cost of services	**(16,331)**	**5,091**	**(87)**	**(11,327)**
Other income and expenditure from the expenditure and funding analysis	(2,975)	(552)	(1,920)	**(5,447)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	**(19,306)**	**4,539**	**(2,007)**	**(16,774)**

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	2022/23 Income from Services £000	2021/22 Income from Services £000
Fire & Rescue Service Operations	(16,258)	(15,864)
Corporate and Democratic Core	-	-
National Resilience / International Search and Rescue	(12,437)	(12,669)
Non-distributed costs	-	-
Exceptional items	-	-
Total income analysed on a segmental basis	**(28,695)**	**(28,533)**

Expenditure and Income Analysed By Nature

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

Expenditure/Income	2022/23 £000	2021/22 £000
Expenditure		
Employee benefits expenses	59,933	61,548
Past service costs	-	-
Other services expenses (including REFCUS)	26,048	24,774
Support service recharges	484	474
Depreciation, amortisation, impairment.	4,323	2,269
Interest payments	36,492	28,520
(Gain)/loss on disposal/transfer of assets	(19)	58
Total expenditure	**127,261**	**117,643**
Income		
Fees, charges and Government grant revenue income	(28,695)	(28,533)
Interest and investment income	(3,751)	(2,383)
Income from council tax, non-domestic rates, district rate income	(63,710)	(61,406)
Government grants and contributions (Capital)	(6,320)	(2,024)
Government grant (pension fund top-up grant)	(30,849)	(31,269)
Total income	**(133,325)**	**(125,615)**
(Surplus) or deficit on the provision of services	**(6,064)**	**(7,972)**

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:

	2022/23 £000	2021/22 £000
Allowances	205	200
Expenses	17	13
Total	**222**	**213**

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	**2022/23**	183,388	-	-	-	-	51,814	**235,202**
	2021/22	173,597	-	-	-	-	49,685	**223,282**
Deputy Chief Fire Officer	**2022/23**	155,946	-	-	-	-	44,912	**200,858**
	2021/22	147,821	-	-	-	-	42,572	**190,393**
Assistant Chief Fire Officer	**2022/23**	138,995	-	-	-	-	40,030	**179,025**
	2021/22	121,517	-	-	-	-	34,997	**156,514**
Director of Finance and Procurement	**2022/23**	103,214	-	-	-	-	17,846	**121,060**
	2021/22	101,288	-	-	-	-	17,509	**118,797**
Head of Legal	**2022/23**	72,084	-	-	-	-	12,416	**84,500**
	2021/22	69,020	-	-	-	-	12,078	**81,098**

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	2022/23 Number of Employees	2021/22 Number of Employees
£50,000 - £54,999	45	43
£55,000 - £59,999	40	33
£60,000 - £64,999	32	11
£65,000 - £69,999	14	14
£70,000 - £74,999	10	12
£75,000 - £79,999	7	3
£80,000 - £84,999	1	3
£85,000 - £89,999	4	4
£90,000 - £94,999	2	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	1
£135,000 - £140,999	-	-
Total	**156**	**124**

Note a – In 2022/23, 145 of the 156 staff receiving over £50,000 are firefighting staff (in 2021/22 this was 114 of the 124), 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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	-	-	2	1	2	1	7,021	399
£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**	**1**	**2**	**1**	**7,021**	**399**

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:

	2022/23 £000	2021/22 £000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	46	65
National Fraud Initiative	1	-
Redmond Review Local Audit Fee Grant	(13)	(13)
Public Sector Audit Appointments (PSAA) refund	-	(5)
Total	**34**	**47**

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 2022/23:

	2022/23 £000	2021/22 £000
Council tax income/Local share non-domestic rates	(36,287)	(34,326)
Non-domestic rates	(15,839)	(15,839)
Non-ring fenced Government grants:		
Revenue support grant	(11,584)	(11,241)
Capital grants and contributions:		
National Resilience grant	(6,320)	(2,024)
Other		
Total	**(70,030)**	**(63,430)**
Credited to services		
Pensions grant (Home Office)	(3,025)	(3,025)
National Resilience / International Search and Rescue grant	(12,421)	(12,007)
New Dimensions grant (Home Office)	(878)	(877)
Fire Control Implementation grant (Home Office)	(218)	(244)
PFI Credits (Ministry of Housing, Communities and Local Government)	(2,097)	(2,097)
COVID-19 grant (Ministry of Housing, Communities and Local Government)	-	(179)
Emergency Services Mobile Communications Programme grant	(494)	(153)
Pension Admin grant (Home Office)	-	(56)
Collection Fund Deficit grant (Ministry of Housing, Communities and Local Government)	114	(1,035)
Apprenticeship grant funding (Education & Skills)	(668)	(451)
Small Business Rates Relief (SBRR) (Ministry of Housing, Communities and Local Government)	(3,120)	(1,400)
Home Office fire safety grants	(360)	(314)
Home Office Training & Development Academy build grant	-	(1,670)
DCLG council tax support grant	-	(956)
New Services grant	(1,388)	-
Other grants (Ministry of Housing, Communities and Local Government / Home Office)	(512)	(453)
Total	**(25,067)**	**(24,917)**

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.

2021/22		Related Party Transactions	2022/23	
Receipts	Payments		Receipts	Payments
		Central Government		
15,839	-	Redistributed national non-domestic rates	15,839	-
11,241	-	Revenue support grant	11,584	-
2,024	-	Capital grants	6,320	-
-	3,803	Employers national insurance contributions	-	4,211
		Local authority precept (council tax & business rates)		
3,547	-	Knowsley	3,674	-
10,044	-	Liverpool	11,264	-
4,735	-	St Helens	4,866	-
7,504	-	Sefton	7,976	-
8,496	-	Wirral	8,507	-
		Pensions		
-	1,523	Merseyside superannuation fund employers contributions	-	1,664
-	-	Merseyside superannuation fund deficit employers contributions	-	-
31,480	41,668	Pension fund (Home Office)	30,259	40,222

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 2022/23 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 2022/23, 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 2022/23.

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 2022/23. 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 £10,483m, Capital £6,320m.

Department for Food & Rural Affairs

The management of National Flood Response Assets. Revenue £0.108m.

Foreign, Commonwealth and Development Office

Emergency Deployment Teams Programme. Revenue £1.785m.

European Commission – Research Executive Agency

EU Cursor. Revenue £0.061m.

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.

	2022/23 £000	2021/22 £000
Opening capital financing requirement	**(52,284)**	**(52,198)**
Capital investment		
Property, plant and equipment	(16,935)	(4,036)
Investment properties	-	-
Intangible assets	(388)	(261)
Revenue expenditure funded from capital under statute	(1,629)	(2,679)
Sources of finance		
Capital receipts	19	292
Government grants and other contributions	920	2,114
Sums set aside from revenue:		
• Direct revenue contributions	14,997	2,140
• MRP/loans fund principal	3,923	2,344
Closing capital financing requirement	**(51,377)**	**(52,284)**
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)	(907)	86
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase/(decrease) in capital financing requirement	**(907)**	**86**

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 2023 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 2023 £000	31 March 2022 £000
Other land and buildings (excluding depreciation)	2,505	2,150
Depreciation / impairments	(53)	(45)
Revaluation	(54)	387
Additions	11	13
Total	**2,409**	**2,505**

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 2023 £000	31 March 2022 £000
Not later than one year	59	89
Later than one year and not later than five years	29	69
Later than five years	-	-
Total	**88**	**158**

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 seven 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 2022	**2,275**	**23,249**	**25,524**
Additions	-	28	**28**
Depreciation/impairment	-	(695)	**(695)**
Revaluation	260	3,222	**3,482**
Value at 31st March 2023	**2,535**	**25,804**	**28,339**

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 2022/23 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2023/24	970	548	1,639	**3,157**
Payable within 2 to 5 years	4,159	2,724	6,120	**13,003**
Payable within 6 to 10 years	5,935	4,994	6,242	**17,171**
Payable within 11 to 15 years	6,886	7,652	3,775	**18,313**
Payable within 16 to 20 years	532	433	24	**989**
Payable within 21 to 25 years	-	-	-	**-**
Total	**18,482**	**16,351**	**17,800**	**52,633**
Paid in 2022/23	853	506	1,632	**2,991**
Grand Total	**19,335**	**16,857**	**19,432**	**55,624**

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 2023 £000	31 March 2022 £000
Balance outstanding at start of year	(16,858)	(17,324)
Payments during the year	506	466
Capital expenditure incurred in the year	-	-
Other movements	-	-
Total	**(16,352)**	**(16,858)**

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

37. Impairment Losses

The Authority incurred expenditure of £0k in 2022/23 and £73k in 2021/22, 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 2022/23.

39. Termination Benefits

The Authority terminated the contract of two employees in 2022/23, incurring liabilities of £399 (£7,021 in 2021/22) – 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

2021/22				2022/23		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
3,637	-	**3,637**	• Current service cost	4,032	-	**4,032**
-	-	**-**	• Past service costs	-	-	**-**
-	-	**-**	• Settlements and curtailments	-	-	**-**
48	-	**48**	▪ Administration expenses	52	-	**52**
			Financing and investment income and expenditure			
759	16	**775**	• Net interest expense	878	19	**897**
4,444	**16**	**4,460**	***Total post-employment benefits charged to the surplus or deficit on the provision of services***	**4,962**	**19**	**4,981**
			Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement			
			Remeasurement of the net defined benefit liability comprising:			
(6,705)	-	**(6,705)**	• Return on scheme assets (excluding the amount included in the net interest expense)	6,739	-	**6,739**
314	2	**316**	• Experience gains and losses on liabilities	11,380	132	**11,512**
(300)	-	**(300)**	• Actuarial gains and losses arising on changes in financial assumptions	(55,275)	(174)	**(55,449)**
(1,036)	(5)	**(1,041)**	• Actuarial gains and losses arising on changes in demographic assumptions	(377)	(1)	**(378)**
(3,283)	**13**	**(3,270)**	***Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement***	**(32,571)**	**(24)**	**(32,595)**
			Movement in Reserves Statement			
(4,444)	(16)	**(4,460)**	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(4,962)	(19)	**(4,981)**
			Actual amount charged against the General Fund Balance for pensions in the year:			
1,500	-	**1,500**	• Employers' contributions payable to scheme	1,645	-	**1,645**
-	55	**55**	• Retirement benefits payable to pensioners	-	56	**56**

Firefighters Pension Scheme

2021/22						2022/23				
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					
1,010	350	-	13,870	**15,230**	• current service cost	-	270	-	10,670	**10,940**
-	-	-	-	**-**	• past service costs	19,110	-	-	(19,110)	**-**
-	-	-	-	**-**	• settlements and curtailments	-	-	-	-	**-**
					Financing and Investment Income and Expenditure					
20,200	700	340	1,060	**22,300**	• Net interest expense	26,240	900	450	1,810	**29,400**
21,210	**1,050**	**340**	**14,930**	**37,530**	***Total post-employment benefits charged to the surplus or deficit on the provision of services***	**45,350**	**1,170**	**450**	**(6,630)**	**40,340**
					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	(16,610)	(590)	(1,620)	(10,300)	**(29,120)**
(10,410)	(300)	(390)	(1,180)	**(12,280)**	• Actuarial gains and losses arising on changes in financial assumptions	(257,740)	(6,790)	(8,830)	(33,010)	**(306,370)**
640	30	(80)	10,010	**10,600**	• Other experiences (gain)/loss on liabilities	67,380	1,410	580	750	**70,120**
11,440	**780**	**(130)**	**23,760**	**35,850**	***Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement***	**(161,620)**	**(4,800)**	**(9,420)**	**(49,190)**	**(225,030)**
					Movement in Reserves Statement					
(21,210)	(1,050)	(340)	(14,930)	**(37,530)**	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(45,350)	(1,170)	(450)	6,630	**(40,340)**
					Actual amount charged against the General Fund balance for pensions in the year:					
40,900	-	10	(2,700)	**38,210**	• Employers' contributions payable to scheme	40,170	-	30	(2,820)	**37,380**
-	1,720	-	-	**1,720**	• Retirement benefits payable to pensioners	-	1,700	-	-	**1,700**

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2023 is a gain of £302.946m and to the 31st March 2022 is a gain of £9.410m.

- 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

2021/22				2022/23		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(133,627)	(698)	**(134,325)**	Present value of the defined benefit obligation	(94,732)	(618)	**(95,350)**
101,449	-	**101,449**	Fair value of plan assets	96,770	-	**96,770**
(32,178)	**(698)**	**(32,876)**	***Net liability arising from defined benefit obligation***	**2,038**	**(618)**	**1,420**

Asset Ceiling
Following the pensions valuation by the Authority's actuary, Mercer Limited, the Authority determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2023 resulting in a pension plan asset for the first time. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling**.**

This calculation has been completed by the actuary, and no adjustment is required to incorporate a pension asset ceiling.

Firefighters Pension Scheme

2021/22						2022/23				
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
(1,000,520)	(34,810)	(16,850)	(71,180)	**(1,123,360)**	Present value of the defined benefit obligation	(798,730)	(28,310)	(7,400)	(24,810)	**(859,250)**
-	-	-	-	**-**	Fair value of plan assets	-	-	-	-	**-**
(1,000,520)	**(34,810)**	**(16,850)**	**(71,180)**	**(1,123,360)**	***Net liability arising from defined benefit obligation***	**(798,730)**	**(28,310)**	**(7,400)**	**(24,810)**	**(859,250)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme

2021/22				2022/23		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
93,559	-	**93,559**	Opening fair value of scheme assets	101,449	-	**101,449**
1,957	-	**1,957**	Interest income	2,831	-	**2,831**
			Re-measurement gain/(loss):			
6,705	-	**6,705**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	(6,739)	-	**(6,739)**
(48)	-	**(48)**	▪ Administration expenses	(52)	-	**(52)**
1,500	55	**1,555**	Contributions from employer	1,645	56	**1,701**
630	-	**630**	Contributions from employees into the scheme	699	-	**699**
(2,854)	(55)	**(2,909)**	Benefits paid	(3,063)	(56)	**(3,119)**
101,449	**-**	**101,449**	***Net liability arising from defined benefit obligation***	**96,770**	**-**	**96,770**

Firefighters Pension Scheme

2021/22						2022/23				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
-	-	-	-	-	Opening fair value of scheme assets	-	-	-	-	-
					Re-measurement gain/(loss):					
39,962	-	8	(8,701)	**31,269**	Employers contribution from Government (top-up grant)	40,170	-	30	(9,352)	**30,848**
938	1,720	2	6,001	**8,661**	Contributions from employer	-	1,700	-	6,532	**8,232**
330	-	-	2,810	**3,140**	Contributions from employees into the scheme	-	-	-	2,950	**2,950**
(41,230)	(1,720)	(10)	(110)	**(43,070)**	Benefits paid	(40,170)	(1,700)	(30)	(130)	**(42,030)**
-	**-**	**-**	**-**	**-**	***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

2021/22				2022/23		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(130,520)	(740)	(131,260)	Opening balance at 1 April	(133,627)	(698)	(134,325)
(3,637)	-	(3,637)	Current service cost	(4,032)	-	(4,032)
(2,716)	(16)	(2,732)	Interest cost	(3,709)	(19)	(3,728)
(630)	-	(630)	Contributions by scheme participants	(699)	-	(699)
			Remeasurement (gains) and losses:			
1,036	5	1,041	• Actuarial gains/losses arising from changes in demographic assumptions	377	1	378
300	-	300	• Actuarial gains/losses arising from changes in financial assumptions	55,275	174	55,449
(314)	(2)	(316)	• Other experience gains and losses	(11,380)	(132)	(11,512)
-	-	-	Past service cost	-	-	-
-	-	-	Settlements and curtailments	-	-	-
2,854	55	2,909	Benefits paid	3,063	56	3,119
(133,627)	**(698)**	**(134,325)**	**Closing balance at 31 March**	**(94,732)**	**(618)**	**(95,350)**

Firefighters Pension Scheme

2021/22						2022/23				
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)**	Opening balance at 1 April	(1,000,520)	(34,810)	(16,850)	(71,180)	**(1,123,360)**
(1,010)	(350)	-	(13,870)	**(15,230)**	Current service cost	-	(270)	-	(10,670)	**(10,940)**
(20,200)	(700)	(340)	(1,060)	**(22,300)**	Interest cost	(26,240)	(900)	(450)	(1,810)	**(29,400)**
(330)	-	-	(2,810)	**(3,140)**	Contributions by scheme participants	-	-	-	(2,950)	**(2,950)**
					Remeasurement (gains) and losses:					
-	-	-	-	**-**	• Actuarial gains/losses arising from changes in demographic assumptions	16,610	590	1,620	10,300	**29,120**
10,410	300	390	1,180	**12,280**	• Actuarial gains/losses arising from changes in financial assumptions	257,740	6,790	8,830	33,010	**306,370**
(640)	(30)	80	(10,010)	**(10,600)**	• Other experience gains and losses	(67,380)	(1,410)	(580)	(750)	**(70,120)**
-	-	-	-	**-**	Past service cost	(19,110)	-	-	19,110	**-**
-	-	-	-	**-**	Settlements and curtailments	-	-	-	-	**-**
41,230	1,720	10	110	**43,070**	Benefits paid	40,170	1,700	30	130	**42,030**
(1,000,520)	**(34,810)**	**(16,850)**	**(71,180)**	**(1,123,360)**	**Closing balance at 31 March**	**(798,730)**	**(28,310)**	**(7,400)**	**(24,810)**	**(859,250)**

Local Government Pension Scheme assets comprised:

2021/22				2022/23		
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
2,176	**-**	**2,176**	**Cash & cash equivalents**	**2,084**	**-**	**2,084**
			Equity instruments:			
14,902	1,686	16,588	• UK	12,980	1,089	14,069
22,643	11,113	33,756	• Overseas	21,566	11,203	32,769
37,545	**12,799**	**50,344**	**Sub-total equity instruments**	**34,546**	**12,292**	**46,838**
			Bonds:			
-	-	-	• Overseas Government	57	-	57
-	-	-	• Collateralised Bonds	63	-	63
1,093	-	1,093	• UK corporate	1,213	-	1,213
2,967	-	2,967	• UK Government	2,123	-	2,123
8,484	-	8,484	• UK index linked	8,879	-	8,879
497	-	497	• Overseas corporate	565	-	565
-	(333)	(333)	• Derivative contracts	-	(449)	(449
13,041	**(333)**	**12,708**	**Sub-total bonds**	**12,900**	**(449)**	**12,451**
			Property:			
-	5,494	5,494	• UK direct property	-	4,327	4,327
125	1,561	1,686	• UK property managed	86	3,104	3,190
-	2,539	2,539	• Overseas property managed	-	2,999	2,999
125	**9,594**	**9,719**	**Sub-total property**	**86**	**10,430**	**10,516**
			Private equity:			
10	2,882	2,892	• UK	10	3,610	3,620
-	6,327	6,327	• Overseas	-	5,530	5,530
10	**9,209**	**9,219**	**Sub-total private equity**	**10**	**9,140**	**9,150**
			Other investment funds:			
156	416	572	• Hedge funds UK	-	19	19
-	3,559	3,559	• Hedge funds overseas	-	2,340	2,340
-	4,547	4,547	• Infrastructure UK	-	5,234	5,234
-	3,038	3,038	• Infrastructure overseas	-	2,951	2,951
-	1,873	1,873	• Opportunities UK	-	1,433	1,433
166	3,528	3,694	• Opportunities overseas	153	3,257	3,410
-	-	-	• Multi-asset overseas	-	344	344
322	**16,961**	**17,283**	**Sub-total other investment funds**	**153**	**15,578**	**15,731**
53,219	**48,230**	**101,449**	**Total assets**	**49,779**	**46,991**	**96,770**

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 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2022/23	2021/22	2022/23	2021/22
Interest on plan	3.2%	8.5%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	21.2	20.9	21.2	21.5
Women	23.7	24.0	21.2	21.5
Longevity at 65 for future pensioners:				
Men	22.6	22.4	22.9	23.2
Women	25.5	25.9	22.9	23.2
Rate of CPI inflation	2.7%	3.4%	2.6%	3.0%
Rate of increase in salaries	4.2%	4.9%	3.85%	4.75%
Rate of increase in pensions	2.8%	3.5%	2.6%	3.00%
Rate for discounting scheme liabilities	4.8%	2.8%	4.65%	2.65%

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)	1,963	(1,963)
Rate of inflation (increase or decrease by 0.25%)	4,078	(4,078)
Rate of increase in salaries (increase or decrease by 0.25%)	669	(669)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(7,545)	7,545
Investment returns (increase or decrease by 1.0%)	(964)	964

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 £1.330m contributions to the scheme in 2023/24. The latest triennial valuation as at 31st March 2022 shows the Authority has a funding surplus of 108% 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)	24,000	(24,000)
Rate of increase in salaries (increase or decrease by 0.1%)	1,000	(1,000)
Rate of increase in pensions (increase or decrease by 0.1%)	10,800	(10,800)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(10,800)	10,800

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 £7.297m contributions to the scheme in 2023/24.

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 2022/23 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, 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 20273 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 2023 £000	Average Lifetime Expected Loss Rate default %	Lifetime Expected Loss 31 March 2023 %	Lifetime Expected Loss 31 March 2023 £000	Lifetime Expected Loss 31 March 2022 £000
	A	B	C	(A X C)	
Investments	27,260	-	-	-	-
Customers	284	7.08	-	-	-
				-	**-**

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 2023 £000	Lifetime Expected Loss Rate (C) 31 March 2023	Lifetime Expected Loss 31 March 2023 £000
Less than 30 days (normal terms)	275	0%	0
31-60 days	4	0%	0
61-90 days	(7)	0%	0
Over 90 days	12	0%	0
	284	**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 2023 £000	31 March 2022 £000	Merseyside Residual Debt (MRD) 31 March 2023 £000	31 March 2022 £000
Less than one	-	165	41	41
Between one and two	-	-	40	40
Between two and five	-	-	40	80
Between five and ten	-	-	-	-
Between ten and fifteen	2,000	-	-	-
Between fifteen and twenty	-	2,000	-	-
Between twenty and twenty five	3,500	2,500	-	-
Between twenty five and thirty	9,860	5,000	-	-
Between thirty and thirty five	16,860	19,275	-	-
Between thirty five and forty	1,500	4,945	-	-
Between forty and forty five	-	-	-	-
More than forty five	-	-	-	-
Total	**33,720**	**33,885**	**121**	**161**

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 2023, 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	1
Increase in interest receivable on variable rate investments	(498)
Increase in Government grant receivable for financing costs	-
Impact on surplus or deficit on the provision of services	**(497)**
Decrease in fair value of fixed rate investment assets	-
Impact on other comprehensive income and expenditure	**(497)**
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)	(14,232)

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 2023, the latest statement shows the levy remaining at 25%.

Firefighters Pension Fund Accounts

Fund Account

2021/22 £000		2022/23 £000
	Contributions receivable:	
	Fire Authority:	
(6,790)	• Contributions in relation to pensionable pay	(6,713)
(146)	• Early retirements	(147)
-	• Pension Holiday grant	-
(2,978)	Firefighters contributions	(3,002)
(9,914)		**(9,862)**
(274)	**Transfers in from other authorities**	**(101)**
	Benefits payable:	
32,688	• Pensions	34,313
8,705	• Commutation and lump sum retirement benefits	5,852
96	• Lump sum death benefits	57
41,489		**40,222**
	Payments to and on account of leavers:	
179	• Transfers out to other authorities	-
-	• Refunds of contributions	-
179		**-**
31,480	**Net amount payable for the year**	**30,259**
(31,480)	Top – up grant payable by the Government	(30,259)
-		**-**

Net Assets Statement

2021/22 £000		2022/23 £000
	Current assets	
8,834	Debtors (Pension Fund Home Office)	8,731
	Current liabilities	
(1,442)	Creditors	(409)
(7,392)	Creditors (Merseyside Fire and Rescue Service)	(8,322)
-		-

Notes to Pension Fund Account

Contribution Rates

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

Pensionable Pay Deductions	FPS15
Employer's Contributions	28.8%
Employee Contributions:	
£0 - £27,818	11.0%
£27,819 - £51,515	12.9%
£51,516 - £142,500	13.5%
£142,501 >	14.5%

With effect from 1st April 2022, all firefighters are on the FPS15 scheme.

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 2023 £000	31 March 2022 £000
Central Government bodies	8,731	8,834
Total	**8,731**	**8,834**

Creditors

	31 March 2023 £000	31 March 2022 £000
Central Government bodies (HMRC)	409	351
Other local authorities	8,322	7,392
Other entities and individuals	-	1,091
Total	**8,731**	**8,834**

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 2023 and of its expenditure and income for the year ended 31st March 2023.

Mike Rea
Director of Finance and Procurement
8th February 2024

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 2022 to 31st March 2023, were approved for issue on 08/02/24 by Merseyside Fire and Rescue Audit Committee.

Chair of the Audit Committee Meeting Approving the Accounts
8th February 2024

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

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.

2022-2023 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 2023.

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 2022/23 and approved by the Authority at its meeting on 9 June 2022 (CFO/023/22), 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 2021/22 Annual Audit Letter and Audit Findings Report;

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 9 June 2022 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 website, 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 2022/23 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, in line with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and 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 CIPFA have produced a Financial Management Code to support good practice in financial management and to assist fire & rescue and local authorities in demonstrating their financial sustainability. The Director of Finance and Procurement has carried out an assessment of the Authority's conformity to the CIPFA Statement of Principles of Good Financial Management. No significant areas of weakness have been identified

4.4.7 Grant Thornton approved an unqualified Statement of Accounts for 2021/22 and it is anticipated this will be repeated in 2022/23. 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 Head of Internal Audit, procured via the service agreement with Liverpool City Council, provides some assurance on the adequacy of the Authority's internal control arrangements, and also plays a key role in promoting good corporate governance. The Authority's Head of Internal Audit arrangement ensures the Authority assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). The internal audit plan for 2022/23, 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 are 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. Although at the time of writing the AGS Internal Audit have yet to finalise all of the 2022/23 audit reviews the findings to date suggest;

- Substantial Assurance that the system of internal control in place at Merseyside Fire & Rescue accords with proper practice, and

- The work on fundamental systems audits completed to date have shown a substantial level of compliance, and no significant control weakness, which impact on the Annual Governance Statement, have been identified.

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 2022/23 statutory financial statements and make a VFM conclusion during the 2023/24 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 2022/23 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2021/22 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2021/22 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**. 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.

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.. Signed..
J. Grace P. GARRIGAN
CHAIR of AUDIT COMMITTEE CHIEF FIRE OFFICER

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

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

08th February 2024

Dear Grant Thornton UK LLP

Merseyside Fire and Rescue Authority
Financial Statements for the year ended 31 March 2023

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 2023 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 land and building valuations and pensions asset and liability valuations. 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. 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.

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. 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.

xvi. We have reviewed the value of the assets under construction included within Note 12 Property, Plant and Equipment in the financial statements. These assets are valued at cost. We have reviewed the basis of the valuation and the costs incurred to date. We have considered if any impairment is required in relation to this valuation and have concluded we are satisfied that no impairment is necessary. We are satisfied that the assets within this category are disclosed at the correct value and not materially mis-stated.

Information Provided

xvii. 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.

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

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

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 8th February 2024.

Yours faithfully

Name…Councillor Janet Grace

Signature……………………………

Position…Chair of the Audit Committee

Date……08.02.2024

Name……Mike Rea

Signature……………………………

Position…Director of Finance & Procurement

Date…08.02.2024.

Signed on behalf of the Authority

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	08 FEBRUARY 2024	REPORT NO:	CFO/10/24
PRESENTING OFFICER	KEY AUDIT PARTNER AT GRANT THORNTON, GEORGIA JONES		
RESPONSIBLE OFFICER:	GEORGIA JONES	REPORT AUTHOR:	GEORGIA JONES
OFFICERS CONSULTED:	N/A		
TITLE OF REPORT:	2022/23 AUDITOR'S ANNUAL REPORT (GRANT THORNTON)		

APPENDICES:	APPENDIX A:	AUDITOR'S ANNUAL REPORT FOR MERSEYSIDE FIRE AND RESCUE AUTHORITY

Purpose of Report

1. The report details the outcome of the Auditor's findings in relation to the Authority's arrangements to secure economy, efficiency and effectiveness (VFM) in its use of resources.

Recommendation

2. It is recommended that Members note the contents of the Auditor's report.

Introduction and Background

3. The Authority is required to prepare annually a set of financial statements, the Statement of Accounts, as required by the relevant codes and regulations. These statements must then be audited by an independent auditor, who will then issue an opinion on the statements. An unqualified opinion would mean the statements have been prepared in accordance with the codes and regulations and reflect a true and fair view of the financial position for that year.

4. In addition, the Auditor is required to consider the Authority's arrangements to secure economy, efficiency and effectiveness (VFM) in its use of resources, and consider if there were any significant weaknesses in those arrangements.

5. The attached Auditor's Annual Report covers the above and confirms;

   a) no significant weaknesses have been identified in the VFM arrangements; and

   b) the auditor has substantially completed their audit of the financial statements and anticipate issuing an unqualified audit opinion following today's Audit Committee.

6. The Auditor identified one area of improvement within the VFM criteria with regard to the Authority setting out its mitigation strategies to manage the projected medium term funding deficit in more detail. Officers will set out mitigation strategies in more detail as part of the 2024/25 budget setting process.

Equality and Diversity Implications

7. Not applicable

Staff Implications

8. Not applicable

Legal Implications

9. Not applicable

Financial Implications & Value for Money

10. Not applicable

Risk Management and Health & Implications

11. If the Auditor had qualified the accounts the Authority would be expected to resolve those issues and reissue the Statement of Accounts, and its financial management reputation would be harmed.

Environmental Implications

12. Not applicable

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.*

13. The achievement of sound financial administration is essential if the Service is to achieve the Authority's vision.

BACKGROUND PAPERS

NONE

GLOSSARY OF TERMS

NONE

Auditor's Annual Report Merseyside Fire and Rescue Authority

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Year ending 31 March 2023

January 2024

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

Securing economy, efficiency and effectiveness in the Authority's use of resources

All fire and rescue services are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out in Appendix A.

Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Authority's arrangements in each of these three areas, is set out on pages 6 to 13.

Executive summary

Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Authority's arrangements under specified criteria, as we have done in preceding years. As part of our work, we considered whether there were any risks of significant weakness in the authorities arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Authroity may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	No risks of significant weakness identified	A	Our work did not identify any areas of significant weakness in arrangements but we have made one improvement recommendation in regard to closing the MTFP funding gap.	G	Our work did not identify any areas of significant weakness in arrangements and we have not made any improvement recommendations.	⬇
Governance	No risks of significant weakness identified	G	Our work did not identify any areas of significant weakness in arrangements and we have not made any improvement recommendations.	G	Our work did not identify any areas of significant weakness in arrangements and we have not made any improvement recommendations.	⬌
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G	Our work did not identify any areas of significant weakness in arrangements and we have not made any improvement recommendations. We note that the prior year recommendation to review 3rd party contracts has been actioned.	A	Our work did not identify any areas of significant weakness in arrangements but we have made one improvement recommendation.	⬌

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

Financial sustainability

During the financial year 2022/23 the Authority presented a financial plan which is realistic in the current economic environment and aligned to their strategic objectives. This resulted in a budget surplus at the end of the reporting period, enabling a contribution to reserves. Moving into 2023/24 the Authority is utilising its substantial reserves, capital receipts and revenue contributions to fund a significant proportion of its capital program. This will help to ensure its reliance on borrowing and exposure to the impact of interest rates is minimised in line with the borrowing strategy and risk appetite, as outlined within the MTFP up to 2027/28. Throughout the year the arrangements for budget setting and monitoring have been effective, providing a clear view of performance and allowing the Authority to react quickly to challenges, as such this has mitigated the requirement for any extensive programme of savings. Our review of the Authority has revealed no evidence of significant weakness in the arrangements to secure financial sustainability. Demand and other pressures are appropriately provided for and effective measures are in place to cover unexpected cost increases. The overall focus on the capital program aligns to the services strategy and objectives. Although we are satisfied that it does not face an immediate risk to its future financial sustainability, we recommend that the Authority sets out its mitigating strategies in response to the forecast medium term deficit in more detail.

Governance

The Authority continues to exhibit effective governance arrangements overall. The Authority has an established risk management process and demonstrates transparent and effective budget planning and management. The Authority continues to deliver the required standards of governance and this is demonstrated in the most recent HMICFRS Inspection report, although this does flag some areas for improvement. The Integrated Risk Management Plan sets a clear direction and is supported by effective decision making. Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.

Improving economy, efficiency and effectiveness

Our review of the Authority has revealed no evidence of significant weakness in their arrangements for improving the way the service is delivered. Procurement arrangements continue to operate in line with previous years and are aligned with national programmes. Performance monitoring is sufficiently aligned to the aspirations of the Authority and is supported by coherent and effective performance monitoring arrangements. The Authority is part of a network of partnerships that are directed towards strategic development and enabling service delivery, including collaboration with other blue light agencies such as Merseyside Police and North West Ambulance Service (NWAS). In keeping with the other themes under review, we found no grounds to make improvement recommendations in regard to improving economy, efficiency and effectiveness.

Financial Statements opinion

We have substantially completed our audit of your financial statements and anticipate issuing an unqualified audit opinion.

Financial sustainability

We considered how the Authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Performance

During 2022/23 the Authority have encountered financial pressures persisting throughout the public sector, operating within an economic environment heavily influenced by the cost-of-living crisis, high inflation and post pandemic recovery. These circumstances increase the importance of effective financial planning and the assumptions that underpin this. In respect of Merseyside Fire and Rescue Authority, we note that they have consistently delivered underspend against budgets in prior years over and above planned contributions to reserves and again achieved an underspend of £3.3m in 2022/23. This is an indication that the Authority sets realistic budgets and manages in year pressures effectively.

Managing demand and financial pressures

As with Fire Authorities across the country, the largest proportion of funding is consumed within the 'front-line' services with approximately 70% of the cost base being staffing and appliances. We note that the Authority made initial assumptions of a pay award of 2.5%, however the actual outcome was an increase of 7% to which we noted that the Authority used its 'inflation reserve' which was earmarked to help manage this risk to offset this unbudgeted cost. This reserve was later replenished by the net underspend delivered during the year.

Demand is likely to remain broadly similar as the Merseyside region has not been subject to any significant changes in infrastructure or projected number of dwellings over the past year. We note that plans are underway within Wirral to add 5000 properties to the area, further necessitating the already planned upgrade of Bromborough station.

Cashflow has been actively monitored and managed and there have been sufficient levels of cash and cash equivalents to cover fluctuations during the year, noting that the Authority's key funding sources are received in the form of grant and precept which are generally predictable and are not subject to major fluctuation.

Identifying savings and funding gaps

The Authority prepared a Medium-term Financial Plan (MTFP) which projects the expected level of funding for the service against the expected costs. In the absence of a multi-year funding settlement, this projection is based on prudent assumptions and the Authority expects to be able to close the gap in setting the 2024/25 budget without needing to resort to significant savings plans.

The financial position reflects significant work over the last 5 years to strengthen financial sustainability and the Authority's financial plans reflect the targeted investment in stations, a new training facility and equipment to support the Integrated Risk plan. We note that under the current plans, the service has been able to consistently generate an underlying operating surplus which has been used to fund a significant part of its annual capital programme, reducing the need for borrowing and associated costs. We note that in the latest HMICFRS assessment in 2023, the Authority was assessed as 'Outstanding' for use of Resources and 'Good' for Future Affordability based on the MTFP and other plans that were reviewed.

The Authority have developed their financial plans on the basis that they are in a sufficiently robust position to prioritise investment in front line services. The intention is to build services back following an extended period of reducing services in the 10 years prior to the COVID-19 pandemic. This is in line with the strategy set out in the IRMP. For example, the MTFP 2024/25 sets out an intended recurrent revenue investment of £0.634 in improved resilience, training and response and other investment in establishment to meet recruitment/ retention challenges over and above prudent assumptions around pay inflation. In addition, the MTFP also assumes a recurrent revenue contribution to capital funding of £0.375m.

The net effect of this investment when offset against prudent net cost assumptions is to open a funding gap of £0.683m in 2024/25 rising to £1.040m by 2027/28. This position includes a decision to increase the precept in 2023/24 by the available £5 and recurrent efficiency savings of £0.380m in the same year (above the 2% national efficiency target for Fire Authorities). The funding gap at the end of the period equates to a relatively modest 1.2% of the projected service budget.

Financial sustainability (continued)

£m	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast net expenditure in MTFP	67.921	£70.645	72.140	73.270	74.870
Forecast funding in MTFP	67.921	69.962	71.293	72.548	73.830
Forecast deficit	0.000	0.683	0.847	0.722	1.040

Mitigating strategies to manage the forecast funding gap

The Authority has access to a range of mitigating actions that could be deployed to close the funding gap without the need for service reductions, with the immediate pressure of £0.683 for 2024/25 currently being determined as part of the budget setting process.

The MTFP indicates that a key financial lever is to review the treasury management strategy to re-phase the capital programme and look for ways to reduce the revenue cost of borrowing. Reconsideration of the annual recurrent revenue contribution to capital could be reduced as part of the mitigating strategy. The financial assumptions that build into the MTFP to manage potential pressures also build in some resilience and have contributed to the Authority delivering substantial budget surpluses, notably in 2022/23 where staffing costs were lower than expected. An example of this is energy prices which were expected to start to reduce in 2025/26 in the MTFP but may in fact come down earlier.

The Authority also has the option of reducing or reversing some of the investment in services, although they are striving to protect this as part of the annual budget setting process. In its annual Productivity and Efficiency plan submitted to the Home Office, the Authority sets out its capacity to deliver efficiency savings and its track record of doing so in the past. As a final backstop, the Authority has sufficient reserves to cover the potential funding deficit in the medium term, while longer term solutions are developed.

Although we are satisfied that it does not face an immediate risk to its future financial sustainability, we recommend that the Authority sets out its mitigating strategies in response to the forecast medium term deficit in more detail. This should include potential savings options and how it could make use of reserves to smooth the impact over the MTFP period. We have made an improvement recommendation to this effect.

Reserves and capacity to manage financial risk

The service has maintained a healthy level of reserves which have enabled it to manage the significant volatility in the energy market which created higher than budgeted inflation of energy costs and to mitigate the risk of pay settlement being higher than initially forecast.

The current MTFP 2023/24 to 2027/28 shows relatively high levels of accumulated reserves at the start of 2023/24 with Earmarked Reserves of £17.006m and General Reserves of £3m. This is expected to reduce over the period, primarily as a result of the use of reserves earmarked to help fund capital programmes and reduce the need to borrow. Other planned uses of reserved earmarked for the purpose include Modernisation Challenge funding set aside to support transformation as part of the investment strategy set out in the Integrated Risk Management Plan. We are satisfied that these reserves are being invested for the purposes they were earmarked for to contribute to service improvement. The overall reserves position is expected to write down to £8.346m by 2027/28, which would be 11.3% of forecast net expenditure and still significantly higher than CIPFAs 5% recommended minimum.

Within the reserves position, we not that there are several large balances set aside to manage unmitigated financial risks. We note that the available balances are sufficient to cover the projected MTFP deficit, should the Authority not succeed in closing the gap by other means. These are set out below:

£m	2023/24	2024/25	2025/26	2026/27	2027/28
General Revenue Reserve	3.000	3.000	3.000	3.000	3.000
Earmarked Reserve: Modernisation Challenge – Smoothing Reserve	1.788	1.000	1.000	1.000	1.000
Earmarked Reserve: Inflation Reserve	1.650	1.650	1.650	1.650	1.650
TOTAL RESERVES AVAILBLE TO MANAGE GENREAL FINANCIAL RISKS	**6.438**	**5.56**	**5.56**	**5.56**	**5.56**

Financial sustainability (continued)

Sustainable delivery of strategic priorities

The Authority have set their ambitions on becoming the leading fire and rescue Authority in the country and have developed up a budget to aim to deliver this, with a focus on key drivers such as workforce, stations, collaboration and the new training facility, which has commercial potential. This is outlined in the Integrated Risk Management Plan 'IRMP' setting out the challenges and how resources are utilized to meet them. The capital program is an example of how the Authority is using its financial resources to drive for service improvement.

Further to meeting the current statutory obligations and service pressures the Authority is also taking a forward look in the context of its carbon reduction strategy. The Authority has engaged a third party to assist in the assessment of its environmental impact and the finding of which have drawn out a series of actions that will help support the Authority to meet its goal of being net zero by 2040.

Capital, program and investment planning

The Authority carried external debt of £33.7m as at the end of the year 2022/23, compared to prior years closing position of £33.9m. The overall value remains within the Capital Financing Limit and is compliant with the prudential code. This is actively monitored and reported in summary to the authority and supporting committees at intervals during the year.

The Authority has a current approved capital programme of £54.9m over the MTFP period up to 2027/28. The construction of the new Training & Development Academy 'TDA' is the most significant element of the program at an expected total cost of £39.9m. The remaining £24.5m is planned to be spent during the current year 2023/24 with the facility due to open in 2024. We note that the capital programme is front loaded in the year's 2022/23 and 2023/24 with a significant proportion of this due to the delivery of the TDA development. From 2024/25 the funding requirements reduces considerably.

While the capital programme is mostly funded through borrowing from PWLB approximately 22% (£12.1m) is funded from a mixture of capital receipts, earmarked capital reserves and a budgeted contribution from operational surpluses on the revenue budget, thereby reducing financing costs and exposure to interest rate risk.

The TDA will replace two existing fire stations which were coming to the end of their life. The new site has a better strategic location which will enable the service to reduce response times in 'harder to reach' areas, with the current distribution of facilities. This is a good example of the Authority investing capital resources to support its strategy and to generate service efficiencies.

During 2022/23 the Authority deemed it necessary to re-phase part of the planned capital expenditure of £25.5m 2022/23 into future years to the value of £6.334m (25%). The largest of these variances included the rephasing of expenditure on National Resilience related assets pending review of needs by the Home Office and due to the need to finalise the specification of new appliances and supporting vehicles. Other programmes including TDA proceeded in line with plan. The variances reflect changes in national and local operational requirements and appear reasonable.

Summary of findings

Our review of the Authority has revealed no evidence of significant weakness in the arrangements to secure financial sustainability. Demand and other pressures are appropriately provided for and effective measures are in place to cover unexpected cost increases. The overall focus on the capital program aligns to the services strategy and objectives. Although we are satisfied that it does not face an immediate risk to its future financial sustainability, we recommend that the Authority sets out its mitigating strategies in response to the forecast medium term deficit in more detail.

Improvement recommendations

Improvement Recommendation	The Authority should set out its mitigating strategies to manage the projected medium term funding deficit in more detail. This should include sources of potential savings and how it could make use of reserves to smooth the impact over the period. We have made an improvement recommendation to this effect.
Improvement opportunity identified	The Authority does not currently maintain a savings plan or set out a clear mitigating strategy despite projecting funding gaps over the life of the MTFP, preferring instead to consider its approach as part of the annual budget setting process. In the meantime, it is not made clear how the Authority intends to address the projected deficits and what the options are.
Summary findings	The net effect of the planned investment in the service is to open a medium-term funding gap of £0.683m in 2024/25 rising to £1.040m by 2027/28. This position includes a decision to increase the precept in 2023/24 by the available £5 and recurrent efficiency savings of £0.380m in the same year (above the 2% national efficiency target for Fire Authorities). The funding gap at the end of the period equates to a relatively modest 1.2% of the projected service budget. The Authority has access to a range of mitigating actions that could be deployed to close the funding gap without the need for service reductions, with the immediate pressure of £0.683 for 2024/25 currently being determined as part of the budget setting process.
Criteria impacted	Financial Sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The medium term financial plan has projected Authority spend and Government funding up to 2027/28, whilst the 2023/24 Local Government Finance settlement is only a one year settlement. The 2024/2025 and future years' estimates are based on assumptions that are prudent, as future Government funding for the Fire and Rescue Service is subject to a number of Government reviews and the national economic performance. The Authority has a proven track record of addressing future financial challenges and therefore, agreed to note future financial challenges at the point of setting the 2023/24 budget and deal with any financial issues in future budget rounds. The Authority has a range of mitigating strategies that could be deployed to close future funding gaps, should these be required. Mitigating Strategies will be set out in more detail as part of the future budget setting process.

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance

We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

The Authority has appropriate Risk Management arrangements in place which allow them to identify and manage risks effectively. Arrangements include a Corporate Risk Register which outlines allocated risk owners, identifies controls and mitigations, is mapped to corporate objectives and follows a traditional 5x5 impact and likelihood scoring matrix.

The Corporate Risk Register is shared bi-annually to the Fire Authority and serves as a basis for discussion of risks in Authority meetings. Review of Fire Authority meeting minutes demonstrate comprehensive check and challenge of risks. For example, the September 2022 iteration of the Corporate Risk Register flagged the outstanding implementation of recommendations from the Grenfell report as needing oversight with the Risk Based Inspection Programme (RBIP) being used to provide this. The March 2023 update reported that RBIP had commenced and that that 90% of the Phase 1 recs had now been implemented with work ongoing to complete the process.

Furthermore, the Authority's Risk Management arrangements feed into their overarching Integrated Risk Management Plan (IRMP) which outlines managing fire and rescue related risks.

Decision making and governance culture

The Authority has appropriate arrangements in place ensuring decision-makers are provided with all relevant information before coming to final decisions, which are made by the Fire Authority and Senior Leadership Team. An example of these arrangements is quarterly Fire Authority meetings where the Chief Fire Officer, S151 Officer or Procurement officer present details of the current challenges and how decisions made could determine the direction of the plans needed to achieve continuous improvement.

In addition, the general 'tone from the top' is positive and supports a constructive environment where informed decisions can be made. This is reflected in the IRMP and evidenced through our discussions with senior officers and attendance at Audit Committee meetings. The management culture was rated 'Adequate' in the recent HMICFS inspection report for the Authority issued in October 2023. This report was highly positive overall, stating that the service had promoted positive culture and values and that senior leaders act as role models.

To manage the delivery and governance of the 'TDA' capital program, the Authority has established an executive board that meets every two months to set priorities, under which a project board meets monthly to ensure the delivery is 'fit for purpose'. This is supported by dedicated subgroups to oversee individual areas of work, such as the ICT systems and the Home Office 'National Resilience' collaboration. Periodic reports on progress then get fed through to the Authority, the most recent being July 2023 reporting that the programme was on schedule to complete in line with the plan in April 2024.

Governance (continued)

Annual budget setting and budgetary control

The Authority has suitable budget setting and approval processes. Both internal and external stakeholders are consulted prior to setting up the budget, including committee members, union representatives and Local Authority leaders in the Merseyside region. Once input from all relevant stakeholders is gathered, the budget is reviewed by the SLT and approved by the Chief Fire Officer. Subsequently, the final budget is approved by the Full Authority. The incremental nature of the budget review and approval process allows room for check and challenge which helps ensure budgets are set appropriately.
The budget control arrangements are appropriate. The Authority's budget position is regularly reviewed through monthly cost centre meetings which involve budget managers and the S151 Officer, and a quarterly financial monitoring report is shared with the Audit Committee, SLT and Full Authority, with variances discussed in meetings.

Legislative and regulatory standards and behaviours

The most recent HMICFRS Inspection report was highly positive overall and scored the Authority as 'Adequate' for the themes of 'Promoting the right values and culture' and 'Ensuring Fairness and Promoting Diversity'. The report established that the appropriate arrangements were in place and were advocated by senior management but did highlight that there was some work to do around making sure the code of ethics is implemented effectively throughout the organisation and a need to review the effectiveness of its policies on bullying and harassment.

The Code of Conduct has clear descriptions of what is expected of staff, including Declaration of Interest and Gift and Hospitality policies. All member declarations are publicly available on the Authority's website. The Authority has a Treasury Management policy in place which is refreshed and approved annually by the Full Authority alongside the budget. Overall, the Authority has suitable legislative and regulatory standards, guidance and policies in place but needs to improve in the areas highlighted by HMICFRS.

Conclusion

The Authority continues to exhibit effective governance arrangements overall. The Authority has an established risk management process and demonstrates transparent and effective budget planning and management. The Authority continues to deliver adequate standards of governance and this is demonstrated in the most recent HMICFRS Inspection report, although this does flag some areas for improvement. The Integrated Risk Management Plan sets a clear direction and is supported by effective decision making. Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised.

Improving economy, efficiency and effectiveness

We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Managing performance

Service performance is measured in both financial and operational metrics which are outlined in detail within the Integrated Risk Management Plan 'IRMP'. This sets out the criteria used to evaluate the quality of service being delivered by the Authority as well as how this compares to other fire authorities nationally. These criteria include response times and callouts attended, which year on year are progressively improving, in part due to the active management and measurement of these deliverables as well as the Authority's continuous efforts to ensure that they are both equipped and strategically located in order to both maintain and improve upon its currently service levels. Our view on the selected standards by which the Authority are comparing, is that they effectively reflect the core values and key elements of the service.

The most recent HMRC inspection report issued in October 2023 was highly positive. It assesses the Authority against 11 service areas and found the service to be 'outstanding' or 'good' in 8 of these areas, including its approach to preventing fire & risk, responding to major incidents and making best use of resources, where it was rated 'outstanding'. The Authority was rated 'adequate' for the remaining three areas concerning values and culture, people and skills and promoting fairness and diversity and there were some areas where improvements need to be made. In addition to the areas covered in our commentary under Governance above, we also note some improvements were needed around succession planning and some aspects of people management. It is important to note that despite these areas for improvement, the report was highly complimentary about the Authority overall and none of the 11 areas reviewed were rated in the bottom categories of 'Requires Improvement' or Inadequate'.

The Authority was rated good in 5 other area's and adequate in the remaining. This is evidence that appropriate actions have been taken by the Authority to address the recommendations put forwards in the previous report.

Procurement and Partnership Working

The ability to procure the correct equipment and appliances is one of the key enablers to achieving the Authority's strategic ambitions. The Authority need to have access to a versatile fleet of response vehicles so that it can deliver the service in a geography that provides challenges from a number of 'high rise' vertical structures to marine expanses. The Authority operates within a network of national and regional purchasing and procurement frameworks which help safeguard value for money across most areas of equipment and supplies. Procurement activity above the thresholds set out in the contract procedure rules are presented to the Authority for decision and we consider that the papers presented are proportionate to the expenditure and provide a good level of information to inform the decision.

In the prior year 2021/22 we noted that that the Authority had encountered some difficulties with its joint procurement arrangement with Liverpool Council for energy supply. We note that issues with the arrangement resulted in the Authority paying an inflated rate for energy costs for a short period, following the outbreak of the Ukraine war and the subsequent impact on energy price inflation. We note that the Authority took action to remedy this although it was not able to avoid incurring significant additional costs. A new contract was entered into at a more competitive rate up to March 2025 at which point a new energy contract will be negotiated. We note the new arrangements the Authority has put in place to ensure that they have greater visibility and influence on shared procurement arrangements in future and that these have received positive assurance from an internal audit review conducted during 2022/23.

Improving economy, efficiency and effectiveness (continued)

Procurement and Partnership Working (continued)

Procurement relationships exist with other North West Fire Authorities, which the service collaborates with to ensure that they are channelling the purchasing power available within the region to make advantageous use of the potential for economies of scale in the procurement process.

The Authority is the nominated host of the National Resilience Assurance Team (NRAT) across the UK. The service manages and deploys specialist vehicles and capabilities for deployment anywhere across the country with officers seconded from many different FRAs. The Authority is responsible for acquiring specialist appliances on behalf of the fire service on a national basis with costs reimbursed by the Home Office. This collaborative approach makes for an efficient joint use of assets, training and operational planning for aspects of the fire service that work better as a national deployment.

The Authority operates alongside key partners such as Merseyside police, local government and NHS bodies. A number of station facilities are shared in collaboration with Ambulance services and police which has enabled benefits to be generated by the parties from historic estate rationalisation and cost sharing. Collaboration is also a key feature of the Integrated Risk Management Plan in regard to strategic planning and providing a co-ordinated emergency response.

The Authority has an established arrangement to purchase services from Liverpool City Council for treasury management and internal audit functions. The rationale for this is that for the relatively modest level of service that the Authority requires it would not be cost effective to run them in house and employ the specialists these services require.

Conclusion

Our review of the Authority has revealed no evidence of significant weakness in their arrangements for improving the way the service is delivered. Procurement arrangements continue to operate in line with previous years and are aligned with national programmes. Performance monitoring is sufficiently aligned to the aspirations of the Authority and is supported by coherent and effective performance monitoring arrangements. The Authority is part of a network of partnerships that are directed towards strategic development and enabling service delivery, including collaboration with other blue light agencies such as Merseyside Police and North West Ambulance Service (NWAS). In keeping with the other themes under review, we found no grounds to make improvement recommendations in regard to improving economy, efficiency and effectiveness.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Ensure that any and all contracts managed by third parties have been identified and recorded as such. Regularly monitor all contracts third parties manage to ensure they are still effective and represent value for money to the Authority.	Key	September 2022	The Authority has already reviewed such contracts and added them to the contracts register to ensure MFRA Officers are involved in any future procurement arrangements and that a new contract is in place before existing contracts end. To evidence the new arrangement, a copy of report CFO/040/022 approved by members on 1st September, ratified the contract for the supply of electricity and gas up to 31st March 2025, has been shared with Grant Thornton.	Yes.	No.

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Authority's financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local Authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Authority's Ethical Standard.

Audit opinion on the financial statements

We are finalising our audit work and intent to issue an unqualified opinion on the Authority's financial statements

Further information on our audit of the financial statements is set out overleaf.

Use of auditor's powers

We bring the following matters to your attention:

	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Authority or an officer of the Authority: • is about to make or has made a decision which involves or would involve the Authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an Authority, or of a failure by an Authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Appendices

Appendix A:
Responsibilities of the Authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use 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 Authority is responsible for putting in place proper arrangements to secure 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.

Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Authority's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	9
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	-
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	No	-

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	8 FEBRUARY 2024	REPORT NO:	CFO/11/24
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	MIKE REA	REPORT AUTHOR:	MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	FINANCIAL REVIEW 2023/24 - OCTOBER TO DECEMBER		

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 2023/24
	APPENDIX C:	APPROVED AUTHORITY CAPITAL PROGRAMME 2023/24 – 2027/28

Purpose of Report

1. To review the revenue, capital, and reserves financial position for the Authority for 2023/24. 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 October to December 2023.

Recommendation

2. That Members;
   a. note the contents of the report;
   b. approve the proposed revenue and capital budget alignments;
   c. approve the use of the £1.100m forecast revenue variance to fund an increase in the Inflation Reserve £0.500m, an increase in the Smoothing Reserve £0.400m and fund a £0.200m revenue contribution to capital and reduce the level of borrowing; and
   d. instruct the Director of Finance and Procurement to continue to work with budget managers to maximise savings in 2023/24.

Executive Summary

Revenue:
The Authority approved a five-year medium-term financial plan (MTFP) at the Budget Authority meeting on 23 February 2023. The approved MTFP delivered a balanced budget for 2023/24 based on key budget assumptions around costs, in particular pay. This report updates members on the 2023/24 budget position and any issues arising in the year that may impact on the future years' financial position.

The MTFP assumed a 5% pay award for 2023/24, the firefighters pay award has been agreed and is consistent with the 5% budget assumption. The Local Government staff have accepted a pay offer of a £1,925 fixed sum or 3.88% (whichever is the highest), this equates to a +6% increase on the non-uniformed staff employee budget and is £0.140m above the budget assumption. The £0.140m increase will be contained within the overall employee budget for 2023/24. The Authority will need to consider the impact of the £0.140m increase as part of the 2024/25 budget process.

The report identifies a net variance of £1.100m, of which £0.600m relates to employee underspend and £0.500m relates to additional interest on balances. Members are asked to approve the use of this variance to fund an increase in the Inflation Reserve £0.500m, an increase in the Smoothing Reserve £0.400m and fund a £0.200m revenue contribution to capital and reduce the level of borrowing.

The total budget requirement remains at the original budget level of £67.921m. Appendix A1 – A4 outline in detail all the revenue budget and reserve movements between October and December 2023.

Capital:
The capital programme planned spend has increased by £6.224m in the quarter and there is £8.191m rephasing from 2023/24 into 2024/25 and future years. 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 December of the financial year 2023/24 (October – December 2023).

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.

Financial Review Structure

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

(A) Current Financial Year – 2023/24

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. Budget Movements: 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. Key budget adjustments in quarter 3 included:-

- At the October 2023 Authority meeting, Members' approved a re-alignment of the ICT capital budget projects pertaining to three large and complex ICT infrastructure projects (CFO/051/23). The projects were Enhanced LAN, Enhanced Audio-Visuals (AV) and ICT Server Virtualisation and Upgrade to SQL. The projects required a net increase to the current ICT capital programme of £0.248m, funded through a drawdown from the Capital Reserve.
- A drawdown of £0.010m from the Community Risk Management Reserve equipment reserve to fund driver training for the Prince's Trust support staff.

- A full breakdown of the reserve movements is outlined in Appendix A4.
- Salary budgets have been increased for the following:
    - £0.607m increase in the non-uniformed employee budget to cover the 2023/24 pay award, funded from the inflation provision.
    - Increase in firefighter £0.152m & non-uniformed £0.332m employee budgets for the Protection Uplift Programme and Beacon Programme. These uplifts are funded by an increase in Specific Grant income.
- Training Expenses increased by £0.300m to fund the Protection Uplift Programme Training £0.165m & the Apprenticeship Programme £0.135m. These uplifts are funded by an increase in Specific Grant income.
- Other inflationary virements from the inflation provision include ICT Service Provider £0.113m, Estates Service Provider £0.059m and PFI unitary Charge £0.167m and Operating Leases £0.059m.
- The National Resilience Assurance budget has been increased by £0.185m realigned to reflect agreed Home Office spending plans, and is 100% funded by grant income.
- Other self-balancing virements to cover small adjustments within non-employee budget lines.

8. **The net budget requirement remains at £67.921m, which is consistent with the original budget**. Appendix A1 – A3 outline the budget movements in the quarter.

9. Update on Budget Assumptions and forecast actual expenditure:

10. The key budget assumptions for 2023/24 are:

    - Annual pay awards of 5%, and
    - Price inflation – general price increases of 4% to 5%; outsourced contracts increases of 10%, and energy and utility costs remaining at the 2022/23 rates, and
    - No significant unplanned growth pressures beyond those built into the MTFP

11. **Annual Pay awards assumption**, 5% pay award for 2023/24;
    The last financial review report covered the impact of the Local government staff 2023/24 pay offer of £1,925 fixed sum or 3.88% (whichever is the highest), this equates to a **+6% increase** on the non-uniformed employee budget, 1.0% or £0.140m above the budget assumption. The pay award offer has been accepted. The £0.140m increase can be contained within the overall employee budget for 2023/24. The Authority will need to consider the impact of the £0.140m increase as part of the 2024/25 budget setting process.

    The 2023/24 firefighter pay award has been agreed and is consistent with the 5% budget assumption.

12. **Non-pay inflation;**
The latest forecasts indicate 2023/24 non-pay inflation can be contained within the inflation provision.

13. Unforeseen Growth;
No 2023/24 unavoidable growth. The budget assumes all spending requirements can be met from the approved budget

14. The following paragraphs consider the December forecast revenue outturn position and potential variances;

I. **Employee Costs**;
Employee costs make-up nearly 80% of the Authority's revenue expenditure budget (*net of revenue costs associated with capital spend*) and is the most risk critical area of the financial plan. As a result, these costs are monitored extremely closely.

The latest uniform employee forecast indicates a small potential **underspend of £0.300m** against the budget due to limited overtime uptake.

The non-uniform establishment forecast indicates a **£0.300m** underspend due to staff recruitment and retention problems.

II. **Non-Employee Costs;**
All other spend and income is expected to be consistent with the approved budget.

III. **Interest on Balances;**
The recent increase in interest rates has meant investment income is now expected to exceed the budget, £0.450m, **by £0.500m**.

15. Overall the latest forecast has identified a net revenue variance of £1.100m. The Director of Finance and Procurement would recommend that Members' approve that the £1.100m variance be used to;

- Increase the Inflation Reserve £0.500m – this would be used to minimise the impact of future pay and price increases above those assumed in the MTFP.
- Increase the Smoothing Reserve £0.400m – this would be used to support the significant financial challenges that the Authority faces as public spending is reduced in the MTFP.
- Increase the revenue contribution to capital £0.200m – this will be used to marginally lower the required level of borrowing in 2023/24.

The table overleaf summarises the year-end forecast position based on spend to the end of December 2023:

Anticipated Year-End Revenue Position (excl. National Resilience)

	TOTAL BUDGET	ACTUAL as at 31.12.23	FORE-CAST	VARI- ANCE
	£'000	£'000	£'000	£'000
Expenditure				
Employee Costs	58,375	42,528	57,775	-600
Premises Costs	3,381	2,714	3,381	0
Transport Costs	1,394	978	1,394	0
Supplies and Services	3,645	2,119	3,645	0
Agency Services	7,108	4,853	7,108	0
Central Support Services	656	535	656	0
Capital Financing	19,662	0	19,662	0
Income	-15,499	-13,718	-15,499	0
Net Expenditure	78,722	40,009	78,122	-600
Contingency Pay&Prices	758	0	758	0
Cost of Services	79,480	40,009	78,880	-600
Interest on Balances	-450	-987	-950	-500
Movement on Reserves	-11,109	0	-11,109	0
Total Operating Cost	**67,921**	**39,022**	**66,821**	**-1,100**

16. The Director of Finance and Procurement will continue to monitor the position during the year to look to deliver savings to fund additional revenue contributions to capital outlay in order to reduce the level of borrowing in the current capital programme.

17. Debtor accounts under £5,000 may be written off by the Director of Finance and Procurement. Three debtor accounts were written off in the quarter totalling £843.92 plus VAT as the service was likely to incur more costs than the value of the debt in an attempt to recover the debt.

Capital Programme Position:

18. The last financial review report (CFO/053/23) approved a 5-year capital programme worth £63.592m. This has now been updated for scheme additions and changes during quarter 3 of (£6.224), as outlined below:-

   a) Officers have reviewed the current 2023/24 programme to identify likely scheme start and completion dates and as a result identified £8.191m rephasing into 2024/25 and future years. The most significant rephasing is due to;

      i. The refurbishment of Bromborough fire station £1.017m has been rephased into 2024/25 whilst the scope of works is being reviewed. The refurbishment at Kirkby fire station £0.312m, has been rephased into 2024/25 in line with the current Estates work plan. The final payment for the new TDA £2.000m has been rephased into 2024/25 to reflect cash flow and retention, project due for completion in April 2024. Delays in finalising other build projects due to resources being prioritised on the new TDA and other major schemes, has meant a further £1.643m of building work has been rephased into 2024/25 and future years.

ii. A number of ICT schemes have been rephased into 2024/25. The MDT Software Solution refresh has been rephased to allow resources to be focused on other major projects in 2023/24 and the Financial Systems upgrade is starting in August 2024. The ICT rephasing has been offset by the ICT realignment (CFO/051/23 - see paragraph 7) resulting in rephasing total of £0.042m.

iii. Operational Equipment purchases £0.279m have been rephased into 2024/25. The Thermal Image Camera replacement has been rephased to 2024/25 due to procurement processes still taking place in the North West and will be purchased in April 2024.

iv. A number of vehicle capital schemes £2.897m have been rephased into 2024/25 and future years.

- Special vehicles - the Authority has a number vehicles in the build stage and planning work ongoing for other specialist projects. The Authority has extended the life of a number of vehicles due to good condition these include Prime Movers, the Crain Lorry Curtainsider and the ICU POD.

- Ancillary vehicles - The Authority is experiencing delays in vehicle supplies and some manufacturers have closed their order books. The Authority is currently carrying out an ancillary vehicle review and has also taken the opportunity to extend the life of vehicles due to good condition.

b) The Authority managers the National Resilience Asset Refresh on behalf of the Home Office and receives 100% funding for the scheme. During the quarter £6.000m of planned asset refresh has been identified and built into the capital programme.

c) At the October 2023 Authority meeting, Members' approved a re-alignment of the ICT capital budget projects pertaining to three large and complex ICT infrastructure projects (CFO/051/23). The projects were Enhanced LAN, Enhanced Audio-Visuals (AV) and ICT Server Virtualisation and Upgrade to SQL. The projects required a net increase to the current ICT capital Programme of £0.248m. As explained above this will be funded through the Capital Reserve.

d) At the December 2023 Policy and Resources Committee, members approved a scheme to enhance mobilisation (CFO/056/23). The scheme required a net increase to the current ICT capital programme of £0.140m to be funded by borrowing.

e) Other small amendments include new ICT hardware £0.012m, server upgrade £0.10m and boat trailers £0.005m

19. The capital programme changes are summarised in the table below. The revised detailed capital programme is attached as Appendix B (2023/24 Capital Programme) and Appendix C (2023/24–2027/28 Capital Programme) to this report.

Movement in the 5 Year Capital Programme						
	Total	2023/24	2024/25	2025/26	2026/27	2027/28
Expenditure	£'000	£'000	£'000	£'000	£'000	£'000
Amendments to Approved Schemes;						
Qtr 3 re-phasing of schemes from 2023/24 into future years	-191.0	-8,191.3	5,851.2	739.5	500.0	909.6
NRAT Asset Refresh Grant	6,000.0	6,000.0				
Re-alignment of ICT (CFO/051/23)	247.5	247.5				
Enhanced Mobilisation (CFO/56/23)	140.0	140.0				
IT/Boat Trailers	28.0	28.0				
	6,224.5	**-1,775.8**	**5,851.2**	**739.5**	**500.0**	**909.6**
Funding						
Revenue Contribution to Capital Outlay (RCCO)						
IT/Boat Trailers	28.0	28.0				
Capital Reserve						
Re-alignment of ICT (CFO/051/23)	247.5	247.5				
Borrowing						
Re-phasing from 2023/24	-191.0	-8,191.3	5,851.2	739.5	500.0	909.6
Enhanced Mobilisation (CFO/56/23)	140.0	140.0				
Grant						
Home Office - NRAT	6,000.0	6,000.0				
	6,224.5	**-1,775.8**	**5,851.2**	**739.5**	**500.0**	**909.6**

Use of Reserves:

20. The analysis in Appendix A4 outlines the reserve movements in the quarter. A £0.258m draw-down adjustment was required as outlined in paragraph 7 of this report.

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

(B) Treasury Management

22. The Authority continues to “buy in” Treasury Management services from Liverpool City Council. The following paragraphs reflect Treasury Management activities in the period October to December 2023.

23. **Prospects for Interest Rates;**
The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The

Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that “further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures”. And it stuck to the familiar script, saying that policy will be “sufficiently restrictive for sufficiently long” and that “monetary policy is likely to need to be restrictive for an extended period of time”. In other words, the message is that the MPC is not yet willing to endorse investors’ expectations that rates will be cut as soon as May 2024.

Looking ahead, however, the recent downward trends in CPI and core inflation are expected to stall over the next few months before starting to decline more decisively again in February. On this basis the Bank of England will probably not feel comfortable cutting interest rates until the second half of 2024.

Rates are forecast to fall back over the next two to three years as inflation dampens, with 50-year PWLB rates currently forecast to stand at 3.90% by the end of December 2025.

Gilt yields have endured a volatile nine months with yields rising significantly on the back of inflation concerns before retracing much of those increases in November and December. The 1 year PWLB rate rose from a low of 4.65% on 6 April to a peak of 6.36% on 6 July. Longer term PWLB 50 year rates have risen from a low of 4.27% on 5 April to a peak of 5.74% on 23 October.

With current elevated borrowing rates it may be advisable not to borrow long-term unless the Authority wants certainty of rate and judges the cost to be affordable.

24. **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 envisages that no new long term borrowing will be required in 2023/24. In the short-term, and at a time when long-term rates are relatively high, the Authority will continue to mitigate interest costs by use of internal resources ahead of further borrowing. Where borrowing is required the Authority may initially choose to benefit from lower short term rates available from the intra-authority market and consider taking longer-term PWLB debt when there is no further value to be obtained from the intra-authority market. Against this background, Treasury Officers will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances.

Current PWLB lending terms have severely constrained the option to generate savings via debt rescheduling. Recent rises in longer term interest rates may provide more favourable debt rescheduling opportunities. Any rescheduling that takes place will be reported to members in monitoring reports.

25. **Annual Investment Strategy;**
The investment strategy for 2023/24 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 the current interest rate environment. In the period 1st October to 31 December 2023 the average rate of return achieved on average principal available was 5.29%. This compares with an average SONIA rate (Sterling Overnight Rate) of 4.89%.

The credit ratings and individual limits for each institution within the categories of investments to be used by the Authority in 2023/24 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 £34.200m as at 31st December 2023, see table below:

ANALYSIS OF INVESTMENTS END OF QUARTER 3 2023/24

Institution	Credit Rating	MM Fund*	DMADF	Bank / Other	Building Society	Local Authority	Average Interest
		£		£	£	£	%
Federated Investors UK (Overnight)	AAA	3,000,000					4.90
Legal & General	A+	2,700,000					5.05
HSBC (MFRS Deposit Account)	A			500,000			1.78
Newcastle BS					1,000,000		5.90
Aberdeen CC						3,000,000	5.60
Birmingham CC						3,000,000	4.45
Cornwall Council						3,000,000	5.50
East Dumbartonshire Council						3,000,000	5.45
Folkstone & Hythe DC						2,000,000	5.60
Leeds CC						3,000,000	5.40
London Borough of Barking & Dagenham						3,000,000	5.35
Rushmoor Borough Council						3,000,000	5.65
The Highland Council						2,000,000	5.60
Wyre Forest DC						2,000,000	2.00
Totals		**5,700,000**	**0**	**500,000**	**1,000,000**	**27,000,000**	**4.87**
Total Current Investments						**34,200,000**	

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

26. **External Debt Prudential Indicators;**

The external debt indicators of prudence for 2023/24 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£79 million
Operational boundary for external debt:	£66 million

Against these limits, the maximum amount of debt reached at any time in the period 1 October to 31 December 2023 was £33.7 million.

27. **Treasury Management Prudential Indicators;**

The treasury management indicators of prudence for 2023/24 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 October to 31 December 2023 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 1 October to 31 December 2023 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	50%	0%	0%	0%
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%	100%	100%

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 2023/24. One investment of £2m has been placed during 2023/24.

Equality and Diversity Implications

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

Staff Implications

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

Legal Implications

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

Financial Implications & Value for Money

31. See Executive Summary.

Risk Management and Health & Safety Implications

32. There are no Risk Management and Health and Safety implications directly related to this report.

Environmental Implications

33. There are no 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/063/22	"MFRA Budget and Financial Plan 2023/2024-2027/2028" Authority 23rd February 2023.
CFO/038/23	"Financial Review 2023/24 – April to June" Community Safety Committee 6th September 2023.
CFO/053/23	"Financial Review 2023/24 – July to September" Policy and Resources Committee 14th December 2023.

GLOSSARY OF TERMS

MTFP	Medium Term Financial Plan

TDA	Training & Development Academy
GDP	Gross Domestic Product
PWLB	Public Works Loans Board

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APPENDIX A1

2023/24 REVENUE BUDGET MOVEMENT SUMMARY

Actual 2022/23	SERVICE REQUIREMENTS	Base Budget 2023/24	Qtr 1 Budget 2023/24	Qtr 2 Budget 2023/24	Reserve Draw-down	Virements	Qtr 3 Budget 2023/24
£'000		£'000	£'000	£'000	£'000	£'000	£'000
72,956	Fire Service	70,576	75,435	76,893	258	1,022	78,173
464	Corporate Management	528	533	533	0	16	549
0	NRAT MFRS Lead Authority (Budget Neutral)	0	0	0	0	0	0
73,420		71,104	75,968	77,426	258	1,038	78,722
0	Contingency for Pay/Price Changes	3,306	1,796	1,796	0	-1,038	758
73,420	TOTAL SERVICE EXPENDITURE	74,410	77,764	79,222	258	0	79,480
-920	Interest on Balances	-172	-450	-450	0	0	-450
72,500	NET OPERATING EXPENDITURE	74,238	77,314	78,772	258	0	79,030
	Contribution to/(from) Reserves:						
	Emergency Related Reserves						
0	Bellwin / Emergency Planning Reserve	0	0	0	0	0	0
35	Insurance Reserve	0	0	0	0	0	0
-2,170	Collection Fund Deficit Reserve	0	-150	-150	0	0	-150
	Modernisation Challenge						
-588	Smoothing Reserve	0	0	0	0	0	0
530	Retrospective Holiday Pay	0	0	0	0	0	0
-62	Pensions Reserve	0	-290	-290	0	0	-290
364	Recruitment Reserve	0	0	0	0	0	0
0	Invest to Save Reserve / Collaboration Reserve	0	-282	-282	0	0	-282
	Capital Investment Reserve						
-6,939	Capital Investment Reserve	-6,316	-8,120	-9,366	-248	0	-9,614
-69	PFI Annuity Reserve	-69	-69	-69	0	0	-69
	Specific Projects						
0	Community Sponsorship Reserve	0	0	0	0	0	0
12	Equipment Reserve	0	0	0	0	0	0
-8	Community Engagement Reserve	0	0	0	0	0	0
62	Training Reserve	0	0	-132	0	0	-132
23	Health and Wellbeing Reserve	0	0	0	0	0	0
-1,769	Inflation Reserve	0	-550	-550	0	0	-550
	Ringfenced Reserves						
-15	Princes Trust Reserve	0	0	0	0	0	0
-4	Community Risk Management Reserve	0	0	-69	-10	0	-79
68	Energy Reserve	68	68	57	0	0	57
-180	New Dimensions Reserve	0	0	0	0	0	0
-10,710	Movement in Reserves	-6,317	-9,393	-10,851	-258	0	-11,109
61,790	BUDGET REQUIREMENT	67,921	67,921	67,921	0	0	67,921
-31,251	Settlement Funding Assessment	-33,249	-33,249	-33,249	0	0	-33,249
1,150	Collection Fund Deficit	-301	-301	-301	0	0	-301
0	Transitional Funding Pension	0	0	0	0	0	0
-31,689	Precept Income	-34,371	-34,371	-34,371	0	0	-34,371
-61,790	BUDGET FUNDING	-67,921	-67,921	-67,921	0	0	-67,921

APPENDIX A2

2023/24 FIRE SERVICE REVENUE BUDGET MOVEMENT

Actual 2022/23	SERVICE REQUIREMENTS	Base Budget 2023/24	Qtr 1 Budget 2023/24	Qtr 2 Budget 2023/24	Reserve Draw-down	Virements	Qtr 3 Budget 2023/24
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	EMPLOYEES						
	Uniformed						
34,396	Firefighters	36,270	37,629	37,382		152	37,534
1,609	Control	1,682	1,749	1,756			1,756
2,639	Additional Hours	2,040	2,113	2,113			2,113
38,644	TOTAL UNIFORMED	39,992	41,491	41,251	0	152	41,403
	APT&C and Manual						
10,479	APT&C	11,666	11,831	11,413		837	12,250
165	Tender Drivers	156	156	156		11	167
219	Catering	235	235	235		20	255
678	Transport Maintenance	706	706	706		45	751
56	Hydrant Technicians	59	59	59		2	61
54	Casuals	0	0	0			0
11,651	TOTAL APT&C/MANUAL	12,822	12,987	12,569	0	915	13,484
	Other Employee Expenses						
74	Allowances	49	50	50			50
0	Removal Expenses	1	1	1			1
772	Training Expenses	454	550	841	10	300	1,151
9	Other Expenses	9	9	9			9
2	Staff Advertising	7	7	7		1	8
63	Development Expenses	80	80	80		71	151
173	Employee Insurance	147	139	139			139
-169	MPF Pen Fixed Rate	-240	-240	-240		-22	-262
56	Enhanced Pensions	52	52	52		11	63
4	SSP & SMP Reimbursements	0	0	0			0
147	Catering Expenditure	125	125	131		14	145
-508	HFRA Capitalisation Payroll	-375	-375	-375			-375
623	TOTAL OTHER EMPLOYEE EXPENSES	309	398	695	10	375	1,080
	Pensions						
1,704	Injury Pension	1,790	1,790	1,790		35	1,825
26	Sanction Charges	21	21	21		10	31
147	Ill Health Retirement Charges	174	174	174			174
0	Injury Gratuity	0	0	0			0
1,877	TOTAL PENSIONS	1,985	1,985	1,985	0	45	2,030
52,795	TOTAL EMPLOYEES	55,108	56,861	56,500	10	1,487	57,997
	PREMISES						
11	Building Maintenance Repairs	29	29	29		1	30
15	Site Maintenance Costs	24	25	25			25
2,349	Energy	1,116	1,116	1,122			1,122
36	Rent	46	47	51			51
1,294	Rates	1,584	1,768	1,768			1,768
250	Water	300	300	300			300
15	Fixtures	15	15	15			15
27	Contract Cleaning	0	0	0			0
57	Insurance	54	70	70			70
4,054	TOTAL PREMISES	3,168	3,370	3,380	0	1	3,381
	TRANSPORT						
332	Direct Transport	330	336	327		-2	325
9	Tunnel & Toll Fees	11	11	11			11
110	Operating Lease	133	133	133		59	192
615	Other Transport Costs	533	533	533		-1	532
74	Car Allowances	91	91	89		-1	88
320	Insurance	244	221	233		6	239
0	Driving Licences	7	7	7			7
1,460	TOTAL TRANSPORT	1,349	1,332	1,333	0	61	1,394

2023/24 FIRE SERVICE REVENUE BUDGET MOVEMENT *(continued)*

Actual 2022/23	SERVICE REQUIREMENTS	Base Budget 2023/24	Qtr 1 Budget 2023/24	Qtr 2 Budget 2023/24	Reserve Draw-down	Virements	Qtr 3 Budget 2023/24
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	SUPPLIES & SERVICES						
12	Administrative Supplies	13	14	17			17
331	Operational Supplies	273	269	269		5	274
5	Hydrants	11	11	11			11
55	Consumables	44	44	44			44
108	Training Supplies	113	113	125		-4	121
136	Fire Prevention Supplies	54	59	123		1	124
6	Catering Supplies	18	21	26		-4	22
389	Uniforms	331	344	349		9	358
77	Printing & Stationery	97	99	100			100
3	Operating Leases	1	4	4			4
283	Professional Fees/Service	412	433	441			441
816	Communications	840	840	840		33	873
14	Postage	15	15	15		2	17
8	Command/Control	5	5	10			10
676	Computing	362	366	461		23	484
240	Medicals	269	269	269		1	270
50	Travel & Subsistence	64	72	77		6	83
129	Grants/Subscriptions	106	109	123		13	136
3	Advertising	1	1	1		-1	0
47	Insurances	37	49	49			49
9	Furniture	13	13	13			13
67	Laundry	82	82	82			82
14	Hospitality	7	8	18		7	25
66	Seconded Officers In	0	0	65			65
3,544	**TOTAL SUPPLIES & SERVICES**	**3,168**	**3,240**	**3,532**	**0**	**91**	**3,623**
	AGENCY SERVICES						
152	Super Fund Admin	126	126	126			126
1,598	ICT Service Provider	1,576	1,576	1,597		113	1,710
411	ICT Managed Suppliers	439	439	418		4	422
2,980	PFI Unitary Charges ((Int/Principal/Op Costs)	2,991	2,991	2,991		167	3,158
1,628	Estates Service Provider	1,633	1,633	1,633		59	1,692
6,769	**TOTAL AGENCY SERVICES**	**6,765**	**6,765**	**6,765**	**0**	**343**	**7,108**
	CENTRAL EXPENSES						
482	Finance & Computing	482	501	501		14	515
2	Central Expenses	0	0	0		2	2
484	**TOTAL CENTRAL EXPENSES**	**482**	**501**	**501**	**0**	**16**	**517**
	CAPITAL FINANCING						
5,101	PWLB Debt Charges	7,590	7,590	7,590			7,590
48	MRB Debt Charges	60	60	60			60
14,981	Revenue Contribution to Capital	6,691	10,064	11,762	248	14	12,024
-22	Early Settement of Debt (Pfi Refin)	-22	-22	-22			-22
20,108	**TOTAL CAPITAL FINANCING**	**14,319**	**17,692**	**19,390**	**248**	**14**	**19,652**
89,214	**TOTAL EXPENDITURE**	**84,359**	**89,761**	**91,401**	**258**	**2,013**	**93,672**
	INCOME						
12,632	Specific Grants	11,201	11,565	11,729		895	12,624
40	Sales	1	5	40		10	50
1,389	Fees & Charges	1,219	1,318	1,226		54	1,280
-2	Reinforcing Moves	0	0	0			0
1,523	Rents etc	901	901	900			900
300	Recharges Secondments	210	210	210			210
214	Contributions	128	204	273		25	298
152	Recharges Internal	113	113	120		7	127
10	Other Income	10	10	10			10
16,258	**TOTAL INCOME**	**13,783**	**14,326**	**14,508**	**0**	**991**	**15,499**
72,956	**NET EXPENDITURE**	**70,576**	**75,435**	**76,893**	**258**	**1,022**	**78,173**

APPENDIX A3

2023/24 CORPORATE MANAGEMENT REVENUE BUDGET MOVEMENT

Actual 2022/23	SERVICE REQUIREMENTS	Base Budget 2023/24	Qtr 1 Budget 2023/24	Qtr 2 Budget 2023/24	Reserve Draw-down	Virements	Qtr 3 Budget 2023/24
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE						
	Finance & Legal costs						
79	Finance Officer	79	79	79			79
35	Legal Officer	79	84	84		6	90
	Democratic Rep (1020)						
12	- Travel & Subsistence	17	17	17			17
2	- Conference Fees	2	2	2			2
205	- Members Allowances	209	209	209			209
0	- Telephones	1	1	1			1
1	- Training	1	1	1			1
2	- Hospitality	1	1	1			1
0	Capital Financing Costs	0	0	0		10	10
	Central Expenses (1030)						
15	Bank Charges	15	15	15			15
34	District Audit Fees	45	45	45			45
79	Subscriptions	79	79	79			79
464	**TOTAL EXPENDITURE**	528	533	533	0	16	549

2023/24 NATIONAL RESILIENCE ASSURANCE REVENUE BUDGET MOVEMENT

Actual 2022/23	SERVICE REQUIREMENTS	Base Budget 2023/24	Qtr 1 Budget 2023/24	Qtr 2 Budget 2023/24	Reserve Draw-down	Virements	Qtr 3 Budget 2023/24
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE						
2,156	Employee Costs		2,493	2,651		85	2,736
2	Premises Costs		0	0			0
6,414	Transport Costs		7,676	7,683		28	7,711
3,396	Supplies and Services Costs		5,119	5,444		70	5,514
454	Agency Costs		32	32			32
0	Central Expenditure		0	0			0
15	Capital Financing Costs		0	2		2	4
12,437	**TOTAL EXPENDITURE**	0	15,320	15,812	0	185	15,997
	INCOME						
12,437	Income		15,320	15,812		185	15,997
0	**NET EXPENDITURE**	0	0	0	0	0	0

APPENDIX A4

Budgeted Movement on Reserves 2023/24

	Opening Balance	Qtr 1 Draw-down &	Qtr 2 Draw-down &	Qtr 3 Draw-down & changes	Closing Balance
Commmitted Reserves	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Emergency Related Reserves					
Bellwin / Emergency Planning Reserve	**222**				222
Insurance Reserve	**534**				534
Facing The Future COVID-19 Reserve	**0**				
Collection Fund Reserve	**250**	-150			100
Modernisation Challenge					
Smoothing Reserve	**1,000**				1,000
Retrospective Holiday Pay	**530**				530
Pensions Reserve	**590**	-290			300
Recruitment Reserve	**1,814**				1,814
Invest to Save / Collaboration Reserve	**282**	-282			
Capital Investment Reserve	**10,781**	-8,120	-1,246	-248	1,167
PFI Annuity Reserve	**1,373**	-69			1,304
Specific Projects					
Community Sponsorship Reserve	**55**				55
Equipment Reserve	**217**				217
Community Engagement Reserve	**0**				0
Training Reserve	**212**		-132		80
Health and Wellbeing Reserve	**30**				30
Inflation Reserve	**1,250**	-550			700
Clothing Reserve	**90**				90
Ringfenced Reserves					
Princes Trust Reserve	**0**				
Community Risk Management Reserve	**300**		-69	-10	221
Energy Reserve	**201**	68	-11		258
New Dimensions Reserve	**58**				58
Total Earmarked Reserves	**19,789**	**-9,393**	**-1,458**	**-258**	**8,680**
General Revenue Reserve	**3,000**	**0**	**0**	**0**	**3,000**
Total Reserves	**22,789**	**-9,393**	**-1,458**	**-258**	**11,680**

APPENDIX B

Capital Programme 2023/24

EXPENDITURE		Approved Budget	Qtr 1 Budget	Qtr 2 Budget	Q3 Amend-ments	Qtr 3 Virements	Qtr 3 Budget	Actual to 31.12.23
		£	£	£	£	£	£	£
BUILDING & LAND PROGRAMME								
BLD001	Roofs & Canopy Replacements	145,000	178,700	178,700	-147,100		31,600	1,445
BLD003	Appliance Room Door Repairs	25,000	25,000	25,000			25,000	0
BLD004	Concrete Yard Repairs	72,500	94,600	94,600			94,600	16,193
BLD005	Tower Improvements	15,000	37,700	37,700	-20,000		17,700	0
BLD007	L.E.V. Sys In App Rooms	37,500	39,200	39,200	-20,000		19,200	1,630
BLD011	Capital Refurbishment	15,000	15,000	15,000			15,000	0
BLD013	Appliance Room Floors	172,000	122,000	122,000	-100,000		22,000	0
BLD014	Boiler Replacements	65,000	82,000	82,000	-40,000		42,000	3,190
BLD016	Community Station Investment	30,000	54,700	54,700	-24,100		30,600	586
BLD018	Conference Facilities H/Q	45,000	45,000	45,000			45,000	
BLD020	5 Year Electrical Test	75,000	111,100	111,100			111,100	97,853
BLD026	Corporate Signage	15,000	31,500	31,500	-11,300		20,200	480
BLD031	Diesel Tanks		12,350	12,350			12,350	7,200
BLD032	Power Strategy (Generators)	15,000	37,000	37,000			37,000	8,965
BLD033	Sanitary Accommodation Refurb	115,000	136,200	136,200	-104,800		31,400	1,450
BLD034	Office Accommodation	65,000	78,300	78,300			78,300	16,262
BLD039	F.S. Refurbishment Heswall	90,000	126,900	26,900	-23,900		3,000	3,032
BLD041	F.S. Refurbishment Aintree	150,000	159,900	159,900	-129,600		30,300	
BLD044	Asbestos Surveys	30,000	38,400	38,400	-20,000		18,400	1,836
BLD050	LLAR Accommodation Belle Vale		49,800	49,800			49,800	3,185
BLD053	Lighting Replacement	10,000	20,500	20,500			20,500	723
BLD055	F.S. Refurbishment Bromborough	1,200,000	1,238,400	1,238,400	-1,017,600		220,800	4,161
BLD057	F.S. Refurbishment Crosby	50,000	92,600	92,600	-61,600		31,000	997
BLD058	H.V.A.C. Heating, Vent & Air Con	5,000	48,000	48,000			48,000	38,906
BLD060	D.D.A. Compliance Work	150,000	182,600	182,600	-100,000		82,600	2,310
BLD061	Lighting Conductors Surge Protectors	45,000	53,000	53,000	-28,600		24,400	4,355
BLD062	Emergency Lighting	30,000	47,800	47,800	-27,800		20,000	
BLD063	F.S. Refurbishment Kirby	365,000	365,000	365,000	-312,100		52,900	2,890
BLD067	Gym Equipment Replacement	45,000	78,400	78,400	-22,500		55,900	35,914
BLD068	SHQ Joint Control Room			39,000			39,000	2,399
BLD070	Workshop Enhancement		2,700	2,700			2,700	
BLD071	Station Refresh		0	0			0	
BLD073	SHQ Museum	191,000	191,000	191,000	-191,000		0	
BLD075	LLAR Accomm Newton Le Willows	720,000	822,400	862,400			862,400	510,005
BLD081	SHQ Stage C Works		0	0			0	-15,014
BLD082	Saughall Massie Fire Station Build		0	0			0	15
BLD083	St Helens Fire Station Build		0	0			0	-3,376
BLD084	F.S. Refurbishment Croxteth		34,600	34,600			34,600	
BLD085	F.S. Refurbishment Speke/Garston	300,000	682,300	712,300			712,300	596,274
BLD086	F.S. Refurbishment Old Swan	300,000	678,400	708,400			708,400	579,874
BLD088	F.S. Refurbishment Kensington	130,000	134,900	134,900	-100,000		34,900	13,716
BLD089	F.S. Refurbishment Toxteth/Hub	200,000	200,000	200,000	-152,500		47,500	17,492
BLD090	F.S. Refurbishment Wallasey	25,000	43,900	43,900			43,900	19,466
BLD091	New Build TDA	24,538,000	23,892,000	24,952,000	-2,000,000		22,952,000	17,206,078
BLD092	Service HQ. Offices	50,000	78,300	78,300	-41,200		37,100	17,062
BLD093	Refurbishment MF1	150,000	150,000	150,000	-118,300		31,700	1,706
BLD094	Security Enhancement Works	25,000	40,700	40,700			40,700	21,229
BLD095	Electric Vehicle Infrastructure	55,000	75,000	75,000	-40,000		35,000	
BLD096	Passive Strategy	20,000	40,000	40,000			40,000	
BLD097	Saughill Massie Wig Wags		100,000	100,000			100,000	111,468
CON001	Energy Conservation Non-Salix	150,000	128,200	128,200	-100,000		28,200	
CON002	Energy Conservation Salix		1,800	1,800			1,800	560
EQU002	Fridge/Freezer Rep Prog	15,000	42,300	42,300	-18,000		24,300	17,083
EQU003	Furniture Replacement Prog	60,000	73,700	73,700		745	74,445	17,778
TDA001	TDA Refurbishment	20,000	40,400	40,400			40,400	3,989
	Total	**30,026,000**	**31,054,250**	**32,153,250**	**-4,972,000**	**745**	**27,181,995**	**19,371,368**
FIRE SAFETY								
FIR002	Smoke Alarms (H.F.R.A.)	235,000	235,000	235,000			235,000	128,865
FIR005	Installation Costs (H.F.R.A.)	375,000	375,000	375,000			375,000	
FIR006	Deaf Alarms (H.F.R.A.)	25,000	25,000	25,000			25,000	11,440
FIR007	Replacement Batteries (H.F.R.A.)		0				0	202
	Total	**635,000**	**635,000**	**635,000**	**0**	**0**	**635,000**	**140,507**

APPENDIX B

Capital Programme 2023/24

EXPENDITURE		Approved Budget	Qtr 1 Budget	Qtr 2 Budget	Q3 Amend-ments	Qtr 3 Virements	Qtr 3 Budget	Actual to 31.12.23
		£	£	£	£	£	£	£
ICT								
FIN001	F.M.I.S. Replacement	253,500	253,500	253,500	-253,500		0	
IT002	I.C.T. Software	660,300	678,300	603,300	-170,300		433,000	262,638
IT003	I.C.T. Hardware	213,860	441,360	431,060	56,800	11,755	499,615	287,328
IT005	I.C.T. Servers	323,600	323,600	423,600	26,400		450,000	
IT018	I.C.T. Network	134,400	134,400	134,400	807,600		942,000	108,975
IT019	Website Development		10,800	10,800	-10,800		0	
IT026	I.C.T. Operational Equipment	145,400	145,400	145,400			145,400	3,030
IT027	I.C.T. Security	24,000	24,000	24,000			24,000	
IT028	System Development Portal		105,200	105,200	-31,400		73,800	17,500
IT030	I.C.T. Projects / Upgrades	5,000	5,000	5,000			5,000	
IT047	Legal Case Management System	0	0	0		10,000	10,000	
IT055	C3i C&C Comms and Info system	5,000	5,000	55,000			55,000	2,199
IT058	New Emergency Services Network	40,000	54,300	54,300	-54,300		0	
IT059	ESMCP Project Control room integration	25,900	92,000	92,000			92,000	
IT062	Capita Vision 3 Update		91,500	81,500			81,500	63,444
IT063	PIPS System Upgrade	120,000	120,000	120,000	-90,000		30,000	
IT064	999 EYE Emergency Streaming	40,000	40,000	40,000	-40,000		0	
IT065	Dynamic Cover Response Tool	35,000	35,000	35,000	-35,000		0	
IT066	ESN Ready		20,700	20,700			20,700	
IT067	DCS Upgrade		48,400	58,400			58,400	30,144
IT068	Command & Control Suite TDA	501,000	501,000	501,000			501,000	
IT069	ICT Enhanced Mobilisation	0	0	0		140,000	140,000	
	Total	**2,526,960**	**3,129,460**	**3,194,160**	**205,500**	**161,755**	**3,561,415**	**775,259**
NATIONAL RESILIENCE ASSET REFRESH								
NRAT001	NRAT Asset Refresh	0	143,300	193,300			193,300	21,622
NRAT002	NRAT - DIM	0	1,109,200	2,138,300		6,000,000	8,138,300	2,366,203
NRAT003	NRAT - ELS	0	0	851,300			851,300	897
	Total	**0**	**1,252,500**	**3,182,900**	**0**	**6,000,000**	**9,182,900**	**2,388,722**
OPERATIONAL EQUIP. & HYDRANTS								
OPS001	Gas Tight Suits Other Ppe	11,500	24,200	24,200	-1,500	-10,000	12,700	
OPS003	Hydraulic Rescue Equipment	85,000	94,400	94,400			94,400	11,886
OPS005	Resuscitation Equipment	30,500	30,500	30,500			30,500	9,350
OPS009	Pod Equipment	95,000	95,000	80,000			80,000	
OPS011	Thermal Imaging Cameras	175,000	176,000	176,000	-170,000		6,000	
OPS016	Gas Detection Equipment	45,300	45,300	45,300			45,300	2,279
OPS022	Improvements To Fleet	58,000	60,300	50,300		-5,000	45,300	23,933
OPS023	Water Rescue Equipment	71,000	73,600	73,600	-50,000		23,600	3,696
OPS024	BA equipment / Comms	75,000	95,400	95,400			95,400	22,035
OPS026	Rope Replacement	20,000	24,500	24,500			24,500	3,434
OPS027	Light Portable Pumps	30,000	30,000	30,000	-20,000		10,000	
OPS033	Marine Rescue Launch	20,500	20,500	20,500		-15,000	5,500	3,811
OPS034	Operational Ladders	57,000	50,600	10,600			10,600	
OPS036	Radiation Detection Equipment	2,000	62,900	62,900			62,900	2,410
OPS038	Water Delivery System	10,000	10,000	10,000			10,000	
OPS039	Water Delivery Hoses	37,500	37,500	37,500			37,500	18,034
OPS049	Bulk Foam Attack Equipment		109,300	109,300		-25,000	84,300	30,656
OPS054	Electrical Equipment	68,000	69,900	109,900			109,900	96,201
OPS058	Operational Drones	2,500	2,500	2,500			2,500	869
OPS059	Fire Ground Equipment	5,000	8,000	8,000			8,000	7,776
OPS060	SRT Equipment	40,000	71,200	71,200	-30,000		41,200	7,343
OPS061	Hi-Rise Kits	2,000	29,100	29,100	-8,000		21,100	11,933
OPS062	Marine Firefighting	0	1,000	16,000			16,000	1,655
OPS063	Emerging Technologies	0	4,000	4,000			4,000	3,246
OPS064	Wildfire Equipment	0	0	10,000			10,000	4,671
OPS065	Communications	0	0	0		55,000	55,000	
HYD001	Hydrants (New Installations)	18,500	18,500	18,500			18,500	
HYD002	Hydrants (Rep Installations)	18,500	18,500	18,500			18,500	8,834
	Total	**977,800**	**1,262,700**	**1,262,700**	**-279,500**	**0**	**983,200**	**274,051**

APPENDIX B

Capital Programme 2023/24

EXPENDITURE		Approved Budget	Qtr 1 Budget	Qtr 2 Budget	Q3 Amend-ments	Qtr 3 Virements	Qtr 3 Budget	Actual to 31.12.23
		£	£	£	£	£	£	£
VEHICLES								
VEH001	Wtl'S Purchased		6,500	6,500		-6,500	0	
VEH002	Ancillary Vehicles	364,700	1,041,300	1,041,300	-348,900	29,000	721,400	305,758
VEH004	Special Vehicles	1,412,100	3,137,600	3,137,600	-2,494,800	-22,500	620,300	62,363
VEH005	Vehicles water Strategy		16,400	16,400	-16,400		0	
VEH010	Marine Rescue Vessels	300,000	348,900	383,400		5,500	388,900	294,728
WOR001	Workshop Equipment	20,000	37,700	37,700	-37,700		0	
	Total	**2,096,800**	**4,588,400**	**4,622,900**	**-2,897,800**	**5,500**	**1,730,600**	**662,849**
	Grand Total	**36,262,560**	**41,922,310**	**45,050,910**	**-7,943,800**	**6,168,000**	**43,275,110**	**23,612,756**

Capital Programme 2023/24

EXPENDITURE	Approved Budget	Qtr 1 Budget	Qtr 2 Budget	Q3 Amend-ments	Qtr 3 Virements	Qtr 3 Budget	Actual to 31.12.23
	£	£	£	£	£	£	£
Capital Receipts							
Sale of Newton LLAR House	435,000	435,000	435,000	-435,000		0	
Sale of LLAR NWAS Land	80,000	80,000	80,000	-80,000		0	
Sale of Vesty A	550,000	550,000	550,000	-550,000		0	
Sale of Vesty B	550,000	550,000	550,000	-550,000		0	
Sale of Ritchie Avenue Stores	100,000	100,000	100,000	-100,000		0	
Sale of TDA/Croxteth FS	2,000,000	2,000,000	2,000,000	-2,000,000		0	
Sale of Aintree FS	200,000	200,000	200,000	-200,000		0	
R.C.C.O. / Capital Reserve							
Capitalisation of Sals HFRA (FIR005)	375,000	375,000	375,000			375,000	
Realignment of ICT (CFO/51/23)				247,500		247,500	
TDA Refurb (BLD091) Cap Inv Res	6,316,000	9,670,000	10,730,000		500,000	11,230,000	11,230,000
It Equipment (IT003)		9,100	23,800		12,500	36,300	34,900
Diesel Tanks (BLD031)		150	150			150	150
Hi-Rise Kits (OPS061)		10,000	10,000			10,000	10,000
C3I C&C Comms (IT055)			50,000			50,000	50,000
SHQ JCC (BLD068)			39,000			39,000	39,000
New Malawi Replacement Boats(VEH010)			34,500		5,500	40,000	40,000
Mod Gov Server Upgrade (IT047)					10,000	10,000	10,000
Grant							
NRAT National Resilience Grant		1,252,500	3,182,900		6,000,000	9,182,900	2,388,722
Total Non Borrowing	**10,606,000**	**15,231,750**	**18,360,350**	**-3,667,500**	**6,528,000**	**21,220,850**	**13,802,772**
Borrowing Requirement							
Unsupported Borrowing	25,656,560	26,690,560	26,690,560	-4,276,300	-360,000	22,054,260	9,809,984
Borrowing	**25,656,560**	**26,690,560**	**26,690,560**	**-4,276,300**	**-360,000**	**22,054,260**	**9,809,984**
Total Funding	**36,262,560**	**41,922,310**	**45,050,910**	**-7,943,800**	**6,168,000**	**43,275,110**	**23,612,756**

Capital Programme 2023/24 to 2027/28

Capital Expenditure	Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Buildings & Land	**34,927,995**	27,181,995	5,082,700	527,500	1,327,500	808,300
Fire Safety	**3,175,000**	635,000	635,000	635,000	635,000	635,000
ICT	**7,828,295**	3,561,415	1,510,460	967,860	1,137,660	650,900
NRAT Resilience Assets	**9,182,900**	9,182,900	0	0	0	0
Operational Equipment & Hydrants	**4,392,200**	983,200	914,000	1,373,500	390,500	731,000
Vehicles	**10,310,250**	1,730,600	2,932,850	2,518,000	200,000	2,928,800
Expenditure	**69,816,640**	**43,275,110**	**11,075,010**	**6,021,860**	**3,690,660**	**5,754,000**
2023/24 - 2027/28 Q2 Approved Programme	***63,592,140***	***45,050,910***	***5,223,810***	***5,282,360***	***3,190,660***	***4,844,400***
Q3 Change to Q2	**6,224,500**	**(1,775,800)**	**5,851,200**	**739,500**	**500,000**	**909,600**
Q3 Movements Explained by:						
RCCOs IT/Vehicles	**28,000**	28,000				
NRAT Asset Refresh Grant	**6,000,000**	6,000,000				
RCCO Realign IT003/5/18 (Cap Inv Res CFO/051/23)	**247,500**	247,500	0	0	0	0
Rephasing of Schemes	**(191,000)**	(8,191,300)	5,851,200	739,500	500,000	909,600
Borrowing: ICT Enhanced Mobilisation (CFO/056/23)	**140,000**	140,000				
Q3 Movement	**6,224,500**	**(1,775,800)**	**5,851,200**	**739,500**	**500,000**	**909,600**
		0	**0**	**0**	**0**	**0**

Financing Available	Total £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Capital Receipts	**4,365,000**	**0**	**4,365,000**	**0**	**0**	**0**
RCCO	**1,971,450**	**471,450**	**375,000**	**375,000**	**375,000**	**375,000**
Capital Reserves	**11,566,500**	**11,566,500**	**0**	**0**	**0**	**0**
Grants	**9,182,900**	**9,182,900**	**0**	**0**	**0**	**0**
Total Non Borrowing	**27,085,850**	**21,220,850**	**4,740,000**	**375,000**	**375,000**	**375,000**
Unsupported Borrowing	**42,730,790**	**22,054,260**	**6,335,010**	**5,646,860**	**3,315,660**	**5,379,000**
Total Funding	**69,816,640**	**43,275,110**	**11,075,010**	**6,021,860**	**3,690,660**	**5,754,000**
2023/24 - 2027/28 Q2 Approved Programme	***63,592,140***	***45,050,910***	***5,223,810***	***5,282,360***	***3,190,660***	***4,844,400***
Q3 Change to Q2	**6,224,500**	**(1,775,800)**	**5,851,200**	**739,500**	**500,000**	**909,600**
Funding Change Explained by:						
RCCO	**28,000**	**28,000**	**0**	**0**	**0**	**0**
IT003 IT Hardware - 0085		12,500				
IT047 Mod Gov Server Upgrade - 1020		10,000				
VEH010 2 Boat Trailers - 0221		5,500				
Capital Reserves	**247,500**	**247,500**	**0**	**0**	**0**	**0**
Realign IT003/5/18 (CFO/51/23)	**247,500**	247,500				
Capital Receipts	**0**	**0**	**0**	**0**	**0**	**0**
Grants	**6,000,000**	**6,000,000**	**0**	**0**	**0**	**0**
NRAT Grant		6,000,000				
Unsupported Borrowing	**(51,000)**	**(8,051,300)**	**5,851,200**	**739,500**	**500,000**	**909,600**
Rephasing of Schemes	**(191,000)**	(8,191,300)	5,851,200	739,500	500,000	909,600
Borrowing: ICT Enhanced Mobilisation (CFO/56/23)	**140,000**	140,000				
Q3 Movements	**6,224,500**	**(1,775,800)**	**5,851,200**	**739,500**	**500,000**	**909,600**

Buildings Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure	Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Major Site Works						
BLD039 FS Refurbishment Heswall	26,900	3,000	23,900			
BLD041 FS Refurbishment Aintree	159,900	30,300	129,600			
BLD055 FS Refurbishment Bromborough	1,238,400	220,800	1,017,600			
BLD057 FS Refurbishment Crosby	392,600	31,000	61,600		300,000	
BLD063 FS Refurbishment Kirkby	365,000	52,900	312,100			
BLD073 SHQ Museum						
BLD084 FS Refurbishment Croxteth	34,600	34,600				
BLD085 FS Refurbishment Speke/Garston	712,300	712,300				
BLD086 FS Refurbishment Old Swan	708,400	708,400				
BLD088 FS Refurbishment Kensington	134,900	34,900	100,000			
BLD089 FS Refurbishment Toxteth	200,000	47,500				152,500
BLD090 FS Refurbishment Wallasey	543,900	43,900			500,000	
BLD091 TDA New Build	24,952,000	22,952,000	2,000,000			
BLD093 Marine Fire 1 Refurbishment	150,000	31,700				118,300
	29,618,900	24,903,300	3,644,800		800,000	270,800
LLAR Accommodation Works						
BLD050 LLAR Accommodation Belle Vale	49,800	49,800				
BLD075 LLAR Accommodation Newton-le-Willows	862,400	862,400				
	912,200	912,200				
General Station Upgrade Works						
BLD001 Roofs & Canopy Replacements	358,700	31,600	192,100	45,000	45,000	45,000
BLD003 Appliance Room Door Repairs	125,000	25,000	25,000	25,000	25,000	25,000
BLD004 Concrete Yard Repairs	184,600	94,600	22,500	22,500	22,500	22,500
BLD005 Tower Improvements	97,700	17,700	35,000	15,000	15,000	15,000
BLD013 Non Slip Coating to Appliance Room Floors	242,000	22,000	130,000	30,000	30,000	30,000
BLD016 Community Station Investment	54,700	30,600	24,100			
BLD033 Sanitary Accommodation Refurbishment	216,200	31,400	124,800	20,000	20,000	20,000
BLD097 Saughall Massie Wig Wags	100,000	100,000				
TDA001 TDA Refurbishment	40,400	40,400				
	1,419,300	393,300	553,500	157,500	157,500	157,500
Other Works						
BLD007 L.E.V. System in Appliance Rooms	59,200	19,200	25,000	5,000	5,000	5,000
BLD011 Capital Refurbishment	85,000	15,000	15,000	15,000	15,000	25,000
BLD014 Boiler Replacements	142,000	42,000	55,000	15,000	15,000	15,000
BLD018 Conference Facilities SHQ	65,000	45,000	5,000	5,000	5,000	5,000
BLD020 Electrical Testing	211,100	111,100	25,000	25,000	25,000	25,000
BLD026 Corporate Signage	51,500	20,200	16,300	5,000	5,000	5,000
BLD031 Diesel Tanks	12,350	12,350				
BLD032 Power Strategy	97,000	37,000	15,000	15,000	15,000	15,000
BLD034 Office Accommodation	178,300	78,300	25,000	25,000	25,000	25,000
BLD044 Asbestos Surveys	78,400	18,400	30,000	10,000	10,000	10,000
BLD053 Lighting Replacement	20,500	20,500				
BLD058 HVAC - Heating, Ventilation & Air Con	128,000	48,000	5,000	25,000	25,000	25,000
BLD060 DDA Compliance	382,600	82,600	150,000	50,000	50,000	50,000
BLD061 Lightening Conductors & Surge Protection	73,000	24,400	33,600	5,000	5,000	5,000
BLD062 Emergency Lighting	67,800	20,000	32,800	5,000	5,000	5,000
BLD067 Gym Equipment Replacement	198,400	55,900	67,500	25,000	25,000	25,000
BLD068 SHQ JCC	39,000	39,000				
BLD070 Workshop Enhancement	2,700	2,700				
BLD092 Service Headquarters Offices	78,300	37,100	41,200			
BLD094 Security Enhancement Works	140,700	40,700	25,000	25,000	25,000	25,000
BLD095 Electric Vehicle Infrastructure Works	175,000	35,000	65,000	25,000	25,000	25,000
BLD096 Passive Fire Stragety	120,000	40,000	20,000	20,000	20,000	20,000
CON001 Energy Conservation Non-Salix	248,200	28,200	130,000	30,000	30,000	30,000
CON002 Energy Conservation Salix	1,800	1,800				
EQU002 Replacement programme for Fridge Freezers	102,300	24,300	33,000	15,000	15,000	15,000
EQU003 Furniture Replacement Programme	219,445	74,445	70,000	25,000	25,000	25,000
	2,977,595	973,195	884,400	370,000	370,000	380,000
	34,927,995	27,181,995	5,082,700	527,500	1,327,500	808,300

Original Budget	32,991,000	30,026,000	572,500	1,027,500	827,500	537,500
Current Programme	34,927,995	27,181,995	5,082,700	527,500	1,327,500	808,300
Changes	1,936,995	(2,844,005)	4,510,200	(500,000)	500,000	270,800

Buildings Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure	Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Q1 Movements/Adjustments	**1,028,250**	**1,028,250**				
Q2 Movements/Adjustments	**1,099,000**	**1,099,000**				
Q3 Movements/Adjustments	**(190,255)**	**(4,971,255)**	**4,510,200**	**(500,000)**	**500,000**	**270,800**
Virements						
EQU003 from IT003		745				
Slippage						
BLD001 Roofs & Canopy Replacements		(147,100)	147,100			
BLD005 Tower Improvements		(20,000)	20,000			
BLD007 L.E.V. System in Appliance Rooms		(20,000)	20,000			
BLD013 Appliance Room Floors		(100,000)	100,000			
BLD014 Boiler Replacements		(40,000)	40,000			
BLD016 Community Station Investment		(24,100)	24,100			
BLD026 Corporate Signage		(11,300)	11,300			
BLD033 Sanitary Accommodation Refurb		(104,800)	104,800			
BLD039 F.S. Refurbishment Heswall		(23,900)	23,900			
BLD041 F.S. Refurbishment Aintree		(129,600)	129,600			
BLD044 Asbestos Surveys		(20,000)	20,000			
BLD055 F.S. Refurbishment Bromborough		(1,017,600)	1,017,600			
BLD057 F.S. Refurbishment Crosby		(61,600)	61,600			
BLD060 D.D.A. Compliance Work		(100,000)	100,000			
BLD061 Lighting Conductors Surge Protectors		(28,600)	28,600			
BLD062 Emergency Lighting		(27,800)	27,800			
BLD063 F.S. Refurbishment Kirby		(312,100)	312,100			
BLD067 Gym Equipment Replacement		(22,500)	22,500			
BLD073 S.H.Q. Museum (To 2028/29)		(191,000)				
BLD088 F.S. Refurbishment Kensington		(100,000)	100,000			
BLD089 F.S. Refurbishment Toxteth/Hub		(152,500)				152,500
BLD090 F.S. Refurbishment Wallasey				(500,000)	500,000	
BLD091 Refurbishment T.D.A.		(2,000,000)	2,000,000			
BLD092 Service H.Q. Offices		(41,200)	41,200			
BLD093 Refurbishment M.F.1.		(118,300)				118,300
BLD095 Electric Vehicle Infrastructure Works		(40,000)	40,000			
CON001 Energy Conservation Non-Salix		(100,000)	100,000			
EQU002 White Goods & Catering Equipment		(18,000)	18,000			
TOTAL MOVEMENTS	**1,936,995**	**(2,844,005)**	**4,510,200**	**(500,000)**	**500,000**	**270,800**

Fire Safety Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure		Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
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
FIR007	Replacement Batteries (12,000)						
		3,175,000	**635,000**	**635,000**	**635,000**	**635,000**	**635,000**
Original Budget		**2,540,000**	**635,000**	**635,000**	**635,000**	**635,000**	
Current Programme		**3,175,000**	**635,000**	**635,000**	**635,000**	**635,000**	**635,000**
Changes		**635,000**					**635,000**

ICT Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure	Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
IT002 ICT Software						
Software Licences	**10,000**	2,000	2,000	2,000	2,000	2,000
MDT Software Solution Refresh	**100,000**		100,000			
Sophos MDR	**206,000**	103,000			103,000	
3 Year Antivirus & Filtering Software	**153,800**	3,800		150,000		
3 Year PRTG Subscription License	**6,000**			6,000		
Microsoft SQL Software	**61,200**	61,200				
Microsoft EA Agreement (Servers & Security)	**152,500**	30,500	30,500	30,500	30,500	30,500
Microsoft EA Agreement (Windows & Office)	**1,047,600**	202,000	211,400	211,400	211,400	211,400
Microsoft EA Agreement (Application Development)	**154,900**	30,500	31,100	31,100	31,100	31,100
	1,892,000	**433,000**	**375,000**	**431,000**	**378,000**	**275,000**
IT003 ICT Hardware						
Desktops (target 20%)	**228,300**	44,200	40,100	48,000	48,000	48,000
Laptops/Surface Pros/Tablets/Docking Stations (target 20	**511,455**	87,955	62,000	120,500	120,500	120,500
Monitors & Monitor Arms (target 20%)	**80,400**	24,400	14,000	14,000	14,000	14,000
Peripherals replacement (target 20%)	**17,200**	5,200	3,000	3,000	3,000	3,000
Mobile device replacement (target 20%)	**71,540**	22,060	12,360	12,360	12,360	12,400
Audio Visual Conference Facility - Stations	**171,000**	171,000				
PJ02: Enhanced Audio Visual Conference Facility - SHQ	**100,000**	100,000				
New Long Lane Station	**44,800**	44,800				
Backup Tape Drive 5-year asset refresh	**25,000**				25,000	
IPTV 5-year asset refresh	**36,800**				36,800	
Members Push Button Microphone replacement						
	1,286,495	**499,615**	**131,460**	**197,860**	**259,660**	**197,900**
IT005 ICT Servers						
Server/storage replacement (target 20%)	**260,000**		65,000	65,000	65,000	65,000
Server/storage growth	**28,000**				14,000	14,000
PJ03: SQL 2019 & VMWARE	**450,000**	450,000				
SAN 5 Year Refresh	**135,000**		135,000			
	873,000	**450,000**	**200,000**	**65,000**	**79,000**	**79,000**
IT018 ICT Network						
Local Area Network replacement (discrete)						
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						
Wireless Access Points and Wireless Controllers - Increas						
PJ01: Enhanced Local Area Network (LAN)	**925,000**	925,000				
MDT Wireless Network Replacement	**50,000**			50,000		
Public Wi-Fi Replacement	**15,000**		15,000			
Vesty Road Network Link Refresh	**40,000**		40,000			
Secondary Fire Control backup telephony refresh	**40,000**		40,000			
PSTN replacement asset refresh	**125,000**				125,000	
Enhanced Virgin Media Network Phase Five Wireless Acc						
	1,280,000	**942,000**	**112,000**	**67,000**	**142,000**	**17,000**
IT026 ICT Operational Equipment						
Pagers/Alerters	**20,000**	4,000	4,000	4,000	4,000	4,000
Callmy Alert	**5,000**	1,000	1,000	1,000	1,000	1,000
Station Equipment Replacement	**50,000**	10,000	10,000	10,000	10,000	10,000
GPS Repeater 5-year asset refresh	**55,000**					55,000
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 & CPU) Front Line Vehicles asset refresh	**210,000**				210,000	
Bromborough Station Refurbishment	**30,000**	30,000				
	780,400	**145,400**	**165,000**	**155,000**	**245,000**	**70,000**
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	**24,000**	**2,000**	**2,000**	**24,000**	**2,000**
IT058 New Emergency Services Network (ESN)						
ESN Radios / Infrastructure - Estimate	**54,300**		54,300			
	54,300		**54,300**			

ICT Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure		Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
IT063	**Planning Intelligence and Performance Syst**						
PIPS System upgrade		**120,000**	30,000	90,000			
		120,000	**30,000**	**90,000**			
Other IT Schemes							
IT019	Website Development	**50,800**		10,800	40,000		
IT028	System Development (Portal)	**105,200**	73,800	31,400			
IT030	ICT Projects/Upgrades	**24,000**	4,000	5,000	5,000	5,000	5,000
IT047	Legal Case Management System	**10,000**	10,000				
IT055	C.3.I. C.&.C Communication & Information	**75,000**	55,000	5,000	5,000	5,000	5,000
IT056	Door Access System						
IT059	ESMCP Project Control Room Integration	**66,100**	66,100				
IT062	Capita Vision 3 Update (CFO/058/17)	**108,400**	108,400				
IT064	999 Emergency Streaming (999EYE)	**40,000**		40,000			
IT065	Dynamic Cover/Response Tool	**35,000**		35,000			
IT066	ESN Ready	**20,700**	20,700				
IT067	DCS Upgrade	**58,400**	58,400				
IT068	Command & Control Suite	**501,000**	501,000				
IT069	ICT Enhanced Mobilisation	**140,000**	140,000				
FIN001	FMIS/Eproc/Payroll/HR Replacement	**253,500**		253,500			
		1,488,100	**1,037,400**	**380,700**	**50,000**	**10,000**	**10,000**
		7,828,295	**3,561,415**	**1,510,460**	**967,860**	**1,137,660**	**650,900**
Original Budget		**6,899,840**	**2,526,960**	**1,206,460**	**1,018,860**	**1,174,660**	**972,900**
Current Programme		**7,828,295**	**3,561,415**	**1,510,460**	**967,860**	**1,137,660**	**650,900**
Changes		**928,455**	**1,034,455**	**304,000**	**(51,000)**	**(37,000)**	**(322,000)**

ICT Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure	Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Q1 Movements/Adjustments	**454,500**	**602,500**	**(37,000)**	**(37,000)**	**(37,000)**	**(37,000)**
Q2 Movements/Adjustments	**64,700**	**64,700**				
Q3 Movements/Adjustments	**409,255**	**367,255**	**341,000**	**(14,000)**		**(285,000)**
Budget Realignment CFO/051/23						
IT002 ICT Software						
IT002 New Virtualisation Infrastructure						
IT002 Microsoft SQL Upgrade		(50,000)				
IT002 3 Year Antivirus & Filtering Software		(20,300)				
IT003 ICT Hardware						
IT003 Mitel Handset Refresh						(135,000)
IT003 Landline Handset Refresh		(10,000)				
IT003 Audio Visual Conference Facility - SHQ		16,800	(60,000)			
IT003 Members Push Button Microphone replacement		(25,000)				
IT003 Enhanced Audio Visual - SHQ & Fire Control		93,200				
IT003 Backup Tape Drive 5-year asset refresh		(25,000)				
IT005 ICT Servers						
IT005 Server/storage replacement (target 20%)		(395,600)				
IT005 Server/storage growth		(28,000)	(14,000)	(14,000)		
IT005 SQL 2019 & VMWARE		521,900				
IT018 ICT Network						
IT018 Core Network Switch/Router upgrade		(42,900)	(200,000)			
IT018 Wireless Access Points and Wireless Controllers - Increase		(74,500)				
IT018 Enhanced Virgin Media Network Phase Five Wireless Access Points						(150,000)
IT018 Enhanced Local Area Network (LAN)		612,400				
RCCO - Capital Investment Reserve (CFO/051/23)						
IT003 ICT Hardware						
Enhanced Audio Visual - SHQ & Fire Control		6,800				
IT005 ICT Servers						
SQL 2019 & VMWARE		(71,900)				
IT018 ICT Network						
Enhanced Local Area Network (LAN)		312,600				
Borrowing Requirement						
IT069 ICT Enhanced Mobilisation (CFO/56/23)		140,000				
Virements						
IT003 to EQU003		(745)				
IT030 to IT062		(1,000)				
IT062 FROM IT030		1,000				
RCCOS						
IT003 ICT Hardware		12,500				
IT047 Mod Gov Server Upgrade 1020		10,000				
Slippage						
IT002 ICT Software - MDT Software Solution Refresh		(100,000)	100,000			
IT019 Website Development		(10,800)	10,800			
IT028 System Development (Portal)		(31,400)	31,400			
IT058 New Emergency Services Network (ESN)		(54,300)	54,300			
IT063 Planning Intelligence and Performance System		(90,000)	90,000			
IT064 999 Emergency Streaming (999EYE)		(40,000)	40,000			
IT065 Dynamic Cover/Response Tool		(35,000)	35,000			
FIN001 FMIS/Eproc/Payroll/HR Replacement		(253,500)	253,500			
TOTAL MOVEMENTS	**928,455**	**1,034,455**	**304,000**	**(51,000)**	**(37,000)**	**(322,000)**

NRAT Resilience Assets 2023/24 to 2027/28

Type of Capital Expenditure	Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
NRAT001 NRAT Asset Refresh	**193,300**	193,300	0	0	0	0
NRAT002 NRAT - DIM	**8,138,300**	8,138,300				
NRAT003 NRAT - ELS	**851,300**	851,300				
	9,182,900	**9,182,900**	**0**	**0**	**0**	**0**
	9,182,900	**9,182,900**	**0**	**0**	**0**	
Original Budget	**0**	**0**	**0**	**0**	**0**	**0**
Current Programme	**9,182,900**	**9,182,900**	**0**	**0**	**0**	**0**
Changes	**9,182,900**	**9,182,900**	**0**	**0**	**0**	**0**
Q1 Movements/Adjustments	**1,252,500**	**1,252,500**	**0**	**0**	**0**	**0**
Q2 Movements/Adjustments	**1,930,400**	**1,930,400**	**0**	**0**	**0**	**0**
Q3 Movements/Adjustments	**6,000,000**	**6,000,000**	**0**	**0**	**0**	**0**
NRAT Capital Grant						
NRAT002 NRAT - DIM		6,000,000				
TOTAL MOVEMENTS	**9,182,900**	**9,182,900**	**0**	**0**	**0**	**0**

Operational Equipment Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure	Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
OPS001 Gas Tight Suits Other PPE						
Gas Tight Suits	**28,500**		8,000	6,500	7,000	7,000
Bump Hats	**7,500**		2,500		2,500	2,500
	36,000		**10,500**	**6,500**	**9,500**	**9,500**
OPS003 Hydraulic Rescue Equipment						
Hydraulic Rescue Equipment - Replacement Prog	**777,700**	97,700	350,000	110,000	110,000	110,000
Air Lifting Equipment - Air Bags & Control Units	**100,000**		10,000	80,000		10,000
	757,700	**97,700**	**360,000**	**190,000**	**110,000**	
OPS005 Resuscitation Equipment						
Resuscitation Rescue Equipment	**37,000**	10,500	5,500	5,500	5,500	10,000
Appliance Resuscitation Equipment & Cylinders	**29,400**	29,400				
	66,400	**39,900**	**5,500**	**5,500**	**5,500**	**10,000**
OPS009 POD Equipment						
Demountable Unit Refurbishment	**130,700**	60,700	10,000		10,000	50,000
Gas Monitors	**29,300**	19,300				10,000
	160,000	**80,000**	**10,000**		**10,000**	**60,000**
OPS022 Improvements to Fleet						
Improvements to Fleet	**236,200**	36,200	50,000	50,000	50,000	50,000
PPV Fans	**50,300**	6,800	6,000	6,000	6,500	25,000
Smoke Blockers	**10,300**	2,300	2,000	2,000	2,000	2,000
	296,800	**45,300**	**58,000**	**58,000**	**58,500**	**77,000**
OPS024 BA Equipment						
BA Cylinder Replacement	**265,100**	7,100		258,000		
Telemetry sets	**374,500**			374,500		
BA Test Rig	**45,100**	5,100		40,000		
BA Set Batteries	**39,400**	6,900		32,500		
BA Compressors	**125,400**	25,400		60,000		40,000
BA Decontamination	**50,900**	50,900				
BA Analogue sets	**39,500**			39,500		
BA Boards	**39,500**			39,500		
BA Battery chargers	**16,000**			16,000		
BA Set Batteries	**32,500**			32,500		
Esas						
Face masks	**39,000**			39,000		
	1,066,900	**95,400**		**931,500**		**40,000**
OPS036 Radiation/Gas Detection Equipment						
Radiation Detection Equipment	**113,900**	62,900	2,000	2,000	2,000	45,000
Single Gas Detection Equipment	**6,000**		2,000		2,000	2,000
	119,900	**62,900**	**4,000**	**2,000**	**4,000**	**47,000**
OPS049 Bulk Foam Equipment						
Bulk Foam Attack Equipment	**84,300**	84,300				
Bulk Foam Stock	**10,000**		5,000		5,000	
	94,300	**84,300**	**5,000**		**5,000**	
OPS059 Fire Ground Equipment						
Fire Ground Radios	**30,000**	8,000	5,500	5,500	5,500	5,500
Fire Ground Communications	**5,500**					5,500
	35,500	**8,000**	**5,500**	**5,500**	**5,500**	**11,000**
OPS060 SRT Equipment						
SRT Ropes	**57,800**	17,800	10,000	10,000	10,000	10,000
SRT Equipment	**115,600**	5,600	50,000	20,000	20,000	20,000
SRT Water	**52,800**	17,800	5,000	5,000	5,000	20,000
	226,200	**41,200**	**65,000**	**35,000**	**35,000**	**50,000**

Operational Equipment Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure	Total Cost £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Other Operational Equipment						
OPS011 Thermal imaging cameras	**192,000**	6,000	170,000	5,000	5,500	5,500
OPS016 Gas Detection Equipment (MYRA DS)	**57,300**	45,300				12,000
OPS023 Water Rescue Equipment	**151,600**	23,600	65,500	16,000	16,500	30,000
OPS026 Rope Replacement	**92,500**	24,500	15,500	16,000	16,500	20,000
OPS027 Light Portable Pumps	**60,000**	10,000	20,000			30,000
OPS031 CCTV Equipment	**64,000**		5,000		5,000	54,000
OPS033 Marine Rescue Equipment	**51,000**	5,500	11,000	11,000	11,500	12,000
OPS034 Operational Ladders	**70,600**	10,600	15,000	15,000	15,000	15,000
OPS038 Water Delivery System	**35,000**	10,000	10,000	5,000	5,000	5,000
OPS039 Water Delivery Hoses	**116,000**	37,500	18,500	19,000	20,000	21,000
OPS054 Electrical Equipment	**170,900**	109,900	10,000	10,500	10,500	30,000
OPS058 Operational Drones	**42,500**	2,500	2,500	2,500	2,500	32,500
OPS061 Hi-Rise Kits	**39,100**	21,100	10,500	2,500	2,500	2,500
OPS062 Marine Firefighting	**16,000**	16,000				
OPS063 Emerging Technologies	**4,000**	4,000				
OPS064 Wildfire Equipment	**10,000**	10,000				
OPS065 Communications	**55,000**	55,000				
	1,227,500	**391,500**	**353,500**	**102,500**	**110,500**	**269,500**
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**
	4,272,200	**983,200**	**914,000**	**1,373,500**	**390,500**	**611,000**

	Total Cost	2023/24	2024/25	2025/26	2026/27	2027/28
Original Budget	**4,107,300**	**977,800**	**1,546,000**	**462,000**	**390,500**	**731,000**
Current Programme	**4,272,200**	**983,200**	**914,000**	**1,373,500**	**390,500**	**611,000**
Changes	**164,900**	**5,400**	**(632,000)**	**911,500**		**(120,000)**
Q1 Movements/Adjustments	**284,900**	**284,900**				
Q2 Movements/Adjustments						
Q3 Movements/Adjustments		**(279,500)**	**(632,000)**	**911,500**		
Virements						
OPS001 to OPS0065		(10,000)				
OP0S65 from OPS001		10,000				
OPS009 to OPS0062		(15,000)				
OPS062 from OPS009		15,000				
OPS022 to OPS0064		(10,000)				
OPS064 from OPS022		10,000				
OPS022 to OPS0065		(5,000)				
OPS065 from OPS022		5,000				
OPS049 to OPS0065		(25,000)				
OPS065 from OPS049		25,000				
OPS033 to OPS0065		(15,000)				
OPS065 from OPS033		15,000				
Slippage						
OPS001 Gas Tight Suits Other PPE		(1,500)	1,500			
OPS011 Thermal Image Camera Replacement		(170,000)	170,000			
OPS023 Water Rescue Equipment		(50,000)	50,000			
OPS024 BA Equipment			(911,500)	911,500		
OPS027 Light Portable Pumps		(20,000)	20,000			
OPS060 Srt Equipment		(30,000)	30,000			
OPS061 Hi-Rise Kits		(8,000)	8,000			
TOTAL MOVEMENTS	**284,900**	**5,400**	**(632,000)**	**911,500**		

Vehicles Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure	Price Per Unit	Total		2023/24		2024/25		2025/26		2026/27		2027/28	
		Units	Cost £	Units	£	Units	£	Units	£	Units	£	Units	£
VEH002 Ancillary Vehicles													
Cars													
Pool Cars - Skoda Fabia	15,050	**4**	**60,200**			4	60,200						
Pool Cars - Possible Electric	18,000	**19**	**342,000**					19	342,000				
Officer Response Cars	30,000	**20**	**600,000**	13	390,000			7	210,000				
4X4s													
Isuzi	24,000	**1**	**24,000**			1	24,000						
Vans													
Master/Transit Panel 1	36,850	**1**	**36,850**			1	36,850						
Ford Transit Van	33,500	**4**	**134,000**			4	134,000						
Ford Connect Leader Van - IIT	23,600	**4**	**94,400**	4	94,400								
Panel Van	38,000	**1**	**38,000**					1	38,000				
Panel Van - RTC reduction	45,000	**1**	**45,000**					1	45,000				
Courier van	40,000	**4**	**160,000**							4	160,000		
Ford Transit Courier van	15,600	**12**	**187,200**	12	187,200								
Dog Van Mercedes Vito	49,800	**1**	**49,800**	1	49,800								
Water Rescue Van	50,000	**1**	**50,000**					1	50,000				
Operational Equipment Transit	40,000	**2**	**80,000**									2	80,000
Hydrant Van Transit	40,000	**2**	**80,000**									2	80,000
T&DA Transit Van	40,000	**2**	**80,000**									2	80,000
Mini Buses													
Fire Service - Blue Light	45,000	**1**	**45,000**					1	45,000				
Princes Trust - Disabled Access	44,000	**1**	**44,000**			1	44,000						
Princes Trust	36,900	**3**	**110,700**			3	110,700						
			2,261,150		**721,400**		**409,750**		**730,000**		**160,000**		**240,000**
VEH004 Special Vehicles													
CPL - Aerial Appliance	862,800	**1**	**762,800**	1	588,400		174,400						
Prime Movers Long Term Capablity Mment	181,400	**2**	**362,800**									2	362,800
POD Long Term Capablity Mment	181,400	**1**	**210,600**			1	210,600						
Prime Movers	210,000	**2**	**420,000**									2	420,000
Telehandler (Reach Forklift)	100,000	**1**	**100,000**			1	100,000						
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	83,600	**1**	**31,900**	1	31,900								
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
			3,535,100		**620,300**		**1,571,000**						**1,343,800**
VEH010 Marine Rescue Vessels													
RNLI Class 75 Rib Boats			**383,400**		383,400								
Boat Trailers	2,750	**2**	**5,500**	2	5,500								
			388,900		**388,900**								
VEH001 Fire Appliances													
2021/22 Price - Slippage	284,000												
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	900,000	**1**	**900,000**					1	900,000				
2027/28 Price	320,000	**4**	**1,280,000**									4	1,280,000
			3,938,000				**870,000**		**1,788,000**				**1,280,000**
VEH005 Water Strategy Vehicles			**16,400**				**16,400**						
WOR001 Workshop Equipment													
Equipment			**47,700**				47,700						
Rolling Road Replacement (MOT bay)			**10,000**				10,000						
Smoke Analyser (MOT bay)			**8,000**				8,000						
Smoke Analyser (HGV)													
Workshop Equip Somers vehicle Lift.	25,000	**1**	**25,000**									1	25,000
HGV Brake Tester	40,000	**1**	**40,000**									1	40,000
4 Post Vehicle Lift	20,000	**2**	**40,000**							2	40,000		
			170,700				**65,700**				**40,000**		**65,000**
			10,310,250		**1,730,600**		**2,932,850**		**2,518,000**		**200,000**		**2,928,800**
Original Budget			**7,778,650**		**2,096,800**		**1,300,850**		**2,176,000**		**200,000**		**2,005,000**
Current Programme			**10,310,250**		**1,730,600**		**2,932,850**		**2,518,000**		**200,000**		**2,928,800**
Changes			**2,531,600**		**(366,200)**		**1,632,000**		**342,000**				**923,800**

Vehicles Capital Programme 2023/24 to 2027/28

Type of Capital Expenditure	Price Per Unit	Total		2023/24		2024/25		2025/26		2026/27		2027/28	
		Units	Cost £	Units	£	Units	£	Units	£	Units	£	Units	£
Q1 Movements/Adjustments			**2,491,600**		**2,491,600**								
Q2 Movements/Adjustments			**34,500**		**34,500**								
Q3 Movements/Adjustments			**5,500**		**(2,892,300)**		**1,632,000**		**342,000**				**923,800**
Budget Adjustment													
VEH002 Ancillary Vehicles													
Pool Cars - Skoda Fabia	15,050		**(180,600)**	(12)	(180,600)								
Ford Courier van	15,600		**187,200**	12	187,200								
Isuzu 4x4	24,000		**(96,000)**	(3)	(72,000)	(1)	(24,000)						
Ford Connect Leader Van	23,600		**94,400**	4	94,400								
VEH001 to VEH002 budget realignment					(5,000)								
VEH001 (Balance) to VEH002 4x4 BA					(1,500)								
VEH002 from VEH001 (Balance) 4x4 BA					1,500								
VEH004 (Sweeper Balance) to VEH002 4x4 BA					(22,500)								
VEH002 from VEH004 (Sweeper Balance) 4x4 BA					22,500								
VEH002 from 24/25 to 25/26 4x4 BA					(24,000)		24,000						
RCCOs													
VEH010 2 Boat Trailers - 0221	2,750		**5,500**	2	5,500								
Slippage													
VEH002 Ancillary Vehicles													
Pool Cars - Skoda Fabia	15,050			(4)	(60,200)	4	60,200						
Pool Cars - Possible Electric	18,000					(19)	(342,000)	19	342,000				
Ford Transit Van	33,500			(4)	(134,000)	4	134,000						
Princes Trust - Disabled Access	44,000			(1)	(44,000)	1	44,000						
Princes Trust	36,900			(3)	(110,700)	3	110,700						
VEH004 Special Vehicles													
CPL - Aerial Appliance (Balance)					(174,400)		174,400						
Prime Movers Long Term Capablity Mment	181,400			(2)	(362,800)							2	362,800
Telehandler (Reach Forklift)	100,000			(1)	(100,000)	1	100,000						
POD Long Term Capablity Mment	181,400			(1)	(181,400)	1	181,400						
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 (Balance to POD)			**(29,200)**		(29,200)								
POD Long Term Capablity Mment			**29,200**				29,200						
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
VEH005 Water Strategy Vehicles					(16,400)		16,400						
WOR001 Workshop Equipment													
Smoke Analyser (HGV) (Balance)			**(3,700)**		(3,700)								
Workshop Equip Somers vehicle Lift (Balance)			**(900)**		(900)								
Equipment			**4,600**		4,600								
Equipment					(37,700)		37,700						
TOTAL MOVEMENTS			**2,531,600**		**(366,200)**		**1,632,000**		**342,000**				**923,800**

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	08 FEBRUARY 2024	REPORT NO:	CFO/12/24
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	MIKE REA	REPORT AUTHOR:	MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	INTERNAL AUDIT PROGRESS REPORT – APRIL TO JANUARY 2024		

APPENDICES:	APPENDIX A: AUDIT PLAN APPENDIX B: INTERNAL AUDIT PROGRESS REPORT

Purpose of Report

1. To inform Members of the work of Internal Audit for the period April to January 2024.

Recommendation

2. It is recommended that Members note the contents of this report.

Introduction and Background

3. Internal Audit – Definition;

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."(Source: Public Sector Internal Audit Standards).

4. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems, (Accounts and Audit Regulations 2015). In order to fulfil this statutory requirement the Authority has entered into a contract with Liverpool City Council's Internal Audit Service. The Authority has utilised Liverpool City Council's Internal Audit Service (LCC IAS) since 1986. LCC IAS has established an Internal Audit Charter (IAC) and Quality Assurance & Improvement Programme (QAIP) to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) and that LCC IAS delivers to the Authority an effective high quality service.

5. Each year the Service produces an Internal Audit Plan that goes to the Audit Committee for approval. The plan is based upon an assessment of risks,

previous audit findings and the relationship with External Audit work. The two main strategic areas of work are:

a) a review of fundamental financial systems and processes; and

b) specific project reviews requested by the service.

6. Members of the Audit Committee approved the 2023/24 plan at their meeting on 24 May 2023, CFO/019/23. The plan is attached to this report as Appendix A.

7. The purpose of this report is to inform Members of the work of Internal Audit for the period April to January 2024 and the progress made against the approved Internal Audit Plan. The progress report is attached to this report as Appendix B. Although no significant control or compliance issues have been identified to date most of the planned audit work has yet to be undertaken. Work on the fundamental systems is carried out at the end of the financial year to fit in with the reliance external audit can place on the key financial systems. The timing of the strategic reviews reflects the point in the year when these initiatives will have progressed sufficiently to allow audit to examine what has been achieved to date.

8. Members of the Audit Committee will receive a report after the year-end on actual performance against the audit plan.

Equality and Diversity Implications

9. None contained within the report.

Staff Implications

10. None contained within the report.

Legal Implications

11. The Authority has a statutory duty to ensure that it maintains an adequate and effective system of Internal Audit of its accounting records and control systems. (Accounts and Audit Regulations 2015).

Financial Implications & Value for Money

12. The annual cost of the audit is £45,000 and is contained within the approved budget for audit services.

Risk Management and Health & Implications

13. None contained within this report.

Environmental Implications

14. None contained within 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.*

15. Internal Audit assists in the evaluation and enhancement of sound internal control arrangements that contribute towards ensuring the Authority's Vision and approved policies and plans continue to drive decision making within the service.

BACKGROUND PAPERS

CFO/019/23 2023-24 Internal Audit Plan – Audit Committee 24 May 2023.

GLOSSARY OF TERMS

NONE

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APPENDIX A

STRATEGIC AUDIT PLAN 2023/24

		23/24 Audit Days	23/24 Audit Days
	Fundamental Financial Systems (general ledger, payroll, creditors/debtor systems etc)		**40**
	Strategic Reviews / Client directed / Ad hoc reviews		
1	**FDs Provided Vehicles** – review log books and confirm controls in place to ensure vehicles only used for business activity. Recommend any additional controls	**12**	
2	MFRS Vehicles – **Fuel Cards**; review controls in place and monitoring arrangements	**6**	
3	Following concerns raised at a national level over potential risks within the Fire Sector Internal Audit have asked to review MFRS; • Bullying, harassment, discrimination processes • Enforcement Powers – ensuring policies are followed	**10**	
4	**Foreign, Commonwealth & Development Office Grant Funding –** Assurance that FCDO funds have been used for the intended purposes.	**4**	
	Strategic Reviews / Client directed / Ad hoc reviews		**72**
	Contingency - Investigations/Responsive / Advice & Assistance		**12**
	Follow up on implementation of previous audit recommendations.		**8**
	Audit Management		**8**
	Total Planned Days		**100**

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Internal Audit Service

Merseyside Fire & Rescue Service - Internal Audit Progress Report 2023/24 January 2024

Contents **Page**

1. Introduction

1.1 The Accounts and Audit Regulations require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS).

1.2 This progress report forms part of the framework of assurances that is received by the Audit Committee and is used to help inform Internal Audit's Annual Opinion, the Annual Governance Statement and to assist the Audit Committee in discharging its remit to consider reports on Internal Audit's performance during the year.

1.3 Internal audit's professional responsibilities as internal auditors are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board.

2. Audit Work Completed up to January 2024

2.1 The table below summarises the work completed during the financial year up to January 2024. This includes previous year's work that was yet to be finalised at the time of the annual opinion in August 2023. The majority of the fundamental systems work is scheduled to take place between now and the end of April. Ordinarily, this work is performed in the final quarter to provide assurance on the control environment across the full financial year.

2.2 The audit opinion formed in respect of individual audits is separated between the control environment (the controls in place) and compliance (whether or not the controls have been adhered to). The corporate impact opinion is a measure of the significance of the findings to the organisation as a whole. An explanation of the level of assurance and corporate impact ratings are detailed below at section 6. None of these audits has resulted in a limited or no assurance opinion.

Table 1: Audits completed up to January 2024

Audit Title	Control Environment	Compliance	Corporate Impact
Asset Registers – review documentation/ processes in individual fire stations, prevention and protection directorates including the stock management processes (old year)	Acceptable	Acceptable	Minor
Walk-through current data flow for POD / Payroll / Finance (old year)	Advisory		

2.3 **Asset Registers** - The aim of the review was to provide assurance on the adequacy and effectiveness of risks associated with the management of assets by the Operational Equipment Team. This included a visit to the Operational Equipment Stores and a sample of fire stations. There is a generally sound system of control, however procedures need to be formally documented to ensure continuity of service provision if there were any change in staff resource. We also noted that new additions to the asset register could be more timely following delivery.

2.4 **Walk-through current data flow for POD/Payroll/Finance** - This was a review of the data flow for POD/Payroll/Finance to consider potential improvements, improve integration and the automation of information. To reduce double entry and utilise workflows to improve efficiency and effectiveness. Whilst this was an advisory piece, a number of recommendations were made to improve efficiency and actions agreed.

3. Audits in Progress up to January 2024

3.1 The core financial systems reviews are commencing now and are on target for completion for the financial year end. The audit review of processes to prevent / respond to bullying, harassment, discrimination is also in progress.

3.2 The following audits are scheduled to be performed in February - March:

Table 2: Remaining audits in 2023-2024 audit plan

Audit Title
FDs Provided Vehicles – review of log books and confirmation of controls in place to ensure vehicles are only used for business activity.
MFRS Vehicles – Fuel Cards - review controls in place and monitoring arrangements
Enforcement Powers – ensuring policies are followed.
Foreign, Commonwealth & Development Office Grant Funding – Assurance that FCDO funds have been used for the intended purposes.

4 Follow up of recommendations

4.1 Where applicable, Internal Audit reports will include action plans detailing recommendations for improvement supported by agreed management actions. An officer is nominated with responsibility for each recommendation and an implementation date agreed.

4.2 Internal audit follow up actions arising from both planned and unplanned audit work to ensure that where recommendations have been made, they have been implemented.

4.3 Audit recommendations are graded as medium, high or essential/strategic with the latter being the most critical and indicating, for example, an absence or failure of a fundamental control where there is no compensating control. Internal Audit aims to follow up all essential / strategic recommendations within a month of their target implementation date, and all high and medium recommendations within three months.

4.4 Internal Audit have introduced a ‘self-serve’ functionality to enable recommendation owners to update their progress in implementing the agreed actions directly into the audit system. New users (recommendation owners) have been set up with appropriate access and guidance provided. This new streamlined approach will ensure the process is efficient, as well as robust.

4.5 Recommendations made will be verified for implementation as and when they fall due. A full position statement on outstanding recommendations will be reported as part of the annual audit opinion in June.

5 Internal Audit Performance

Compliance with professional standards

Internal Audit employ a risk-based approach in planning and conducting audit assignments. Work is performed in accordance with PSIAS

Conflicts of Interest

There have been no instances during the period which have impacted on Internal Audit's independence

Internal Audit Quality Assurance

To ensure the quality of the work performed, Internal Audit have a programme of quality measures which includes:

- Supervision of staff conducting audit work.
- Review of files of working papers and reports by managers.
- Regular networking with professional / technical bodies and peers

6. Guidance on assurance levels

Control Environment Assurance – Opinion on the design and suitability of the current internal controls.

Level	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Acceptable	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment
None	There are fundamental control weaknesses that present unacceptable level of risk to the control environment

Compliance Assurance – Opinion on the level of compliance with current internal controls.

Level	Definition
Substantial	The control environment has substantially operated as intended.
Good	The control environment has largely operated as intended although some minor errors have been detected
Acceptable	The control environment has mainly operated as intended although errors have been detected
Limited	The control environment has not operated as intended. Significant errors have been detected
None	The control environment has fundamentally broken down and is open to significant error or abuse

Organisational impact – The potential impact on the organisation if the recommendations are not implemented.

Level	Definition
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to moderate risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to a low level of risk. If the risk materialises it would have a minor impact on the organisation as a whole.

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