

# 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: 17<sup>th</sup> February 2025

Dear Sir/Madam,

You are invited to attend a meeting of the **AUDIT COMMITTEE** to be held at **1.00pm** on **TUESDAY, 25TH FEBRUARY, 2025** in the Liverpool Suite at MFRA SHQ, Bridle Road, Bootle, Merseyside, L30 4YD.

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

<https://youtube.com/live/KcHRquC2DgY?feature=share>

Yours faithfully,

*PP – S. Healey*

Monitoring Officer

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**MERSEYSIDE FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**25 FEBRUARY 2025**

**AGENDA**

**Members**

Councillor Jan Grace (Chair)  
Councillor Chris Page  
Councillor Barbara Murray  
Councillor Lynn O’Keeffe  
Councillor Andrew Makinson  
Councillor Sam Gorst  
Co-Opted Member Anthony Boyle

1. **Apologies for Absence**  
To consider any apologies for absence.
2. **Declarations of Interest**  
To consider declarations of interest in relation to any item on the agenda.
3. **Minutes of the Last Meeting** (Pages 5 - 8)  
To consider the minutes of the last meeting held on 26<sup>th</sup> September 2024.
4. **Statement of Accounts 2023/24 Approval of Audited Statements**  
(Pages 9 - 134)  
To consider the Statement of Accounts for 2023/24 and the approval of the audited Statements (CFO/84/24).
5. **2023/24 Audit Completion Report** (Pages 135 - 184)  
To consider the 2023/24 Audit Completion Report (CFO/82/24).
6. **Internal Audit Progress Report April to January 2025** (Pages 185 - 198)  
To consider a report on the progress of Internal Audit (CFO/83/24).

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## MERSEYSIDE FIRE AND RESCUE AUTHORITY

### AUDIT COMMITTEE

26 SEPTEMBER 2024

### MINUTES

**Present:** **Councillors Janet Grace (Chair)** Edna Finneran, Sam Gorst, Andrew Makinson and Lynn O'Keeffe

**Also Present:** Deputy Chief Fire Officer Nick Searle  
Director of Finance and Procurement Mike Rea  
Monitoring Officer Ria Groves  
Assistant Audit Manager – Forvis Mazars Simon Livesey

8. **Chair's Announcement**

Councillor Jan Grace advised Members of the extremely sad passing of Councillor Linda Maloney and asked all in attendance to stand for a minute's silence to acknowledge Councillor Linda Maloney's significant contribution to the Authority during her long service

9. **Apologies**

Apologies for absence were received from Councillor Barbara Murray, Co-opted Member, Mr Anthony Boyle and the Chief Fire Officer, Phil Garrigan.

10. **Declarations of Interest**

There were no declarations of interest in relation to any item on the agenda.

11. **Minutes of the Last Meeting**

**RESOLVED** that the minutes of the last meeting held on 6<sup>th</sup> June 2024 be agreed as an accurate record.

12. **Forvis Mazars (MFRA External Auditors) Audit Strategy Memorandum 2023/24**

Director of Finance and Procurement, Mike Rea, introduced the report, advising that the report outlined the Auditor's approach to auditing the Authority's 2023/24 financial statements. He highlighted that central Government had stated that there were around 1000 audits backlogged, with some outstanding audits dating back as far as 2015/16. The Government had recently laid legislation before Parliament to amend the Accounts and Audit Regulations 2015 to set a series of backstop dates by which an authority must publish its approved statement of accounts. Those applicable to the Authority were detailed in paragraph seven of the report.

Furthermore, the Government had amended the date by which an authority should publish draft unaudited accounts from 31<sup>st</sup> May to 30<sup>th</sup> June for financial years 2024/25 to 2027/28.

Simon Livesey, Assistant Audit Manager for Forvis Mazars, took the Members through the Audit Strategy Memorandum for 2023/24 which he explained was their plan of audit. He directed Members' attention to the engagement and responsibility summary which advised how audits were conducted and the guidance given from public sector audit appointments. He also discussed the Code of Audit Practice which was published by the National Audit Office (NAO).

He stated that his team would give their opinion on the accuracy of the Authority's accounts whilst considering materiality. Members were advised that Forvis Mazars would report to the NAO when MFRA completed a Whole of Government Accounts (WGA) submission. NAO would then pull together financial statements for all public sector bodies in the UK.

Simon Livesey advised Members that they would start the audit process by gaining an understanding of the organisation, which would largely focus on governance arrangements and how the systems worked together. They would then analyse any risks, carry out the work and form a conclusion. He advised that the work with the Authority was due to be completed by the end of November and the audit would be signed off in December 2024.

It was explained that the auditors would take into account any external expertise that the Authority used to produce the accounts, advising that the two key areas were largely around pensions and the valuation of property, plant and equipment. Simon Livesey summarised that their plan to address the 'management override of control' risk would be done through accounting estimates and journal entries.

Members were reassured that the staff working on the audit would not have any association or relation to employees working within the Authority.

Simon Livesey noted the importance of materiality which determined the amount of work to be carried out and the assurance needed. The overall materiality would be £2.5million, however, the actual work was pitched at a lower level based on performance materiality which was £1.5million. This meant that if the Authority's accounts were within £1.5million of the figure, or less than what Forvis Mazars thought it should be, this would not alter the view of the person reading the accounts.

It was acknowledged that there had been a change in requirements for disclosing lease information to be required from 2024/25 onwards and significant work was required to implement these changes.

Councillor Jan Grace and Councillor Edna Finneran thanked Simon Livesey for the detailed report and commended how easy it was to follow. It was noted by Councillor Jan Grace that it was within the Authority's remit to safeguard public money and the action plan was adequate for the risks. She queried whether Forvis Mazars were confident with the timings in which the audit was to be completed by. Mike Rea advised that this should have been completed by the end of September, however,

due to the backlog, this had been delayed. He noted that he was confident with the timings and that the audited statements of accounts would be completed in December and presented to Members at the Audit Committee in February.

**RESOLVED** that the Forvis Mazars 2023/24 Audit Strategy Memorandum and the timing of the Authority's 2023/24 audit of the financial statements be noted.

Close

Date of next meeting Tuesday, 25 February 2025

Signed: ..... Date: .....

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| <b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b> |   |                       |  |
|---|---|-----------------------|--|
| <b>MEETING OF THE:</b>                      | <b>AUDIT COMMITTEE</b>  |                       |  |
| <b>DATE:</b>                                | <b>25 FEBRUARY 2025</b>   | <b>REPORT NO:</b>     | <b>CFO/84/24</b>                                     |
| <b>PRESENTING OFFICER</b>                   | <b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>                  |                       |  |
| <b>RESPONSIBLE OFFICER:</b>                 | <b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>                  | <b>REPORT AUTHOR:</b> | <b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b> |
| <b>OFFICERS CONSULTED:</b>                  | <b>STRATEGIC LEADERSHIP TEAM</b>                                      |                       |  |
| <b>TITLE OF REPORT:</b>                     | <b>STATEMENT OF ACCOUNTS 2023/24 – APPROVAL OF AUDITED STATEMENTS</b> |                       |  |

|                    |   |
|--------------------|---|
| <b>APPENDICES:</b> | <b>APPENDIX A: STATEMENT OF ACCOUNTS 2023/24</b><br><b>APPENDIX B: LETTER OF REPRESENTATION</b> |
|--------------------|---|

### **Purpose of Report**

1. To present to Members the audited 2023/24 Statement of Accounts for approval and request that they be authorised for issue.

### **Recommendation**

2. It is recommended that Members:
  - a) approve for publication the 2023/24 Statement of Accounts, attached as Appendix A to this report;
  - b) delegate authority to the Chair of the Audit Committee and the Director of Finance & Procurement, as the s151 officer to sign the statement of accounts attached as appendix A and;
  - c) delegate authority to the Director of Finance & Procurement, as the s151 to sign the letter of representation in relation to the 2023/24 accounts, attached as Appendix B.

### **Introduction and Background**

3. The Authority is required to annually prepare 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. The Authority's Auditor, Forvis Mazars, 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;

they would issue an unqualified opinion on the statements.

5. The Authority has a statutory duty to approve and sign-off for publication the Statement of Accounts for the previous year. With regard to the current 2023/24 year-end accounts and future years, the Government have set in legislation details around the backstop date to clear the backlog of unaudited accounts as per below:
  - 2023/24 – 28 February 2025
  - 2024/25 – 27 February 2026
  - 2025/26 – 31 January 2027
  - 2026/27 – 30 November 2027
  - 2027/28 – 30 November 2028

The 2023/24 audited Statement of Accounts are attached to this report as Appendix A, for Members' consideration.

6. Forvis Mazars Audit Completion report is contained in another report on today's Agenda, and it summarises the Auditor's findings in relation to the 2023/24 Statement of Accounts. The Audit Findings report confirms that based on their findings to date, the 2023/24 Statement of Accounts meets the criteria in a. and b. above, and Forvis Mazars intend to issue an unqualified opinion on the statements.
7. Note that Members considered the 2023/24 year-end general fund outturn position in report CFO/52/24, that was approved by the Policy and Resources Committee on 25<sup>th</sup> July 2024. That report identified net revenue expenditure in the year of £64.609m against a budget of £67.921m, and a resulting favourable variance of £3.312m (before any adjustments for year-end reserves). The report outlined that £0.803m was required to be carried forward as year-end earmarked reserves, leaving an actual saving in 2023/24 of £2.509m. Members approved the utilisation of this saving to increase the General Revenue reserve by £0.700m and, an increase in the capital reserve of £1.809m, (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). Whilst there is a neutral net General Fund Account position in 2023/24, as per paragraph 7, the Comprehensive

Income and Expenditure Statement (CIES) indicates a net surplus of £2.233m 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/52/24, 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 2022/23 and 2023/24.

#### **Statement of Accounts;**

10. The Statement of Accounts is a record of the Authority's financial activities for 2023/24 with comparative figures for 2022/23. 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 2023/24 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 2023/24 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 2023/24.

**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 2023/24 (after taking into account the creation of reserves) this becomes net surplus of £2.233m on the CIES because of additional accounting transactions relating mainly to pensions but also depreciation and some other technical adjustments. The table below outlines the reconciliation between the General Fund position and that in the CIES:

|  |             | Detailed Adjustments | Total Adjustments per Expenditure and Funding Analysis | Total Adjustments per Comprehensive Income and Expenditure Statement |
|--|-------------|----------------------|--|--|
|  |             | £'000                | £'000  | £'000  |
| <b>Net General Fund 2023/24 year-end position:</b>                 | <b>Note</b> | -                    | -  | -  |
| <b>1 Net creation of earmarked reserves</b>                        | (a)         | -                    | -  | <b>6,915</b>   |
| <b>2 Asset valuation / charges and capital funding adjustments</b> |             |                      |  |  |
| Depreciation, impairment and revaluation adjustment                | (b)         | 5,833                |  |  |
| Revenue Expenditure Funded from Capital Under Statute (REFCUS)     | (c)         | 6,805                |  |  |
| Asset disposal / write-offs / revaluation losses                   |             | -                    |  |  |
| MRP / interest adjustment  | (f)         | (6,470)              |  |  |
| Capital Expenditure Funded from the Revenue Account (CERA)         |             | (12,362)             |  |  |
| Capital grants income  |             | (5,446)              | <b>(11,640)</b>  |  |
| <b>3 Pension related adjustments</b>                               | (d)         |                      |  |  |
| Pension contributions payable to pension fund (employer)           |             | (10,689)             |  |  |
| Pension contributions payable to pension fund (top-up grant)       |             | (31,162)             |  |  |
| Pension current service costs                                      |             | 4,822                |  |  |
| Pension past service costs   |             | -                    |  |  |
| Net interest on the defined benefit liability scheme               |             | 38,983               | <b>1,954</b>   |  |
| <b>4 Other technical accounting adjustments</b>                    | (e)         |                      |  |  |
| Timing differences for premiums and discounts                      |             | 22                   |  |  |
| Timing differences for council tax / NNDR                          |             | 49                   |  |  |
| Timing differences for compensated absences                        |             | 467                  | <b>538</b>   |  |
| <b>Total adjustments</b>   |             |                      |  | <b>(9,148)</b>   |
| <b>Surplus or deficit on provision of services</b>                 |             |                      |  | <b>(2,233)</b>   |

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 and the purchase of assets on behalf of National resilience.*
- 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 **£30.902m in usable reserves** as at 31/03/2024. Of this, the Authority held £15.028m in reserves on behalf of the Home Office to fund the refresh of National Resilience 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 2023/24 the Authority's usable reserves were £15.874m, a net reduction of £6.915m on the 2023/24 opening balance. The decrease is due to planned drawdowns during the year for the new TDA scheme, a reduction in the Pension Reserve and historic collection fund adjustments. The committed reserves are required in order to carry forward funds from 2023/24 funds into 2024/25 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 is £3.700m 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 £23.371m - unusable reserves are not available to fund spend and 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 revaluation reserve and capital adjustment account.

20. **The Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31<sup>st</sup> 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 £30.080m. This was mainly due to; a £6.337m net revaluation increase on Land and Buildings, and additions in the year including assets under construction (mainly the new TDA/fire station) of £21.935m. The balance is made up of changes in depreciation / derecognition, and vehicle and equipment additions.
- **Current Assets** – reduced by £6.547m. The re-phasing of planned capital spend and the receipt of grant monies in advance of expenditure has resulted in a net decrease in Short Term Investments and in Cash & Cash Equivalents of £9.130m. Short-term debtors with central Government bodies and other Local Authorities have increased by £2.515m.
- **Current Liabilities** – increased by £12.220m. An increase in short-term creditors of £0.683m due to an increase in various creditor accruals and an increase in grants paid in advance of £11.488m (spend will be incurred in 2024/25). Short-term borrowing has increased by £0.049m and is made up of loans to be paid in the following year.
- **Long-Term Liabilities** – reduced by £4.479m;
  - **Pension Fund Liabilities** – reduced by £3.783m. The £3.783m 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 £3.783m. 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 £0.598m. 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 £0.58m. 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 increased by £0.096m, and the Business Rates Appeals provision was reduced by £0.154m (see note 20 in Statement of Accounts).
- **Usable Reserves** reduction of £7.579m – 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 Resilience assets is carried forward as a reserve. The value of the Home Office reserve reduced by £0.664m 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 £15.874m, a net reduction of £6.915m on the opening balance. The reason for reduction in the Authority's earmarked reserves is outlined in paragraph 18 above, (funding of the new Training and Development Academy and fire station, pension reserve and collection fund adjustments). These committed reserves are required in order to carry forward 2023/24 funds into 2024/25 to meet projects now re-phased into future years, or, to offset identified potential risks to the Authority's financial plan.
- **Unusable Reserves** reduction of £23.371m. 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 £1,744m to reflect changes in the liability of the pension schemes accounts for some of the reduction in unusable reserves. The other movements relate to the Revaluation reserve £7.205m and the Capital Adjustment Account of £14.960m, (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).

## 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 £8.387m to £13.680m. 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 Director of Finance and Procurement (S.151 Officer) 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 Director of Finance and Procurement is 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 Director of Finance and Procurement and sent to Forvis Mazars.

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### **Equality and Diversity Implications**

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28. None contained within the report.

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### **Staff Implications**

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29. None contained within the report.

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### **Legal Implications**

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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 28<sup>th</sup> February in the following year for the 2023/24 Statement of Accounts.

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### **Financial Implications & Value for Money**

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31. The report confirms the 2023/24 outturn position is consistent with that previously reported and the implications are contained within the main body of the report.

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### **Risk Management and Health & Implications**

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32. None directly related to this report.

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### **Environmental Implications**

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33. None contained related to this report

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**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.*

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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 vision.

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### **BACKGROUND PAPERS**

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**CFO/52/24** "Revenue and Capital Outturn 2023-2024" Policy & Resources Committee 25th July 2024

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### **GLOSSARY OF TERMS**

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|                 |  |
|-----------------|--|
| <b>CIES</b>     | The Comprehensive Income and Expenditure Statement   |
| <b>THE CODE</b> | Code of Practice on Local Authority Accounting   |
| <b>MIRS</b>     | Movement in Reserves Statement   |
| <b>IFRS</b>     | International Financial Reporting Standards  |
| <b>PFI</b>      | Private Finance Initiative   |
| <b>FRC</b>      | 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**

## **2023/24**

# **Statement of Accounts**

# MERSEYSIDE FIRE AND RESCUE AUTHORITY

## ANNUAL STATEMENT OF ACCOUNTS 2023/24

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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 31<sup>st</sup> March 2024, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2023/24 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 specify 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 2023/24 and the future. It also provides a summary of the financial position at 31<sup>st</sup> March 2024, and is structured as below:

- Background to the Authority & Key Information
- The 2023/24 Non-Financial Performance
- The Authority 2023/24 Revenue Budget and MTFP
- The 2023/24 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2023/24 to 2027/28
- Treasury Management
- Balance Sheet Financial Position at 31<sup>st</sup> March 2024
- Future Financial Challenge / Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2023/24.

## Background to the Authority & Key Information

Merseyside is an area in the north west of England, on both sides of the mouth of the river Mersey and includes the metropolitan districts of Knowsley, Liverpool, Sefton, St Helens and Wirral. Merseyside spans 249 square miles (645 Km<sup>2</sup>) of land containing a mix of built up urban areas, suburbs, semi-rural and countryside locations, but most of the land use is urban. It has a central business district at the heart of Liverpool City Centre, though each of Merseyside’s five metropolitan districts has at least one major town centre and outlying suburbs.

There are 42 miles of motorway, six miles of tunnels (road and rail), 75 miles of passenger railway and over 60 miles of coastline. Merseyside has eight Top Tier COMAH sites and the Port of Liverpool handles over 30 million tonnes of freight for both import and export.

According to the 2021 Census, Merseyside has a population of 1,423,300. Since the 2011 census, the population of Merseyside has grown by 3%, with each metropolitan district showing overall increases.

Digging deeper into the population of Merseyside, we see:

- Slightly more females than males in Merseyside (51.5% female and 48.5% male).
- Based on the 2021 Census, the total population of over 65’s in Merseyside is 27.9%.
- 91.7% of people are classed as White and 8.3% are of Black and Minority Ethnic origin

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 fourth. There are more affluent areas, for example, in Wirral and 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 2023/24, 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)   |
| 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. The Authority approved a new IRMP for the period of 2021 to 2024. 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. In 2024 the IRMP is being changed to a Community Risk Management Plan (CRMP) which has been drafted and is currently being consulted upon prior to being presented to Members for approval.

### **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 2023/24 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 2023/24 Authority's performance against the key performance indicators (KPI's) is summarised in the table overleaf:



| Quality Assurance                            | Benchmark Key Performance Indicators  | Performance 2022/23 | Target 2023/24    | Performance 2023/24 | Status            |
|--|---|---------------------|-------------------|---------------------|-------------------|
| TO00   | Total number of emergency calls received  | 24799               | Quality Assurance | 20054               | Quality Assurance |
| TC01   | Total number of incidents attended  | 18735               | 19214             | 17345               | On target         |
| TC02   | Total number of fires in Merseyside   | 7112                | 7169              | 5360                | On target         |
| TC03   | Total number of primary fires attended  | 1859                | 1983              | 1653                | On target         |
| QTC04  | Total number of secondary fires attended  | 5253                | 5186              | 3707                | On target         |
| TC05**                                       | Total number of special services attended   | 5306                | Quality Assurance | 5165                | Quality Assurance |
| TC06   | Total number of false alarms attended   | 6317                | 6253              | 6820                | Target missed     |
| TR08*  | Attendance standard – first attendance of an appliance at a life risk incident in 10 mins | 93.9%               | 90.0%             | 95.9%               | On target         |
| TD09   | The % of available shifts lost to sickness absence, all personnel                         | 4.95%               | Less than 4.00%   | 4.34%               | Target missed     |
| TE10   | Total carbon output of all MFRS buildings   | 52.8                | 65.0              | 51.3                | On target         |
| <b>FIRES IN THE HOME</b>                     |   |                     |                   |                     |                   |
| DC11   | Number of accidental dwelling fires   | 780                 | 834               | 669                 | On target         |
| DC12   | Number of deaths in accidental dwelling fires   | 10                  | 8                 | 1                   | On target         |
| DC13   | Number of injuries in accidental dwelling fires attended                                  | 59                  | 90                | 55                  | On target         |
| DC14   | Number of deliberate dwelling fires in occupied properties                                | 119                 | 125               | 120                 | On target         |
| DC15   | Number of deliberate dwelling fires in the home in unoccupied properties                  | 19                  | 16                | 16                  | On target         |
| DC16   | Number of deaths in deliberate dwelling fires   | 0                   | 1                 | 0                   | On target         |
| DC17   | Number of injuries in deliberate dwelling fires   | 7                   | 13                | 7                   | On target         |
| <b>FIRES IN NON-DOMESTIC PROPERTIES</b>      |   |                     |                   |                     |                   |
| NC12   | Number of accidental fires in non-domestic premises                                       | 137                 | 142               | 158                 | Target missed     |
| NC13   | Number of deliberate fires in non-domestic premises- omitting crown property              | 50                  | 44                | 41                  | On target         |
| <b>SMALL AND ANTI-SOCIAL BEHAVIOUR FIRES</b> |   |                     |                   |                     |                   |
| AC11   | Number of deliberate vehicle fires attended   | 288                 | 393               | 242                 | On target         |
| AC12   | Number of accidental vehicle fires attended   | 218                 | 202               | 200                 | On target         |
| AC13   | Number of deliberate anti-social behaviour fires (small)                                  | 3291                | 3307              | 2377                | On target         |
| AC14   | Number of accidental small fires attended   | 1962                | 1879              | 1330                | On target         |
| AC15   | Number of 'other' primary fires attended  | 231                 | 227               | 207                 | On target         |

| Quality Assurance                    | Benchmark Key Performance Indicators  | Performance 2022/23 | Target 2023/24    | Performance 2023/24 | Status            |
|--------------------------------------|---|---------------------|-------------------|---------------------|-------------------|
| <b>ROAD TRAFFIC COLLISIONS</b>       |   |                     |                   |                     |                   |
| RC11                                 | Number of road traffic collisions (RTC) attended  | 841                 | Quality Assurance | 766                 | Quality Assurance |
| RC12                                 | Number of injuries in road traffic collisions attended  | 313                 | Quality Assurance | 275                 | Quality Assurance |
| RC13                                 | Number of fatalities in road traffic collisions attended  | 8                   | Quality Assurance | 8                   | Quality Assurance |
| RC14                                 | New: Number of Killed & Seriously Injured (KSI) in RTC's across Merseyside.<br><i>Based on Partnership data</i>                         | 454                 | Quality Assurance | 517                 | Quality Assurance |
| RC15                                 | New: Number of KSI's affecting 15-20 age group -<br><i>Based on Partnership data</i>  | 84                  | 52                | 65                  | Target missed     |
| <b>FALSE ALARMS</b>                  |   |                     |                   |                     |                   |
| FC11                                 | The number of false alarm calls due to automatic fire alarm equipment in non-domestic properties  | 468                 | 486               | 545                 | Target missed     |
| FC14                                 | New: The number of false alarm calls due to smoke alarm actuation in domestic properties where call source is an alarm receiving centre | 2498                | 2379              | 2566                | Target missed     |
| FC13                                 | Total number of false alarms attended discounting False Alarm Good Intent   | 3761                | Quality Assurance | 3216                | Quality Assurance |
| FC22                                 | Number of malicious false alarms attended   | 151                 | 177               | 105                 | On target         |
| FC23                                 | Number of false alarm good intent attended  | 2556                | Quality Assurance | 3604                | Quality Assurance |
| <b>STAFF SICKNESS &amp; INJURIES</b> |   |                     |                   |                     |                   |
| WD11                                 | % of available shifts lost to sickness absence per wholetime equivalent Grey book (operational) personnel                               | 5.41%               | 4%                | 4.71%               | Target missed     |
| WD12                                 | % of available shifts lost to sickness absence per wholetime equivalent Green and Red book (non uniformed) personnel                    | 5.24%               | 4%                | 3.78%               | On target         |
| WR13                                 | Total number of operational staff injuries  | 40                  | 51                | 40                  | On target         |

|  |                       |
|--|-----------------------|
|  | Within 10% of target  |
|  | Target achieved       |
|  | 10% worse than target |

^Primary fires involve an insurable loss and includes all property related fires, or large-scale secondary fires where five or more appliances are in attendance.

\*To respond to life risk incidents within 10 minutes on 90% of occasions. Our attendance standard is measured from the time the fire appliance is alerted to an incident to the point that it books attendance.

\*\*Some Special Services attended generate income such as lift rescue and effecting entry. This indicator includes a wide range of different incident types including road traffic collision, water rescue, flooding, animal rescue, assisting the police, rescues from height etc. We are not always in a position to influence a reduction in some of these incident types and this is reflected in our targets where we will class some Special Services as 'Quality Assurance' and not set a target unless we are in a position to influence reductions in incident types.

Most incident types including total number of fires, secondary fires and emergency calls received are lower than in 2022/23. There were 20,054 emergency calls received during 2023/24 compared to 24,799 the previous year. The total number of accidental dwelling fires decreased this year with 669 fires attended compared to 780 in 2022/23.

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.

During 2023/24, Road Traffic Collisions (RTCs) attended (766) decreased when compared to 2022/23 (841). However, the number of fatalities in RTC's attended by MFRS (8) were the same as in 2022/23 (8). 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 an increase in the number of incidents in 2023/24 (517) when compared to 2022/23 (461).

At the end of 2023/24, sickness among operational personnel was at 4.71%, with shifts lost to sickness absence exceeding the target of 4%. This is lower than in 2022/23, when absence was 5.41%. Sickness among non uniformed personnel was 3.78% for 2023/24 which is below target of 4% and lower than 2022/23 when absence was 4.24%.

## The 2023/24 Revenue Budget and Medium Term Financial Plan

Merseyside Fire and Rescue Authority has an excellent record of delivering outstanding fire and rescue services with the budget we have had to spend on our employees (including our firefighters), our equipment and our services. Our money comes from grants from Central Government and Council Tax payments and we make decisions on what we spend based on the Risk, Demand and Vulnerability of our communities. As we do that, we make sure that we provide value for money for the people of Merseyside.

Like other public services we faced an unprecedented financial challenge over the period 2010/11 – 2019/20, with budget reductions totalling 50% in real terms, leading to us having to reduce firefighter numbers from over 1000 to 620 and fire engines/appliances from 43 to 28 over the period. But we have always made sure we provide the best services, including a very fast response to emergencies.

In recent years 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. We have made some bold decisions that have allowed us to:

- increase the firefighter numbers by an additional 22 posts, to 642 and,
- increase fire control operators from 32 to 35, including new senior management and training officer posts,
- increase the retained (on call) contract holders,
- introduce a new fire engineer post to work with partners ensuring the safety of residents in high-rise buildings,
- increase the number of fire engines/appliance availability to 32,
- introduce specialist teams to deal with all foreseeable risk,
- increasing investment in specialist appliances and other operational equipment,
- approve a new Training and Development Academy and Hybrid Station – to go live on 29<sup>th</sup> April 2024,
- increased the supervisory management provision through the creation of a further 20 new Crew Manager roles.

The investment the Authority has made in the Service since 2020/2021 has ensured Merseyside Fire and Rescue Service continues to deliver its vision to be the best fire and rescue service in the UK. In the latest HMICFRS inspection the service was congratulated on its performance in keeping people safe and secure from fire and other risks. His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) grade Merseyside Fire and Rescue Service's performance across 11 areas and found the service was 'outstanding' in three areas, 'good' in five areas, and 'adequate' in three areas. The service was not 'required to improve' in any areas.

The service secured three 'Outstanding' judgements for its work preventing fires and risk, its response to significant incidents, and for making the best use of its resources.

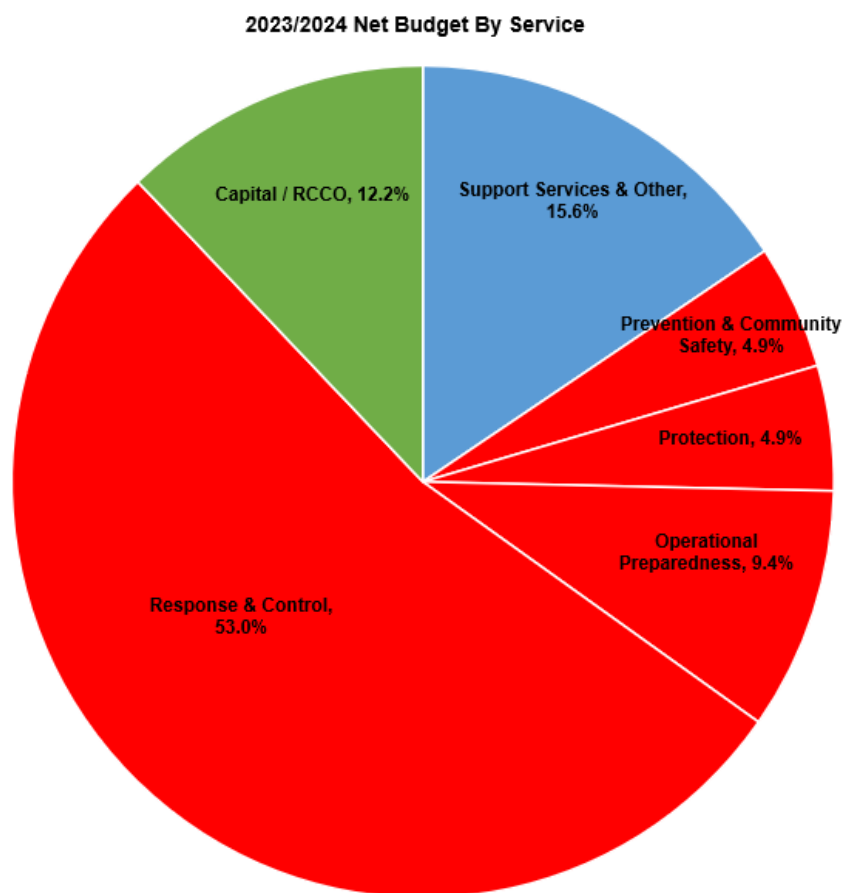
The Authority remains concerned that the impact of the previous service reductions due to Government funding cuts have gone too far and they are steadfast in their ambition to build resources back into the Service. The permanent investment it has managed to put into the Service since 2019/20 only delivers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

**Budget**

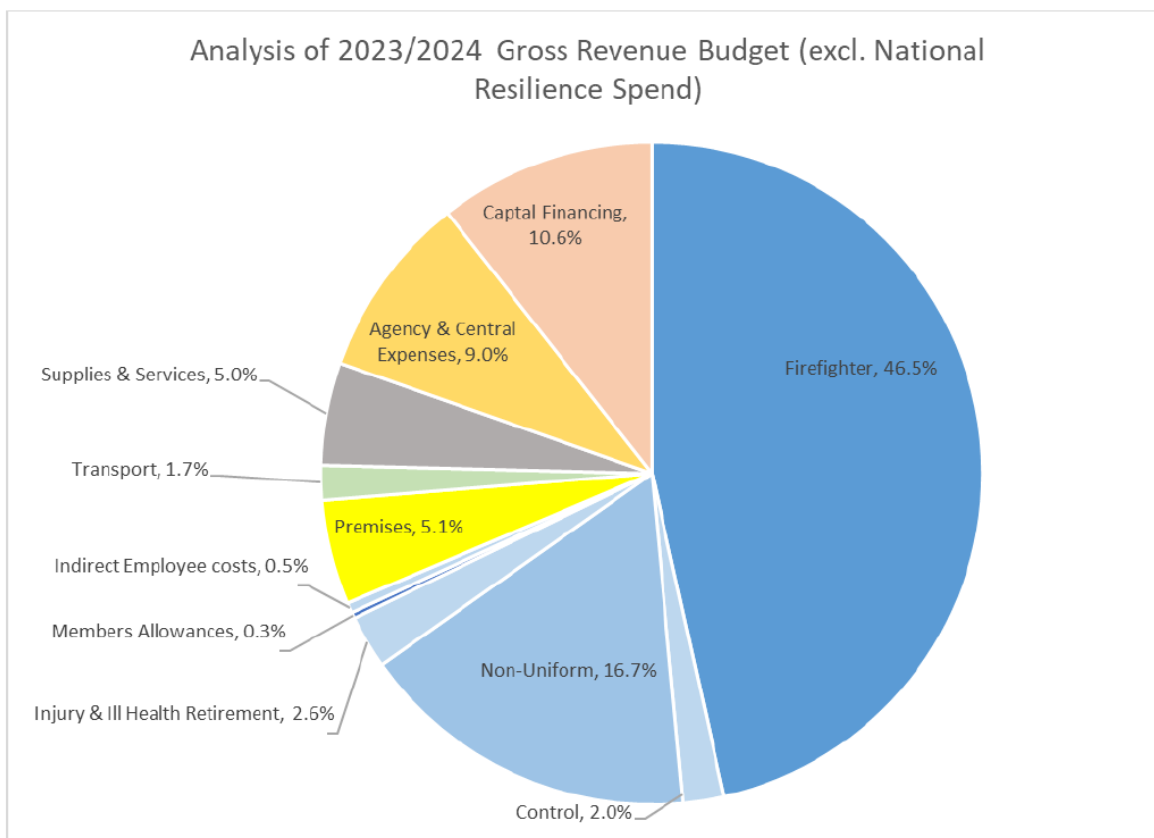
The 2023/24 Government funding settlement was another one-year settlement, the Authority urge the Government to reinstate the multi-year approach for future years as short-term funding is a major barrier to effective financial planning and fails to provide a permanent solution to the fundamental challenges 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 2023/2024 at £67.921m, and was able to approve a balanced 2023/2024 Budget without the need to identify new Service savings. 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, 53.0%, goes on emergency and specialist response; 9.4% on Operational Preparedness; and, 9.8% on Protection, Prevention & Community Safety. Therefore 72.2% of expenditure is on the “front line” services, (those activities highlighted in red are deemed frontline services). The 12.2% on capital costs relates mostly to previous investment in front line assets, fire stations, vehicles and equipment. The remaining 15.6% is on support and operational enabling services.



An analysis of the revenue budget on a subjective basis is outlined in the pie chart below. The majority, 68.6%, 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 5% in 2023/24 and 2.5% each year for the following years 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, 2023/2024, SFA settlement. The Government also announced several measures to assist with the Country’s economic recovery post Covid-19 and cost of living crisis. One of the measures was to continue freezing business rates in 2023/2024, rather than apply the September 2022 CPI increase of 10.1%. This had a significant impact on the 2023/2024 SFA, as the Baseline element of the SFA is directly linked to the business rates and any freeze would impact on the amount available to distribute to authorities. The Baseline element makes-up approximately 63% of the Authority’s SFA. The Government acknowledged this and announced an increase in the business rates compensation grant of £1.500m. In addition, a revaluation of Business Rates resulted in an increase in the Baseline funding of £0.754m.

The other element that makes up the SFA is the Revenue Support Grant (RSG). The 2023/2024 allocation increased by £1.175m or 10.1%. The overall change in SFA/Business Rates compensation grant funding was 10.8% or £3.429m. This equated to £3.112m above the level of funding assumed in the 2022/2023 MTFP.

The Government announced a new £822m unringfenced “one-off” Services Grant for 2022/2023, the Authority’s grant allocation was £1.388m. The grant included funding to offset the planned increase of 1.25% in employer National Insurance Contributions from April 2022. The Government stated that this new grant was a one-off, but the intention was that the Government would work closely with local government on how to best distribute this funding from 2023/2024 onwards. The MTFP assumed an ongoing Services Grant of £1.388m p.a. The Authority received a Services Grant of £0.814m in 2023/2024, a reduction of £0.574m, however £0.336m of this is due to the reversal of the NI increase. The MTFP assumes a Services Grant of £0.814 in future years.

The Government restricts Council Tax / Precept increases, in 2023/24 increases were limited to a maximum £5.00 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 2023/2024 precept increase was £5.00.

As per the table below, the 2023/2024 forecast budget requirement based on key assumption over pay awards and other costs could be met from the expected funding in the year.

| <b>2023/24 - 2027/28 MTFP</b>             |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
|   | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |
|   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| <b>FORECAST NET SPEND IN CURRENT MTFP</b> | <b>67,921</b>  | <b>70,645</b>  | <b>72,140</b>  | <b>73,270</b>  | <b>74,870</b>  |
| <b>TOTAL FUNDING</b>                      | <b>-67,921</b> | <b>-69,962</b> | <b>-71,293</b> | <b>-72,548</b> | <b>-73,830</b> |
| <b>FORECAST (SURPLUS) / DEFICIT</b>       | <b>0</b>       | <b>683</b>     | <b>847</b>     | <b>722</b>     | <b>1,040</b>   |

### **Medium Term Financial Plan**

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 2023/2024 – 2027/2028 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 pay from 2024/25 onwards; 2.5% increase in government funding in 2024/25 then 1% year-on-year from 2025/26; and an increase in the Council Tax Precept of just under 3% in 2024/25 and just under 2% each year from 2025/26.

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 2027/2028. 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 2023/24 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 £67.921million. The table below summarises the actual general revenue fund position at year-end and compares it to the budget.

| Programme                         | Fire Service Budget<br>£'000 | Fire Authority<br>£'000 | National Resilience<br>£'000 | Total Budget<br>£'000 | Actual<br>£'000 | Variance<br>£'000 |
|-----------------------------------|------------------------------|-------------------------|------------------------------|-----------------------|-----------------|-------------------|
| <b>Expenditure</b>                |                              |                         |                              |                       |                 |                   |
| Employee costs                    | 57,427                       | 378                     | 2,973                        | 60,778                | 59,117          | (1,661)           |
| Premises costs                    | 4,255                        | -                       | 1                            | 4,256                 | 4,187           | (69)              |
| Transport costs                   | 1,402                        | -                       | 8,046                        | 9,448                 | 9,143           | (305)             |
| Supplies and services             | 3,617                        | 22                      | 5,399                        | 9,038                 | 7,349           | (1,689)           |
| Agency services                   | 7,166                        | -                       | 32                           | 7,198                 | 7,066           | (132)             |
| Central support services          | 567                          | 139                     | 1                            | 707                   | 736             | (29)              |
| Capital financing                 | 19,975                       | 10                      | 5                            | 19,990                | 19,982          | (8)               |
| <b>Income</b>                     | (16,037)                     | -                       | (16,457)                     | (32,494)              | (31,699)        | 795               |
| <b>Net expenditure</b>            | <b>78,372</b>                | <b>549</b>              | <b>-</b>                     | <b>78,921</b>         | <b>75,881</b>   | <b>(3,040)</b>    |
| Contingency pay & prices          | 177                          | -                       | -                            | 177                   | -               | (177)             |
| Interest on balances              | (950)                        | -                       | -                            | (950)                 | (1,045)         | (95)              |
|                                   | <b>77,599</b>                | <b>549</b>              | <b>-</b>                     | <b>78,148</b>         | <b>74,836</b>   | <b>(3,312)</b>    |
| Movement on reserves              | (10,227)                     | -                       | -                            | (10,227)              | (6,915)         | 3,312             |
| <b>Overall financial position</b> | <b>67,372</b>                | <b>549</b>              | <b>-</b>                     | <b>67,921</b>         | <b>67,921</b>   | <b>-</b>          |

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 2023/2024 year-end “underspend” was £3.312m, however, after taking into account specific year-end earmarked reserves requests of £0.803m, the available uncommitted underspend was £2.509m. The underspend will be used to increase the capital reserve by £1.809m to manage long-term borrowing and debt costs. The remaining £0.700m will be used to increase the general reserve to £3.700m.

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 £2.233m 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:

|  |             | Detailed Adjustments | Total Adjustments per Expenditure and Funding Analysis | Total Adjustments per Comprehensive Income and Expenditure Statement |
|--|-------------|----------------------|--|--|
|  |             | £'000                | £'000  | £'000  |
| <b>Net General Fund 2023/24 year-end position:</b>                 | <b>Note</b> | -                    | -  | -  |
| <b>1 Net creation of earmarked reserves</b>                        | (a)         | -                    | -  | <b>6,915</b>   |
| <b>2 Asset valuation / charges and capital funding adjustments</b> |             |                      |  |  |
| Depreciation, impairment and revaluation adjustment                | (b)         | 5,833                |  |  |
| Revenue Expenditure Funded from Capital Under Statute (REFCUS)     | (c)         | 6,805                |  |  |
| Asset disposal / write-offs / revaluation losses                   |             | -                    |  |  |
| MRP / interest adjustment  | (f)         | (6,470)              |  |  |
| Capital Expenditure Funded from the Revenue Account (CERA)         |             | (12,362)             |  |  |
| Capital grants income  |             | (5,446)              | <b>(11,640)</b>  |  |
| <b>3 Pension related adjustments</b>                               | (d)         |                      |  |  |
| Pension contributions payable to pension fund (employer)           |             | (10,689)             |  |  |
| Pension contributions payable to pension fund (top-up grant)       |             | (31,162)             |  |  |
| Pension current service costs                                      |             | 4,822                |  |  |
| Pension past service costs   |             | -                    |  |  |
| Net interest on the defined benefit liability scheme               |             | 38,983               | <b>1,954</b>   |  |
| <b>4 Other technical accounting adjustments</b>                    | (e)         |                      |  |  |
| Timing differences for premiums and discounts                      |             | 22                   |  |  |
| Timing differences for council tax / NNDR                          |             | 49                   |  |  |
| Timing differences for compensated absences                        |             | 467                  | <b>538</b>   |  |
| <b>Total adjustments</b>   |             |                      |  | <b>(9,148)</b>   |
| <b>Surplus or deficit on provision of services</b>                 |             |                      |  | <b>(2,233)</b>   |

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 and the purchase of assets on behalf of National Resilience
- 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 2023/2024 budget was approved) Earmarked Reserves as at 01.04.2023 of £19.789m (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.

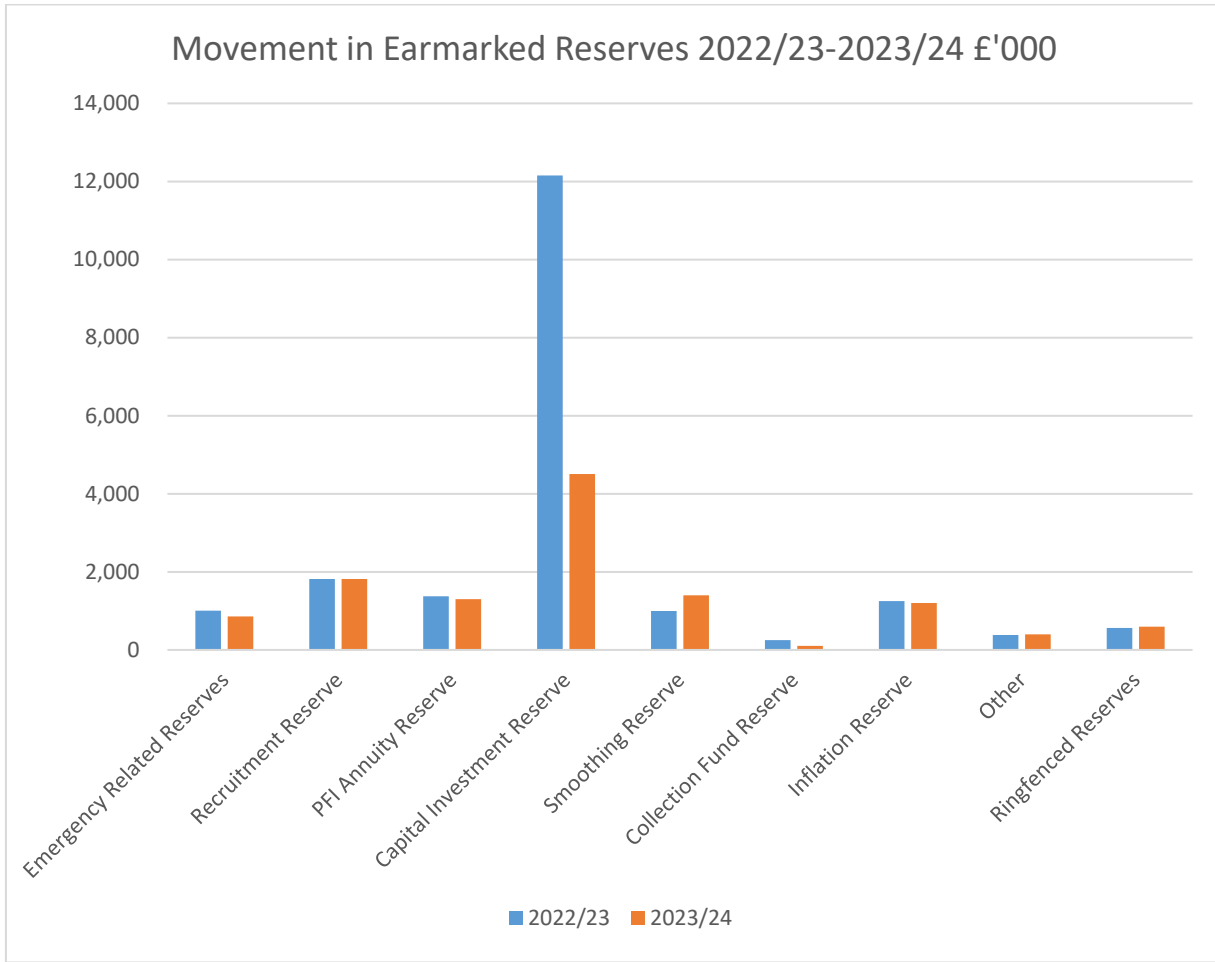
### ***Revenue Outturn Position***

The Authority's committed reserves at the start of the year were £19.789m and, by the end of the year, they had reduced to £12.174m. This is a net reduction of £7.615m. The most significant movement in reserves in the year were:

- £9.618m was drawn-down from the capital reserve to contribute towards the new TDA and fire station build costs.
- £2.036m was moved back into the capital reserve at year-end to reduce borrowing in future years.
- £0.400m was moved into the smoothing reserve to help towards any significant variations in budgeted costs within 2024/25 and subsequent years.
- 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 increased by £0.700m to £3.700m, or 5% of the gross budget at financial year-end, 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.

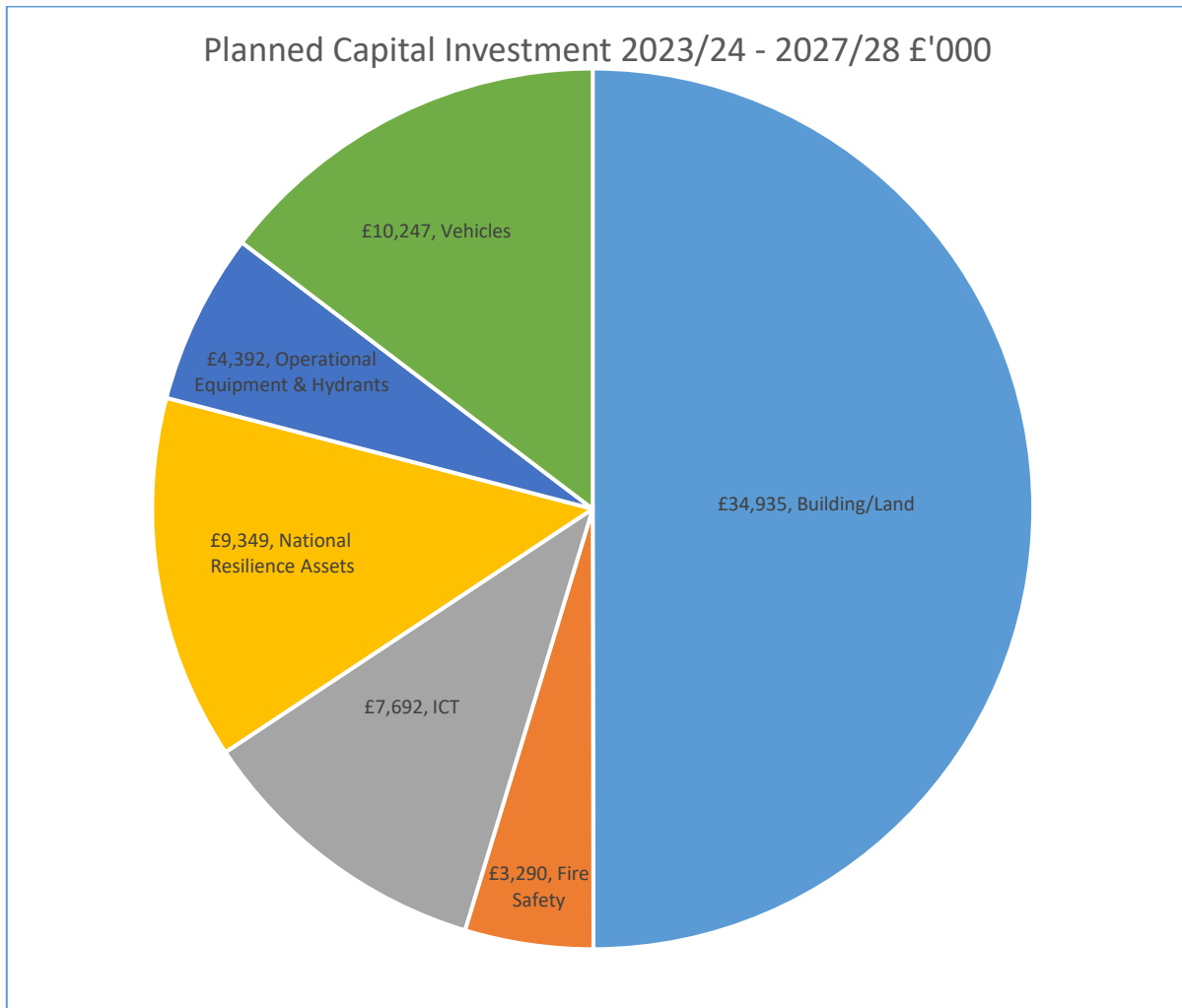


## Capital Strategy and Capital Programme 2023/24 to 2027/28

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 2023/2024 – 2027/2028 based on the final approved capital budget of £69.905m:



This capital programme had a borrowing requirement of £42.329m 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 construction of the new Training and Development Academy / Hybrid Fire Station 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

**2023/2024 Capital Outturn Position**

The 2023/2024 original capital budget was £36.263m and during the year this was adjusted for schemes being rephased from 2022/2023 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 2023/2024 was £43.605m but based on the actual spend a further £8.619m planned spend has been re-phased into 2024/2025.

# 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 2023/2024 - 2027/2028 Medium Term Financial Plan (MTFP), which is available on the Authority's website. The key elements are:

- The Treasury Management Strategy 2023/2024
- The External Debt and Treasury Management Prudential Indicators and Limits for 2023/2024 to 2025/2026
- The Investment Strategy 2023/24
- 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 Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments. 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:-

- authorised limit for external debt;
- operational boundary for external debt;
- upper limits on fixed interest rate exposure;
- upper limits on variable interest rate exposure;
- upper and lower limits for the maturity structure of borrowing;
- total principal sums invested for periods longer than 365 days.

The Authority's borrowing with the Public Works Loan Board remained consistent throughout the year at £33.7m. Interest paid during the year on existing long-term borrowing totalled £1.715m.

# Balance Sheet Financial Position at 31<sup>st</sup> March 2024

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 £15,792m over the year, and as a consequence the current net liability on total reserves has decreased from (£756,587m) to (£740.795m). 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 £856.086m 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 2024/2025 Budget and five-year medium term financial plan (MTFP) at its meeting on 29 February 2024. Unfortunately, the Government announced only a one-year settlement for 2024/2025, and this has meant a lack of certainty and predictability over future Authority funding, making it difficult to plan beyond 2024/2025.

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 2025/2026. Due to the level of uncertainty around the forecasts, the Authority will consider any future challenges as part of the 2025/2026 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 2024/2025, 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 2024 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 2023/24 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.

| 2022/23                   |                      |                         |   | Notes | 2023/24                   |                      |                         |
|---------------------------|----------------------|-------------------------|---|-------|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |   |       | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 76,467                    | (16,258)             | 60,209                  | Fire & Rescue Service Operations                      |       | 71,140                    | (17,266)             | 53,874                  |
| 961                       | -                    | 961                     | Corporate and Democratic Core                         |       | 956                       | -                    | 956                     |
| 13,360                    | (12,437)             | 923                     | National Resilience / International Search and Rescue |       | 20,540                    | (14,420)             | 6,120                   |
| <b>90,788</b>             | <b>(28,695)</b>      | <b>62,093</b>           | <b>Cost of services</b>                               |       | <b>92,636</b>             | <b>(31,686)</b>      | <b>60,950</b>           |
| -                         | (30,868)             | (30,868)                | Other operating income and expenditure                | 9     |                           | (31,162)             | (31,162)                |
| 36,492                    | (3,751)              | 32,741                  | Financing and investment income and expenditure       | 10    | 46,960                    | (5,666)              | 41,296                  |
| -                         | (70,030)             | (70,030)                | Taxation and non-specific grant income                | 11    | -                         | (73,317)             | (73,317)                |
|                           |                      | <b>(6,064)</b>          | <b>(Surplus) or deficit on provision of services</b>  | 27    |                           |                      | <b>(2,233)</b>          |
|                           |                      | -                       | Impairment losses charged to the revaluation reserve  |       |                           |                      | -                       |
|                           |                      | (8,140)                 | (Surplus) or deficit on revaluation of fixed assets   |       |                           |                      | (9,861)                 |
|                           |                      | (302,946)               | Remeasurement of the net defined benefit liability    |       |                           |                      | (3,698)                 |
|                           |                      | <b>(311,086)</b>        | <b>Other comprehensive income and expenditure</b>     |       |                           |                      | <b>(13,559)</b>         |
|                           |                      | <b>(317,150)</b>        | <b>Total comprehensive income and expenditure</b>     |       |                           |                      | <b>(15,792)</b>         |

## 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<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|--|-------|------------------------------|----------------------------------|----------------------------------|-------------------------------|---------------------------|----------------------------------|
| <b>Balance at 31 March 2023</b>  |       | (22,789)                     | -                                | (15,692)                         | (38,481)                      | 795,068                   | 756,587                          |
| <b><u>Movement in reserves during 2023/24</u></b>                      |       |                              |                                  |                                  |                               |                           |                                  |
| Total comprehensive income and expenditure                             |       | (2,233)                      | -                                | -                                | (2,233)                       | (13,559)                  | (15,792)                         |
| Adjustments between accounting basis & funding basis under regulations | 7     | 9,148                        | -                                | 664                              | 9,812                         | (9,812)                   | -                                |
| <b>Increase or decrease in 2023/24</b>                                 |       | <b>6,915</b>                 | <b>-</b>                         | <b>664</b>                       | <b>7,579</b>                  | <b>(23,371)</b>           | <b>(15,792)</b>                  |
| <b>Balance at 31 March 2024 carried forward</b>                        |       | <b>(15,874)</b>              | <b>-</b>                         | <b>(15,028)</b>                  | <b>(30,902)</b>               | <b>771,697</b>            | <b>740,795</b>                   |

|  | Notes | General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|--|-------|------------------------------|----------------------------------|----------------------------------|-------------------------------|---------------------------|----------------------------------|
| <b>Balance at 31 March 2022</b>  |       | (33,499)                     | -                                | (10,292)                         | (43,791)                      | 1,117,528                 | 1,073,737                        |
| <b><u>Movement in reserves during 2021/22</u></b>                      |       |                              |                                  |                                  |                               |                           |                                  |
| 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)                  | -                                |
| <b>Increase or decrease in 2022/23</b>                                 |       | <b>10,710</b>                | <b>-</b>                         | <b>(5,400)</b>                   | <b>5,310</b>                  | <b>(322,460)</b>          | <b>(317,150)</b>                 |
| <b>Balance at 31 March 2023 carried forward</b>                        |       | <b>(22,789)</b>              | <b>-</b>                         | <b>(15,692)</b>                  | <b>(38,481)</b>               | <b>795,068</b>            | <b>756,587</b>                   |



# 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'.

| 1 <sup>st</sup> April 2022<br>Restated<br>£000 | 31 <sup>st</sup> March 2023<br>Restated<br>£000 |                               | Notes   | 31 March 2024<br>£000 |
|--|---|-------------------------------|---------|-----------------------|
| 92,925   | 114,036   | Property, plant and equipment | 12      | 146,024               |
| 72   | 101   | Intangible assets             | 13      | 231                   |
| -  | 2,038   | Pension Asset                 | 40      | -                     |
| <b>92,997</b>                                  | <b>116,175</b>                                  | <b>Long-term Assets</b>       |         | <b>146,255</b>        |
| 33,014   | 27,259  | Short-term investments        | 14      | 13,282                |
| 1,145  | 1,074   | Inventories                   | 15      | 1,142                 |
| 19,743   | 19,466  | Short-term debtors            | 16      | 21,981                |
| 6,688  | 8,387   | Cash and cash equivalents     | 14 & 17 | 13,234                |
| <b>60,590</b>                                  | <b>56,186</b>                                   | <b>Current assets</b>         |         | <b>49,639</b>         |
| (1,051)  | (921)   | Short-term borrowing          | 14      | (970)                 |
| (11,172)                                       | (12,627)  | Short-term creditors          | 19      | (13,310)              |
| (7,620)  | (5,140)   | Grants receipts in advance    | 32      | (16,628)              |
| -  | -   | Bank overdraft                | 14 & 17 | -                     |
| <b>(20,894)</b>                                | <b>(18,688)</b>                                 | <b>Current liabilities</b>    |         | <b>(30,908)</b>       |
| (16,352)                                       | (15,804)  | Long-term creditors           | 14      | (15,206)              |
| (1,052)  | (787)   | Provisions                    | 20      | (729)                 |
| (33,720)                                       | (33,720)  | Long-term borrowing           | 14      | (33,720)              |
| (1,156,237)                                    | (859,869)                                       | Pension fund                  | 40      | (856,086)             |
| (120)  | (80)  | Other long-term liabilities   | 14      | (40)                  |
| <b>(1,207,481)</b>                             | <b>(910,260)</b>                                | <b>Long-term liabilities</b>  |         | <b>(905,781)</b>      |
| <b>(1,073,737)</b>                             | <b>(756,587)</b>                                | <b>Net liabilities</b>        |         | <b>(740,795)</b>      |
| (43,791)                                       | (38,481)  | Usable reserves               | 21      | (30,902)              |
| 1,117,528                                      | 795,068   | Unusable reserves             | 22      | 771,697               |
| <b>1,073,737</b>                               | <b>756,587</b>                                  | <b>Total reserves</b>         |         | <b>740,795</b>        |

## 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.

| 2022/23<br>£000 |   | Notes | 2023/24<br>£000 |
|-----------------|---|-------|-----------------|
| (6,064)         | Net (surplus) or deficit on the provision of services   |       | (2,233)         |
| (9,298)         | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 23    | (24,309)        |
| 3,609           | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 24    | 2,797           |
| <b>(11,753)</b> | <b>Net cash flows from operating activities</b>   |       | <b>(23,745)</b> |
| 5,971           | Investing activities  | 25    | 14,504          |
| 4,083           | Financing activities  | 26    | 3,948           |
| <b>(1,699)</b>  | <b>Net increase or decrease in cash and cash equivalents</b>  |       | <b>(5,293)</b>  |
| (6,688)         | Cash and cash equivalents at the beginning of the reporting period  |       | (8,387)         |
| <b>(8,387)</b>  | <b>Cash and cash equivalents at the end of the reporting period</b>   | 17    | <b>(13,680)</b> |

# Notes to the Core Financial Statements

## 1. Accounting Policies

### i. General Principles

The statement of accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31<sup>st</sup> March 2024. 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 2023/24 and the Service Reporting Code of Practice 2023/24, 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.

In 2023/24 £16.628m was moved out of short-term creditors into grant receipts in advance. As a result, the opening and closing figures for 2022/23 have been restated in the Balance Sheet.

## **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.

In accordance with the Code of Practice the Authority is able to adopt its own de-minimus policy for recognition, measurement and depreciation of capital expenditure, providing it meets the definition of capital expenditure above. The Authority's de-minimus level is £3,000 per capital scheme.

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.

The Court of Appeal has recently issued its judgment in the Virgin Media case (Virgin Media Ltd v NTL Pension Trustees II Ltd & Ors), which could affect any scheme which was contracted-out of the State Second Pension on a final salary basis in the period between 6 April 1997 and 5 April 2016. The case centred on a change to benefits made in 1999 to the way in which deferred members' pensions were revalued in relation to inflation. The impact of the ruling on LGPS liabilities is not known and no adjustments to reflect the impact of the ruling have been made to the financial statements for the year. The Authority will continue to monitor the developments and consider the impact on the LGPS liabilities.

## 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 31<sup>st</sup> 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 2023/24 (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 1 – 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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.

## 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 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.
- National Resilience – The Authority is the Lead Authority for National Resilience, on behalf of the Home Office. This arrangement has been reviewed against IFRS11 on joint arrangements and it has been determined that this falls outside of the scope of a joint arrangement. Under IFRS15, and for the purpose of the accounts, the Authority has treated the funding in this agreement as if the Authority is the **principal** body.

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

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2024 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 | <p>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.</p>   | <p>If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £4,036,338 for every year that useful lives have to be reduced.</p> |
|                               | <p>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.</p>   | <p>Land and building revaluations increased by £9m to £97m and therefore a 1% change in valuation would result in an increase/decrease in valuation of £970,000.</p>  |
| Pensions Liability            | <p>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)</p>  | <p>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 £8.5m.</p>                |
| Pension Assets                | <p><b>Unquoted Investments</b></p> <p>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 2024.</p> <p>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.</p> <p>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.</p> | <p>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.</p>      |

| Item       | Uncertainties  | Effect if Actual Results Differ from Assumptions   |
|------------|--|--|
| Arrears    | At 31 <sup>st</sup> March 2024, the Authority had a balance of sundry debtors of £795,000. A review of significant balances suggested a credit loss provision of £1,234 was appropriate. | If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1,234 to set aside as an allowance.                                 |
| Provisions | The Authority has made provision for Injury and Damage Compensation claims based on an estimate of potential payouts. As at 31 <sup>st</sup> March 2024, this totalled £235,000.         | Claims calculations are based on past-experience. If the estimate were to change by 10%, this would result in a change of £23,500 in the provision.  |
|            | The Authority has made provisions for the proportion of Business Rates Appeals from all 5 Precepting Authorities. As at 31 <sup>st</sup> March 2024, this totalled £495,000.             | 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.

|                     | 2023/24<br>£000 | 2022/23<br>£000 |
|---------------------|-----------------|-----------------|
| IT & Communications | 2,119           | 1,979           |
| Estates             | 1,739           | 1,628           |

## 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 2023/24**

| <b>2023/24</b>   | <b>General Fund</b> | <b>Capital Receipts</b> | <b>Capital Grants Unapplied</b> | <b>Unusable Reserves</b> |
|--|---------------------|-------------------------|---------------------------------|--------------------------|
| Depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets | (5,833)             | -                       | -                               | 5,833                    |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account)                                       | 6,470               | -                       | -                               | (6,470)                  |
| Capital expenditure financed from revenue balances (transfer to the capital adjustment account)                                    | 12,362              | -                       | -                               | (12,362)                 |
| Pensions costs (transferred to (or from) the pensions reserve)   | (1,954)             | -                       | -                               | 1,954                    |
| Financial instruments (transferred to the financial instruments adjustments account)   | (22)                | -                       | -                               | 22                       |
| Council Tax and NDR (transferred to the collection fund adjustments account)   | (49)                | -                       | -                               | 49                       |
| Holiday pay (transferred to the accumulated absences reserve)  | (467)               | -                       | -                               | 467                      |
| Revenue expenditure funded from capital under statute  | (1,359)             | -                       | (5,446)                         | 6,805                    |
| Application of capital grants to finance capital expenditure   | -                   | -                       | 6,110                           | (6,110)                  |
| <b>Total Adjustments</b>   | <b>9,148</b>        | <b>-</b>                | <b>664</b>                      | <b>(9,812)</b>           |

## Adjustments between Accounting Basis and Funding Basis under Regulations 2022/23

| 2022/23 Restated   | General Fund  | Capital Receipts | Capital Grants Unapplied | Unusable Reserves |
|--|---------------|------------------|--------------------------|-------------------|
| Depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non-current assets | (4,323)       | -                | -                        | 4,323             |
| Transfer of non-current asset sale proceeds from revenue to the capital reserve  | 19            | (19)             | -                        | -                 |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account)                                       | 3,922         | -                | -                        | (3,922)           |
| Capital expenditure financed from revenue balances (transfer to the capital adjustment account)                                    | 14,997        | -                | -                        | (14,997)          |
| Pensions costs (transferred to (or from) the pensions reserve)   | (4,540)       | -                | -                        | 4,540             |
| Financial instruments (transferred to the financial instruments adjustments account)   | (23)          | -                | -                        | 23                |
| Council Tax and NDR (transferred to the collection fund adjustments account)   | 1,921         | -                | -                        | (1,921)           |
| Holiday pay (transferred to the accumulated absences reserve)  | 110           | -                | -                        | (110)             |
| Revenue expenditure funded from capital under statute  | 4,691         | -                | (6,320)                  | 1,629             |
| Application of capital grants to finance capital expenditure   | -             | -                | 920                      | (920)             |
| Use of the capital receipts reserve to finance capital expenditure   | -             | 19               | -                        | (19)              |
| <b>Total Adjustments</b>   | <b>16,774</b> | <b>-</b>         | <b>(5,400)</b>           | <b>(11,374)</b>   |

## 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 2023/24.

|                                    | Balance at<br>31 March<br>2022<br>£000 | Transfers<br>Out<br>2022/23<br>£000 | Transfers<br>In<br>2022/23<br>£000 | Balance at<br>31 March<br>2023<br>£000 | Transfers<br>Out<br>2023/24<br>£000 | Transfers<br>In<br>2023/24<br>£000 | Balance at<br>31 March<br>2024<br>£000 |
|------------------------------------|--|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| <b>Emergency Related Reserves:</b> |  |                                     |                                    |  |                                     |                                    |  |
| Bellwin Reserve                    | 222                                    | -                                   | -                                  | 222                                    | -                                   | -                                  | 222                                    |
| Insurance and Legal Reserve        | 499                                    | -                                   | 35                                 | 534                                    | -                                   | -                                  | 534                                    |
| Collection Fund Reserve            | 2,420                                  | (2,170)                             | -                                  | 250                                    | (150)                               | -                                  | 100                                    |
| <b>Modernisation Challenge:</b>    |  |                                     |                                    |  |                                     |                                    |  |
| Smoothing Reserve                  | 1,588                                  | (588)                               | -                                  | 1,000                                  | -                                   | 400                                | 1,400                                  |
| Severance / Holiday Pay Reserve    | -                                      | -                                   | 530                                | 530                                    | -                                   | 150                                | 680                                    |
| Pensions Reserve                   | 652                                    | (62)                                | -                                  | 590                                    | (290)                               | -                                  | 300                                    |
| Recruitment Reserve                | 1,450                                  | -                                   | 364                                | 1,814                                  | -                                   | -                                  | 1,814                                  |
| Invest To Save Reserve             | 282                                    | -                                   | -                                  | 282                                    | (282)                               | -                                  | -                                      |
| <b>Capital Investment:</b>         |  |                                     |                                    |  |                                     |                                    |  |
| Capital Investment Reserve         | 17,690                                 | (11,454)                            | 4,508                              | 10,744                                 | (9,618)                             | 2,036                              | 3,162                                  |
| Emerging Technologies Reserve      | 30                                     | -                                   | 7                                  | 37                                     | -                                   | 5                                  | 42                                     |
| PFI Annuity Reserve                | 1,442                                  | (69)                                | -                                  | 1,373                                  | (69)                                | -                                  | 1,304                                  |
| <b>Specific Projects:</b>          |  |                                     |                                    |  |                                     |                                    |  |
| Health & Safety Reserve            | 55                                     | -                                   | -                                  | 55                                     | -                                   | -                                  | 55                                     |
| Equipment Reserve                  | 205                                    | (10)                                | 22                                 | 217                                    | (13)                                | 145                                | 349                                    |
| Community Engagement Reserve       | 8                                      | (8)                                 | -                                  | -                                      | -                                   | -                                  | -                                      |
| Clothing Reserve                   | 90                                     | -                                   | -                                  | 90                                     | -                                   | -                                  | 90                                     |
| Health & Wellbeing Reserve         | 7                                      | (7)                                 | 30                                 | 30                                     | -                                   | -                                  | 30                                     |
| Training Reserve                   | 150                                    | -                                   | 62                                 | 212                                    | (132)                               | 220                                | 300                                    |
| <b>Inflation:</b>                  |  |                                     |                                    |  |                                     |                                    |  |
| Inflation Reserve                  | 3,019                                  | (2,151)                             | 382                                | 1,250                                  | (50)                                | -                                  | 1,200                                  |
| <b>Total</b>                       | <b>29,809</b>                          | <b>(16,519)</b>                     | <b>5,940</b>                       | <b>19,230</b>                          | <b>(10,604)</b>                     | <b>2,956</b>                       | <b>11,582</b>                          |
| <b>Ringfenced Reserves:</b>        |  |                                     |                                    |  |                                     |                                    |  |
| Princes Trust Reserve              | 15                                     | (15)                                | -                                  | -                                      | -                                   | -                                  | -                                      |
| Community Risk Management Reserve  | 303                                    | (13)                                | 10                                 | 300                                    | (80)                                | 37                                 | 257                                    |
| Energy Reserve                     | 133                                    | -                                   | 68                                 | 201                                    | -                                   | 57                                 | 258                                    |
| New Dimensions Reserve             | 239                                    | (200)                               | 19                                 | 58                                     | -                                   | 19                                 | 77                                     |
| <b>Total</b>                       | <b>690</b>                             | <b>(228)</b>                        | <b>97</b>                          | <b>559</b>                             | <b>(80)</b>                         | <b>113</b>                         | <b>592</b>                             |
| <b>Total Committed Reserves</b>    | <b>30,499</b>                          | <b>(16,747)</b>                     | <b>6,037</b>                       | <b>19,789</b>                          | <b>(10,684)</b>                     | <b>3,069</b>                       | <b>12,174</b>                          |

### **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.

### **Collection Fund Reserve**

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 charges.

### **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 pays 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.

### **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. The Authority considers the longer-term funding of higher 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

| 2022/23<br>£000 |  | 2023/24<br>£000 |
|-----------------|--|-----------------|
| (19)            | (Gains)/losses on the disposal of non-current assets                               | -               |
| (30,849)        | Gain in relation to Government grant payable to Pension Fund on Authority's behalf | (31,162)        |
| <b>(30,868)</b> | <b>Total</b>   | <b>(31,162)</b> |

## 10. Financing and Investment Income and Expenditure

| 2022/23<br>£000 |  | 2023/24<br>£000 |
|-----------------|--|-----------------|
| 3,364           | Interest payable and similar charges   | 3,360           |
| 33,128          | Pensions interest cost                 | 43,602          |
| (2,831)         | Expected return on pensions assets     | (4,620)         |
| (920)           | Interest receivable and similar income | (1,046)         |
| -               | Other investment income                | -               |
| <b>32,741</b>   | <b>Total</b>                           | <b>41,296</b>   |

## 11. Taxation and Non-Specific Grant Income

| 2022/23<br>£000 |   | 2023/24<br>£000 |
|-----------------|---|-----------------|
| (32,299)        | Council tax income                        | (34,519)        |
| (3,988)         | National non-domestic rates (local share) | (4,165)         |
| -               | National non-domestic rates pool          | -               |
| (15,839)        | National non-domestic rates top up grant  | (16,428)        |
| (11,584)        | Revenue support grant                     | (12,759)        |
| (6,320)         | Capital grants and contributions          | (5,446)         |
| <b>(70,030)</b> | <b>Total</b>                              | <b>(73,317)</b> |



## 12. Property, Plant and Equipment

### Movements in 2023/24:

|  | Land & Buildings | Assets Under Construction | Vehicles & Equipment | Total Property, Plant and Equipment | PFI Assets Included in Property Plant and Equipment |
|--|------------------|---------------------------|----------------------|-------------------------------------|---|
|  | £000             | £000                      | £000                 | £000                                | £000  |
| <b>Cost or valuation</b>   |                  |                           |                      |                                     |   |
| <b>At 1 April 2023</b>   | <b>87,865</b>    | <b>15,505</b>             | <b>22,778</b>        | <b>126,148</b>                      | <b>28,339</b>                                       |
| Additions  | 2,722            | 21,935                    | 3,170                | 27,827                              | 56  |
| Donations  | -                | -                         | -                    | -                                   | -   |
| Revaluation increases/(decreases) recognised in the revaluation reserve                          | 6,337            | -                         | -                    | 6,337                               | 4,735   |
| Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services | -                | -                         | -                    | -                                   | -   |
| Derecognition – disposals  | -                | -                         | -                    | -                                   | -   |
| Derecognition – other  | -                | -                         | (1,769)              | (1,769)                             | -   |
| Assets reclassified (to)/from held for sale  | -                | -                         | -                    | -                                   | -   |
| Other movements in cost or valuation   | -                | -                         | -                    | -                                   | -   |
| <b>At 31 March 2024</b>  | <b>96,924</b>    | <b>37,440</b>             | <b>24,179</b>        | <b>158,543</b>                      | <b>33,130</b>                                       |
| <b>Accumulated depreciation and impairment</b>   |                  |                           |                      |                                     |   |
| <b>At 1 April 2023</b>   | <b>-</b>         | <b>-</b>                  | <b>(12,112)</b>      | <b>(12,112)</b>                     | <b>-</b>  |
| Depreciation charge  | (6,148)          | -                         | (2,176)              | (8,324)                             | (806)   |
| Depreciation written out to the revaluation reserve  | 6,148            | -                         | -                    | 6,148                               | 806   |
| 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  | -                | -                         | 1,769                | 1,769                               | -   |
| Assets reclassified (to)/from held for sale  | -                | -                         | -                    | -                                   | -   |
| Other movements in depreciation and impairment   | -                | -                         | -                    | -                                   | -   |
| <b>At 31 March 2024</b>  | <b>-</b>         | <b>-</b>                  | <b>(12,519)</b>      | <b>(12,519)</b>                     | <b>-</b>  |
| <b>Net book value</b>  |                  |                           |                      |                                     |   |
| <b>At 31 March 2024</b>  | <b>96,924</b>    | <b>37,440</b>             | <b>11,660</b>        | <b>146,024</b>                      | <b>33,130</b>                                       |
| <b>At 31 March 2023</b>  | <b>87,865</b>    | <b>15,505</b>             | <b>10,666</b>        | <b>114,036</b>                      | <b>28,339</b>                                       |
| <b>Nature of asset holding</b>   |                  |                           |                      |                                     |   |
| Owned  | 60,860           | 37,440                    | 11,660               | 109,960                             | -   |
| Finance lease  | 2,934            | -                         | -                    | 2,934                               | -   |
| PFI  | 33,130           | -                         | -                    | 33,130                              | 33,130  |
| <b>Total</b>   | <b>96,924</b>    | <b>37,440</b>             | <b>11,660</b>        | <b>146,024</b>                      | <b>33,130</b>                                       |

## Property, Plant and Equipment

### Comparative Movements in 2022/23:

|  | Land & Buildings | Assets Under Construction | Vehicles & Equipment | Total Property, Plant and Equipment | PFI Assets Included in Property Plant and Equipment |
|--|------------------|---------------------------|----------------------|-------------------------------------|---|
|  | £000             | £000                      | £000                 | £000                                | £000  |
| <b>Cost or valuation</b>   |                  |                           |                      |                                     |   |
| <b>At 1 April 2022</b>   | <b>81,200</b>    | <b>1,074</b>              | <b>22,423</b>        | <b>104,697</b>                      | <b>25,524</b>                                       |
| 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   | -                | -                         | -                    | -                                   | -   |
| <b>At 31 March 2023</b>  | <b>87,865</b>    | <b>15,505</b>             | <b>22,778</b>        | <b>126,148</b>                      | <b>28,339</b>                                       |
| <b>Accumulated depreciation and impairment</b>   |                  |                           |                      |                                     |   |
| <b>At 1 April 2022</b>   | <b>-</b>         | <b>-</b>                  | <b>(11,772)</b>      | <b>(11,772)</b>                     | <b>-</b>  |
| 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   | -                | -                         | -                    | -                                   | -   |
| <b>At 31 March 2023</b>  | <b>-</b>         | <b>-</b>                  | <b>(12,112)</b>      | <b>(12,112)</b>                     | <b>-</b>  |
| <b>Net book value</b>  |                  |                           |                      |                                     |   |
| <b>At 31 March 2023</b>  | <b>87,865</b>    | <b>15,505</b>             | <b>10,666</b>        | <b>114,036</b>                      | <b>28,339</b>                                       |
| <b>At 31 March 2022</b>  | <b>81,200</b>    | <b>1,074</b>              | <b>10,651</b>        | <b>92,925</b>                       | <b>25,524</b>                                       |
| <b>Nature of asset holding</b>   |                  |                           |                      |                                     |   |
| Owned  | 57,117           | 15,505                    | 10,666               | 83,288                              | -   |
| Finance lease  | 2,409            | -                         | -                    | 2,409                               | -   |
| PFI  | 28,339           | -                         | -                    | 28,339                              | 28,339  |
| <b>Total</b>   | <b>87,865</b>    | <b>15,505</b>             | <b>10,666</b>        | <b>114,036</b>                      | <b>28,339</b>                                       |

## 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 1 – 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 2023/24

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

|   | I&E<br>Account<br>£000 | MIRS<br>Reversal<br>£000 | Fixed<br>Assets<br>£000 | Intangible<br>Assets<br>£000 | AHFS<br>£000 | Revaluation<br>Reserve<br>£000 |
|---|------------------------|--------------------------|-------------------------|------------------------------|--------------|--------------------------------|
| <b>Depreciation</b>                         |                        |                          |                         |                              |              |                                |
| Fixed assets                                | 8,324                  | (8,324)                  | (8,324)                 | -                            | -            | -                              |
| Intangible assets                           | 132                    | (132)                    | -                       | (132)                        | -            | -                              |
| <b>Total</b>                                | <b>8,456</b>           | <b>(8,456)</b>           | <b>(8,324)</b>          | <b>(132)</b>                 | <b>-</b>     | <b>-</b>                       |
| <b>Impairments &amp; Revaluation Losses</b> |                        |                          |                         |                              |              |                                |
| (Gain)/loss on Assets Sold                  | -                      | -                        | -                       | -                            | -            | -                              |
| General impairments (L&B)                   | -                      | -                        | -                       | -                            | -            | -                              |
| Revaluation losses (L&B New Build)          | -                      | -                        | -                       | -                            | -            | -                              |
| <b>Total</b>                                | <b>-</b>               | <b>-</b>                 | <b>-</b>                | <b>-</b>                     | <b>-</b>     | <b>-</b>                       |
| <b>Grand total</b>                          | <b>8,456</b>           | <b>(8,456)</b>           | <b>(8,324)</b>          | <b>(132)</b>                 | <b>-</b>     | <b>-</b>                       |
| <b>Revaluations</b>                         |                        |                          |                         |                              |              |                                |
| Revaluation in/out in year to CAA           | -                      | -                        | -                       | -                            | -            | 2,655                          |
| Revaluation gain                            | -                      | -                        | 12,484                  | -                            | -            | (12,484)                       |
| Reversal of PY impairments                  | (48)                   | 48                       | -                       | -                            | -            | 48                             |
| Reversal of PY revaluation gain             | (2,575)                | 2,575                    | -                       | -                            | -            | 2,575                          |
| <b>Net gain</b>                             | <b>(2,623)</b>         | <b>2,623</b>             | <b>12,484</b>           | <b>-</b>                     | <b>-</b>     | <b>(7,206)</b>                 |

## Capital Commitments

At 31<sup>st</sup> March 2024, 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 £6.9m. Similar commitments at 31<sup>st</sup> March 2023 were £27.1m. The commitments can be analysed as follows:

- Building Schemes £ 2.0m (includes £1.8m for new training centre)
  - Equipment and ICT Schemes £ 1.1m
  - Vehicles £ 0.9m
  - National Resilience (NRAT) £ 2.9m
- £ 6.9m

## Effects of Changes in Estimates

No properties were put up for sale in 2023/24. In 2023/24 Aintree Fire Station was put up for future sale.

No properties were sold in 2023/24.

## 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 (MC and Co 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. The latest revaluation of properties was carried out at 31<sup>st</sup> March 2024.

## Componentisation

After consulting with the fire & rescue service valuers (MC and Co 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<br>Buildings<br>£000 | Assets Under<br>Construction<br>£000 | Vehicles &<br>Equipment<br>£000 | Total<br>£000  |
|--|-------------------------------|--------------------------------------|---------------------------------|----------------|
| Carried at historical cost                       | -                             | 37,440                               | 17,770                          | 55,210         |
| Valued at Depreciated Replacement Cost (DRC) at: |                               |                                      |                                 |                |
| 31 March 2024                                    | 80,079                        | -                                    | -                               | 80,079         |
| Values at current value as at:                   |                               |                                      |                                 |                |
| 31 March 2024                                    | 16,845                        | -                                    | -                               | 16,845         |
| <b>Total cost or valuation</b>                   | <b>96,924</b>                 | <b>37,440</b>                        | <b>17,770</b>                   | <b>152,134</b> |

### **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) £37.4m
  - Capital commitments outstanding £1.8m
- £39.2m**

## **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. In 2023/24 the cost of intangible assets was £231,000.

## **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 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023<br>Restated |
|                               | £000          | £000          | £000          | £000                      |
| <b>Financial assets</b>       |               |               |               |                           |
| Investments at amortised cost | -             | -             | 13,282        | 27,259                    |
| Cash & bank                   | -             | -             | 13,234        | 8,387                     |
| <b>Total investments</b>      | -             | -             | <b>26,516</b> | <b>35,646</b>             |

|                                  |   |   |               |               |
|----------------------------------|---|---|---------------|---------------|
| <b>Debtors</b>                   |   |   |               |               |
| Debtors at amortised cost        | - | - | 8,285         | 7,219         |
| Non-financial instruments        | - | - | 13,696        | 12,247        |
| <b>Total included in debtors</b> | - | - | <b>21,981</b> | <b>19,466</b> |

|  |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>Financial liabilities</b>                   |                 |                 |                 |                 |
| Financial liabilities at amortised cost (PWLB) | (33,720)        | (33,720)        | -               | -               |
| Financial liabilities at amortised cost (LCC)  | -               | -               | -               | -               |
| Bank overdraft                                 | -               | -               | -               | -               |
| <b>Total borrowings</b>                        | <b>(33,720)</b> | <b>(33,720)</b> | -               | -               |
| <b>Other long-term liabilities</b>             |                 |                 |                 |                 |
| Finance lease liabilities at amortised cost    | -               | -               | -               | -               |
| PFI liabilities at amortised cost              | (15,206)        | (15,804)        | (598)           | (548)           |
| Merseyside Residual Debt at amortised cost     | (41)            | (81)            | (40)            | (41)            |
| <b>Total other long-term liabilities</b>       | <b>(15,247)</b> | <b>(15,885)</b> | <b>(638)</b>    | <b>(589)</b>    |
| <b>Creditors</b>                               |                 |                 |                 |                 |
| Creditors at amortised cost                    | -               | -               | (6,282)         | (6,497)         |
| Non-financial instruments                      | -               | -               | (7,029)         | (6,130)         |
| PWLB interest carried at amortised cost        | -               | -               | (332)           | (332)           |
| <b>Total creditors</b>                         | -               | -               | <b>(13,643)</b> | <b>(12,959)</b> |
| <b>Total borrowing</b>                         | <b>(48,967)</b> | <b>(49,605)</b> | <b>(14,281)</b> | <b>(13,548)</b> |

## 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:

|   | 2023/24   |  | 2022/23   |  |
|---|---|--|---|--|
|   | 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:  |   |  |   |  |
| <ul style="list-style-type: none"> <li>Financial assets measured at fair value through profit or loss</li> </ul>                                | -   | -  | -   | -  |
| <ul style="list-style-type: none"> <li>Financial assets measured at amortised cost</li> </ul>   | -   | -  | -   | -  |
| <ul style="list-style-type: none"> <li>Investments in equity instruments designated at fair value through other comprehensive income</li> </ul> | -   | -  | -   | -  |
| <b>Total net gains/losses</b>   | -   | -  | -   | -  |
| Interest revenue:   |   |  |   |  |
| <ul style="list-style-type: none"> <li>Financial assets measured at amortised cost</li> </ul>   | (1,045)   | -  | (920)   | -  |
| <ul style="list-style-type: none"> <li>Other financial assets measured at fair value through other comprehensive income</li> </ul>              | -   | -  | -   | -  |
| <b>Total interest revenue</b>   | <b>(1,045)</b>                                  | -  | <b>(920)</b>                                    | -  |
| <b>Interest expense:</b>  | <b>3,359</b>                                    | -  | <b>3,364</b>                                    | -  |
| Fee income:   |   |  |   |  |
| <ul style="list-style-type: none"> <li>Financial assets or financial liabilities that are not at fair value through profit or loss</li> </ul>   | -   | -  | -   | -  |
| <ul style="list-style-type: none"> <li>Trust and other fiduciary activities</li> </ul>  | -   | -  | -   | -  |
| <b>Total fee income</b>   | -   | -  | -   | -  |
| Fee expense:  |   |  |   |  |
| <ul style="list-style-type: none"> <li>Financial assets or financial liabilities that are not at fair value through profit or loss</li> </ul>   | -   | -  | -   | -  |
| <ul style="list-style-type: none"> <li>Trust and other fiduciary activities</li> </ul>  | -   | -  | -   | -  |
| <b>Total fee expense</b>  | -   | -  | -   | -  |

## Fair Values of Assets and Liabilities

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

- actual ranges of interest rates at 31<sup>st</sup> March 2024 of 4.25% to 8.63% 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 2024   |            | 31 March 2023   |            |
|------------------------------|-----------------|------------|-----------------|------------|
|                              | Carrying amount | Fair value | Carrying amount | Fair value |
|                              | £000            | £000       | £000            | £000       |
| PWLB Short & long-term loans | 33,720          | 38,770     | 33,720          | 35,081     |
| PFI Liability                | 15,804          | 18,084     | 16,352          | 18,006     |

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 31<sup>st</sup> March 2024) 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        |              |
|---|------------------------------|------------|--------------------------------|------------|--------------|--------------|
|   | 2023/24                      | 2022/23    | 2023/24                        | 2022/23    | 2023/24      | 2022/23      |
|   | £000                         | £000       | £000                           | £000       | £000         | £000         |
| Balance outstanding at start of year      | 961                          | 1,028      | 113                            | 117        | 1,074        | 1,145        |
| Purchases                                 | 545                          | 423        | 827                            | 957        | 1,372        | 1,380        |
| Recognised as an expense in the year      | (479)                        | (490)      | (825)                          | (961)      | (1,304)      | (1,451)      |
| Written-off balances                      | -                            | -          | -                              | -          | -            | -            |
| Reversals of write-offs in previous years | -                            | -          | -                              | -          | -            | -            |
| <b>Balance outstanding at year-end</b>    | <b>1,027</b>                 | <b>961</b> | <b>115</b>                     | <b>113</b> | <b>1,142</b> | <b>1,074</b> |



## 16. Debtors

|                                       | 31 March 2024 | 31 March 2023 |
|---------------------------------------|---------------|---------------|
|                                       | £000          | £000          |
| Central Government bodies             | 14,047        | 13,423        |
| Other local authorities               | 6,054         | 5,236         |
| NHS bodies                            | -             | -             |
| Public corporations and trading funds | -             | -             |
| Other entities and individuals        | 1,880         | 807           |
| <b>Total</b>                          | <b>21,981</b> | <b>19,466</b> |

## 17. Cash and Cash Equivalents

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

| 31 March 2023 |   | 31 March 2024 |
|---------------|---|---------------|
| £000          |   | £000          |
| 3             | Cash held by the Authority  | 11            |
| (121)         | Bank current accounts   | (182)         |
| 8,505         | Short-term deposits with building societies and Local Authorities | 13,405        |
| <b>8,387</b>  | <b>Total cash and cash equivalents</b>                            | <b>13,234</b> |

## 18. Assets Held for Sale

The Authority had no assets held for sale as at 31<sup>st</sup> March 2024.

## 19. Creditors

|                                       | 31 March 2024   | 31 March 2023    |
|---------------------------------------|-----------------|------------------|
|                                       | £000            | Restated<br>£000 |
| Central Government bodies             | (2,190)         | (2,838)          |
| Other local authorities               | (5,819)         | (4,653)          |
| NHS bodies                            | -               | -                |
| Public corporations and trading funds | -               | -                |
| Other entities and individuals        | (5,301)         | (5,136)          |
| <b>Total</b>                          | <b>(13,310)</b> | <b>(12,627)</b>  |

The accrual for compensated absences is included in other entities and individuals.

## 20. Provisions

|                                       | Outstanding<br>Legal Cases<br>£000 | Injury and Damage<br>Compensation Claims<br>£000 | Business Rates<br>Appeals<br>£000 | Total<br>£000 |
|---------------------------------------|------------------------------------|--|-----------------------------------|---------------|
| Balance at 1 April 2023               | -                                  | (138)  | (649)                             | (787)         |
| Additional provisions made in 2023/24 | -                                  | (129)  | 154                               | 25            |
| Amounts used in 2023/24               | -                                  | 33   | -                                 | 33            |
| Unused amounts reversed in 2023/24    | -                                  | -  | -                                 | -             |
| Unwinding of discounting in 2023/24   | -                                  | -  | -                                 | -             |
| <b>Balance at 31 March 2024</b>       | -                                  | <b>(234)</b>                                     | <b>(495)</b>                      | <b>(729)</b>  |

### Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31<sup>st</sup> March 2024. 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 31<sup>st</sup> March 2024 from the five precepting authorities.

## 21. Usable Reserves

| 31 March 2023<br>£000 |                                 | 31 March 2024<br>£000 |
|-----------------------|---------------------------------|-----------------------|
| -                     | Usable capital receipts reserve | -                     |
| (15,692)              | Usable capital grants unapplied | (15,028)              |
| (3,000)               | General Fund balance            | (3,700)               |
| (19,789)              | Earmarked reserves (Note 8)     | (12,174)              |
| <b>(38,481)</b>       | <b>Total usable reserves</b>    | <b>(30,902)</b>       |

## 22. Unusable Reserves

| 31 March 2023<br>£000 |  | 31 March 2024<br>£000 |
|-----------------------|--|-----------------------|
| (32,805)              | Revaluation reserve                                  | (40,010)              |
| (29,955)              | Capital adjustment account                           | (44,915)              |
| (310)                 | Financial instruments adjustment account             | (289)                 |
| 857,830               | Pensions reserve                                     | 856,086               |
| (423)                 | Collection fund adjustment account                   | (373)                 |
| 731                   | Accumulating compensated absences adjustment account | 1,198                 |
| <b>795,068</b>        | <b>Total unusable reserves</b>                       | <b>771,697</b>        |

## 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.

| 2022/23<br>£000 |   | 2023/24<br>£000 |
|-----------------|---|-----------------|
| (26,385)        | Balance at 1 April  | (32,805)        |
| (10,861)        | Upward revaluation of assets  | (12,484)        |
| 2,721           | Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services      | 2,623           |
| (8,140)         | Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services | (9,861)         |
| 1,720           | Difference between fair value depreciation and historical cost depreciation   | 2,656           |
| -               | Accumulated gains on assets sold or scrapped  | -               |
| (6,420)         | Amount written off to the capital adjustment account  | (7,205)         |
| (32,805)        | Balance at 31 March   | (40,010)        |

## 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 31<sup>st</sup> March 2024.

## 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.

| 2022/23         |  | 2023/24         |
|-----------------|--|-----------------|
| £000            |  | £000            |
| <b>(14,329)</b> | <b>Balance at 1 April</b>  | <b>(29,955)</b> |
|                 | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |                 |
| 6,685           | • Charges for depreciation and impairment of non-current assets  | 8,324           |
| (2,721)         | • Revaluation losses on property, plant and equipment  | (2,623)         |
| 359             | • Amortisation of intangible assets  | 132             |
| 1,629           | • Revenue expenditure funded from capital under statute  | 6,804           |
| -               | • 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 | -               |
| 5,952           |  | 12,637          |
| (1,720)         | Adjusting amounts written out of the revaluation reserve   | (2,655)         |
| <b>4,232</b>    | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   | <b>9,982</b>    |
|                 | Capital financing applied in the year:   |                 |
| (19)            | • Use of the capital receipts reserve to finance new capital expenditure   | -               |
| -               | • 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              | -               |
| (920)           | • Application of grants to capital financing from the capital grants unapplied account   | (6,110)         |
| (3,922)         | • Statutory provision for the financing of capital investment charged against the General Fund   | (6,470)         |
| (14,997)        | • Capital expenditure charged against the General Fund   | (12,362)        |
| <b>(19,858)</b> |  | <b>(24,942)</b> |
| -               | 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  | -               |
| <b>(29,955)</b> | <b>Balance at 31 March</b>   | <b>(44,915)</b> |

### 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.

| 2022/23 |   | 2023/24 |
|---------|---|---------|
| £000    |   | £000    |
| (333)   | <b>Balance at 1 April</b>   | (310)   |
| -       | Discounts received in the year and charged to the Comprehensive Income and Expenditure Statement  | -       |
| 23      | Proportion of discounts received in previous financial years to be charged against the General Fund balance in accordance with statutory requirements   | 21      |
| -       | 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 | -       |
| (310)   | <b>Balance at 31 March</b>  | (289)   |

### 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.

| 2022/23   |  | 2023/24  |
|-----------|--|----------|
| £000      |  | £000     |
| 1,156,236 | <b>Balance at 1 April</b>  | 857,830  |
| (302,946) | Remeasurements of the net defined benefit liability/(asset)  | (3,698)  |
| 45,321    | 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 | 43,805   |
| (40,781)  | Employer's pensions contributions and direct payments to pensioners payable in the year  | (41,851) |
| 857,830   | <b>Balance at 31 March</b>   | 856,086  |

### 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.

| 2022/23 |  | 2023/24 |
|---------|--|---------|
| £000    |  | £000    |
| 1,498   | <b>Balance at 1 April</b>  | (423)   |
| (1,921) | 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 | 50      |
| (423)   | <b>Balance at 31 March</b>   | (373)   |

### 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 31<sup>st</sup> March 2024. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

| 2022/23 |   | 2023/24      |
|---------|---|--------------|
| £000    |   | £000         |
| 841     | <b>Balance at 1 April</b>   | 731          |
| (584)   | Settlement or cancellation of accrual made at the end of the preceding year   | (491)        |
| 474     | Amounts accrued at the end of the current year  | 958          |
| (110)   | 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 | 467          |
| 731     | <b>Balance at 31 March</b>  | <b>1,198</b> |

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

| 2022/23        |  | 2023/24         |
|----------------|--|-----------------|
| £000           |  | £000            |
| (6,685)        | Depreciation and impairment of non-current assets  | (8,324)         |
| 2,721          | Revaluation losses on property plant and equipment   | 2,623           |
| (359)          | Amortisation of intangible assets  | (132)           |
| (1,629)        | Revenue expenditure treated as capital under statute   | (6,804)         |
| -              | Movement in the donated assets account   | -               |
| (4,540)        | Movement in pension liability  | (1,954)         |
| -              | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | -               |
| 1,033          | (Increase)/decrease in creditors   | (12,170)        |
| 130            | Increase/(decrease) in debtors   | 2,692           |
| (71)           | Increase/(decrease) in stocks  | 68              |
| 102            | (Increase)/decrease in provisions  | (97)            |
| <b>(9,298)</b> |  | <b>(24,098)</b> |

**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**

| 2022/23      |   | 2023/24      |
|--------------|---|--------------|
| £000         |   | £000         |
| 623          | Proceeds from short-term (not considered to be cash equivalents) and long-term investments        | 707          |
| 37           | Proceeds from the sale of property plant and equipment, investment property and intangible assets | 3            |
| (3,371)      | Loan interest   | (3,359)      |
| -            | PFI refinancing   | -            |
| 6,320        | Capital grants  | 5,446        |
| <b>3,609</b> |   | <b>2,797</b> |

## 25. Cash Flow Statement – Investing Activities

| 2022/23      |  | 2023/24       |
|--------------|--|---------------|
| £000         |  | £000          |
| 18,951       | Purchase of property, plant and equipment, investment property and intangible assets               | 34,895        |
| (6,000)      | Purchase of short-term and long-term investments   | (14,000)      |
| -            | Other payments for investing activities  | -             |
| (37)         | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3)           |
| -            | Proceeds from short-term and long-term investments   | -             |
| (6,943)      | Other receipts from investing activities   | (6,153)       |
| <b>5,971</b> | <b>Net cash flows from investing activities</b>  | <b>14,739</b> |

## 26. Cash Flow Statement – Financing Activities

| 2022/23      |  | 2023/24      |
|--------------|--|--------------|
| £000         |  | £000         |
| -            | Cash receipts of short-term and long-term borrowing  | -            |
| -            | Other receipts from financing activities   | -            |
| 506          | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts | 548          |
| 206          | Repayments of short-term and long-term borrowing   | 41           |
| 3,371        | Other payments for financing activities  | 3,359        |
| <b>4,083</b> | <b>Net cash flows from financing activities</b>  | <b>3,948</b> |



## 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.

| 2022/23  |  |   |   | Notes     | 2023/24  |  |   |
|--|--|---|---|-----------|--|--|---|
| Net Expenditure Chargeable to General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Account<br>£000 |   |           | Net Expenditure Chargeable to General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Account<br>£000 |
| 72,956   | (12,747)   | 60,209  | Fire & Rescue Service Operations                      |           | 75,303   | (21,429)   | 53,874  |
| 464  | 497  | 961   | Corporate and Democratic Core                         |           | 578  | 378  | 956   |
| -  | 923  | 923   | National Resilience / International Search and Rescue |           | -  | 6,120  | 6,120   |
| -  | -  | -   | Non-Distributed Costs                                 |           | -  | -  | -   |
| <b>73,420</b>                                      | <b>(11,327)</b>  | <b>62,093</b>   | <b>Net cost of services</b>                           |           | <b>75,881</b>                                      | <b>(14,931)</b>  | <b>60,950</b>   |
| (62,710)   | (5,447)  | (68,157)  | Other income and expenditure                          |           | (68,966)   | 5,783  | (63,183)  |
| <b>10,710</b>                                      | <b>(16,774)</b>  | <b>(6,064)</b>  | <b>Surplus or deficit</b>                             | <b>27</b> | <b>6,915</b>                                       | <b>(9,148)</b>   | <b>(2,233)</b>  |
| (33,499)   |  |   | Opening General Fund balance                          |           | (22,789)   |  |   |
| 10,710   |  |   | Less/plus (surplus) or deficit on General Fund        |           | 6,915  |  |   |
| <b>(22,789)</b>                                    |  |   | <b>Closing General Fund balance at 31 March</b>       |           | <b>(15,874)</b>                                    |  |   |

## Adjustments between Funding and Accounting Basis

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts   | 2022/23                          |                                    |                   |                   |
|--|----------------------------------|------------------------------------|-------------------|-------------------|
|  | Adjustments for Capital Purposes | Net Change for Pension Adjustments | Other Differences | Total Adjustments |
|  | £000                             | £000                               | £000              | £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  | -                                | -                                  | -                 | -                 |
| <b>Net cost of services</b>  | <b>(16,331)</b>                  | <b>5,091</b>                       | <b>(87)</b>       | <b>(11,327)</b>   |
| Other income and expenditure from the expenditure and funding analysis   | (2,975)                          | (552)                              | (1,920)           | (5,447)           |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b> | <b>(19,306)</b>                  | <b>4,539</b>                       | <b>(2,007)</b>    | <b>(16,774)</b>   |

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts   | 2023/24                          |                                    |                   |                   |
|--|----------------------------------|------------------------------------|-------------------|-------------------|
|  | Adjustments for Capital Purposes | Net Change for Pension Adjustments | Other Differences | Total Adjustments |
|  | £000                             | £000                               | £000              | £000              |
| Fire & Rescue Service Operations   | (16,126)                         | (5,787)                            | 484               | (21,429)          |
| Corporate and Democratic Core  | 453                              | (80)                               | 5                 | 378               |
| National Resilience / International Search and Rescue  | 6,120                            | -                                  | -                 | 6,120             |
| Non-distributed costs  | -                                | -                                  | -                 | -                 |
| Exceptional items  | -                                | -                                  | -                 | -                 |
| <b>Net cost of services</b>  | <b>(9,553)</b>                   | <b>(5,867)</b>                     | <b>489</b>        | <b>(14,931)</b>   |
| Other income and expenditure from the expenditure and funding analysis   | (2,087)                          | 7,821                              | 49                | 5,783             |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b> | <b>(11,640)</b>                  | <b>1,954</b>                       | <b>538</b>        | <b>(9,148)</b>    |

## 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  | 2023/24                      | 2022/23                      |
|---|------------------------------|------------------------------|
|   | Income from Services<br>£000 | Income from Services<br>£000 |
| Fire & Rescue Service Operations                      | (17,266)                     | (16,258)                     |
| Corporate and Democratic Core                         | -                            | -                            |
| National Resilience / International Search and Rescue | (14,420)                     | (12,437)                     |
| Non-distributed costs                                 | -                            | -                            |
| Exceptional items                                     | -                            | -                            |
| <b>Total income analysed on a segmental basis</b>     | <b>(31,686)</b>              | <b>(28,695)</b>              |

## Expenditure and Income Analysed By Nature

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

| Expenditure/Income  | 2023/24          | 2022/23          |
|---|------------------|------------------|
|   | £000             | £000             |
| <b>Expenditure</b>  |                  |                  |
| Employee benefits expenses  | 53,340           | 59,933           |
| Past service costs  | -                | -                |
| Other services expenses (including REFCUS)                        | 32,926           | 26,048           |
| Support service recharges   | 536              | 484              |
| Depreciation, amortisation, impairment.                           | 5,833            | 4,323            |
| Interest payments   | 46,961           | 36,492           |
| (Gain)/loss on disposal/transfer of assets                        | -                | (19)             |
| <b>Total expenditure</b>  | <b>139,596</b>   | <b>127,261</b>   |
| <b>Income</b>   |                  |                  |
| Fees, charges and Government grant revenue income                 | (31,686)         | (28,695)         |
| Interest and investment income                                    | (5,664)          | (3,751)          |
| Income from council tax, non-domestic rates, district rate income | (67,871)         | (63,710)         |
| Government grants and contributions (Capital)                     | (5,446)          | (6,320)          |
| Government grant (pension fund top-up grant)                      | (31,162)         | (30,849)         |
| <b>Total income</b>   | <b>(141,829)</b> | <b>(133,325)</b> |
| <b>(Surplus) or deficit on the provision of services</b>          | <b>(2,233)</b>   | <b>(6,064)</b>   |

## 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:

|              | 2023/24    | 2022/23    |
|--------------|------------|------------|
|              | £000       | £000       |
| Allowances   | 224        | 205        |
| Expenses     | 19         | 17         |
| <b>Total</b> | <b>243</b> | <b>222</b> |

## 30. Officers' Remuneration

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

|   |         | Salary,<br>Fees and<br>Allowances | Bonuses | Expenses<br>Allowances | Compensation<br>for Loss of<br>Office | Benefits in<br>Kind<br>(e.g. Car<br>Allowance) | Pension<br>Contribution | Total   |
|---|---------|-----------------------------------|---------|------------------------|---------------------------------------|--|-------------------------|---------|
|   |         | £                                 | £       | £                      | £                                     | £  | £                       |         |
| Chief Fire Officer<br>– Phil Garrigan               | 2023/24 | 193,430                           | -       | -                      | -                                     | -  | 55,708                  | 249,138 |
|   | 2022/23 | 183,388                           | -       | -                      | -                                     | -  | 51,814                  | 235,202 |
| Deputy Chief Fire<br>Officer – Nick<br>Searle       | 2023/24 | 164,415                           | -       | -                      | -                                     | -  | 47,351                  | 211,766 |
|   | 2022/23 | 155,946                           | -       | -                      | -                                     | -  | 44,912                  | 200,858 |
| Assistant Chief<br>Fire Officer                     | 2023/24 | 145,072                           | -       | -                      | -                                     | -  | 41,781                  | 186,853 |
|   | 2022/23 | 138,995                           | -       | -                      | -                                     | -  | 40,030                  | 179,025 |
| Director of<br>Finance and<br>Procurement<br>Note a | 2023/24 | 72,490                            | -       | -                      | -                                     | -  | 12,902                  | 85,392  |
|   | 2022/23 | 103,214                           | -       | -                      | -                                     | -  | 17,846                  | 121,060 |
| Director of<br>Finance and<br>Procurement           | 2023/24 | 36,443                            | -       | -                      | -                                     | -  | 6,449                   | 42,892  |
|   | 2022/23 | -                                 | -       | -                      | -                                     | -  | -                       | 0       |
| Head of Legal                                       | 2023/24 | 77,903                            | -       | -                      | -                                     | -  | 13,723                  | 91,626  |
|   | 2022/23 | 72,084                            | -       | -                      | -                                     | -  | 12,416                  | 84,500  |

Note a

The Director of Finance and Procurement left the Service on 30<sup>th</sup> November 2023 and a new Director of Finance was appointed in the role on 1<sup>st</sup> December 2023.

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   | 2023/24 Number of Employees | 2022/23 Number of Employees |
|---------------------|-----------------------------|-----------------------------|
| £50,000 - £54,999   | 49                          | 45                          |
| £55,000 - £59,999   | 38                          | 40                          |
| £60,000 - £64,999   | 28                          | 32                          |
| £65,000 - £69,999   | 25                          | 14                          |
| £70,000 - £74,999   | 11                          | 10                          |
| £75,000 - £79,999   | 11                          | 7                           |
| £80,000 - £84,999   | 6                           | 1                           |
| £85,000 - £89,999   | 2                           | 4                           |
| £90,000 - £94,999   | 2                           | 2                           |
| £95,000 - £99,999   | 5                           | -                           |
| £100,000 - £104,999 | 1                           | -                           |
| £105,000 - £109,999 | -                           | 1                           |
| £110,000 - £114,999 | -                           | -                           |
| £115,000 - £119,999 | 1                           | -                           |
| £135,000 - £140,999 | -                           | -                           |
| <b>Total</b>        | <b>179</b>                  | <b>156</b>                  |

**Note a** – In 2023/24, 166 of the 179 staff receiving over £50,000 are firefighting staff (in 2022/23 this was 145 of the 156), 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 |               |
|---|-----------------------------------|----------|-----------------------------------|----------|---------------------------------------|----------|--|---------------|
|   | 2022/23                           | 2023/24  | 2022/23                           | 2023/24  | 2022/23                               | 2023/24  | 2022/23                                  | 2023/24       |
| £0 - £20,000  | -                                 | -        | 1                                 | 2        | 1                                     | 2        | 399                                      | 19,299        |
| £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                                 | -                                 | -        | -                                 | -        | -                                     | -        | -  | -             |
| <b>Total</b>  | <b>-</b>                          | <b>-</b> | <b>1</b>                          | <b>2</b> | <b>1</b>                              | <b>2</b> | <b>399</b>                               | <b>19,299</b> |

### 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:

|  | 2023/24   | 2022/23   |
|--|-----------|-----------|
|  | £000      | £000      |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year (see note) | 97        | 46        |
| National Fraud Initiative  | -         | 1         |
| Redmond Review Local Audit Fee Grant (see note)  | -         | (13)      |
| <b>Total</b>   | <b>97</b> | <b>34</b> |

The audit fee charge for 2022/23 was payable to Grant Thornton UK LLP and includes additional charges of £17,000 relating to 2021/22. In addition, there was also £22,000 paid in 2023/24 to Grant Thornton relating to 2022/23, which is not included in the above table.

The audit fee charge for 2023/24 was payable to Forvis Mazars.

The Redmond Review on Local Audit Fees is a grant to help local bodies meet additional Audit fee pressures. The Authority received £14,000 in 2023/24, not included in the above table.

## 32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

|   | 2023/24         | 2022/23         |
|---|-----------------|-----------------|
|   | £000            | £000            |
| Council tax income/Local share non-domestic rates   | (38,684)        | (36,287)        |
| Non-domestic rates  | (16,428)        | (15,839)        |
| <b>Non-ring fenced Government grants:</b>   |                 |                 |
| Revenue support grant   | (12,759)        | (11,584)        |
| <b>Capital grants and contributions:</b>  |                 |                 |
| National Resilience grant   | (5,446)         | (6,320)         |
| Other   |                 |                 |
| <b>Total</b>  | <b>(73,317)</b> | <b>(70,030)</b> |
| <b>Credited to services</b>   |                 |                 |
| Pensions grant (Home Office)  | (3,025)         | (3,025)         |
| National Resilience / International Search and Rescue grant                               | (14,400)        | (12,421)        |
| New Dimensions grant (Home Office)  | (878)           | (878)           |
| Fire Control Implementation grant (Home Office)   | (163)           | (218)           |
| PFI Credits (Department for Levelling Up, Housing and Communities)                        | (2,097)         | (2,097)         |
| Emergency Services Mobile Communications Programme grant                                  | (2)             | (494)           |
| Collection Fund Deficit grant (Department for Levelling Up, Housing and Communities)      | -               | 114             |
| Apprenticeship grant funding (Education & Skills)   | (535)           | (668)           |
| Small Business Rates Relief (SBRR) (Department for Levelling Up, Housing and Communities) | (4,528)         | (3,120)         |
| Home Office fire safety grants  | (567)           | (360)           |
| New Services grant  | (815)           | (1,388)         |
| Other grants (Department for Levelling Up, Housing and Communities / Home Office)         | (514)           | (512)           |
| <b>Total</b>  | <b>(27,524)</b> | <b>(25,067)</b> |

The Authority has the following revenue grants receipts in advance.

|   | 2023/24         | 2022/23        |
|---|-----------------|----------------|
|   | £000            | £000           |
| <b>Current liabilities</b>                                  |                 |                |
| Emergency Services Mobile Communications Programme grant    | (220)           | (347)          |
| National Resilience / International Search and Rescue grant | (15,620)        | (3,872)        |
| Fire protection grant                                       | (725)           | (893)          |
| Other grants  | (63)            | (28)           |
| <b>Total</b>  | <b>(16,628)</b> | <b>(5,140)</b> |

The Authority currently has no assets in the donated assets account.



### 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.

| 2022/23   |          | Related Party Transactions                                     | 2023/24  |          |
|---|----------|--|----------|----------|
| Receipts  | Payments |  | Receipts | Payments |
| <b>Central Government</b>   |          |  |          |          |
| 15,839  | -        | Redistributed national non-domestic rates                      | 16,428   |          |
| 11,584  | -        | Revenue support grant  | 12,759   |          |
| 6,320   | -        | Capital grants   | 5,446    |          |
| -   | 4,211    | Employers national insurance contributions                     | -        | 4,357    |
| <b>Local authority precept (council tax &amp; business rates)</b> |          |  |          |          |
| 3,674   | -        | Knowsley   | 3,982    | -        |
| 11,264  | -        | Liverpool  | 11,896   | -        |
| 4,866   | -        | St Helens  | 5,253    | -        |
| 7,976   | -        | Sefton   | 8,266    | -        |
| 8,507   | -        | Wirral   | 9,287    | -        |
| <b>Pensions</b>   |          |  |          |          |
| -   | 1,664    | Merseyside superannuation fund employers contributions         | -        | 2,094    |
| -   | -        | Merseyside superannuation fund deficit employers contributions | -        | -        |
| 30,259  | 40,222   | Pension fund (Home Office)                                     | 30,947   | 41,521   |

#### 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 2023/24 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 2023/24, 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 2023/24.

## **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 8<sup>th</sup> 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 2023/24. The Government provides funding and the actual expenditure has been included within the accounts of the Authority.

#### **Home Office**

The provision and support of National Resilience Capabilities. Revenue £11,487m, Capital £5,446m.

#### **Department for Food & Rural Affairs**

The management of National Flood Response Assets. Revenue £0.152m.

#### **Foreign, Commonwealth and Development Office**

Emergency Deployment Teams Programme. Revenue £2.761m.

### 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.

|  | 2023/24<br>£000 | 2022/23<br>£000 |
|--|-----------------|-----------------|
| <b>Opening capital financing requirement</b>   | <b>(51,377)</b> | <b>(52,284)</b> |
| <i>Capital investment</i>  |                 |                 |
| Property, plant and equipment  | (27,827)        | (16,935)        |
| Investment properties  | -               | -               |
| Intangible assets  | (263)           | (388)           |
| Revenue expenditure funded from capital under statute  | (6,805)         | (1,629)         |
| <i>Sources of finance</i>  |                 |                 |
| Capital receipts   | -               | 19              |
| Government grants and other contributions  | 6,110           | 920             |
| Sums set aside from revenue:   |                 |                 |
| • Direct revenue contributions   | 12,362          | 14,997          |
| • MRP/loans fund principal   | 6,470           | 3,923           |
| <b>Closing capital financing requirement</b>   | <b>(61,330)</b> | <b>(51,377)</b> |
| <i>Explanation of movements in year</i>  |                 |                 |
| Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)   | -               | -               |
| Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance) | 9,953           | (907)           |
| Assets acquired under finance leases   | -               | -               |
| Assets acquired under PFI contracts  | -               | -               |
| <b>Increase/(decrease) in capital financing requirement</b>  | <b>9,953</b>    | <b>(907)</b>    |

## 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 31<sup>st</sup> March 2024 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 2024<br>£000 | 31 March 2023<br>£000 |
|---|-----------------------|-----------------------|
| Other land and buildings (excluding depreciation) | 2,409                 | 2,505                 |
| Depreciation / impairments                        | (52)                  | (53)                  |
| Revaluation                                       | 556                   | (54)                  |
| Additions   | 21                    | 11                    |
| <b>Total</b>                                      | <b>2,934</b>          | <b>2,409</b>          |

#### 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 2024<br>£000 | 31 March 2023<br>£000 |
|---|-----------------------|-----------------------|
| Not later than one year                           | 70                    | 59                    |
| Later than one year and not later than five years | 114                   | 29                    |
| Later than five years                             | -                     | -                     |
| <b>Total</b>                                      | <b>184</b>            | <b>88</b>             |

### 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 Prescott. 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<br>£000 | Buildings<br>£000 | Total<br>£000 |
|---|--------------|-------------------|---------------|
| <b>Value at 31<sup>st</sup> March 2023</b>    | <b>2,535</b> | <b>25,804</b>     | <b>28,339</b> |
| Additions                                     | -            | 56                | <b>56</b>     |
| Depreciation/impairment                       | -            | (806)             | <b>(806)</b>  |
| Revaluation                                   | -            | 5,541             | <b>5,541</b>  |
| <b>Value at 31<sup>st</sup> March 2024</b>    | <b>2,535</b> | <b>30,595</b>     | <b>33,130</b> |

#### 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 2023/24 and future payments will be made as follows:

|                               | Payment for Services<br>£000 | Reimbursement of Capital Expenditure<br>£000 | Interest<br>£000 | Total<br>£000 |
|-------------------------------|------------------------------|--|------------------|---------------|
| Payable in 2024/25            | 1,005                        | 598  | 1,606            | <b>3,209</b>  |
| Payable within 2 to 5 years   | 4,326                        | 2,963  | 5,933            | <b>13,222</b> |
| Payable within 6 to 10 years  | 6,173                        | 5,437  | 5,866            | <b>17,476</b> |
| Payable within 11 to 15 years | 6,184                        | 6,804  | 2,834            | <b>15,822</b> |
| Payable within 16 to 20 years | -                            | -  | -                | -             |
| Payable within 21 to 25 years | -                            | -  | -                | -             |
| <b>Total</b>                  | <b>17,688</b>                | <b>15,802</b>                                | <b>16,239</b>    | <b>49,729</b> |
| Paid in 2023/24               | 970                          | 548  | 1,639            | <b>3,157</b>  |
| <b>Grand Total</b>            | <b>18,658</b>                | <b>16,350</b>                                | <b>17,878</b>    | <b>52,886</b> |

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 2024<br>£000 | 31 March 2023<br>£000 |
|--|-----------------------|-----------------------|
| Balance outstanding at start of year     | (16,352)              | (16,858)              |
| Payments during the year                 | 548                   | 506                   |
| Capital expenditure incurred in the year | -                     | -                     |
| Other movements                          | -                     | -                     |
| <b>Total</b>                             | <b>(15,804)</b>       | <b>(16,352)</b>       |

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 2023/24 and £0k in 2022/23, 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 2023/24.

### 39. Termination Benefits

The Authority terminated the contract of two employees in 2023/24, incurring liabilities of £19,299 (£399 in 2022/23) – 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

| 2022/23                 |                           |                 |   | 2023/24                 |                           |                |
|-------------------------|---------------------------|-----------------|---|-------------------------|---------------------------|----------------|
| Funded Benefits<br>£000 | Unfunded Benefits<br>£000 | Total<br>£000   |   | Funded Benefits<br>£000 | Unfunded Benefits<br>£000 | Total<br>£000  |
|                         |                           |                 | <b>Comprehensive Income and Expenditure Statement</b>   |                         |                           |                |
|                         |                           |                 | <i>Cost of Services</i>   |                         |                           |                |
| 4,032                   | -                         | <b>4,032</b>    | • Current service cost  | 1,944                   | -                         | <b>1,944</b>   |
| -                       | -                         | -               | • Past service costs  | -                       | -                         | -              |
| -                       | -                         | -               | • Settlements and curtailments  | -                       | -                         | -              |
| 52                      | -                         | <b>52</b>       | ▪ Administration expenses   | 58                      | -                         | <b>58</b>      |
|                         |                           |                 | <i>Financing and investment income and expenditure</i>  |                         |                           |                |
| 878                     | 19                        | <b>897</b>      | • Net interest expense  | (79)                    | (28)                      | <b>(107)</b>   |
| <b>4,962</b>            | <b>19</b>                 | <b>4,981</b>    | <b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>  | <b>1,923</b>            | <b>(28)</b>               | <b>1,895</b>   |
|                         |                           |                 | <i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>   |                         |                           |                |
|                         |                           |                 | <i>Remeasurement of the net defined benefit liability comprising:</i>   |                         |                           |                |
| 6,739                   | -                         | <b>6,739</b>    | • Return on scheme assets (excluding the amount included in the net interest expense)   | (1,515)                 | -                         | <b>(1,515)</b> |
| 11,380                  | 132                       | <b>11,512</b>   | • Experience gains and losses on liabilities  | 714                     | 5                         | <b>719</b>     |
| (55,275)                | (174)                     | <b>(55,449)</b> | • Actuarial gains and losses arising on changes in financial assumptions  | (1,504)                 | (4)                       | <b>(1,508)</b> |
| (377)                   | (1)                       | <b>(378)</b>    | • Actuarial gains and losses arising on changes in demographic assumptions  | (1,229)                 | (9)                       | <b>(1,238)</b> |
|                         |                           |                 | Impact of asset ceiling   | 5,194                   | -                         | <b>5,194</b>   |
| <b>(32,571)</b>         | <b>(24)</b>               | <b>(32,595)</b> | <b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>   | <b>1,660</b>            | <b>(8)</b>                | <b>1,652</b>   |
|                         |                           |                 | <i>Movement in Reserves Statement</i>   |                         |                           |                |
| (4,962)                 | (19)                      | <b>(4,981)</b>  | • Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code | (1,867)                 | (28)                      | <b>(1,895)</b> |
|                         |                           |                 | <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>   |                         |                           |                |
| 1,645                   | -                         | <b>1,645</b>    | • Employers' contributions payable to scheme  | 1,489                   | -                         | <b>1,489</b>   |
| -                       | 56                        | <b>56</b>       | • Retirement benefits payable to pensioners   | -                       | 62                        | <b>62</b>      |

## Firefighters Pension Scheme

| 2022/23          |                          |                     |                     |                  |   | 2023/24             |                          |                     |                     |                 |
|------------------|--------------------------|---------------------|---------------------|------------------|---|---------------------|--------------------------|---------------------|---------------------|-----------------|
| FPS 1992<br>£000 | Injury<br>Awards<br>£000 | FPS<br>2006<br>£000 | FPS<br>2015<br>£000 | Total<br>£000    |   | FPS<br>1992<br>£000 | Injury<br>Awards<br>£000 | FPS<br>2006<br>£000 | FPS<br>2015<br>£000 | Total<br>£000   |
|                  |                          |                     |                     |                  | <b>Comprehensive Income and Expenditure Statement</b>   |                     |                          |                     |                     |                 |
|                  |                          |                     |                     |                  | <i>Cost of Services</i>   |                     |                          |                     |                     |                 |
| -                | 270                      | -                   | 10,670              | <b>10,940</b>    | • current service cost  | -                   | 120                      | -                   | 2,700               | <b>2,820</b>    |
| 19,110           | -                        | -                   | (19,110)            | -                | • past service costs  | -                   | -                        | -                   | -                   | -               |
| -                | -                        | -                   | -                   | -                | • settlements and curtailments  | -                   | -                        | -                   | -                   | -               |
|                  |                          |                     |                     |                  | <i>Financing and Investment Income and Expenditure</i>  |                     |                          |                     |                     |                 |
| 26,240           | 900                      | 450                 | 1,810               | <b>29,400</b>    | • Net interest expense  | 36,180              | 1,280                    | 340                 | 1,290               | <b>39,090</b>   |
| <b>45,350</b>    | <b>1,170</b>             | <b>450</b>          | <b>(6,630)</b>      | <b>40,340</b>    | <b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>  | <b>36,180</b>       | <b>1,400</b>             | <b>340</b>          | <b>3,990</b>        | <b>41,910</b>   |
|                  |                          |                     |                     |                  | <i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>   |                     |                          |                     |                     |                 |
|                  |                          |                     |                     |                  | <i>Remeasurement of the net defined benefit liability comprising:</i>   |                     |                          |                     |                     |                 |
| -                | -                        | -                   | -                   | -                | • Return on scheme assets (excluding the amount included in the net interest expense)   | -                   | -                        | -                   | -                   | -               |
| (16,610)         | (590)                    | (1,620)             | (10,300)            | <b>(29,120)</b>  | • Actuarial gains and losses arising on changes in demographic assumptions  | -                   | -                        | -                   | -                   | -               |
| (257,740)        | (6,790)                  | (8,830)             | (33,010)            | <b>(306,370)</b> | • Actuarial gains and losses arising on changes in financial assumptions  | (14,320)            | (460)                    | (230)               | (1,090)             | <b>(16,100)</b> |
| 67,380           | 1,410                    | 580                 | 750                 | <b>70,120</b>    | • Other experiences (gain)/loss on liabilities  | 9,340               | (630)                    | 220                 | 1,820               | <b>10,750</b>   |
| <b>(161,620)</b> | <b>(4,800)</b>           | <b>(9,420)</b>      | <b>(49,190)</b>     | <b>(225,030)</b> | <b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>   | <b>31,200</b>       | <b>310</b>               | <b>330</b>          | <b>4,720</b>        | <b>36,560</b>   |
|                  |                          |                     |                     |                  | <i>Movement in Reserves Statement</i>   |                     |                          |                     |                     |                 |
| (45,350)         | (1,170)                  | (450)               | 6,630               | <b>(40,340)</b>  | • Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code | (36,180)            | (1,400)                  | (340)               | (3,990)             | <b>(41,910)</b> |
|                  |                          |                     |                     |                  | <i>Actual amount charged against the General Fund balance for pensions in the year:</i>   |                     |                          |                     |                     |                 |
| 40,170           | -                        | 30                  | (2,820)             | <b>37,380</b>    | • Employers' contributions payable to scheme  | 41,620              | -                        | 10                  | 120                 | <b>41,750</b>   |
| -                | 1,700                    | -                   | -                   | <b>1,700</b>     | • Retirement benefits payable to pensioners   | -                   | 1,810                    | -                   | -                   | <b>1,810</b>    |

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2024 is a gain of £8.892m and to the 31<sup>st</sup> March 2023 is a gain of £302.946m.
- 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

| 2022/23                 |                           |                 |  | 2023/24                 |                           |                 |
|-------------------------|---------------------------|-----------------|--|-------------------------|---------------------------|-----------------|
| Funded Benefits<br>£000 | Unfunded Benefits<br>£000 | Total<br>£000   |  | Funded Benefits<br>£000 | Unfunded Benefits<br>£000 | Total<br>£000   |
| (94,732)                | (618)                     | <b>(95,350)</b> | Present value of the defined benefit obligation                      | (96,560)                | (576)                     | <b>(97,136)</b> |
| 96,770                  | -                         | <b>96,770</b>   | Fair value of plan assets  | 101,754                 | -                         | <b>101,754</b>  |
| -                       | -                         | -               | Impact of asset ceiling  | (5,194)                 | -                         | <b>(5,194)</b>  |
| <b>2,038</b>            | <b>(618)</b>              | <b>1,420</b>    | <b>Net asset/(liability) arising from defined benefit obligation</b> | <b>-</b>                | <b>(576)</b>              | <b>(576)</b>    |

### 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 as at 31<sup>st</sup> March 2024, and no adjustment is required to incorporate a pension asset ceiling.

### Firefighters Pension Scheme

| 2022/23          |                       |                  |                  |                  |  | 2023/24          |                       |                  |                  |                  |
|------------------|-----------------------|------------------|------------------|------------------|--|------------------|-----------------------|------------------|------------------|------------------|
| FPS 1992<br>£000 | Injury Awards<br>£000 | FPS 2006<br>£000 | FPS 2015<br>£000 | Total<br>£000    |  | FPS 1992<br>£000 | Injury Awards<br>£000 | FPS 2006<br>£000 | FPS 2015<br>£000 | Total<br>£000    |
| (798,730)        | (28,310)              | (7,400)          | (24,810)         | <b>(859,250)</b> | Present value of the defined benefit obligation              | (788,310)        | (26,810)              | (7,720)          | (32,670)         | <b>(855,510)</b> |
| -                | -                     | -                | -                | -                | Fair value of plan assets                                    | -                | -                     | -                | -                | -                |
| <b>(798,730)</b> | <b>(28,310)</b>       | <b>(7,400)</b>   | <b>(24,810)</b>  | <b>(859,250)</b> | <b>Net liability arising from defined benefit obligation</b> | <b>(788,310)</b> | <b>(26,810)</b>       | <b>(7,720)</b>   | <b>(32,670)</b>  | <b>(855,510)</b> |

## Reconciliation of the Movements in the Fair Value of Scheme Assets

### Local Government Pension Scheme

| 2022/23                 |                           |                |   | 2023/24                 |                           |                |
|-------------------------|---------------------------|----------------|---|-------------------------|---------------------------|----------------|
| Funded Benefits<br>£000 | Unfunded Benefits<br>£000 | Total<br>£000  |   | Funded Benefits<br>£000 | Unfunded Benefits<br>£000 | Total<br>£000  |
| 101,449                 | -                         | <b>101,449</b> | Opening fair value of scheme assets   | 96,770                  | -                         | <b>96,770</b>  |
| 2,831                   | -                         | <b>2,831</b>   | Interest income   | 4,619                   | -                         | <b>4,619</b>   |
|                         |                           |                | <i>Re-measurement gain/(loss):</i>  |                         |                           |                |
| (6,739)                 | -                         | <b>(6,739)</b> | ▪ Return on scheme assets (excluding the amount included in the net interest expense) | 1,515                   | -                         | <b>1,515</b>   |
| (52)                    | -                         | <b>(52)</b>    | ▪ Administration expenses   | (58)                    | -                         | <b>(58)</b>    |
| 1,645                   | 56                        | <b>1,701</b>   | Contributions from employer   | 1,489                   | 62                        | <b>1,551</b>   |
| 699                     | -                         | <b>699</b>     | Contributions from employees into the scheme  | 771                     | -                         | <b>771</b>     |
| (3,063)                 | (56)                      | <b>(3,119)</b> | Benefits paid   | (3,352)                 | (62)                      | <b>(3,414)</b> |
| <b>96,770</b>           | -                         | <b>96,770</b>  | <b>Net liability arising from defined benefit obligation</b>                          | <b>101,754</b>          | -                         | <b>101,754</b> |

### Firefighters Pension Scheme

| 2022/23          |                       |                  |                  |                 |  | 2023/24          |                       |                  |                  |                 |
|------------------|-----------------------|------------------|------------------|-----------------|--|------------------|-----------------------|------------------|------------------|-----------------|
| FPS 1992<br>£000 | Injury Awards<br>£000 | FPS 2006<br>£000 | FPS 2015<br>£000 | Total<br>£000   |  | FPS 1992<br>£000 | Injury Awards<br>£000 | FPS 2006<br>£000 | FPS 2015<br>£000 | Total<br>£000   |
| -                | -                     | -                | -                | -               | Opening fair value of scheme assets                          | -                | -                     | -                | -                | -               |
|                  |                       |                  |                  |                 | <i>Re-measurement gain/(loss):</i>                           |                  |                       |                  |                  |                 |
| 40,170           | -                     | 30               | (9,352)          | <b>30,848</b>   | Employers contribution from Government (top-up grant)        | 41,620           | -                     | 10               | (10,468)         | <b>31,162</b>   |
| -                | 1,700                 | -                | 6,532            | <b>8,232</b>    | Contributions from employer                                  | -                | 1,810                 | -                | 7,328            | <b>9,138</b>    |
| -                | -                     | -                | 2,950            | <b>2,950</b>    | Contributions from employees into the scheme                 | -                | -                     | -                | 3,260            | <b>3,260</b>    |
| (40,170)         | (1,700)               | (30)             | (130)            | <b>(42,030)</b> | Benefits paid  | (41,620)         | (1,810)               | (10)             | (120)            | <b>(43,560)</b> |
| -                | -                     | -                | -                | -               | <b>Net liability arising from defined benefit obligation</b> | -                | -                     | -                | -                | -               |

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

| 2022/23                 |                           |                 |  | 2023/24                 |                           |                 |
|-------------------------|---------------------------|-----------------|--|-------------------------|---------------------------|-----------------|
| Funded Benefits<br>£000 | Unfunded Benefits<br>£000 | Total<br>£000   |  | Funded Benefits<br>£000 | Unfunded Benefits<br>£000 | Total<br>£000   |
| (133,627)               | (698)                     | (134,325)       | Opening balance at 1 April   | (94,732)                | (618)                     | (95,350)        |
| (4,032)                 | -                         | (4,032)         | Current service cost   | (1,944)                 | -                         | (1,944)         |
| (3,709)                 | (19)                      | (3,728)         | Interest cost  | (4,484)                 | (28)                      | (4,512)         |
| (699)                   | -                         | (699)           | Contributions by scheme participants                                     | (771)                   | -                         | (771)           |
|                         |                           |                 | Remeasurement (gains) and losses:  |                         |                           |                 |
| 377                     | 1                         | 378             | • Actuarial gains/losses arising from changes in demographic assumptions | 1,229                   | 9                         | 1,238           |
| 55,275                  | 174                       | 55,449          | • Actuarial gains/losses arising from changes in financial assumptions   | 1,504                   | 4                         | 1,508           |
| (11,380)                | (132)                     | (11,512)        | • Other experience gains and losses                                      | (714)                   | (5)                       | (719)           |
| -                       | -                         | -               | Past service cost  | -                       | -                         | -               |
| -                       | -                         | -               | Settlements and curtailments   | -                       | -                         | -               |
| 3,063                   | 56                        | 3,119           | Benefits paid  | 3,352                   | 62                        | 3,414           |
| <b>(94,732)</b>         | <b>(618)</b>              | <b>(95,350)</b> | <b>Closing balance at 31 March</b>                                       | <b>(96,560)</b>         | <b>(576)</b>              | <b>(97,136)</b> |

### Firefighters Pension Scheme

| 2022/23          |                       |                  |                  |                    |  | 2023/24          |                       |                  |                  |                  |
|------------------|-----------------------|------------------|------------------|--------------------|--|------------------|-----------------------|------------------|------------------|------------------|
| FPS 1992<br>£000 | Injury Awards<br>£000 | FPS 2006<br>£000 | FPS 2015<br>£000 | Total<br>£000      |  | FPS 1992<br>£000 | Injury Awards<br>£000 | FPS 2006<br>£000 | FPS 2015<br>£000 | Total<br>£000    |
| (1,000,520)      | (34,810)              | (16,850)         | (71,180)         | <b>(1,123,360)</b> | Opening balance at 1 April   | <b>(798,730)</b> | <b>(28,310)</b>       | <b>(7,400)</b>   | <b>(24,810)</b>  | <b>(859,250)</b> |
| -                | (270)                 | -                | (10,670)         | <b>(10,940)</b>    | Current service cost   | -                | (120)                 | -                | (2,700)          | <b>(2,820)</b>   |
| (26,240)         | (900)                 | (450)            | (1,810)          | <b>(29,400)</b>    | Interest cost  | (36,180)         | (1,280)               | (340)            | (1,290)          | <b>(39,090)</b>  |
| -                | -                     | -                | (2,950)          | <b>(2,950)</b>     | Contributions by scheme participants                                     | -                | -                     | -                | (3,260)          | <b>(3,260)</b>   |
|                  |                       |                  |                  |                    | Remeasurement (gains) and losses:  |                  |                       |                  |                  |                  |
| 16,610           | 590                   | 1,620            | 10,300           | <b>29,120</b>      | • Actuarial gains/losses arising from changes in demographic assumptions | -                | -                     | -                | -                | -                |
| 257,740          | 6,790                 | 8,830            | 33,010           | <b>306,370</b>     | • Actuarial gains/losses arising from changes in financial assumptions   | 14,320           | 460                   | 230              | 1,090            | <b>16,100</b>    |
| (67,380)         | (1,410)               | (580)            | (750)            | <b>(70,120)</b>    | • Other experience gains and losses                                      | (9,340)          | 630                   | (220)            | (1,820)          | <b>(10,750)</b>  |
| (19,110)         | -                     | -                | 19,110           | -                  | Past service cost  | -                | -                     | -                | -                | -                |
| -                | -                     | -                | -                | -                  | Settlements and curtailments   | -                | -                     | -                | -                | -                |
| 40,170           | 1,700                 | 30               | 130              | <b>42,030</b>      | Benefits paid  | 41,620           | 1,810                 | 10               | 120              | <b>43,560</b>    |
| <b>(798,730)</b> | <b>(28,310)</b>       | <b>(7,400)</b>   | <b>(24,810)</b>  | <b>(859,250)</b>   | <b>Closing balance at 31 March</b>                                       | <b>(788,310)</b> | <b>(26,810)</b>       | <b>(7,720)</b>   | <b>(32,670)</b>  | <b>(855,510)</b> |

## Local Government Pension Scheme assets comprised:

| 2022/23                         |                                     |               |   | 2023/24                         |                                     |                |
|---------------------------------|-------------------------------------|---------------|---|---------------------------------|-------------------------------------|----------------|
| Quoted Prices in Active Markets | Quoted Prices not in Active Markets | Total         |   | Quoted Prices in Active Markets | Quoted Prices not in Active Markets | Total          |
| £000                            | £000                                | £000          |   | £000                            | £000                                | £000           |
| 2,084                           | -                                   | 2,084         | Cash & cash equivalents                 | 994                             | 561                                 | 1,555          |
|                                 |                                     |               | <b>Equity instruments:</b>              |                                 |                                     |                |
| 12,980                          | 1,089                               | 14,069        | • UK                                    | 12,888                          | 324                                 | 13,212         |
| 21,566                          | 11,203                              | 32,769        | • Overseas                              | 25,052                          | 14,777                              | 39,829         |
| <b>34,546</b>                   | <b>12,292</b>                       | <b>46,838</b> | <b>Sub-total equity instruments</b>     | <b>37,940</b>                   | <b>15,101</b>                       | <b>53,041</b>  |
|                                 |                                     |               | <b>Bonds:</b>                           |                                 |                                     |                |
| 57                              | -                                   | 57            | • Overseas Government                   | 399                             | -                                   | 399            |
| 63                              | -                                   | 63            | • Collateralised Bonds                  | 37                              | -                                   | 37             |
| 1,213                           | -                                   | 1,213         | • UK corporate                          | 485                             | -                                   | 485            |
| 2,123                           | -                                   | 2,123         | • UK Government                         | 902                             | -                                   | 902            |
| 8,879                           | -                                   | 8,879         | • UK index linked                       | 5,049                           | -                                   | 5,049          |
| 565                             | -                                   | 565           | • Overseas corporate                    | 675                             | -                                   | 675            |
| -                               | (449)                               | (449)         | • Derivative contracts                  | -                               | 65                                  | 65             |
| <b>12,900</b>                   | <b>(449)</b>                        | <b>12,451</b> | <b>Sub-total bonds</b>                  | <b>7,547</b>                    | <b>65</b>                           | <b>7,612</b>   |
|                                 |                                     |               | <b>Property:</b>                        |                                 |                                     |                |
| -                               | 4,327                               | 4,327         | • UK direct property                    | -                               | 4,544                               | 4,544          |
| 86                              | 3,104                               | 3,190         | • UK property managed                   | 86                              | 4,123                               | 4,209          |
| -                               | 2,999                               | 2,999         | • Overseas property managed             | -                               | 3,152                               | 3,152          |
| <b>86</b>                       | <b>10,430</b>                       | <b>10,516</b> | <b>Sub-total property</b>               | <b>86</b>                       | <b>11,819</b>                       | <b>11,905</b>  |
|                                 |                                     |               | <b>Private equity:</b>                  |                                 |                                     |                |
| 10                              | 3,610                               | 3,620         | • UK                                    | 11                              | 4,566                               | 4,577          |
| -                               | 5,530                               | 5,530         | • Overseas                              | 54                              | 5,224                               | 5,278          |
| <b>10</b>                       | <b>9,140</b>                        | <b>9,150</b>  | <b>Sub-total private equity</b>         | <b>65</b>                       | <b>9,790</b>                        | <b>9,855</b>   |
|                                 |                                     |               | <b>Other investment funds:</b>          |                                 |                                     |                |
| -                               | 19                                  | 19            | • Hedge funds UK                        | -                               | 32                                  | 32             |
| -                               | 2,340                               | 2,340         | • Hedge funds overseas                  | -                               | 2,612                               | 2,612          |
| -                               | 5,234                               | 5,234         | • Infrastructure UK                     | -                               | 6,142                               | 6,142          |
| -                               | 2,951                               | 2,951         | • Infrastructure overseas               | -                               | 3,389                               | 3,389          |
| -                               | 1,433                               | 1,433         | • Opportunities UK                      | 32                              | 1,468                               | 1,500          |
| 153                             | 3,257                               | 3,410         | • Opportunities overseas                | 140                             | 3,562                               | 3,702          |
| -                               | 344                                 | 344           | • Multi-asset overseas                  | -                               | 410                                 | 410            |
| <b>153</b>                      | <b>15,578</b>                       | <b>15,731</b> | <b>Sub-total other investment funds</b> | <b>172</b>                      | <b>17,615</b>                       | <b>17,787</b>  |
| <b>49,779</b>                   | <b>46,991</b>                       | <b>96,770</b> | <b>Total assets</b>                     | <b>46,804</b>                   | <b>54,951</b>                       | <b>101,755</b> |

## 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 31<sup>st</sup> March 2022.

The significant assumptions used by the actuary have been:

|   | Local Government Pension Scheme |         | Firefighters Pension Scheme |         |
|---|---------------------------------|---------|-----------------------------|---------|
|   | 2023/24                         | 2022/23 | 2023/24                     | 2022/23 |
| Interest on plan                        | 6.0%                            | 3.2%    | -                           | -       |
| Mortality assumptions:                  |                                 |         |                             |         |
| Longevity at 65 current pensioners:     |                                 |         |                             |         |
| Men                                     | 20.9                            | 21.2    | 21.3                        | 21.2    |
| Women                                   | 23.4                            | 23.7    | 21.3                        | 21.2    |
| Longevity at 65 for future pensioners:  |                                 |         |                             |         |
| Men                                     | 22.2                            | 22.6    | 22.9                        | 22.9    |
| Women                                   | 25.2                            | 25.5    | 22.9                        | 22.9    |
| Rate of CPI inflation                   | 2.7%                            | 2.7%    | 2.6%                        | 2.6%    |
| Rate of increase in salaries            | 4.2%                            | 4.2%    | 3.85%                       | 3.85%   |
| Rate of increase in pensions            | 2.8%                            | 2.8%    | 2.6%                        | 2.6%    |
| Rate for discounting scheme liabilities | 4.9%                            | 4.8%    | 4.75%                       | 4.65%   |

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<br>£000 | Decrease in Assumption<br>£000 |
|--|--------------------------------|--------------------------------|
| Longevity (increase or decrease in 1 year)                             | 2,432                          | (2,432)                        |
| Rate of inflation (increase or decrease by 0.25%)                      | 3,707                          | (3,707)                        |
| Rate of increase in salaries (increase or decrease by 0.25%)           | 678                            | (678)                          |
| Rate for discounting scheme liabilities (increase or decrease by 0.5%) | (7,009)                        | 7,009                          |
| Investment returns (increase or decrease by 1.0%)                      | (1,012)                        | 1,012                          |

## 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 31<sup>st</sup> March 2014 (or service after 31<sup>st</sup> 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 £1.524m contributions to the scheme in 2024/25. The latest triennial valuation as at 31<sup>st</sup> 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<br>£000 | Decrease in Assumption<br>£000 |
|--|--------------------------------|--------------------------------|
| Longevity (increase or decrease in 1 year)                             | 24,000                         | (24,000)                       |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 1,200                          | (1,200)                        |
| Rate of increase in pensions (increase or decrease by 0.1%)            | 11,000                         | (11,000)                       |
| 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 £8.705m contributions to the scheme in 2024/25.

## 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 Department for Levelling Up, Housing and Communities (DLUHC) 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 31<sup>st</sup> March 2024 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

|             | Average Lifetime   |                    |                    |                    |                    |
|-------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|             | Amount at 31 March | Expected Loss Rate | Lifetime Expected  | Lifetime Expected  | Lifetime Expected  |
|             | 2024               | default            | Loss 31 March 2024 | Loss 31 March 2024 | Loss 31 March 2023 |
|             | £000               | %                  | %                  | £000               | £000               |
|             | A                  | B                  | C                  | (A X C)            |                    |
| Investments | 3,071              | -                  | -                  | -                  | -                  |
| Customers   | 795                | 6.87               | 0.16               | 1                  | -                  |
|             |                    |                    |                    | -                  | -                  |

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 uses 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 2024 | Lifetime Expected Loss | Lifetime Expected Loss |
|----------------------------------|---------------|------------------------|------------------------|
|                                  | £000          | Rate (C)               | 31 March 2024          |
|                                  |               | 31 March 2024          | £000                   |
| Less than 30 days (normal terms) | 415           | 0%                     | 0                      |
| 31-60 days                       | 58            | 0%                     | 0                      |
| 61-90 days                       | 281           | 0%                     | 0                      |
| Over 90 days                     | 41            | 0.16%                  | 1                      |
|                                  | <b>795</b>    | <b>0.16%</b>           | <b>1</b>               |

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Authority seeks to maintain liquid short-term deposits of at least £1 million available daily. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that loans will mature at different intervals through a combination of careful planning of new loans taken out and (*where it is economically viable to do so*) making early repayments. The maturity analysis of financial liabilities is as follows:

| Number of Years                | Public Works Loan Board (PWLB) |               | Merseyside Residual Debt (MRD) |               |
|--------------------------------|--------------------------------|---------------|--------------------------------|---------------|
|                                | 31 March 2024                  | 31 March 2023 | 31 March 2024                  | 31 March 2023 |
|                                | £000                           | £000          | £000                           | £000          |
| Less than one                  | -                              | -             | 41                             | 41            |
| Between one and two            | -                              | -             | 40                             | 40            |
| Between two and five           | -                              | -             | -                              | 40            |
| Between five and ten           | -                              | -             | -                              | -             |
| Between ten and fifteen        | 2,000                          | 2,000         | -                              | -             |
| Between fifteen and twenty     | -                              | -             | -                              | -             |
| Between twenty and twenty five | 4,500                          | 3,500         | -                              | -             |
| Between twenty five and thirty | 12,360                         | 9,860         | -                              | -             |
| Between thirty and thirty five | 14,860                         | 16,860        | -                              | -             |
| Between thirty five and forty  | -                              | 1,500         | -                              | -             |
| Between forty and forty five   | -                              | -             | -                              | -             |
| More than forty five           | -                              | -             | -                              | -             |
| <b>Total</b>                   | <b>33,720</b>                  | <b>33,720</b> | <b>81</b>                      | <b>121</b>    |

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 31<sup>st</sup> March 2024, 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   | (377)        |
| Increase in Government grant receivable for financing costs  | -            |
| <b>Impact on surplus or deficit on the provision of services</b>   | <b>(376)</b> |
| Decrease in fair value of fixed rate investment assets   | -            |
| <b>Impact on other comprehensive income and expenditure</b>  | <b>(376)</b> |
| 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) | (3,932)      |

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

## Price Risk

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

## Foreign Exchange Risk

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

## 42. Contingent Assets

### Airwave

The Competition Appeal Tribunal (the Tribunal) took the decision in December 2023 to uphold the Competition and Markets Authority (CMA)'s decision to impose a charge control mechanism on Motorola in respect of the revenue Airwave can earn from its charges.

Motorola has lodged an application for permission to appeal the Tribunal's decision to the Court of Appeal (CoA), but in the meantime has commenced issuing credit notes and discounting invoices to reflect the charge control impact from 1 August 2023 onwards. These credit notes have been applied to the totality of the invoice to the Home Office and therefore need to be apportioned to the various authorities including all Fire and Rescue Authorities (FRA) in England.

Since an appeal request has been lodged with the CoA, any credit which is currently applied and accepted may have to be repaid if subsequently it is decided to overturn the Tribunal's decision and in turn set aside CMA's charge control. Motorola have been clear in their communications that this is the basis on which the credits are being applied.

As a result, and on the recommendation of the NFCC Finance Committee, the Home Office will be continuing to invoice FRAs in England at the original rate and will not apply the credit notes to the invoices the Home Office sends to FRAs. Instead, it will provide the total value of the credit to Buckinghamshire Fire who have kindly agreed to hold the total of the credit that relates to Fire England until a final court decision is reached. Any monies remaining with Buckinghamshire Fire after the conclusion of the legal process will be shared between all FRAs in England based on their percentage share of the credit, if ultimately Motorola are unsuccessful in their court application. As at 31 March 2024 Merseyside Fire Authority's share of the credit is estimated to be £0.135m.

## 43. Contingent Liabilities

### Municipal Mutual Insurance Limited

Municipal Mutual Insurance Limited issued a levy notice on 1<sup>st</sup> 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 31<sup>st</sup> March 2024, the latest statement shows the levy remaining at 25%.

# Firefighters Pension Fund Accounts

## Fund Account

| 2022/23        |  | 2023/24         |
|----------------|--|-----------------|
| £000           |  | £000            |
|                | <b>Contributions receivable:</b>               |                 |
|                | Fire Authority:                                |                 |
| (6,713)        | • Contributions in relation to pensionable pay | (7,232)         |
| (147)          | • Early retirements                            | (91)            |
| -              | • Pension Holiday grant                        | -               |
| (3,002)        | Firefighters contributions                     | (3,251)         |
| <b>(9,862)</b> |  | <b>(10,574)</b> |
| <b>(101)</b>   | <b>Transfers in from other authorities</b>     | -               |
|                | <b>Benefits payable:</b>                       |                 |
| 34,313         | • Pensions                                     | 37,644          |
| 5,852          | • Commutation and lump sum retirement benefits | 3,877           |
| 57             | • Lump sum death benefits                      | -               |
| <b>40,222</b>  |  | <b>41,521</b>   |
|                | <b>Payments to and on account of leavers:</b>  |                 |
| -              | • Transfers out to other authorities           | -               |
| -              | • Refunds of contributions                     | -               |
| -              |  | -               |
| <b>30,259</b>  | <b>Net amount payable for the year</b>         | <b>30,947</b>   |
| (30,259)       | Top – up grant payable by the Government       | (30,947)        |
| -              |  | -               |

## Net Assets Statement

| 2022/23 |  | 2023/24 |
|---------|--|---------|
| £000    |  | £000    |
|         | <b>Current assets</b>                          |         |
| 8,731   | Debtors (Pension Fund Home Office)             | 9,433   |
|         | <b>Current liabilities</b>                     |         |
| (409)   | Creditors                                      | (481)   |
| (8,322) | Creditors (Merseyside Fire and Rescue Service) | (8,952) |
| -       |  | -       |

## 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 1<sup>st</sup> April 2022, all firefighters are on the FPS15 scheme unless they have opted out.

### 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 2024 | 31 March 2023 |
|---------------------------|---------------|---------------|
|                           | £000          | £000          |
| Central Government bodies | 9,433         | 8,731         |
| <b>Total</b>              | <b>9,433</b>  | <b>8,731</b>  |

### Creditors

|                                  | 31 March 2024 | 31 March 2023 |
|----------------------------------|---------------|---------------|
|                                  | £000          | £000          |
| Central Government bodies (HMRC) | 481           | 409           |
| Other local authorities          | 8,952         | 8,322         |
| Other entities and individuals   | -             | -             |
| <b>Total</b>                     | <b>9,433</b>  | <b>8,731</b>  |

# 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 31<sup>st</sup> March 2024 and of its expenditure and income for the year ended 31<sup>st</sup> March 2024.

Mike Rea  
Director of Finance and Procurement  
25<sup>th</sup> February 2025



## **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 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024, were approved for issue on 25<sup>th</sup> February 2025 by Merseyside Fire and Rescue Authority Audit Committee.

Chair of the Audit Committee Meeting Approving the Accounts  
25<sup>th</sup> February 2025

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

## Report on the audit of the financial statements

### Opinion on the financial statements

We have audited the financial statements of Merseyside Fire and Rescue Authority ("the Authority") for the year ended 31 March 2024, 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 material accounting policy information. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2024 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 2023/24.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities 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

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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.

Our responsibilities and the responsibilities of the Director of Finance and 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 and 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.

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

We have nothing to report in this regard.

## **Responsibilities of the Director of Finance and Procurement and for the financial statements**

As explained more fully in the Statement of the Director of Finance and Procurement Responsibilities, the Director of Finance and 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 2023/24, and for being satisfied that they give a true and fair view. The Director of Finance and Procurement is also responsible for such internal control as the Director of Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Procurement is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Director of Finance and Procurement is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Authority is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority which were contrary to applicable laws and regulations, including fraud.

We evaluated the of the Director of Finance and Procurement's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

- Our audit procedures in relation to fraud included but were not limited to:
- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;

- reviewing the reasonableness of estimates made by management;
- enquiring and ascertaining whether there have been any unusual transactions during the year;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Procurement use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on 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**

We are required to report to you if, in our view we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

### **Responsibilities of the Authority**

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.

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

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. 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 have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Use of the audit report**

This report is made solely to the members of Merseyside Fire and Rescue 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 members of the Authority 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

Karen Murray, Key Audit Partner  
For and on behalf of Forvis Mazars LLP

Forvis Mazars  
One St Peters Square  
Manchester  
M2 3DE  
United Kingdom

# 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.

## **DLUHC**

Department for Levelling Up, Housing and Communities (DLUHC) is the Government Department responsible for the national policy on local government.

## **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.

## **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.

# **2023-2024 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](http://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 31<sup>st</sup> March 2024.

### **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 for period of 2021 to 2024. The proposals in the IRMP are aligned to the Authority's medium term financial plans and have therefore been adequately resourced. In 2024 the IRMP is being changed to a Community Risk Management Plan which will be drafted and subsequently consulted on prior to being presented to Members for approval.

**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.

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.

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

3.3.1 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 (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 2023/24 and approved by the Authority at its meeting on 8 June 2023 (CFO/030/23), 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 strategy 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 continuously 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
- Whistleblowing 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 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. 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 8th June 2023 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 – Considers variations to standing orders & financial regulations; the revenue budget and capital plan; levying or issuing of a precept or borrowing. Adopting a members' allowance scheme, Appointing the Chair and Vice Chair of the Authority and the Chairs of the Committees and any Sub-Committees of the Authority. Approves new policies of substantive changes in policy relating to the development and delivery of services appropriate to the Authority. Determines the Authority's precept and approves the Authority's budget and the delegated powers to officers. Maintain an overview of the effectiveness of the Constitution. Any other matters which by law must be reserved to the Authority itself.
- The Policy and Resources Committee – Under delegated powers, determine new policies or substantive changes in policy relating to the development and delivery of Services appropriate to this Committee. Oversees the Authority's Communication and Consultation Strategy and receives related reports. Considers all matters related to the management of the Authority's assets including buildings, land, ICT and other assets. Exercises 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.
- The Community Safety and Protection Committee – Under delegated powers, determine new policies or substantive changes in policy relating to the development and delivery of Services appropriate to this Committee. Consider all matters related to the delivery of Services to the diverse communities of Merseyside and the development, promotion and delivery of a co-ordinated strategy for developing and maintaining safer communities. This includes matters relating to: Operational Preparedness; Operational Response; Prevention and Protection. Consider any matters relating to the provision 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 review 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. To make recommendations to the Policy and Resources Committee and/or the Community Safety and Protection Committee and/or Authority arising from the outcome of the scrutiny process and how any improvements can be made. To agree and action a scrutiny forward work plan throughout the year and from meeting to meeting that includes matters relating to the performance of the Authority against the IRMP or any such issues referred to by the full Fire Authority and report back. To participate in, determine and undertake a task and finish group as appropriate with a view to effecting continuous improvements in the way Services are delivered, having regard to a combination of economy, efficiency and effectiveness.
- 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. As the Police and Crime Commissioner for Merseyside is appointed onto the Authority this Committee will be convened as and when necessary.
- 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 and approve summaries of specific internal audit reports as requested. To consider reports dealing with the management and performance of the providers of internal audit services. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance. To comment on the scope and depth of external audit work and to ensure it gives value for money.

To maintain an overview of the Authority's constitution in respect of contract procedure rules, financial regulations and codes of employee conduct and behaviour. To monitor the effective development and operation of risk management and corporate governance in the Authority.

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority. To consider the external auditor's report to those charged with governance on issues arising from the audit of accounts.

To determine allegations made under the Member Code of Conduct Procedure and refer sanctions proposed and any complaint allegation requiring further investigation to the Authority's Appeals Committee. To act as the Investigating and Disciplinary Committee where an allegation is made against the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer, Monitoring Officer or the Director of Finance and Procurement in line with the Authority's policy for Discipline Procedures for Relevant Officers.

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

- The Appeals Committee – Consider and determine appeals referred from the Audit Committee in relation to the Members Code of Conduct. 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, Director of Finance and Procurement (Treasurer), Monitoring Officer and any other posts referred to the committee for consideration.
- Member Development & Engagement Group – To promote the continuous development of Members of the Authority and consider proposals and options for arrangements in respect of Members' training and development.
- Local Pension Board (Firefighters' Pension Scheme(s)) – To assist the Authority in its role as 'Scheme Manager' for the Firefighters' Pension Scheme(s), as required by the Pension Scheme (Amendment) (Governance) Regulations 2015 Regulation 4A.

## 4.4 Management Review

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

**4.4.2** There is a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2023/24 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 2022/23. The Authority appointed new auditors Mazars, for 2023/24 and it is anticipated the Authority will receive an unqualified opinion in 2023/24. 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**

The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2023/24, 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 2023/24 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 Mazars. 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 2023/24 statutory financial statements and make a VFM conclusion during the 2024/25 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 2022/23 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2022/23 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.

## 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   
J. GRACE  
CHAIR of AUDIT COMMITTEE

Signed   
P. GARRIGAN  
CHIEF FIRE OFFICER

Signed   
M. REA  
DIRECTOR OF FINANCE & PROCUREMENT

LETTER TO BE WRITTEN ON HEADED PAPER

Forvis Mazars

One St Peters Square  
Manchester  
M2 3DE

25<sup>th</sup> February 2025

Dear Karen,

#### **Merseyside Fire and Rescue - Audit for Year Ended 31 March 2024**

This representation letter is provided in connection with your audit of the financial statements of Merseyside Fire and rescue the Authority for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and procurement that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority and committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

#### **Accounting estimates, including those measured at current and or fair value**

I confirm that the methods, significant assumptions and the data used by the Authority in making the accounting estimates, including those measured at current and or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

#### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code and applicable law.

#### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

#### **Fraud and error**

I acknowledge my responsibility as Director of Finance and procurement for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

#### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

#### **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

#### **Charges on assets**

All the Authority's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

#### **Future commitments**

The Authority has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

#### **Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Authority's service concession arrangements that you have not been made aware of.

#### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

#### **Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Authority, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events after reporting period note to the financial statements fairly reflects that assessment

#### **Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events after reporting period note to the financial statements fairly reflects that assessment.

#### **Brexit**

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

#### **Going concern**

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

#### **Annual Governance Statement**

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

#### **Narrative Report**

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

#### **Unadjusted misstatements**

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

#### **Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements).**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Mike Rea

Director of Finance and procurement

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| <b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b> |  |                       |                                   |
|---|--|-----------------------|-----------------------------------|
| <b>MEETING OF THE:</b>                      | <b>AUDIT COMMITTEE</b>   |                       |                                   |
| <b>DATE:</b>                                | <b>25 FEBRUARY 2025</b>  | <b>REPORT NO:</b>     | <b>CFO/82/24</b>                  |
| <b>PRESENTING OFFICER</b>                   | <b>AUDIT PARTNER AT FORVIS MAZARS, KAREN MURRAY</b>  |                       |                                   |
| <b>RESPONSIBLE OFFICER:</b>                 | <b>KAREN MURRAY</b>  | <b>REPORT AUTHOR:</b> | <b>KAREN MURRAY/<br/>MIKE REA</b> |
| <b>OFFICERS CONSULTED:</b>                  | <b>STRATEGIC LEADERSHIP TEAM</b>   |                       |                                   |
| <b>TITLE OF REPORT:</b>                     | <b>2023/24 AUDIT COMPLETION REPORT</b>   |                       |                                   |
| <b>APPENDICES:</b>                          | <b>APPENDIX A: FORVIS MAZARS - AUDIT COMPLETION REPORT FOR MERSEYSIDE FIRE AND RESCUE AUTHORITY – YEAR ENDED 31 MARCH 2024</b> |                       |                                   |

### **Purpose of Report**

1. The Authority’s Auditor, Forvis Mazars, is required to report on the Authority’s financial statements and whether in their opinion they give a true and fair view of the financial position for the year and have been prepared in accordance with the relevant local authority accounting Code(s) and standards. Forvis Mazars Audit Completion report is attached as Appendix A, for Members’ consideration.

### **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. The attached Auditor’s “Audit Completion” report confirms Forvis Mazars have substantially completed the audit of the Authority’s financial statements and subject to outstanding queries being resolved, Forvis Mazars anticipate issuing an unqualified opinion following today’s Audit Committee, confirming that the 2023/24 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.

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**Equality and Diversity Implications**

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

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**Staff Implications**

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

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**Legal Implications**

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

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**Financial Implications & Value for Money**

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8. Forvis Mazars identified a number of misstatements within the Statement of Accounts during their audit, which officers have adjusted for in the Audited Statement of Accounts.
9. Forvis Mazars Audit Completion report states they 'anticipate having no significant weaknesses in arrangements to report in relation to arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources'.

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**Risk Management and Health & Implications**

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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.

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**Environmental Implications**

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11. There are no environmental implications contained within this report.

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

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

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



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**BACKGROUND PAPERS**

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**NONE**

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**GLOSSARY OF TERMS**

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**NONE**

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# Audit Completion Report

## Merseyside Fire and Rescue Authority – year ended 31 March 2024

February 2025

Audit Committee  
Merseyside Fire and Rescue Service  
Fire Service Headquarters  
Bridle Road  
Bootle  
L30 4YD

Forvis Mazars  
One St Peters Square  
Manchester  
M2 3DE

Dear Committee Members,

## **Audit Completion Report – Year ended 31 March 2024**

Page 140

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 26<sup>th</sup> September 2024.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07721 234 043

Yours faithfully



Karen Murray

Forvis Mazars LLP

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| <b>04</b> | Significant findings                               |
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| <b>A</b>  | Appendix A: Draft management representation letter |
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# 01

## Executive Summary

# Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of controls; and
- Valuation of the net defined benefit pension liability
- Valuation of property, plant and equipment

## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £458k. Section 7 outlines our work on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2024.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.



### Wider Powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts.

# 02

Status of the audit



# Status of our audit

Our audit work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below.

## Journals

We are finalising our work on our journals testing following receiving responses from management.



## National Resilience

We are awaiting a response from management on a query we have raised regarding the “Agent vs Principal” treatment of the agreement.



## Derecognition Property, Plant and Equipment

We are finalising our work on the derecognition of assets following receiving a response from management.



## Investments

We are awaiting direct confirmations from third parties on two of our investment sample.



## Fire fighters pensions

We are awaiting evidence with regards to membership data, benefits payable and employer’s contributions for the Fire Fighters Pension Scheme.



## IT audit

We are finalising our IT audit work following receiving responses from management.



## Quality control review

Our audit work is subject to manager and key audit partner review.



## Signed Financial Statements, Annual Governance Statement and Letter of Representation

We will complete our final review of the financial statements upon receipt of the signed version of accounts and letter of representation



### Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.

# 03

## Audit Approach

# Audit Approach

## Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 26/09/24.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £2.5m using a benchmark of 1.8% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

## Use of experts

On carrying out our initial audit work on the Authority's pension liability and property, plant and equipment valuations, we made use of experts to assist us with audit work.

| Item of Account                          | Management's expert         | Our Expert  |
|--|-----------------------------|---|
| Pension liability                        | Mercers/GAD                 | PwC as the NAO's consulting actuary.  |
| Property, plant and equipment valuations | MC & Co Chartered Surveyors | Audit team has sufficient knowledge and experience to audit the property, plant and equipment valuations. |

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to Merseyside Fire and Rescue Service that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

The table below summarises the service organization used by the authority and our audit approach.

| Item of Account                             | Service organisation   | Audit approach  |
|---|------------------------|---|
| Treasury Management/Internal Audit Services | Liverpool City Council | Sufficient and appropriate audit evidence has been obtained from records held by the Authority. |

# 04

Significant findings

# Significant findings

## Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page [X] we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

## Significant Risks

### Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

---

#### How we addressed this risk

We addressed this risk by performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

---

#### Audit conclusion

We have completed our procedures as planned. There are no matters to bring to the Committee's attention in respect of our work on management override of controls.

---

# Significant findings

## Valuation of the net defined benefit pension liability

### Description of the risk

The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Merseyside Pension Fund, which had its last triennial valuation completed as at 31 March 2022.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Authority's pension obligation are not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2023/24.

---

### How we addressed this risk

We addressed this risk by performing audit work over:

- obtaining an understanding of the skills, experience, objectivity and independence of the Pension Fund's actuary;
- obtaining confirmation from the auditors of Merseyside Pension Fund that the Pension Fund have designed and implemented controls to prevent and detect material misstatement. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- evaluated and challenged the work performed by the Merseyside Pension Fund auditor on the Pension Fund investment assets, and considered whether the outcomes would materially impact our consideration of the Authority's share of Pension Fund assets;
- reviewed the actuarial allocation of Pension Fund assets to the Authority including comparing the Authority's share of the assets to other corroborative information;
- reviewed the appropriateness of the Pension Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges and utilising information by the consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements

---

### Audit conclusion

Our work is still on-going.

From the completed work to date, we have identified two errors.

The first relates to a misstatement in the Merseyside Pension Fund accounts as reported to us by the Pension Fund auditor. Based on the Authority's share of the Pension Fund assets we have estimated the impact of this error on the Authority's valuation of pension assets to be immaterial. Further detail is provided in section 06.

The second relates to the reduction in the Local Government Pension Scheme (LGPS) asset following the Authority obtaining an asset ceiling report from their actuary. Management have amended the accounts for this error. Further details are recorded in section 06.

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# Significant findings

## Valuation of land and buildings

### Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.

The valuation of property, plant & equipment involves the use of management experts and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.

As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to three years are not valued at their materially correct fair value.

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### How we addressed this risk

We addressed this risk through performing audit work over:

- we assessed the Authority's valuers' qualifications, objectivity and independence to carry out such valuations;
- reviewed the valuation methodology used for assets subject to revaluation in 2023/24, including testing the underlying data and assumptions;
- reviewed the approach the Authority has adopted to address the risk that those assets not subject to valuation in the 2023/24 are materially misstated and considered the robustness of that approach in light of the valuation information reported by the valuers.

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### Audit conclusion

We have completed our procedures as planned. There are no matters to bring to the Committee's attention in respect of our work on the valuation of land and buildings.

# Significant findings

## Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 appropriately tailored to the Authority circumstances. We have suggested some updates as part of our audit work to ensure that the Authority fully complies.

Draft accounts were received from the Authority on 31 May 2024 and were of a good quality. There have been some adjustments and disclosure changes arising from our audit. These do not indicate a weakness of the Authority's closedown processes or control framework. The Authority finance team have provided us with timely responses to queries which have assisted with audit progress.

Draft accounts were received from the Authority on 31 May 2024 and were of a good quality.

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

### National Resilience Programme

MFRA is the lead for the National Resilience Programme funded by the Home Office. Within the draft accounts the Authority recognised assets and a corresponding creditor for a number of vehicles that were part complete at the year end and due to be issued to other fire authorities. We have had discussions with management on this accounting treatment. As a result, we have agreed the assets should not be recognised by MFRA because it did not have appropriate control over them.

We have also had a number of discussions with management on "Agent vs Principal" accounting treatment of the National Resilience Programme. This work is still ongoing, as set out in section 2.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2023/24 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.



# 05

Internal control conclusions

# Internal control conclusions

## Overview of engagement

As part of our audit, we obtained an understanding of Authority's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Authority's internal controls, we are required to communicate to the Audit Committee any significant deficiencies in internal controls that we identified in during our audit.

## Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered Authority's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not identified any deficiencies in the Authority's internal controls as at the date of this report.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Audit Committee.

We have not identified any significant deficiencies in the Authority's internal controls as at the date of this report.

## Other observations

We also record our observations on the Authority's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit Committee and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

# 06

Summary of misstatements

# Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £75k. .

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 26/09/2024. Any subsequent changes to those figures are set out in the section 3 of this report.

## Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

| Details of adjustment   | Comprehensive Income and Expenditure Statement |             | Balance Sheet |             |
|---|--|-------------|---------------|-------------|
|   | Dr (£ '000)                                    | Cr (£ '000) | Dr (£ '000)   | Cr (£ '000) |
| Dr: Pension Reserve   |  |             | 458           |             |
| Cr: Pension Liability   |  |             |               | (458)       |
| The Pension Fund auditor reported an understatement of the assets held by Merseyside Pension Fund. Our estimate of the impact of this on the Authority's pension liability, based on its share of the Pension Fund assets is £458k. |  |             |               |             |
| <b>Aggregate effect of unadjusted misstatements (£'000)</b>   | <b>-</b>                                       | <b>-</b>    | <b>458</b>    | <b>458</b>  |

# Summary of misstatements

## Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit Committee should be made aware of.

| Details of adjustment  | Comprehensive Income and Expenditure Statement |             | Balance Sheet |                 |
|--|--|-------------|---------------|-----------------|
|  | Dr (£ '000)                                    | Cr (£ '000) | Dr (£ '000)   | Cr (£ '000)     |
| Dr: Short term investments<br>Cr: Cash and cash equivalents<br>During our testing of investments we identified an error relating to the misclassification of a number of items recorded as cash and cash equivalents but with a maturity date longer than three months. These have been reclassified to short-term investments to align with the Authority's accounting policy   |  |             | 9,765         | 9,765           |
| Dr: Creditors<br>Cr: Property, plant and equipment<br>During our testing of property, plant and equipment and creditors we identified an error in relation to assets that were purchased under the National Resilience Programme and were under construction at the year end. The assets were subsequently distributed to other Authorities across the country. These assets were incorrectly recorded on the Authority's balance sheet. |  |             | 6,110         | (6,110)         |
| Dr Pension Reserve<br>Cr: Pension Asset<br>The Authority received an asset ceiling calculation from their actuary. This adjustment reduces the LGPS asset in line with this report.  |  |             | 5,194         | (5,194)         |
| Dr: Short-term creditors<br>Cr: Grants received in advance<br>Audit testing identified there was a misclassification between short-term creditors and grants received in advance. This adjustment correctly splits the liabilities.  |  |             | 16,628        | (16,628)        |
| <b>Aggregate effect of adjusted misstatements</b>  |  |             | <b>37,697</b> | <b>(37,697)</b> |

# Summary of misstatements

## Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Financial Instruments – This disclosure has been amended to ensure consistent with the debtors, creditors and cash note.
- Audit fees – This disclosure note has been amended to remove predecessor auditor fees.
- Pensions – The defined benefit pension scheme notes have been amended to reflect the asset ceiling report being obtained.

# 07

Value for Money

VFM arrangements

Overall Summary

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# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**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.



**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.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

| Reporting criteria   | Commentary page reference | Identified risks of significant weakness? | Actual significant weaknesses identified? | Other recommendations made? |
|--|---------------------------|---|---|-----------------------------|
|  Financial sustainability                        | 25-27                     | No  | No  | No                          |
|  Governance                                      | 28-30                     | No  | No  | No                          |
|  Improving economy, efficiency and effectiveness | 31-32                     | No  | No  | No                          |

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# VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

### Background to the LG financing regime in 2023/24

During 2023/24, Merseyside Fire and Rescue Authority (the Authority) continued to face significant challenges, against a backdrop of an adverse national economy and a cost-of-living crisis. The financial impact of the pandemic on the Authority continues to feature with a continuation of one year Government Settlements and additional costs. The Authority has continued to work to understand the longer-term impact of the pandemic, and to adapt its financial plans over the medium term.

In response to these pressures it is essential the Authority has timely and accurate financial reporting to members and senior management, and decision makers make prompt decisions to maintain the financial sustainability of the Authority.

### 2023/24 Financial statement performance

We have undertaken a high level analysis of the audited financial statements, including the Movement in Reserves Statement and the Balance Sheet.

The Authority's balance sheet has seen some significant movements within the year. Overall, the Authority's net liabilities have decreased from £756.6m to £740.8m at 31 March 2024. The most significant changes in the balance sheet relate to movements on the Authority's defined benefit pension asset/liability. There has also been an increase in the value of the Authority's property, plant and equipment portfolio compared to the prior year. It is not unusual to see material movements in the net pension disclosures and this is consistent with our experience at other similar bodies. The movements in property values are anticipated movements due to the regularity of asset valuations and market trends.

The Authority's useable reserves have decreased from £38.5m at 31 March 2023 to £30.9m at 31 March 2024. The Authority has a strong reserves position with earmarked reserves of £12.2m and a general fund balance of £3.7m at 31 March 2024. These reserves provide some mitigation against future financial challenges. The movements in earmarked reserves are consistent with the reserves policy set by the Authority in year. The Authority's reserves policy identifies the purpose of each reserve, for example whether the reserve is linked to the Authority's strategic priorities or to support budget resilience. The policy sets out the approval process for drawing down reserves. The approval process is determined by the type of reserve and involves Officers of sufficient seniority in the decision to drawn down the reserve.

### The Authority's financial planning and monitoring arrangements

In February 2023 the Authority set a balanced budget for the 2023/24 financial year. The total net expenditure budget for Authority services was approved at £67.9m with an increase in precept of £5 (6%) for Band D properties. We have reviewed the Authority's budget setting papers for 2023/24 and confirmed the budget is linked to the Medium Term Financial Plan (MTFP). It includes details of key underlying assumptions including levels of government funding, inflation and pay increases.

During the budget setting process members are kept fully up-to-date on developments in local government finance, and we have seen evidence of officers proactively engaging members in the process. Examples of this include the annual budget day, held in January 2023, allowing key officers and members the opportunity to come together to discuss the upcoming financial year. This also included reflections on 2022/23, what went well and any lessons learned.

Merseyside Fire and Rescue Authority reported its balanced revenue outturn position for the 2023/24 year and achieved an additional in year underspend of £3.3m. The Authority notes the significant pressures continued to be experienced in the sector but recognise the results achieved in year.

During the year the Authority regularly reported its financial position to the Policy and Resources Committee. We have reviewed a sample of the reports presented for the 2023/24 year. These reports contain appropriate detail of the significant variances to budget and provide an update on the delivery against savings targets. They also contain appropriate information on the delivery of the approved capital programme, including explanations for both over and under spends against the budget profile.

### Arrangements for the identification, management and monitoring of funding gaps and savings

The MTFP is a five-year plan which sets out the resources available to deliver the Authority's overall commitment to provide services that meet the needs of the local community and represent good value for money.

A key part of the MTFP is to highlight budget issues that will need to be addressed by the Authority in each of the years it covers. This means it includes assumptions to allow forecasting of the level of available resources

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria – continued

together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves and provisions held for past events which may impact the Authority's resources. The Authority has in place a clear and well-established budget setting process. The Authority holds an annual Budget Strategy Day where senior officers and members discuss the assumptions and principles on which the budget is to be based. As part of the budget process, the Authority explicitly identifies its savings gap for the following year. Once the gap has been identified, a savings programme is determined. Reports are provided to members through Authority and Policy and Resource Committee.

The savings gaps identified in the MTFP for 2024/25 and 2025/26 are £683k and £847k respectively. The Authority has a strong track record of delivery against savings programmes to bridge the budget gaps in recent years. Earmarked reserves have been set aside to fund expenditure included in the plans relating to specific objectives. The annual financial process includes consideration of overall reserve balances and review to ensure that these remain in line with the reserves policy. The draw on reserves, as in previous years, is directly matched to non-recurring expenditure; reserves are not being used to balance the budget.

### Arrangements and approach to the 2024/25 financial planning

The arrangements of the 2024/25 budget setting process have largely followed the arrangements in place for 2023/24.

The budget for 2024/25 was approved at the February 2024 Authority meeting. At the start of the budget setting process an initial savings gap of £683k was identified. Using the methodology described above, the Authority was able to eliminate this gap as part of the budget setting process and to set a balanced budget for 2024/25. The budget gap was eliminated by updated for the 2024/25 Government Settlement Funding Assessment and an increasing precepts by 2.98%.

We have reviewed the quarter two financial report for 2024/25. This is currently forecasting a £800k underspend for the year. This is largely due to an anticipated reduction in employee costs caused by staff recruitment pressures together with some changes to the funding provided.

We have reviewed the 2024/25 budget papers and confirmed that the budget assumptions appear to be comprehensive, realistic and properly applied.

***Based on the above considerations we are satisfied that there is not a significant weakness in Merseyside Fire and Rescue Authority's arrangement in relation to financial sustainability.***



# VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks



# VFM arrangements – Governance

## Overall commentary on Governance

### Risk management and monitoring arrangements

Merseyside Fire and Rescue Authority had a comprehensive risk management system in place for 2023/24. It is embedded in the governance structure of the organisation.

The Authority's risk management framework includes the risk management policy statement and risk management strategy. This policy sets out how risks and opportunities will be managed effectively. The Authority's Business Continuity Management policy statement and strategy are also used within risk management, to assess and review the effectiveness of business continuity within the organisation.

The Director of Strategy and Procurement (s151 Officer) maintains a Corporate Risk Register in collaboration with other members of the Senior Leadership Team. The Director of Strategy and Procurement reports on these matters directly to the Chief Fire Officer. The Corporate Risk Register is reviewed and considered bi-annually by the Authority committee. We have reviewed an example register and confirmed it is sufficiently detailed to allow for effective risk management. Each risk has an assigned risk owner and a risk score based on a probability and impact matrix. Where mitigating actions are identified they are also assigned an owner and a due date to ensure there is appropriate accountability. This allows for effective oversight of the risks.

### Internal control and Internal Audit

The Internal Audit team provide assurance over the effectiveness of internal controls. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. The 2023/24 Internal Audit plan was approved by the Audit Committee in May 2023.

The Internal Audit Service is provided by Liverpool City Council under an SLA with MFRA.

The audit plan is based on an assessment of risks the Authority faces and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work commissioned by officers and members to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2023/24 and 2024/25 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to each Audit Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2023/24 the Head of Internal Audit concluded that a substantial level of assurance can be given that the Authority's overall framework of governance, risk management and control remains appropriate and has been complied with.

Since our engagement commenced we have attended all Audit Committee meetings. Through attendance at these meetings we have confirmed the committee receives regular updates on both internal audit progress and risk management in the form of risk registers. We have seen active member engagement from the Audit Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

We have also reviewed meeting minutes from the Authority meeting which evidence an appropriate level of member engagement and challenge.

### Arrangements for budget setting and budgetary control

The Authority has an approved set of budget principles which are used during the budget setting process. The key budget principles are:

- The budget is initially prepared on the basis that current resources support existing service levels, with the exception of known changes.
- Salary budgets are prepared with reference to the previous budget and are adjusted for pay awards, increments, approved service changes, savings and other approved variations.
- Resources are redirected towards the Authority's priority areas where possible.

We have reviewed the budget assumptions and consider these to be appropriate and are consistently applied.

Budget monitoring is the responsibility of budget managers with the support of the finance service. Each budget has a named budget manager and responsibilities are clear. Monthly budget position statements are issued for all cost centres and regular meetings are held to alert budget managers to any potential variances. Significant variances against budget are investigated, budget managers along with the Senior Leadership Team are required to identify and agree the corrective actions to be taken. We have reviewed a sample of the finance reports which have been prepared throughout the 2023/24 year which evidence that an appropriate level of detail is included to keep budget managers, the Senior Leadership Team and members informed of any actual or potential overspends, including detail on how these areas are being managed.

### Decision making arrangements and control framework

Merseyside Fire and Rescue Authority has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Authority's Integrated Risk Management Plan (IRMP), the Constitution and the People Plan.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

The IRMP 2021/24 sets out the duties and responsibilities Merseyside Fire and Rescue Authority has by linking through to key legal frameworks, these include: The Fire and Rescue Service Act 2004, The Civil Contingencies Act 2004, Fire Safety Order 2005 and the National Framework 2018. The Authority's aims are clearly established within the IRMP; to protect, prevent, prepare and respond. This plan provides a link between risk management and the legal framework in which the Authority operates, providing a key document to make informed decisions.

The Constitution sets out responsibilities for decision making by the Authority, its Committees, any Sub-Committees and Officers. Key decisions, in line with the Constitution, must be made by the Authority and cannot be delegated. The Constitution also sets out that decisions made by Officers must be within their authorised remit and in accordance with the terms of the Scheme of Delegation.

The People Plan links with other key documents, including the IRMP and MTFP, to establish the ethical principals of employees and key leadership messages. The People Plan uses benchmarking statistics to assess the Authority's performance against other Fire and Rescue Services. This plan demonstrates Merseyside Fire and Rescue Authority's commitment to provide services to the Merseyside community.

## Regulators

We reviewed the most recent HMICFRS Inspection report issued to the Authority in 2023. The report assessed the Authority's performance across eleven areas, rating three as outstanding, five as good and three areas as adequate. The Authority received no 'requires improvement' or 'inadequate' ratings. The report highlights the positive progress the Authority has made since the previous inspection in 2021.

***Based on the above considerations we are satisfied there is not a significant weakness in Merseyside Fire and Rescue Authority's arrangements in relation to governance.***



# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

### Performance Management

We confirmed, through observation, that arrangements are in place to measure the quality of services, to ensure they are delivered in line with the objectives of the Authority and for ensuring they provide value for money. Performance management arrangements are in place. Key Performance Indicators (KPIs) are aligned to the data reported via the Home Office and HMICFRS and assessed on a monthly basis. Quarterly Service Delivery Plans are produced alongside the finance updates and reported to members via the Policy and Resources Committee.

We confirmed that financial performance is monitored by the Senior Leadership Team (SLT). Review of reporting to SLT shows detailed information is shared including latest financial position, forecast financial outturn and commentary on key pressures/underspends.

Alongside the performance framework the output from regulator is also considered to evaluate performance and identify areas for improvement. The output from regulators feed into the risk management arrangements in place. The Authority is subject to inspection by His Majesty's Inspectorate Constabulary and Fire & Rescue Services (HMICFRS). HMICFRS carry out inspections of fire and rescue services to assess and report on three key areas: effectiveness, efficiency, and people.

### Partnerships and Commissioning

The Authority is open to considering all options to deliver services. This means it commissions from other organisations where it is appropriate, and where it can achieve the same or better outcomes at reduced cost. The Authority actively seeks to commission jointly with other public service agencies where possible.

The Authority operates as the lead authority for the National Resilience Assurance Team (NRAT). The NRAT initiative was established in response to the 2001 terrorist attacks in New York and Washington and seeks to enhance the capabilities of Fire and Rescue Services nationally by investing in a range of bespoke appliances. In taking this lead role, Merseyside Fire and Rescue Authority works closely with both the Home Office and fire services throughout the country to ensure appropriate funding and distribution assets.

Merseyside Fire and Rescue also operates within partnership arrangements through their work on Urban Search and Rescue (USAR). This establishes a highly trained team, responsible for supporting operational crews in challenging incidents. This team is one a number that makes up the National USAR, meaning they can be called upon to respond to incidents throughout the country. In addition to their responsibilities within the UK, the USAR provide support to incidents across the globe such as earthquakes, tsunamis and large

scale flooding; operating as part of the United Kingdom International Search and Rescue team. This partnership involves building good relationships with international partners, to improve technical skills. This contributes to improved services delivered both on Merseyside and more widely.

The Authority continues to work alongside key partners, such as Merseyside Police and NHS bodies. Merseyside Fire and Rescue Authority has a number of station facilities that are jointly shared with ambulance and police services, enabling cost sharing across emergency responders.

***Based on the above considerations we are satisfied there is not a significant weakness in Mersey Side Fire and Rescue Authority's arrangements in relation to improving economy, efficiency and effectiveness.***

# Appendices

- A: Draft management representation letter
- B: Draft audit report
- C: Confirmation of our independence
- D: Other communications

# Appendix A: Draft management representation letter

Forvis Mazars

One St Peters Square  
Manchester  
M2 3DE

(Date)

Dear Karen,

## Merseyside Fire and Rescue - Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Merseyside Fire and rescue the Authority for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code and applicable law.

### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and procurement that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

# Appendix A: Draft management representation letter

## Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Authority and committee meetings, have been made available to you.

## Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at current and or fair value

I confirm that the methods, significant assumptions and the data used by the Authority in making the accounting estimates, including those measured at current and or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and

the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code and applicable law.

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

# Appendix A: Draft management representation letter

## Fraud and error

I acknowledge my responsibility as Director of Finance and procurement for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

## Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

## Charges on assets

All the Authority's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

## Future commitments

The Authority has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Authority's service concession arrangements that you have not been made aware of.

# Appendix A: Draft management representation letter

## Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

## Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Authority, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events after reporting period note to the financial statements fairly reflects that assessment

## Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events after reporting period note to the financial statements fairly reflects that assessment.

## Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

## Going concern

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## Annual Governance Statement

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

## Narrative Report

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

## Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

# Appendix A: Draft management representation letter

## **Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements).**

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Mike Rea

Director of Finance and procurement

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# Appendix B: Draft audit report

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

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Merseyside Fire and Rescue ("the Authority") for the year ended 31 March 2024, 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 material accounting policy information. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2024 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 2023/24.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities 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

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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.

Our responsibilities and the responsibilities of the Director of Finance and 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 and 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.

# Appendix B: Draft audit report

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

We have nothing to report in this regard.

## **Responsibilities of the Director of Finance and Procurement and for the financial statements**

As explained more fully in the Statement of the Director of Finance and Procurement Responsibilities, the Director of Finance and 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 2023/24, and for being satisfied that they give a true and fair view. The Director of Finance and Procurement is also responsible for such internal control as the Director of Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Procurement is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Director of Finance and Procurement is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Authority, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

## Appendix B: Draft audit report

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Authority is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority which were contrary to applicable laws and regulations, including fraud.

We evaluated the of the Director of Finance and Procurement's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

- Our audit procedures in relation to fraud included but were not limited to:
- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- reviewing the reasonableness of estimates made by management;
- enquiring and ascertaining whether there have been any unusual transactions during the year;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Director of Finance and Procurement use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on 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**

We are required to report to you if, in our view we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

# Appendix B: Draft audit report

## Responsibilities of the Authority

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.

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

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. 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 have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

## Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Purpose of the audit report

This report is made solely to the members of Merseyside Fire and Rescue 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 members of the Authority 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

## Signature

Karen Murray, Key Audit Partner  
For and on behalf of Forvis Mazars LLP

Forvis Mazars  
One St Peters Square  
Manchester  
M2 3DE  
United Kingdom

Date

## Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

## Appendix D: Other communications

| Other communication                         | Response   |
|---|--|
| <b>Compliance with Laws and Regulations</b> | <p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>   |
| <b>External confirmations</b>               | <p>We did not experience any issues with respect to obtaining external confirmations.</p>  |
| <b>Related parties</b>                      | <p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol>  |
| <b>Going Concern</b>                        | <p>We have not identified any evidence to cause us to disagree with the Director of Finance and Procurement that Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements..</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p> |

# Appendix D: Other communications

| Other communication                    | Response  |
|--|---|
| <p><b>Subsequent events</b></p>        | <p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>   |
| <p><b>Matters related to fraud</b></p> | <p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and where appropriate the Audit Committee, confirming that</p> <ul style="list-style-type: none"> <li>a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b) they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ul style="list-style-type: none"> <li>i. management;</li> <li>ii. employees who have significant roles in internal control; or</li> <li>iii. others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul> |

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# Contact

## Forvis Mazars

**Karen Murray**

Partner

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| <b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b> |   |                       |  |
|---|---|-----------------------|--|
| <b>MEETING OF THE:</b>                      | <b>AUDIT COMMITTEE</b>  |                       |  |
| <b>DATE:</b>                                | <b>25 FEBRUARY 2025</b>                                       | <b>REPORT NO:</b>     | <b>CFO/83/24</b>                                     |
| <b>PRESENTING OFFICER</b>                   | <b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>          |                       |  |
| <b>RESPONSIBLE OFFICER:</b>                 | <b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>          | <b>REPORT AUTHOR:</b> | <b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b> |
| <b>OFFICERS CONSULTED:</b>                  | <b>STRATEGIC LEADERSHIP TEAM</b>                              |                       |  |
| <b>TITLE OF REPORT:</b>                     | <b>INTERNAL AUDIT PROGRESS REPORT – APRIL TO JANUARY 2025</b> |                       |  |

|                    |  |
|--------------------|--|
| <b>APPENDICES:</b> | <b>APPENDIX A: AUDIT PLAN</b><br><b>APPENDIX B: INTERNAL AUDIT PROGRESS REPORT</b> |
|--------------------|--|

### Purpose of Report

1. To inform Members of the work of Internal Audit for the period April to January 2025.

### 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 2024/25 plan at their meeting on 6 June 2024, CFO/32/24. 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 2025 and the progress made against the approved 2024-25 Internal Audit Plan. The report also provides an update on the previous year's audit work that was not finalised at the time of the annual opinion in September 2024. The progress report is attached to this report as Appendix B.
8. 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 provide assurance on the control environment across the full financial year. The timing of the remaining 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.
9. Members of the Audit Committee will receive a report after the year-end on actual performance against the audit plan.

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**Equality and Diversity Implications**

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10. None contained within the report.

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**Staff Implications**

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11. None contained within the report.

---

**Legal Implications**

---

12. 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).

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**Financial Implications & Value for Money**

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13. The annual cost of the audit is £42,750 and is contained within the approved budget for audit services.

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**Risk Management and Health & Implications**

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14. None contained within this report.

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**Environmental Implications**

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15. None contained within this report

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**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.***

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16. 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.

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**BACKGROUND PAPERS**

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**CFO/32/24** 2024-25 Internal Audit Plan – Audit Committee 6 June 2024.

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**GLOSSARY OF TERMS**

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**NONE**

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**STRATEGIC AUDIT PLAN 2024/25**

|   |   | <b>Audit Days</b> |                  |
|---|---|-------------------|------------------|
|   | <b>Fundamental Financial Systems (general ledger, payroll, creditors/debtor systems etc)</b>  |                   | <b>40</b>        |
|   |   |                   |                  |
|   | <b>Strategic Reviews / Client directed / Ad hoc reviews</b>   |                   |                  |
| 1 | Procurement Governance and Compliance – Review the procedures for procuring goods/services and test for compliance. To include a review of the plans in place to meet the requirements for the introduction of the new Procurement Act. | <b>10</b>         |                  |
| 2 | Training and Development Academy – Review of the arrangements to recover costs for training courses and use of the training facilities by external organisations.   | <b>18</b>         |                  |
| 3 | Expenses – Review the procedures/process for claiming/processing expenses and test for compliance.  | <b>10</b>         |                  |
|   |   |                   |                  |
|   | <b>Strategic Reviews / Client directed / Ad hoc reviews</b>   |                   | <b>38</b>        |
|   |   |                   |                  |
|   | <b>Contingency - Investigations/Responsive / Advice &amp; Assistance</b>  |                   | <b>3</b>         |
|   | <b>Follow up on implementation of previous audit recommendations.</b>   |                   | <b>6</b>         |
|   | <b>Audit Management</b>   |                   | <b>8</b>         |
|   |   |                   |                  |
|   | <b>Total Planned Days</b>   |                   | <b><u>95</u></b> |

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Liverpool  
City Council

Internal Audit Service

Merseyside Fire & Rescue Service -  
Internal Audit Progress Report 2024/25  
January 2025



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| 3 Audits in Progress up to January 2025   | 4           |
| 4 Follow Up                               | 4           |
| 5 Internal Audit Performance              | 6           |
| 6 Assurance Classification Levels         | 7           |

The matters raised in this report are the ones that came to our attention during our internal audit work. While every care has been taken to make sure the information is as accurate as possible, internal audit has only been able to base these findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be needed. This report was produced solely for the use and benefit of Merseyside Fire and Rescue. The council accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification.



## 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 2025

- 2.1 The table below summarises the work completed during the financial year up to January 2025. This includes previous year's work that was yet to be finalised at the time of the annual opinion in September 2024. 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 2025*

| Audit Title  | Control Environment | Compliance | Corporate Impact |
|--|---------------------|------------|------------------|
| <b>Procurement Governance and Compliance</b> – Review the procedures for procuring goods/services and test for compliance including a review of the plans in place to meet the requirements for the introduction of the new Procurement Act. | Good                | Good       | Minor            |
| <b>MFRS Bullying, Harassment, Discrimination Processes</b> –   |                     |            |                  |

| Audit Title  | Control Environment   | Compliance | Corporate Impact |
|--|-----------------------|------------|------------------|
| Review processes, the sufficiency of employee training, the effectiveness of incident management and the availability of anonymous reporting mechanisms (old year).  | Acceptable            | Acceptable | Moderate         |
| <b>Flexi Duty Manager Provided Vehicles</b> – Review logbooks and confirm controls in place to ensure vehicles only used for business activity. Recommend any additional controls (old year – currently in draft). | Acceptable            | Acceptable | Minor            |
| <b>Training and Development Academy</b> – Review of the calculations to recover costs for training courses and use of the training facilities by external organisations.   | Advisory work ongoing |            |                  |

2.3 **Procurement Governance and Compliance** – The review provided assurance that goods and services are currently being procured in accordance with procedures. In terms of the preparing for the introduction of the new Procurement Regulations 2024 an action plan has been created. Two recommendations were made relating to updating guidance for suppliers and ensuring the Procurement Team are prepared for any increased administrative burden the new regulations brings.

2.4 **MFRS Bullying, Harassment, Discrimination Processes** – There is evidence that Merseyside Fire and Rescue Service is being proactive in addressing the findings of the National HMICFRS Values & Cultures report and has a 3-year Culture and Transformation Plan 2024-2027 in place. Implementation of this transformation plan, in particular, reviewing and updating policies and service instructions, will ensure compliance with the report recommendations and Standards.

2.5 **Flexi Duty Manager Provided Vehicles** – There is evidence that the Service provides clear guidance to officers, regarding the use of provided vehicles and the accurate completion of logbooks. However, our review found that while officers are generally aware of these requirements, logbook entries are not always completed accurately or submitted promptly. Although no misuse of vehicles was identified during this review, the paper-based record keeping system presents a potential risk of abuse if there were any inclination to do so.

Additionally, records showing the allocation of vehicles are not consistently updated.

2.6 **Training and Development Academy** – Review of the calculations to charge for use of the training facilities by external organisations.

### 3. **Audits in Progress up to January 2025**

3.1 The core financial systems reviews are commencing now and are on target for completion for the financial year end.

3.2 The following audits/work are scheduled to be performed in February – March:

*Table 2: Remaining audits in 2024-2025 audit plan*

| Audit Title  |
|--|
| <b>MFRS Expenses</b>   |
| <b>Training and Development Academy</b> – Ongoing review of the arrangements to recover costs. |

### 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 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

| <b>Control Environment Assurance</b> – Opinion on the design and suitability of the current internal controls. |   |
|--|---|
| <b>Level</b>   | <b>Definition</b>   |
| <b>Substantial</b>   | There are minimal control weaknesses that present very low risk to the control environment                  |
| <b>Good</b>  | There are minor control weaknesses that present low risk to the control environment                         |
| <b>Acceptable</b>  | There are some control weaknesses that present a medium risk to the control environment                     |
| <b>Limited</b>   | There are significant control weaknesses that present a high risk to the control environment                |
| <b>None</b>  | There are fundamental control weaknesses that present unacceptable level of risk to the control environment |

| <b>Compliance Assurance</b> – Opinion on the level of compliance with current internal controls. |  |
|--|--|
| <b>Level</b>   | <b>Definition</b>  |
| <b>Substantial</b>   | The control environment has substantially operated as intended.  |
| <b>Good</b>  | The control environment has largely operated as intended although some minor errors have been detected |
| <b>Acceptable</b>  | The control environment has mainly operated as intended although errors have been detected             |
| <b>Limited</b>   | The control environment has not operated as intended. Significant errors have been detected            |
| <b>None</b>  | The control environment has fundamentally broken down and is open to significant error or abuse        |

| <b>Organisational impact</b> – The potential impact on the organisation if the recommendations are not implemented. |  |
|---|--|
| <b>Level</b>  | <b>Definition</b>  |
| <b>Major</b>  | 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.  |
| <b>Moderate</b>   | 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.  |
| <b>Minor</b>  | 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. |