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To: All Members of the Audit Committee

**R. Groves
Monitoring Officer**

Tel: 0151 296 4000
Extn: 4124 Ally Kirby

Our ref AK/RG

Date: 18th February 2026

Dear All,

You are invited to attend a meeting of the **AUDIT COMMITTEE** to be held at **10:30am** on **THURSDAY, 26TH FEBRUARY 2026** in the Liverpool Suite at Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

The meeting will be available to watch via YouTube on the following link:

<https://youtube.com/live/xUBOVXcT3mA?feature=share>

Yours faithfully,

PP – A Kirby

Monitoring Officer

Encl.

MERSEYSIDE FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

26 FEBRUARY 2026

AGENDA

Members

Councillor Jeanie Bell (Chair)
Councillor Sam Gorst
Councillor Andrew Makinson
Councillor Grahame McManus
Councillor Lynn O'Keeffe
Councillor Chris Page
Co-opted Member, Anthony Boyle

1. **Apologies**
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 Previous Meeting** (Pages 3 - 6)
To consider the minutes of the previous meeting held on 2nd October 2025.
4. **2024/25 Audit Completion Report** (Pages 7 - 64)
To consider the 2024/25 Audit Completion Report (DFP/15/2526).
5. **Statement of Accounts 2024/25 Approval of Audited Statements**
(Pages 65 - 198)
To consider the report relating to the Statement of Accounts 2024/25 Approval of Audited Statements (DFP/14/2526).
6. **Internal Audit Progress Report April to January 2026** (Pages 199 - 214)
To consider the Internal Audit Progress Report April to January 2026 (DFP/13/2526).

MERSEYSIDE FIRE AND RESCUE AUTHORITY

2 OCTOBER 2025

AUDIT COMMITTEE

MINUTES

Present: **Councillors** Jeanie Bell (Chair), Sam Gorst, Andrew Makinson, Grahame McManus, Lynn O'Keeffe and Chris Page

Also Present:

Chief Fire Officer	Nick Searle
Assistant Chief Fire Officer	Ged Sheridan
Director of Finance and Procurement	Mike Rea
Monitoring Officer	Ria Groves
Audit Partner for Forvis Mazars	Karen Murray

9. Chairs Announcement

The Chair opened the meeting by sending well wishes to all blue light responders involved in the Manchester incident, to the victims' families and all those affected.

10. Apologies

Apologies were received from Co-opted Member, Mr Anthony Boyle.

11. Declarations of Interest

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

12. Minutes of the Last Meeting

RESOLVED that the minutes of the last meeting held on 26th June 2025 be approved as an accurate record.

13. Forvis Mazars (MFRA External Auditors) Audit Strategy Memorandum 2024/25

Director of Finance and Procurement, Mike Rea, introduced the report and reminded Members that they were presented the draft Audit Strategy Memorandum for the audit of the 2024/25 Statement of Accounts in June 2025. He invited the Audit Partner for Forvis Mazars, Karen Murray, to take Members through the report.

Karen Murray explained that there were some changes to the report since the last meeting which were primarily cosmetic changes with the exception of one being a newly identified significant risk. She informed Members that there had

been a change in their team, with a new Assistant Manager joining to help with workload.

It was noted that Forvis Mazars received the Authority's draft account at the end of June in line with the statutory timetable and after reassessing materiality, the expenditure had increased. She explained that the team set materiality based on expenditure.

Members were advised that there had been a new significant risk in the Authority's accounts in respect of lease accounting as there had been a change in the accounting standard. She also advised that it was a risk as the amount could possibly change by a material value. Karen stated that she was not confident that the calculation was correct so was in conversations with the Authority's Finance Team.

Karen confirmed that work was underway in terms of audit delivery and commended the Finance Team for being so helpful in the sample testing process.

The Chair, Councillor Jeanie Bell, thanked Karen for the excellent report and made reference to the amount of information surrounding significant risk and planned response.

Councillor Andrew Makinson queried the materiality threshold increase, noting that it had risen by 20% on the previous year's levels, which was a significant amount and wanted to understand what the benefit was to the Authority and the taxpayer in increasing materiality by that amount.

Karen clarified that materiality was an accounting audit concept representing the threshold of error that could mislead a user of the accounts. The level was set to reflect the scale and context of the organisation. She reassured Members that Forvis Mazars applied an industry standard of 1-2% and due to the Authority's strong control environment, solid arrangements and good track record, the higher end of the range was applied.

Members noted that these levels allowed auditors to test to a lower threshold to identify errors that may become material when aggregated. Karen confirmed that lower specific materiality was set for areas of high public interest. Karen explained that any errors exceeding performance materiality were raised with the Finance Team for correction; failure to amend the accounts would prevent the accounts from being signed off.

Karen noted that while errors below performance materiality may be left as unadjusted (provided they were not cumulatively material or indicative of fundamental issues), she expected the Authority to amend the Accounts, as that was what they had always done to maintain transparency.

Councillors were assured that anything above trivial would be reported to the Authority, however, anything below wouldn't usually be reported but could be if requested.

Councillor Chris Page queried whether the change in materiality was usual compared to other organisations. Karen explained that materiality was set on a range from 1-2% typically and it rarely exceeded 2% which was the standard industry benchmark. Members noted that other organisations that had materiality set at 2% had the strongest control environments, the best arrangements in place, operated effectively and therefore could place reliance on the information coming from their systems. The organisations that had the most challenges in terms of operating their control environment, would have a materiality set at a lower end of the percentage. Karen reassured Members that from her experience, a lot of public bodies tended to be at the higher end of the 2% range which was an indication that arrangements worked well.

Karen added that her team used the expenditure as the measure, so the more money spent, the higher the absolute number would be, which was why it had risen. This was also due to the scale and size of operations.

Councillor Chris Page drew Members' attention to page 19 of the Audit Strategy Memorandum (page 32 of the agenda) and asked if this could be explained more. Director of Finance and Procurement, Mike Rea, explained that this related more to firefighters' pensions which was an unfunded pension scheme, meaning that it was a liability that was calculated by the Government Actuarial Department. It was also the Authority's liability for the future based on current and retired firefighters, future recruitment and retirement rates. It was explained that this was a forecast given by the Government Actuarial Department to put into the accounts and it was offset within the balance sheet by an unusable reserve.

It was explained by Karen that some staff were in the Local Government Pension Scheme (LGPS) and a similar amount of work was done. She added that the amount of information put into the Authority's accounts was provided by the actuaries whose job it was to calculate the assets and liabilities. Members were advised that it was the Government Actuarial Department for the Firefighters' Pension Scheme (FPS) and Mercers for the LGPS.

It was noted that the information used in LGPS often shifted due to changes in the value of assets which impacted the value of the liability. Members could expect some adjustments in the accounts next year if movements were material. Karen noted the importance of making Members aware that this would not impact the income and expenditure position.

Councillor Chris Page raised concerns around the uncertainty of the valuation on the Merseyside Pension Fund due to it last taking place in March 2022. Director of Finance and Procurement, Mike Rea, advised that the valuation for the LGPS was based on a three-year actuarial review, whilst the FPS was every four years. He reassured Members that the actuarial review for the LGPS was ongoing, the fund was in surplus, and it was expected to continue in surplus. He added that the outcome would be reviewed later this year. Karen noted that this could potentially change the Authority's employer's contribution rate going forward depending on if it was in surplus or not.

RESOLVED that the updated Forvis Mazars 2024/2025 Audit Strategy Memorandum and the updated timing of the Authority's 2024/2025 audit of financial statements be noted.

Close

The date of next meeting will be 26th February 2026.

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	26 FEBRUARY 2026	REPORT NO:	DFP/15/2526
PRESENTING OFFICER	AUDIT PARTNER AT FORVIS MAZARS, KAREN MURRAY		
RESPONSIBLE OFFICER:	AUDIT PARTNER AT FORVIS MAZARS, KAREN MURRAY	REPORT AUTHOR:	AUDIT PARTNER AT FORVIS MAZARS, KAREN MURRAY, DIRECTOR OF FINANCE AND PROCREMENT, MIKE REA
OFFICERS CONSULTED:	NONE		
TITLE OF REPORT:	2024/25 AUDIT COMPLETION REPORT		

APPENDICES:	APPENDIX A: FORVIS MAZARS - AUDIT COMPLETION REPORT FOR MERSEYSIDE FIRE AND RESCUE AUTHORITY – YEAR ENDED 31 MARCH 2025
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Purpose of Report

1. The Authority’s Auditor, Forvis Mazars, is required to report on the Authority’s financial statements and if in their opinion they give a true and fair view of the financial position for the year 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 completed the audit of the Authority's financial statements and subject to the satisfactory conclusion of the remaining audit work, Forvis Mazars anticipate issuing an unqualified opinion following today's Audit Committee, confirming that the 2024/25 financial statements:
 - a) give a true and fair view of the financial position of the Authority as at 31st March 2025 and of its expenditure and income for the year then ended; and
 - b) have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. The Audit Completion Report identified a number of internal control weaknesses within the production of the 2024/25 Statement of Accounts. The Director of Finance and Procurement (Section 151 Officer) will ensure these are addressed through targeted improvements to the 2025/26 accounts production process to ensure both timely publication and ensure the accounts are completed with due regard to the updated Code and regulations. The following areas will be addressed:
6. **Fully Depreciated Assets** - To prevent recurrence and ensure full compliance with the IFRS Accounting Standard IAS 16 and the Code of Practice, when closing the 2025/26 Accounts and future years we will:
 - Work in collaboration with the Fleet Manager to implement a formal year-end procedure to review the remaining useful lives of all significant asset classes.
 - Work in collaboration with departmental leads and review the Authority's Accounting Policy regarding depreciation and asset lives to ensure the default life cycles remain realistic for the types of equipment and vehicles currently in use.
 - Introduce a new internal control to ensure that assets reaching the end of their predicted life are physically verified before being treated as nil-value, ensuring the "Value in Use" is accurately reflected.
 - Monitor progress on these improvements to ensure that the financial reporting controls remain robust.
7. **Internal Control Weaknesses** - To prevent recurrence and ensure full compliance with the Code of Practice when closing the 2025/26 Accounts and future years we will:
 - Strengthen our financial reporting control framework by integrating a formal technical standards review stage for complex accounting standards within the annual closedown process.

- Invest in additional CIPFA training and professional development for the finance function, focusing on emerging regulatory changes and technically demanding areas like IFRS 16.
- To mitigate future risks, the Finance team will establish a technical working group tasked with evaluating the impact of new accounting standards well in advance of implementation deadlines.
- Monitor progress on these improvements to ensure that the financial reporting controls remain robust against current and future regulatory changes.

Equality and Diversity Implications

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

Staff Implications

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

Legal Implications

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

Financial Implications & Value for Money

11. Forvis Mazars identified several misstatements within the Statement of Accounts during their audit, which officers have adjusted for in the Audited Statement of Accounts.
12. In relation to the Authority's approach to value for money, the Forvis Mazars Audit Completion report states it has not identified any significant weaknesses in respect of the Authority's arrangements for the year ended 31st March 2025 and has not identified any significant weaknesses in arrangements that have required them to make a recommendation.

Risk Management and Health & Implications

13. If the Auditor had qualified the accounts or identified significant value for money weaknesses the Authority would be expected to resolve those issues and reissue the Statement of Accounts, and/or make necessary changes to the current value for money processes.

Environmental Implications

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

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

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

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

BACKGROUND PAPERS

NONE

GLOSSARY OF TERMS

NONE

Audit Completion Report

Merseyside Fire and Rescue Authority – year ended 31 March 2025

February 2026

Members of the Audit Committee
Merseyside Fire and Rescue Authority
Fire Service Headquarters
Bridle Road
Bootle
L30 4YD

Forvis Mazars
One St Peters Square
Manchester
M2 3DE

26 February 2026

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2025

Page 15

We are pleased to present our Audit Completion Report for Merseyside Fire and Rescue Authority (Authority) for the year ended 31 March 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report is intended solely for members of the Audit Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. To the fullest extent permitted by law Forvis Mazars LLP 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. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

We appreciate the courtesy and co-operation extended to us by Merseyside Fire and Rescue Authority throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully,



Karen Murray
Forvis Mazars LLP

Forvis Mazars LLP – www.forvismazars.com/uk

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Merseyside Fire and Rescue Authority. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Executive Summary

Executive summary

Scope

We have been engaged to audit the financial statements of Merseyside Fire and Rescue Authority for the year ended 31 March 2025 which are prepared in accordance with the 2024/25 Code of Practice on Local Authority Accounting.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice.

Audit status

Our audit procedures are now substantially complete for the year ended 31 March 2025.

Please refer to the *'Status of our audit'* section for a list of significant audit matters outstanding at the date of this report. We will provide an update to members of the Audit Committee on completion of those outstanding matters by way of a follow-up letter.

Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to members of the Audit Committee in our Audit Strategy Memorandum.

Significant control deficiencies

We identified a significant deficiency in internal control. Please refer to the *'Significant control deficiencies'* section. The non-significant control observations that we have identified to date are set out in *'Appendix A: Internal control conclusions'*.

Audit misstatements

A summary of the adjusted and unadjusted misstatements above our reporting threshold we have identified to date is set out in the *'Summary of misstatements'* section.

Audit opinion

At the time of issuing this report and subject to the satisfactory conclusion of our remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix C.

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 details have been provided in the *'Value for Money'* section of this report.

Wider reporting 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. We confirm no such correspondence from electors has been received.

Reporting to the group auditor

We have not yet received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to commence our work in this area until such instructions have been received.

Executive summary

Qualitative aspects of Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 2 July 2025. This was just after the statutory deadline of 30 June. As noted below and in section 06, we have identified a number of adjustments during the course of our audit.

We would like to place on record our thanks to the Authority's finance team for their support during the course of the audit. However, some responses to audit queries have been slower than we anticipated. There have also been delays in addressing some technical accounting matters, the resolution of which have required also extensive discussion with the audit team.

Significant matters discussed with management

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

Fully depreciated assets

Following audit challenge, the Authority identified £1.261m of Vehicles and Equipment assets that were fully depreciated but which were still in use at the year end. This means the Authority is holding assets providing service potential at nil net book value. Management commenced an exercise to review all assets still in use. This exercise also identified a number of Vehicles and Equipment assets still in use but which had been removed from the asset register and accounts in previous years.

The Authority is required to hold assets at the lower of their carrying amount or recoverable amount. The Authority has performed an exercise to assess the value of these assets and this has resulted in:

- Assets held at nil on the asset register – Value of £153k which has been shown as an in year adjustment to depreciation, please refer to page 28.

- Assets still in use but not on asset registers – Value of £411k which has been shown as an in year addition. These assets have been depreciated within 2024/25 and have a net book value at the year end of £300k. Please refer to page 27.

We have reported this matter as a significant deficiency in internal control on page 20.

IFRS 16 Implementation for PFI

The 2024/25 financial year included the introduction of a new accounting standard, IFRS 16. A significant element of the implementation of IFRS 16 in Local Government accounting has been the remeasurement of PFI schemes. Our initial review of the Authority's draft accounts noted the remeasurement of the PFI scheme held by the Authority was excluded from the financial statements. Work on the remeasurement of the PFI scheme was completed following our audit challenge. The impact of the remeasurement was material to the financial statements and is recorded on page 26. We have also reported this matter as a deficiency in internal control, please refer to page 36.

Accounts Preparation

As documented in section 06 of our report, a significant number of amendments were required to the draft financial statements submitted for audit. The audit team have spent a significant amount of additional time checking the amendments made by the Authority's finance team across multiple versions of the financial statements. The Authority is reminded of the importance of issuing good quality draft accounts for audit.

Significant difficulties during the audit

Apart from the issues set out above, we have not encountered any significant difficulties. There was effective co-operation and communication between Forvis Mazars, management, and members of the Audit Committee during our audit. All requested information and explanations were provided to us.

02

Status of the audit

Status of our audit

Our audit work is substantially complete, 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.

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.



Work on value for money arrangements

03

Audit approach and risk summary

Audit approach and risk summary

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 2 October 2025.

Materiality

Our provisional materiality at the planning stage of our audit was set at £3m using a benchmark of 2% of gross operating expenditure as per the Audit Strategy Memorandum. There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Audit approach and risk summary

	Audit risk/ key area of judgement	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatement identified	Control recommendations	Conclusion	Page ref to finding
Page 21 Significant risks	Management override of controls	●	●	●	●	○	○	○	Risk satisfactorily addressed, we have no matters to report.	13
	Defined benefit pension liability/asset valuation	○	●	●	●	○	●	○	Risk is satisfactorily addressed. Disclosure amendments have been included within the revised financial statements, please refer to page 29.	14
	Valuation of Land and Buildings	○	●	●	●	○	●	○	Risk is satisfactorily addressed. Amendments have been included within the revised financial statements, please refer to pages 25 and 28.	15
	Implementation of IFRS 16	○	●	●	●	○	●	●	Risk is satisfactorily addressed. Amendments have been included within the revised financial statements, please refer to pages 24, 25, 26 and 28.	16

04

Significant findings

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

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 through 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. We have not identified any matters which we are required to report to members of the Audit Committee.

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Fraud in Revenue Recognition
Under International Auditing Standards there is a rebuttable presumed risk of fraud in revenue recognition on all audit engagements. We have considered the risk of fraud in revenue recognition at the Authority. We consider there to be little incentive to manipulate revenue recognition due to performance indicators and opportunities to manipulate revenue are limited given the Authority’s strong control environment. We have therefore rebutted the presumed risk of fraud in revenue recognition.

Significant findings

Significant risks – continued

Defined benefit pension liability/asset valuation

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 and the Firefighters Pension Scheme.

The valuation of the pension schemes 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 2024/25.

How we addressed this risk

We have addressed this risk by:

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

Audit conclusion

We have completed our procedures as planned.

From the work completed to date we have noted a number of changes to the disclosures within the accounts. These are detailed within section 06.

Significant findings

Significant risks – continued

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.

How we addressed this risk

We have addressed this risk by:

- assessing the Authority's valuers' qualifications, objectivity and independence to carry out such valuations;
- reviewing the valuation methodology used for assets subject to revaluation in 2024/25, including testing the underlying data and assumptions;
- reviewing the approach the Authority has adopted to address the risk that those assets not subject to valuation in the 2024/25 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; and
- considering movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time.

Audit conclusion

We have completed our procedures as planned.

We have identified a misstatement which management have amended for in the financial statements, this is recorded on page 26.

Significant findings

Significant risks – continued

Implementation of IFRS 16

Description of the risk

The implementation of IFRS 16 in 2024/25 is expected to have a material impact on the Authority's balance sheet through the recognition of right of use assets and corresponding lease liabilities. This is a complex change in financial reporting which requires management judgements.

Within the 2023/24 financial statements, the total value of finance leased assets was £120k and operating lease liabilities was £184k. The Authority was also a lead on a North West PFI scheme. The total obligations in relation to this scheme in 2023/24 was £15.8m.

Due to the significant values involved and complex nature of this accounting change, we have identified this as an area of significant risk for our 2024/25 audit.

How we addressed this risk

We have addressed this risk by:

- reviewing the process and controls by management for collating information to ensure the completeness and accuracy of the data used in the IFRS 16 calculation and that all relevant leases have been identified;
- reviewing managements year end journal postings to ensure proper accounting treatment;
- reviewing any key judgements and estimates that management have made in respect of their IFRS 16 calculation;
- testing a sample of leases in place at the year end and ensure their disclosure is appropriate.

Audit conclusion

We have completed our procedures as planned.

We have identified various amendments to the financial statements, these have been recorded on pages 25, 26, 27 and 29.

We have also raised a control recommendation with regards to the implementation of IFRS 16. This has been recorded on page 36.

Significant findings

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 2024/25 audit.

05

Significant control deficiencies

Significant control deficiencies

As part of our audit, we obtained an understanding of the 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 the Authority's internal controls, we are required to communicate to members of 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 control that is necessary 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 the 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 the 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.

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.

The significant deficiencies in the Authority's internal controls that we have identified as at the date of this report are in set out on the following pages.

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.

The other control deficiencies that we have identified as at the date of this report are set out in '*Appendix A: Internal control conclusions*'.

Significant control deficiencies

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, a loss of information or result in material adjustments to the financial statements and associated disclosures. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Fully Depreciated Assets

Description of deficiency

The Authority's Fixed Asset Register included a number of Vehicles and Equipment assets with a nil net book value but which were still in use at the year end. The gross book value of these assets together with the accumulated depreciation (both £1.261m) were reflected in the note to the Statement of Financial Position. Following audit challenge, management have completed an assessment of the value of these assets at the year end which is £153k.

Management have carried out a review of all assets and identified some assets which had been removed for the fixed asset register in previous years but which are still in use at the balance sheet date. Following audit challenge, management have completed an assessment of the value of these assets at the year end which is £300k.

Page 30 IAS16 governs accounting for PPE. The Code of Practice requires the Authority to follow this, adaptations and interpretations are not related to asset lives. As a result, the Authority is required to carry assets at the lower of their carrying amount and recoverable amount, where the recoverable amount is the higher of the assets fair value less costs to sell and the assets value in use.

The standard sets out that, typically, for low value and low life assets, it can be appropriate to deem the current value in use to be the historic cost less depreciation. However, the standard requires management to assess, at least at the end of every financial year, the useful lives allocated to ensure these remain appropriate and to adjust the valuations accordingly. Management has not undertaken these reviews and as a result, has not identified those assets where the allocated useful life was incorrect such that the current value in use is not being accounted for in line with IAS16.

Potential effects

If assets are not reviewed in line with IAS 16 requirements, there is a risk the Authority's financial statements will not reflect the value in use of all of its PPE and in year depreciation charges could be incorrect. Furthermore, the Authority's accounting policy in respect of asset lives may be incorrect.

Recommendation

The Authority should ensure it complies with IAS16 and the Code by undertaking an annual review of assets in use to ensure the allocated asset lives are appropriate, depreciation is being properly charged and assets are properly reflect the current value in use.

Significant control deficiencies

Fully Depreciated Assets - continued

Management response

Management accepts the audit finding regarding the valuation of fully depreciated assets. We recognise that while many of our operational assets are maintained to a high standard to ensure emergency response readiness, the failure to formally reassess their useful economic lives resulted in an undervaluation of the Authority's Property, Plant and Equipment.

In direct response to the audit challenge, a joint review was conducted between the Finance Department and the Fleet Manager. The retrospective adjustments have been made to the Year-End accounts:

To prevent recurrence and ensure full compliance with the IFRS Accounting Standard IAS 16 and the Code of Practice, when closing the 2025/26 Accounts and future years we will:

- Work in collaboration with the Fleet Manager to implement a formal year-end procedure to review the remaining useful lives of all significant asset classes.
 - Work in collaboration with departmental leads and review the Authority's Accounting Policy regarding depreciation and asset lives to ensure the default life cycles remain realistic for the types of equipment and vehicles currently in use.
 - Introduce a new internal control to ensure that assets reaching the end of their predicted life are physically verified before being treated as nil-value, ensuring the "Value in Use" is accurately reflected
 - Monitor progress on these improvements to ensuring that the financial reporting controls remain robust.
-

06

Summary of misstatements

Summary of misstatements

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued on 2 October 2025. Any subsequent changes to those figures are set out in the 'Audit approach and risk summary' section of this report.

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 members of the Audit Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Short term debtors	Extrapolated			187	
Cr: Other service expenses			-187		
<i>We identified a misstatement of £4.6k related to expenditure recorded in 2024/25 but relating to 2025/26. This misstatement was extrapolated across the untested population.</i>					
Dr: Fees, charges and Government grants revenue income	Extrapolated				
Cr: Short Term Debtors		288			-288
<i>We identified a misstatement noted of £44k related to income recorded in 2024/25 but relating to 2025/26. This misstatement was extrapolated across the untested population.</i>					
Aggregate effect of unadjusted misstatements					

Summary of misstatements

Unadjusted misstatements - continued

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr : Short Term Debtors	<i>Extrapolated</i>			192	
Cr: Other services expenses			-192		
<i>We identified a misstatement of £901 related to expenditure recorded in 2024/25 but relating to 2025/26. This misstatement was extrapolated across the untested population.</i>					
Aggregate effect of unadjusted misstatements		288	-379	379	-288

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We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

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 have identified during our audit and management have adjusted for, and any other misstatements we believe members of the Audit Committee should be made aware of.

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Fees, charges and other income Cr: Grants and Government Contributions <i>The classification adjustment in the EFA between Government grants and fees charges and other income.</i>	<i>Factual</i>	33,065	-33,065		
Dr: Pension Interest cost Cr: Remeasurement of net defined benefit liability <i>The adjustment to charge the interest on the asset ceiling to Financing and Investment Income and Expenditure when previously charged to Other Comprehensive Income.</i>	<i>Factual</i>	255	-255		
Dr: Long term creditors Cr: Other long term liabilities <i>The reclassification of the PFI liabilities from long-term creditors on the Balance Sheet.</i>	<i>Factual</i>			14,559	-14,559

Summary of misstatements

Adjusted misstatements - continued

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Surplus or deficit on revaluation of Property, Plant and Equipment Cr: Revaluation Reserve <i>We identified a misstatement in PPE valuations. This adjustment transfers the revaluation movement to the CIES from the revaluation reserve.</i>	<i>Factual</i>	81			-81
Dr: Short Term Borrowing Dr: Depreciation, Amortisation and Impairment Dr: Land and Buildings - PFI assets Cr: Land and Buildings - Accumulated depreciation Cr: Other Long Term Liabilities (PFI Liability) Cr: Interest Payable <i>The adjustments required to the financial statements for the remeasurement of the PFI scheme following the implementation of IFRS 16.</i>	<i>Factual</i>	2,580	-2,580 -86	23 2,580	-2,517

Summary of misstatements

Adjusted misstatements - continued

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Right of Use Assets Cr: Total Comprehensive Income and Expenditure <i>The recognition of a peppercorn lease following audit challenge on the implementation of IFRS 16.</i>	<i>Factual</i>		-120	120	
Dr: Right of Use Assets Dr: Depreciation, Amortisation and Impairment Dr: Other Long Term Liabilities Cr: Other Expenses – Lease Payments <i>The adjustment to right of use assets and the lease liability following the implementation of IFRS 16.</i>	<i>Factual</i>	92	-86	145	-151
Dr: Vehicles and Equipment Cr: Vehicles and Equipment - Depreciation Cr: Cost of Services <i>The in year addition of assets not included on the Authority's asset register.</i>	<i>Factual</i>		-300	411	-111

Summary of misstatements

Adjusted misstatements - continued

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Vehicles and Equipment - Depreciation Cr: Depreciation Expense <i>The adjustment to accumulated depreciation following audit challenge of assets held at nil netbook value but still being used by the Authority.</i>	<i>Factual</i>		-153	153	
Dr: Capital Adjustment Account Cr: Revaluation Reserve Cr: General Fund <i>Being the adjustment to the reserves following all the amended adjustments impacting PPE, leases and PFI. The net impact on the General Fund is nil following the other amendments to the CIES.</i>	<i>Factual</i>			3,925	-1,912 -2,013
Aggregate effect of adjusted misstatements		36,073	-36,645	21,916	-21,344
Net effect of adjusted misstatements			-572	572	

Summary of misstatements

Disclosure misstatements

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

- **Cashflow Statement** – The figures in the Cashflow Statement have been amended following audit challenge to ensure consistency with the rest of the accounts.
- **Note 1. Accounting Policies** – Various narrative amendments have been made to the Accounting Policies to ensure financial reporting compliance. This has included amendments to Going Concern, Pensions, PPE and the implementation of IFRS 16 for PFI and leases.
- **Note 3. Critical Judgements** – Amendments to this note have been made following audit challenge on the critical judgements originally included.
- **Note 4. Estimation Uncertainty** – A number of amendments have been made to this note to enhance understandability, readability and clarity of the note.
- **Note 5. Events After the Reporting Date** – This disclosure has been amended to comply with IAS 10.
- **Note 6. Adjustments between Accounting Basis and Funding Basis under Regulations** – A number of amendments have been made to this note to ensure consistency with the rest of the accounts.
- **Note 11. Property Plant and Equipment** – Various amendments have been made to this note. This includes additional expenditure being charged to assets under construction before reclassification had been included in land and buildings and the inclusion of a comparator for the revaluation and impairment disclosure table.
- **Note 13. Financial Instruments** – Various amendments have been made to align figures to adjusted amounts in other areas of the accounts and narrative amendments to enhance users of the accounts understanding.
- **Note 17. Assets Held for Sale** – Disclosure amendment made to remove non-current column.
- **Notes 22-25. Cash Flow Statement** – Disclosure amendments have been made to these notes to ensure consistency with the rest of the financial statements.
- **Note 29. Senior Officers Remuneration** – Disclosure amended to include the name of all individuals paid >£150k, as per Code requirements.
- **Note 32. Related Parties** – Disclosure regarding precepts have been removed, as per Code requirements.
- **Note 33. Capital Financing Requirement** – Disclosure has been amended to include the impact of IFRS 16 along with other adjustments to ensure consistency with the rest of the accounts.
- **Note 34. Leases** – Various amendments to ensure compliance with the Code following the implementation of IFRS 16.
- **Note 35. Private Finance Initiatives** – Various amendments to the disclosure to ensure compliance with the Code following the implementation of IFRS 16.

Summary of misstatements

Disclosure misstatements - continued

- **Note 39. Defined Benefit Pensions** – Various amendments have been made to the pensions disclosure. This includes values for demographic measurement in the CIES, disclosures regarding the Virgin Media case and Matthews Second Option have also been included.
- **Note 40. Nature and Extent of Risks Arising from Financial Instruments** – Various amendments made to the note to enhance users of the financial statements understanding.
- **Other** – Various small amendments of a grammatical and consistency nature have been made to the accounts following audit review.

We identified the following disclosure misstatements during our audit that have not been corrected by management:

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- **Note 39. Defined Benefit Pensions** – We identified a difference of £120k between the retirement lump sum figure used by the actuary in preparing their valuation and reported to us by the pension fund auditor.

07

Fraud considerations

Fraud considerations

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

Your responsibilities

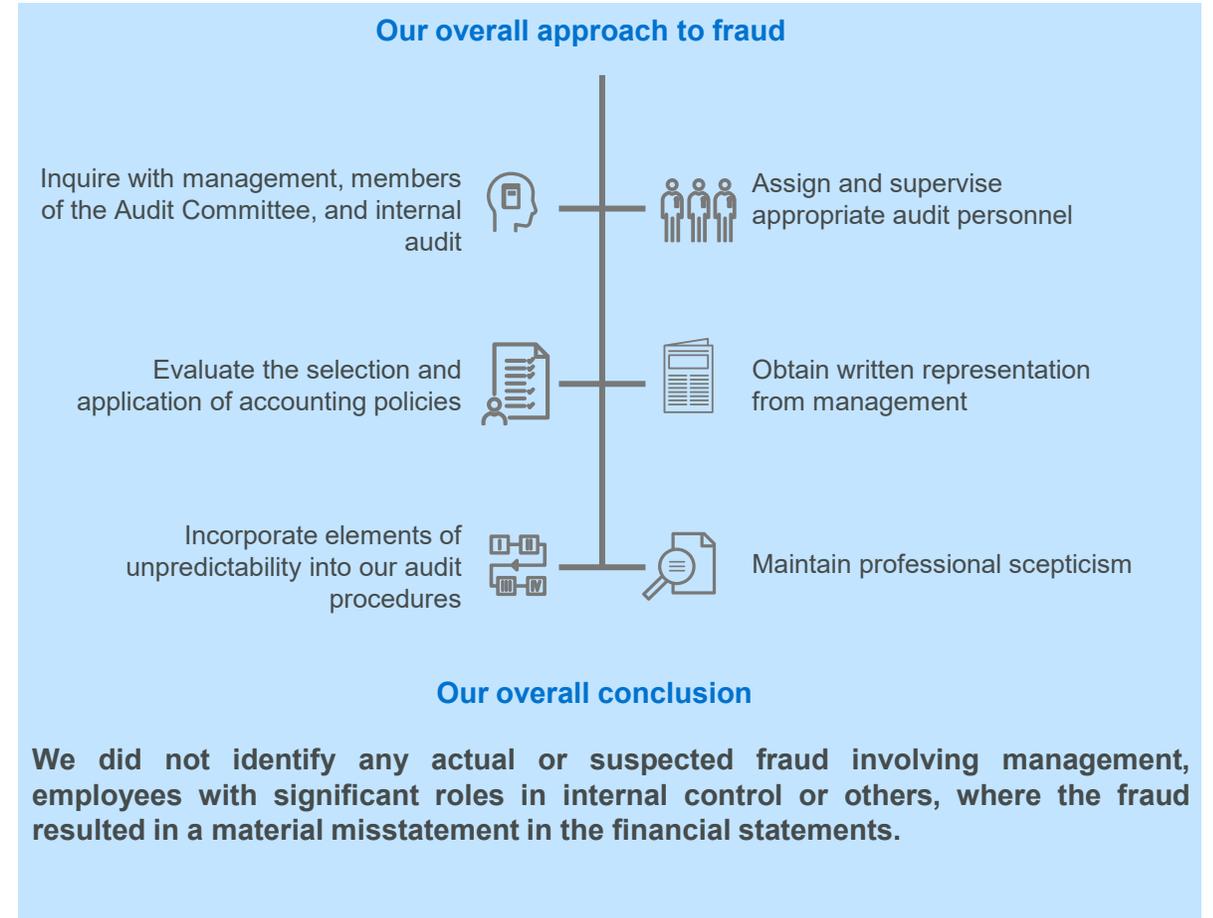
Management has primary responsibility for the prevention and detection of fraud. It is important that management, with members of the Audit Committee oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by members of the Audit Committee's active oversight.

Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

ISA presumed fraud risks

As set out in the 'Audit approach and risk summary' section, the risks of fraud in management override of controls was identified as significant risks.



08

Value for Money

Value for Money

Approach to Value for Money

We are required to form a view as to 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 in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This is the first audit year where we have undertaken our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Authority has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Authority's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report).

The Code requires us to structure our commentary to report under three specified criteria:

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

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks

of significant weaknesses in those arrangements. 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 significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report by exception. We will also highlight emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority.

The primary output of our work on the Authority arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. This commentary will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria. We intend to issue the Auditor's Annual Report by 27 February 2026.

Status of our work

We have completed our work in respect of the Authority's arrangements for the year ended 31 March 2025 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix C confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report.

Appendices

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

Appendix A: Internal control conclusions

Other deficiencies in internal control

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant control deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal control set out in this section to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Implementation of IFRS 16

Description of deficiency

During our review of the Authority's draft accounts, it was identified that the remeasurement of the Authority's PFI schemes under IFRS 16 had not been completed. Additionally, the lease disclosures presented were not fully compliant with the requirements per the Code and IFRS 16. These issues have been resolved as a result of audit challenge and extensive discussions between the audit and finance team.

The implementation of IFRS 16 is a technically complicated area of accounting but the Authority should have prepared for the transition.

Potential effects

Failure to prepare draft financial statements that are compliant with statutory reporting standards increases the risk of material misstatement, audit challenge and delays to financial statements completion.

Recommendation

The Authority should ensure they strengthen their financial reporting control framework. This could be achieved by enhancing the technical capabilities within the finance function, staying up to date with changes and emerging issues in the sector and carrying out appropriate preparations in advance of any changes to accounting standards.

The Authority should embed a comprehensive review into their draft financial statement closedown process and provide additional training and guidance to the finance function where appropriate.

Appendix A: Internal control conclusions

Other deficiencies in internal control - continued

Implementation of IFRS 16

Management response

Management acknowledges the audit findings regarding the implementation of IFRS 16 and the remeasurement of Private Finance Initiative (PFI) fire station contracts. We recognise that the complexities of the new standard, particularly concerning the transition of embedded leases and PFI liabilities, were not fully addressed in the initial draft 2024/25 Statement of Accounts.

Following consultation with the external auditors, the Finance Team has completed the necessary remeasurements and updated the lease disclosures. The final Statement of Accounts now fully complies with the CIPFA Code of Practice on Local Authority Accounting.

To prevent recurrence and ensure full compliance with the Code of Practice when closing the 2025/26 Accounts and future years we will:

- Strengthen our financial reporting control framework by integrating a formal technical standards review stage for complex accounting standards within the annual closedown process.
 - Invest in additional CIPFA training and professional development for the finance function, focusing on emerging regulatory changes and technically demanding areas like IFRS
 - To mitigate future risks, the Finance team will establish a technical working group tasked with evaluating the impact of new accounting standards well in advance of implementation deadlines.
 - Monitor progress on these improvements to ensure that the financial reporting controls remain robust against current and future regulatory changes.
-

Appendix B: Draft management representation letter

TO BE PROVIDED ON CLIENT LETTERHEAD

Dear Karen,

Merseyside Fire and Rescue Authority - Audit for Year Ended 31 March 2025

This representation letter is provided in connection with your audit of the financial statements of Merseyside Fire and Rescue Authority (the Authority) for the year ended 31 March 2025 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 2024/25 (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 myself 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 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.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

Appendix B: 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 the 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 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 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 applicable law.

Appendix B: Draft management representation letter

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.

The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

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 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.

Appendix B: Draft management representation letter

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 2024/25 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 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.

Appendix B: Draft management representation letter

Tariffs

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements 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

I 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,

[Signature]

Director of Finance and Procurement

[Date]

Appendix C: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Merseyside Fire and Rescue Authority (the Authority) for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Firefighters Pension Fund Accounts 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 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2025 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 2024/25.

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 for the audit of the financial statements" section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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.

Appendix C: Draft audit 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.

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 for the financial statements

As explained more fully in the Statement of the Director of Finance and Procurement's 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 2024/25, 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 2024/25 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. The 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.

Appendix C: Draft audit report

Based on our understanding of the Authority, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, data protection, environmental protection, corruption and anti-bribery.

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 :

gaining an understanding of the legal and regulatory framework applicable to the Authority, the environment in which it operates, and the structure of the Authority, and considering the risk of acts by the Authority which were contrary to the applicable laws and regulations, including fraud;
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;
inspecting correspondence, if any, with relevant licensing or regulatory authorities;
reviewing relevant meeting minutes in the year;
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 also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as 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.

In addition, we evaluated management'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, Head of Internal Audit and the Audit 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;
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 both 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 statements and regularity of public sector bodies in the United Kingdom, (Revised 2024) and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

Guidance: The procedures below are those minimum procedures that teams are expected to have carried out. The bullets should be tailored to the specific work undertaken and teams should ensure that they do not list any procedure that have not been undertaken and evidenced on file.

Appendix C: Draft audit report

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

Report on 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 2025.

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 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.

Appendix C: Draft audit report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have received confirmation from the NAO that the group audit of the Whole of Government Account has been completed and that no further work is required to be completed by us.

[Signature]

Karen Murray, Key Audit Partner
For and on behalf of Forvis Mazars LLP (Local Auditor)

One St Peters Square
Manchester
M2 3DE

[Date]

Appendix D: Confirmation of our independence

We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. 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 confirm that no new threats to independence have been identified since issuing our Audit Strategy Memorandum and therefore we remain independent.

Appendix E: Other communications

	Other communication	Response
	Compliance with Laws and Regulations	<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>
	External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
	Related parties	<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"> they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
	Going Concern	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and Procurement that the Authority will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate.</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 E: Other communications

Other communication	Response
 <p>Subsequent events</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>Matters related to fraud</p>	<p>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled ‘Fraud considerations’ for our fraud considerations and conclusion.</p> <p>We will obtain written representations from management and, where appropriate, members of the Audit Committee, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; 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; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and 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.

Appendix E: Other communications

Other communication	Response
 <p>System of Quality Management</p>	<p>To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management, including:</p> <ul style="list-style-type: none"> • Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities • Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.) • Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluating responses and remediating control gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website here.</p>

Appendix E: Other communications

Fees for work as the Authority's appointed auditor

Our fees (exclusive of VAT and disbursements) as the Authority's appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Code Audit Work	£107,717	£97,117
Increase in audit requirement of revised ISA 315 and ISA 240	-	£7,058
Additional audit work relating to the pension asset ceiling	£7,500	£7,500
Additional work required on prior period adjustment	-	£3,800
Additional work in respect of National Resilience	-	£8,000
Additional work in respect of the implementation of IFRS 16	£12,400	-
Additional work in respect of fully depreciated assets	£5,800	-
Additional work in relation to the quality and preparation of accounts including in relation to PFI remeasurement and the other amendments required to the draft financial statements	£68,100	-
Total fee	£201,517	£123,475

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	26 FEBRUARY 2026	REPORT NO:	DFP/14/2526
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM (SLT)		
TITLE OF REPORT:	STATEMENT OF ACCOUNTS 2024/25 – APPROVAL OF AUDITED STATEMENTS		

APPENDICES:	APPENDIX A: STATEMENT OF ACCOUNTS 2024/25 APPENDIX B: LETTER OF REPRESENTATION
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Purpose of Report

1. To present to Members the audited 2024/25 Statement of Accounts for approval and request that they be authorised for issue.

Recommendation

2. It is recommended that Members;
 - a) delegate authority to the Chair of the Audit Committee and the Director of Finance & Procurement, as the S151 Officer, to sign the 2024/25 Statement of Accounts, attached as Appendix A to this report and approve for publication on the Authority’s website; and
 - b) note the Director of Finance and Procurement will sign the letter of representation in relation to the 2024/25 accounts, attached as Appendix B.

Introduction and Background

3. The Authority is required to annually prepare financial statements, known as the Statement of Accounts, in accordance with relevant codes and regulations. These statements must be audited by an independent auditor, who issues an opinion. An unqualified opinion confirms that statements have been prepared according to regulations and provide a true and fair view of the financial position of the Authority.
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 Authority's income, expenditure and financial position; and
 - b. have been prepared in accordance with the relevant local authority codes and standards.
5. The Authority has a statutory duty to approve and sign-off the Statement of Accounts for publication. To clear the national audit backlog, the government has legislated the following backstop dates:
 - 2024/25 – 27 February 2026
 - 2025/26 – 31 January 2027
 - 2026/27 – 30 November 2027
 - 2027/28 – 30 November 2028

The 2024/25 audited Statement of Accounts is attached as appendix A, for Members' consideration.

6. The Forvis Mazars Audit Completion report, found elsewhere on today's agenda, summarises the auditor's findings in relation to the 2024/25 Statement of Accounts. It confirms that, based on their work to date, the 2024/25 accounts meet the criteria in (a) and (b) above, and auditors intend to issue an unqualified opinion on the statements.
7. Note that Members considered the 2024/25 year-end general fund outturn position in report DFP/08/2526, that was approved by the Policy and Resources Committee on 24th July 2025. That report identified net revenue expenditure in the year of £70.255m against a budget of £74.191m, and a resulting favourable variance of £3.936m (before any adjustments for year-end reserves). The report outlined that £0.333m was required to be carried forward as year-end earmarked reserves, leaving an actual saving in 2024/25 of £3.603m. Members approved the utilisation of this saving to increase the General Revenue reserve by £0.200m and, create a new reserve for carbon net zero of £2.000m to contribute towards the costs associated with investing in carbon zero renewables and initiatives, to reduce carbon emission and reduce energy costs, and increase in the capital reserve of £1.403m, (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 2024/25, as per paragraph 7, the Comprehensive Income and Expenditure Statement (CIES) indicates a net surplus of £0.635m 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 DFP/08/2526, 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. 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 2023/24 and 2024/25.

Statement of Accounts;

10. The Statement of Accounts is a record of the Authority's financial activities for 2024/25 with comparative figures for 2023/24. 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 2024/25 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 2024/25 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 2024/25.

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 2024/25 (after taking into account the creation of reserves) this becomes net surplus of £0.635m 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:

Net General Fund 2024/25 year-end position:		Detailed Adjustment	Total Adjustments per Expenditure and Funding Analysis	Total Adjustments per Comprehensive Income and Expenditure Statement
	Note	£'000	£'000	£'000
1 Net creation of earmarked reserves	(a)	-	-	(1,595)
2 Asset valuation / charges and capital funding adjustments				
Depreciation, impairment and revaluation adjustment	(b)	17,824		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	4,893		
Asset disposal / write-offs / revaluation losses		39		
MRP / interest adjustment	(f)	(6,496)		
Capital Expenditure Funded from the Revenue Account (CERA)		(8,920)		
Capital grants income		(3,420)	3,920	
3 Pension related adjustments	(d)			
Pension contributions payable to pension fund (employer)		(13,476)		
Pension contributions payable to pension fund (top-up grant)		(33,617)		
Pension current service costs		4,913		
Pension past service costs		-		
Net interest on the defined benefit liability scheme		39,625	(2,555)	
4 Other technical accounting adjustments	(e)			
Timing differences for premiums and discounts		22		
Timing differences for council tax / NNDR		(78)		
Timing differences for compensated absences		(349)	(405)	
Total adjustments				960
(Surplus) or deficit on provision of services				(635)

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) *Revenue Expenditure Funded from Capital Under Statute (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 39 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 **£31.670m in usable reserves** as at 31/03/2025. Of this, the Authority held £14.201m in reserves on behalf of the Home Office to fund the refresh of National Assurance assets, these funds are not available to the Authority, and any unspent grant must be paid back to Government. Excluding the Home Office unapplied grant, at the end of 2024/25 the Authority's usable reserves were £17.469m, a net increase of £1.595m on the 2024/25 opening balance. The increase is due to the creation of Carbon Net Zero Reserve, net increase in the Capital Investment Reserve and planned drawdowns during the year for retrospective holiday pay and other planned expenditure. The committed reserves are required in order to carry forward funds from 2024/25 funds into 2025/26 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 £3.900m or 5% of the net 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 £75.795m - 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 31st March each year. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, usable and unusable (see MiRS paragraph for explanation).

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

- **Long-Term Assets** – decreased by £13.332m. This was mainly due to; a £14.904m net revaluation decrease on Land and Buildings, and additions in the year £9.014m and £5.423m assets reclassified as held for sale. The balance is made up of changes in depreciation / derecognition, and vehicle and equipment additions.
- **Current Assets** – increased by £20.128m. The re-phasing of planned capital expenditure and the receipt of grant monies in advance of expenditure has resulted in a net increase in Short Term Investments of £22.315m and a decrease in Cash & Cash Equivalents of £1.341m. Short-term debtors have decreased by £1.912m.
- **Current Liabilities** – increased by £9.041m. An increase in short-term creditors of £4.678m due to an increase in various creditor accruals and an increase in grants paid in advance of £4.334m (spend will be incurred in 2025/26 and 2026/27). Short-term borrowing has increased by £0.029m and is made up of loans to be paid in the following year.
- **Long-Term Liabilities** – reduced by £78.808m;
 - **Pension Fund Liabilities** – reduced by £80.891m. The £80.891m 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 £80.891m. These accounts balance each other out and allow the inclusion of the pension liability in the balance sheet and Unusable Reserves (see Note 21 in the Statement of Accounts).

- **Usable Reserves** increase of £0.768m – 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 Assurance assets is carried forward as a reserve. The value of the Home Office reserve reduced by £0.827m in the year, these funds are not available to the Authority, and any unspent grant must be paid back to Government. The Authority's usable reserves were £17.469m, a net increase of £1.595m on the opening balance. The reason for increase in the Authority's earmarked reserves is outlined in paragraph 17 above. These committed reserves are required in order to carry forward 2024/25 funds into 2025/26 and 2026/27 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 £75.795m. 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 £80.891m to reflect changes in the liability of the pension schemes accounts for some of the reduction in unusable reserves. The other key movements relate to the Revaluation reserve £5.969m and the Capital Adjustment Account of £0.468m, (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 22 to 25 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 24 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 25 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 reduced from £13.680m to £11.893m taking into account an in year adjustment of £0.446m. 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.

Equality and Diversity Implications

28. None contained within the report.

Staff Implications

29. None contained within the report.

Legal Implications

30. The Authority has a statutory duty pursuant to regulation the Accounts and Audit (England) Regulations 2015, to approve and sign-off for publication the Statement of Accounts for the previous year before the regulation deadline of 27th February in the following year for the 2024/25 Statement of Accounts.

Financial Implications & Value for Money

31. The report confirms the 2024/25 outturn position is consistent with that previously reported.

Risk Management and Health & Implications

32. None directly related to this report.

Environmental Implications

33. None directly related to this report.

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

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

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.

BACKGROUND PAPERS

DFP/08/2526 "Revenue and Capital Outturn 2024-2025" Policy & Resources Committee 24th July 2025

GLOSSARY OF TERMS

CIES The **C**omprehensive Income and **E**xpenditure **S**tatement

THE CODE Code of Practice on Local Authority Accounting

MIRS **M**ovement In **R**eserves **S**tatement

IFRS International **F**inancial **R**eporting **S**tandards

PFI **P**rivate **F**inance Initiative

FRC **F**inancial **R**eporting **C**ouncil – 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

2024/25 Statement of Accounts DRAFT - UNAUDITED

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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Narrative Report by the Director of Finance and Procurement

Introduction

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31st March 2025, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2024/25 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 2024/25 and the future. It also provides a summary of the financial position at 31st March 2025, and is structured as below:

- Background to the Authority & Key Information
- The 2024/25 Non-Financial Performance
- The Authority 2024/25 Revenue Budget and MTFP
- The 2024/25 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2024/25 to 2028/29
- Treasury Management
- Balance Sheet Financial Position at 31st March 2025
- Future Financial Challenge / Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2024/25.

Background to the Authority & Key Information

Merseyside is an area in the northwest 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 Km²) 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 forth in the index of Multiple Deprivation. There are better off areas, for example in West Wirral and North Sefton, but large areas of Merseyside fall within the highest ratings of social deprivation, which has the side effects of high levels of poverty, social exclusion, crime and risk from fire.

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 2024/25, 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 two Vice Chairs 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

Community Risk Management Plan

The National Framework 2018 states that all English Fire and Rescue Services have to produce an Integrated Risk Management Plan (which we now call our Community Risk Management Plan). Our Plan must:

- Consider what types of fire and rescue related risks could affect Merseyside
- Show how we will work to prevent fires and other types of emergencies and explain how we will respond to incidents that do happen to reduce the impact on Merseyside communities. We will also work with other organisations to do that
- Explain how we will use our firefighters, fire engines, other employees and equipment to reduce risk and respond to emergencies
- Explain how we will ensure we comply with and enforce the law that sets out how businesses and organisation manage fire safety in their buildings
- The plan will last for at least three years and be updated as often as is needed to reassure you that we are still doing what we need to do
- Show that we have listened to the public and other people and organisations that have an interest in what we do as we write our plan. Our listening includes trade unions and staff associations
- Be easy for people to access and be available to everyone.

The Authority approved a new Community Risk Management Plan for the period of 2024 to 2027. The CRMP included proposals to meet the challenges it faces whilst aspiring to continue to deliver an excellent service to the residents of Merseyside. The CRMP 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 CRMP is progressing well and continues to ensure the Authority's commitment to maintaining operational response times. The CRMP 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.

How we Operate

Core Code of Ethics and guidance

Fire and rescue services are required to operate within a national Code of Ethics. For Merseyside Fire and Rescue Authority, the Core Code is embedded into our Leadership Message, behavioural Ground Rules and Code of Conduct. They are at the heart of what we are as an organisation and shape how our people behave in work and in our communities. The Core Code sets out five ethical principles, based on the Seven Principles of Public Life, which alongside the accompanying guidance provides a basis for promoting good behaviour and challenging inappropriate behaviour.



- **Putting our communities first** – we put the interest of the public, the community and service users first
- **Integrity** – we act with integrity including being open, honest and consistent in everything we do
- **Dignity and respect** – making decisions objectively based on evidence, without discrimination or bias
- **Leadership** – we are all positive role models, always demonstrating flexibility and resilient leadership. We are all accountable for everything we do and challenge all behaviour that falls short of the highest standards
- **Equality, diversity, and inclusion (EDI)** – We continually recognise and promote the value of EDI both within the FRSs and the wider communities in which we serve. We stand against all forms of discrimination, create equal opportunities, promote equality, foster good relations, and celebrate difference

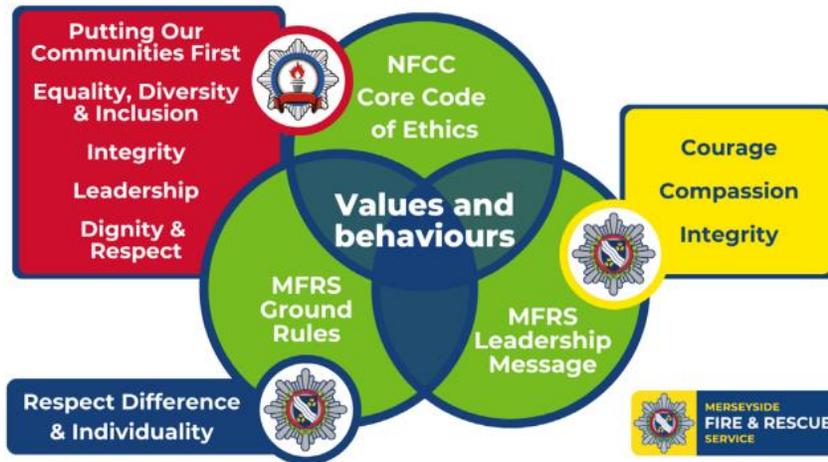
Our Leadership Message

Our Leadership Message brings together the Core Code of Ethics with other leadership behaviours, plus our organisational values and aims so you know what you can expect from the Service, and each and every member of our team

The following diagram shows how the Core Code of Ethics, our Leadership Message and our Ground Rules are linked.

LEADERSHIP, VALUES, AND BEHAVIOURS

at MERSEYSIDE FIRE & RESCUE SERVICE



Vision, Purpose & Aims

The Authority's Leadership Message and associated vision, purpose, aims, values and behaviours of the Service, 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 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 CRMP, 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 2024/25 Non-Financial Performance

The Authority monitors its performance and delivery of its objectives through a comprehensive performance management framework. The CRMP 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 2024/25 Authority's performance against the key performance indicators (KPI's) is summarised in the table overleaf:

Quality Assurance	Benchmark Key Performance Indicators	Performance 2023/24	Target 2024/25	Performance 2024/25	Status
TO00	Total number of emergency calls received	20054	Quality Assurance	21185	Quality Assurance
TC01	Total number of incidents attended	17335	19382	17846	On target
TC02	Total number of fires in Merseyside	5360	7067	5423	On target
TC03	Total number of ^primary fires attended	1654	1881	1667	On target
TC04	Total number of secondary fires attended	3706	5186	3756	On target
TC05**	Total number of special services attended	5158	Quality Assurance	5423	Quality Assurance
TC06	Total number of false alarms attended	6817	6774	7000	Target missed
TR08*	Attendance standard – first attendance of an appliance at a life risk incident in 10 mins	95.90%	90.00%	96.10%	On target
TD09	The % of available shifts lost to sickness absence, all personnel	4.34%	Less than 4.00%	4.43%	Target missed
TE10	Total carbon output of all MFRS buildings	51.4	65	48.5	On target
FIRES IN THE HOME					
DC11	Number of accidental dwelling fires	668	789	726	On target
DC12	Number of deaths in accidental dwelling fires	1	6	7	Target missed
DC13	Number of injuries in accidental dwelling fires attended	52	65	56	On target
DC14	Number of deliberate dwelling fires in the home in occupied properties	119	122	100	On target
DC15	Number of deliberate dwelling fires in the home in unoccupied properties	16	18	13	On target
DC16	Number of deaths in deliberate fires in the home	0	1	0	On target
DC17	Number of injuries in deliberate fires in the home	7	10	8	On target
FIRES IN NON-DOMESTIC PROPERTIES					
NC11	Number of deliberate fires in non-domestic properties	41	44	28	On target
NC12	Number of accidental fires in non-domestic properties	158	154	142	On target

Quality Assurance	Benchmark Key Performance Indicators	Performance 2023/24	Target 2024/25	Performance 2024/25	Status
SMALL, VEHICLE AND ANTI-SOCIAL BEHAVIOUR FIRES					
AC11	Number of deliberate vehicle fires attended	242	332	210	On target
AC12	Number of accidental vehicle fires attended	199	201	236	Target missed
AC13	Number of deliberate anti-social behaviour fires (small)	2377	3307	2641	On target
AC14	Number of accidental small fires attended	1329	1879	1115	On target
AC15	Number of 'other' primary fires attended	211	221	203	On target
ROAD TRAFFIC COLLISIONS					
RC11	Number of road traffic collisions (RTC) attended	766	Quality Assurance	741	Quality Assurance
RC12	Number of injuries in road traffic collisions attended	275	Quality Assurance	262	Quality Assurance
RC13	Number of fatalities in road traffic collisions attended	10	Quality Assurance	8	Quality Assurance
RC14	New: Number of Killed & Seriously Injured (KSI) in RTC's across Merseyside. <i>Based on Partnership data</i>	490	Quality Assurance	453	Quality Assurance
RC15	New: Number of KSI's affecting 15-20 age group - <i>Based on Partnership data</i>	59	56	56	On target
FALSE ALARMS					
FC11	The number of false alarm calls due to automatic fire alarm equipment in non-domestic properties	545	516	566	Target missed
FC12	New: The number of false alarm calls due to smoke alarm actuation in domestic properties where call source is an alarm receiving centre	2564	2729	2389	On target
FC13	Total number of false alarms attended discounting False Alarm Good Intent	3214	Quality Assurance	3102	Quality Assurance
FC22	Number of malicious false alarms attended	105	150	147	On target
FC23	Number of false alarm good intent attended	3603	Quality Assurance	3898	Quality Assurance
STAFF SICKNESS & INJURIES					
WD11	% of available shifts lost to sickness absence per wholetime equivalent Grey book (operational) personnel	4.71%	4.00%	4.98%	Target missed
WD12	% of available shifts lost to sickness absence per wholetime equivalent Green and Red book (non uniformed) personnel	3.78%	4.00%	3.64%	On target
WD13	Total number of operational staff injuries	43	51	38	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 higher than in 2023/24. There were 21,185 emergency calls received during 2024/25 compared to 20,054 the previous year. The total number of accidental dwelling fires increased this year with 726 fires attended compared to 668 in 2023/24.

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 2024/25, Road Traffic Collisions (RTCs) attended (741) decreased when compared to 2023/24 (766) and the number of fatalities in RTC's attended by MFRS (8) decreased when compared to 2023/24 (10). This indicator is based on the RTC's that the Service is requested to attend and does not reflect the total number of RTCs in Merseyside. Data recording 'killed and seriously injured in RTC's' show a reduction in the number of incidents in 2024/25 (453) when compared to 2023/24 (490).

At the end of 2024/25, sickness among operational personnel was at 4.98%, with shifts lost to sickness absence exceeding the target of 4%. This is higher than in 2023/24, when absence was 4.71%. Sickness among non uniformed personnel was 3.64% for 2024/25 which is below target of 4% and lower than 2023/24 when absence was 3.78%.

The 2024/25 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,
- building a new Training and Development Academy and Hybrid Station,
- 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.

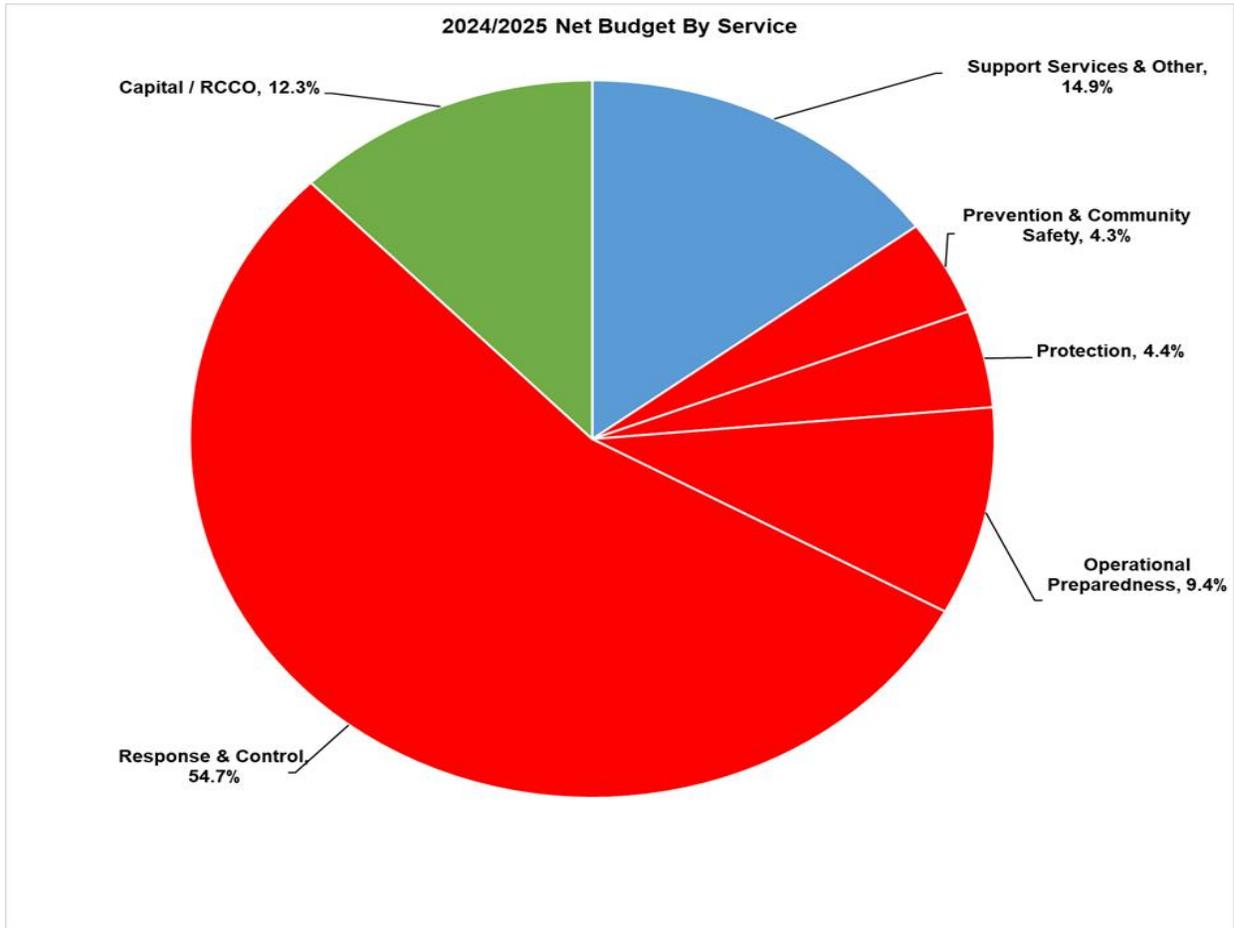
The Authority remains concerned that the impact of the previous service reductions due to Government funding cuts have gone too far and they are steadfast in their ambition to build resources back into the Service. The permanent investment it has managed to put into the Service since 2019/20 only delivers 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 2024/25 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.

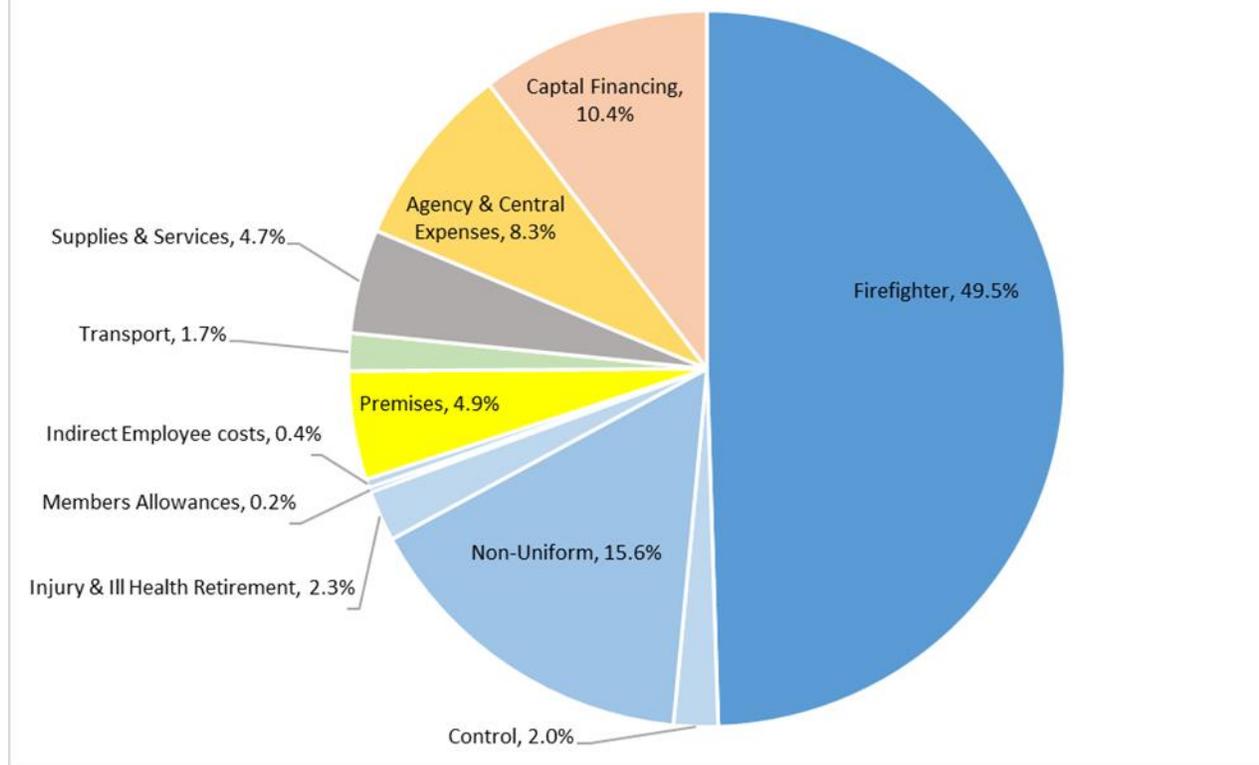
The Authority determines its budget requirement by assessing the service commitments that are financed through its General Fund. The General Fund is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council taxpayers. The Authority set its General Fund budget for 2024/2025 at £74.191m, and was able to approve a balanced 2024/2025 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 overleaf outlines a "thematic" analysis of the revenue budget. Most expenditure, 54.7%, goes on emergency and specialist response; 9.4% on Operational Preparedness; and 8.7% on Protection, Prevention & Community Safety. Therefore 72.8% of expenditure is on the "front line" services, (those activities highlighted in red are deemed frontline services). The 12.3% on capital costs relates mostly to previous investment in front line assets, fire stations, vehicles and equipment. The remaining 14.9% 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, 70%, 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 3% in 2024/25 and 2.5% each year for the following years of the MTFP.

Analysis of 2024/2025 Gross Revenue Budget (excl. National Resilience Spend)



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 several measures to assist with the Country's economic recovery and cost of living crisis. Up until April 2024, the Small Business Rates Multiplier (SBRM) and the Standard Multiplier have been linked (the standard is 1.3p more than the SBRM). This has meant that either both increase or are both frozen. However, earlier in 2024, the government consulted on changes to the Business Rates, which included decoupling the SBRM increase from the standard rate increase. This meant that, from April 2024, the two rates could be set independently. The 2023 Autumn Statement announced that the SBRM would be frozen, while the Standard Multiplier will increase by the September 2023 CPI. This decoupling affects under-indexing compensation payments and Baseline Funding Levels and Tariffs/Top-ups.

This significantly impacted the 2024/2025 SFA, as the Baseline element of the SFA is directly linked to the business rates, and any freeze would impact the amount available to distribute to authorities. The Baseline element makes up approximately 62% of the Authority's SFA. The Government acknowledged this and announced an increase in the business rates compensation grant of £0.619m. In addition, a revaluation of Business Rates increased the Baseline funding by £0.951m.

The 2024/2025 Revenue Support Grant (RSG) is another element that makes up the SFA. The 2024/2025 RSG allocation increased by £3.870m or 30%. This included the Fire Pension Grant, rolled into the RSG from 2024/2025. The Fire Pension Grant remained the same as previous years, £3.025m, and funding was transferred to the RSG after the RSG inflationary uplift.

The overall change in SFA/Business Rates compensation grant funding was £5.440m.

Government Funding - Services Grant 2024/2025

The Government announced a new un-ringfenced "one-off" Services Grant for 2022/2023. The Government stated that this new grant was a one-off, but the intention was to work closely with local government on how to best distribute this

funding from 2023/2024 onwards. The Authority received a Services Grant of £0.814m in 2023/2024 and assumed this would continue in future years in the MTFP. In 2024/25, the Authority received a Service Grant of £0.141m, a reduction of £0.673m. The proposed MFTP assumes a Services Grant of £0.141m in future years.

Government Funding – Funding Guarantee Minimum 4%

The funding guarantee ensures that all fire and rescue authorities will see at least a 4% increase in core spending power before ‘organisational efficiencies’ (i.e. internal savings), use of reserves and council tax precept increases (although tax base growth will be included). The funding guarantee is worth £0.758m to MFRS. The proposed MTFP assumes this will be paid in 2024/25 only.

Council Tax:

The level of council tax yield is dictated by the number of properties and the charge level on each. Each year, the billing authorities provide the Authority with the estimated Band “D” equivalent tax base, which is then used to calculate the expected council tax income based on a Band D Precept charge. The Authority then notifies each billing authority of the Precept to charge each property band and the forecast income yield that the billing authority must pay the Authority.

The Authority’s control of council tax should be considered in light of the fact that Merseyside’s council tax base has had one of the lowest increases across the same period. The tax base reflects how much income is generated by £1 of the “Band D” equivalent council tax. So, if the tax base increases, income will increase, even if the council tax charge remains unchanged.

For the 2024/25 financial year, Council Tax was increased by 2.98%, raising the band D Council Tax from £88.61 to £91.25.

As per the table below, the 2024/2025 forecast budget requirement based on key assumption over pay awards and other costs could be met from the expected funding in the year.

2024/25 - 2028/29 MEDIUM TERM FINANCIAL PLAN					
	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
FORECAST NET SPEND IN CURRENT MTFP	74,191	76,635	77,845	79,445	81,403
TOTAL FUNDING	-74,191	-75,704	-77,012	-78,346	-79,708
FORECAST (SURPLUS) / DEFICIT	0	931	832	1,099	1,695

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 2024/2025 – 2028/2029 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 2025/26 onwards; 2% increase in government funding in 2025/26 then 1% year-on-year from 2026/27; and an increase in the Council Tax Precept of 2% of Band D properties in 2025/26 and just under 2% each year from 2026/27.

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 2028/2029. 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 2025/2026 and will deal with any financial issues in future budget rounds.

The 2024/25 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 £74.191million. The table below summarises the actual general revenue fund position at year-end and compares it to the budget.

Programme	Fire Service Budget £'000	Fire Authority £'000	Lead Authority (NR / ISAR DEFRA) £'000	Total Budget £'000	Actual £'000	Variance £'000
Expenditure						
Employee costs	63,138	407	2,981	66,526	65,282	(1,244)
Premises costs	4,197	-	-	4,197	4,033	(164)
Transport costs	1,504	-	8,438	9,942	9,485	(457)
Supplies and services	3,830	22	5,867	9,719	8,281	(1,438)
Agency services	7,571	-	28	7,599	7,500	(99)
Central support services	551	213	1	765	907	142
Capital financing	12,120	-	4,318	16,438	16,402	(36)
Income	(16,626)	-	(21,633)	(38,259)	(37,654)	605
Net expenditure	76,285	642	-	76,927	74,236	(2,691)
Contingency pay & prices	55	-	-	55	-	(55)
Interest on balances	(450)	-	-	(450)	(1,640)	(1,190)
	75,890	642		76,532	72,596	(3,936)
Movement on reserves	(2,341)	-	-	(2,341)	1,595	3,936
Overall financial position	73,549	642	-	74,191	74,191	-

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 2024/2025 year-end “underspend” was £3.936m, however, after taking into account specific year-end earmarked reserves requests of £0.333m, the available uncommitted underspend was £3.603m. The underspend will be used to create a carbon net zero reserve of £2.000m and to increase the capital reserve by £1.403m, to manage long-term borrowing and debt costs. The remaining £0.200m will be used to increase the General Reserve to £3.900m.

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 £0.635m for the year. The CIES is prepared on a different basis to the General Revenue Fund, the CIES shows the accounting cost in the year in accordance with the relevant generally accepted accounting principles, rather than the amount funded from taxation (General Fund). The CIES includes such expenses as depreciation and amounts to reflect pension costs, which are not charged to council tax and are excluded from the General Fund statement. The CIES represents the amount by which the Authority's overall net worth has moved over the year as shown in the Balance Sheet. The table below reconciles the General Fund to the CIES "Deficit on Provision of Services" statement:

Net General Fund 2024/25 year-end position:			Detailed Adjustments	Total Adjustments per Expenditure and Funding Analysis	Total Adjustments per Comprehensive Income and Expenditure Statement
		Note	£'000	£'000	£'000
1	Net creation of earmarked reserves	(a)	-	-	(1,595)
2	Asset valuation / charges and capital funding adjustments				
	Depreciation, impairment and revaluation adjustment	(b)	17,824		
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	4,893		
	Asset disposal / write-offs / revaluation losses		39		
	MRP / interest adjustment	(f)	(6,496)		
	Capital Expenditure Funded from the Revenue Account (CERA)		(8,920)		
	Capital grants income		(3,420)	3,920	
3	Pension related adjustments	(d)			
	Pension contributions payable to pension fund (employer)		(13,476)		
	Pension contributions payable to pension fund (top-up grant)		(33,617)		
	Pension current service costs		4,913		
	Pension past service costs		-		
	Net interest on the defined benefit liability scheme		39,625	(2,555)	
4	Other technical accounting adjustments	(e)			
	Timing differences for premiums and discounts		22		
	Timing differences for council tax / NNDR		(78)		
	Timing differences for compensated absences		(349)	(405)	
	Total adjustments				960
	(Surplus) or deficit on provision of services				(635)

Notes to the table:

- a) Although the creation of earmarked reserves does not form part of the CIES, they are included to ensure that the General Fund expenditure reconciles back to the CIES.
- b) The depreciation and impairment charge reflects the notional consumption of assets during the year, including revaluation losses and the reversal of any prior year valuation losses and impairments.
- c) REFCUS relates to the installation of free smoke alarms to households in Merseyside that under proper accounting practice should be defined as revenue but which statute allows the Authority to fund from capital.

- d) Pension costs in the CIES reflect IAS 19 and therefore include movements in the pension fund valuations and pension contributions received in the year. Note 39 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 £3.700m and anticipated (based on the estimated forecast when the 2024/2025 budget was approved) Earmarked Reserves as at 01.04.2024 of £15.873m (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.

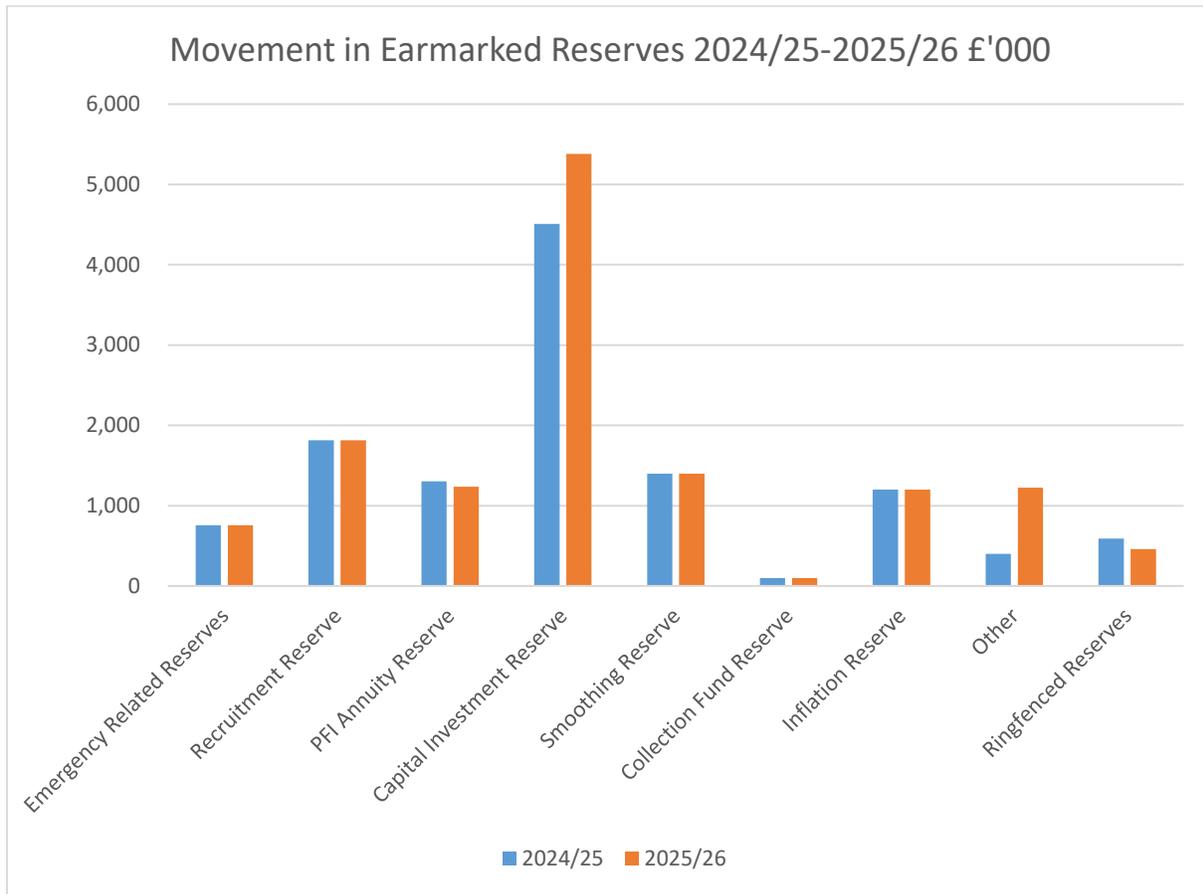
Revenue Outturn Position

The Authority's committed reserves at the start of the year were £12.174m and, by the end of the year, they had increased to £13.569m. This is a net increase of £1.395m. The most significant movement in reserves in the year were:

- £1.161m was drawn down the capital investment reserves to reduce debt costs.
- £1.403m was moved back into the capital reserve at year-end to reduce borrowing in future years.
- £2.000m was used to create a carbon net zero reserve.
- Other movements reflect monies set-a-side for projects or specific risks that may impact on the Authority over the coming years.

The Authority General Reserve has increased by £0.200m to £3.900m, 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.

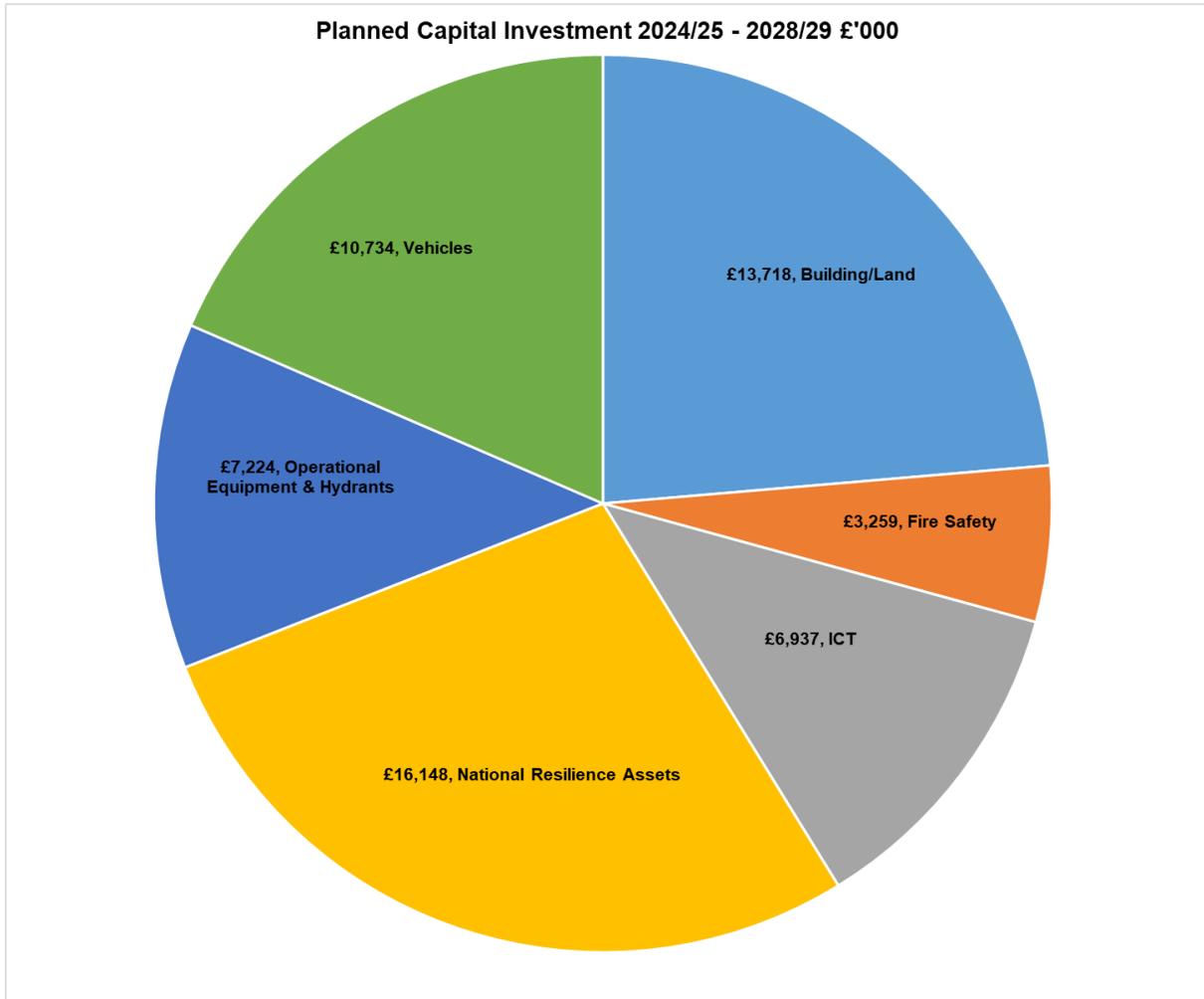


Capital Strategy and Capital Programme 2024/25 to 2028/29

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 2024/2025 – 2028/2029 based on the final approved capital budget of £58.020m:



This capital programme had a borrowing requirement of £30.288m 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:

- Completion of the new Training & 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 specialist appliance and hybrid ancillary vehicles

2024/2025 Capital Outturn Position

The 2024/2025 original capital budget was £10.958m and during the year this was adjusted for schemes being rephased from 2023/2024 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 2024/2025 was £28.084m but based on the actual spend a further £13.899m planned spend has been re-phased into 2025/2026, the majority (£11.900m) of which belongs to National Resilience.

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 2024/2025 - 2028/2029 Medium Term Financial Plan (MTFP), which is available on the Authority's website. The key elements are:

- The Treasury Management Strategy 2024/2025
- The External Debt and Treasury Management Prudential Indicators and Limits for 2024/2025 to 2026/2027
- The Investment Strategy 2024/25
- 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 Section 3 of the Local Government Act 2003 and is in accordance with the CIPFA (The Chartered Institute of Public Finance & Accountancy) Code of Practice.

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

The Investment Strategy sets out the Authority's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Local Government Investments. 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 £33.700m. Interest paid during the year on existing long-term borrowing totalled £1.715m.

Balance Sheet Financial Position at 31st March 2025

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 £76.563m over the year, and as a consequence the current net liability on total reserves has decreased from (£740.795m) to (£664.232m). 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 21 provides more detail on unusable reserves. The pensions reserve alone has a net liability of £775.195m 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 39 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 2025/2026 Budget and five-year medium term financial plan (MTFP) at its meeting on 27th February 2025. Unfortunately, the Government announced only a one-year settlement for 2025/2026, and this has meant a lack of certainty and predictability over future Authority funding, making it difficult to plan beyond 2025/2026.

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 2026/2027. Due to the level of uncertainty around the forecasts, the Authority will consider any future challenges as part of the 2026/2027 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 2025/2026, 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 over 10% 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.

The Chancellor of the Exchequer, Rachel Reeves, gave a Spending Review update on the 20th of June 2025. Following this, the Ministry for Housing and Communities and Local Government (MHCLG) published its consultation entitled 'Fair Funding Review 2.0', which closes on the 15th of August 2025. The Spending Review will include three-year revenue allocations (starting from 2026/27) and coincides with a full business rates reset and revaluation. However, no confirmation of Council Tax referendum principles for Fire and Rescue Authorities were announced. The consultation proposes updating the existing fire formula with new data. The proposed updated Fire Relative Needs Formula (RNF) maintains the structure of the current fire RNF with a basic amount and then a series of weighted top-up allocations.

When the Government will set out the final policy positions in the Autumn and funding allocations are finalised, the Authority's MTFP must take into account any changes to the formula data that results in a change to the allocation share and the Authority's final allocation.

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 2025 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

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

Significant Changes in Accounting Policies

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

The main change to the Code has been the introduction of IFRS16 Leases. These accounts have been produced in compliance with IFRS16. There have been no other significant changes to the 2024/25 Code accounting policies and disclosures.

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. Authorities raise taxation 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.

2023/24				Note	2024/25		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
71,140	(17,266)	53,874	Fire & Rescue Service Operations		86,305	(17,933)	68,372
956	-	956	Corporate and Democratic Core		1,113	-	1,113
20,540	(14,420)	6,120	National Resilience / International Search and Rescue		19,671	(19,722)	(51)
92,636	(31,686)	60,950	Cost of services		107,089	(37,655)	69,434
-	(31,162)	(31,162)	Other operating income and expenditure	8	39	(33,617)	(33,578)
46,962	(5,666)	41,296	Financing and investment income and expenditure	9	47,806	(6,581)	41,225
-	(73,317)	(73,317)	Taxation and non-specific grant income	10	-	(77,716)	(77,716)
		(2,233)	(Surplus) or deficit on provision of services	26			(635)
		(9,861)	(Surplus) or deficit on revaluation of fixed assets				2,407
		(3,698)	Remeasurement of the net defined benefit liability				(78,335)
		(13,559)	Other comprehensive income and expenditure				(75,928)
		(15,792)	Total comprehensive income and expenditure				(76,563)

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 for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following those adjustments.

	Notes	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2024		(15,874)	-	(15,028)	(30,902)	771,697	740,795
<i>Movement in reserves during 2024/25</i>							-
Total comprehensive income and expenditure		(635)	-	-	(635)	(75,928)	(76,563)
Adjustments between accounting basis & funding basis under regulations		(960)	-	827	(133)	133	-
Increase or decrease in 2024/25		(1,595)	-	827	(768)	(75,795)	(76,563)
Balance at 31 March 2025 carried forward		(17,469)	-	(14,201)	(31,670)	695,902	664,232

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

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

31 March 2024 £000		Notes	31 March 2025 £000
146,024	Property, plant and equipment	11	132,277
231	Intangible assets	12	299
-	Right of use assets	34	347
146,255	Long-term assets		132,923
13,282	Short-term investments	13	35,597
1,142	Inventories	14	1,143
21,981	Short-term debtors	15	20,069
13,234	Cash and cash equivalents	13 & 16	11,893
-	Assets held for sale	17	1,065
49,639	Current Assets		69,767
(970)	Short-term borrowing	-	(999)
(13,310)	Short-term creditors	18	(17,988)
(16,628)	Grants receipts in advance	31	(20,962)
(30,908)	Current liabilities		(39,949)
(729)	Provisions	19	(745)
(33,720)	Long-term borrowing	13	(33,720)
(856,086)	Pension liability	39	(775,195)
(15,246)	Other long-term liabilities	13	(17,313)
(905,781)	Long-term liabilities		(826,973)
(740,795)	Net liabilities		(664,232)
(30,902)	Usable reserves	20	(31,670)
771,697	Unusable reserves	21	695,902
740,795	Total Reserves		664,232

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.

2023/24 £000			2024/25 £000
(2,233)	Net (surplus) or deficit on the provision of services		(635)
(24,309)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	22	(34,623)
2,797	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	3,893
(23,745)	Net cash flows from operating activities		(31,365)
14,504	Investing activities	24	28,741
3,948	Financing activities	25	3,965
(5,293)	Net (increase) or decrease in cash and cash equivalents		1,341
(8,387)	Cash and cash equivalents at the beginning of the reporting period		(13,680)
-	In year adjustment to prior year		446
(13,680)	Cash and cash equivalents at the end of the reporting period	16	(11,893)

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The statement of accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year-end of 31st March 2025. 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 2024/25 and the Service Reporting Code of Practice 2024/25, 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. The 2024/25 Statement of Accounts have been produced on a going concern basis.

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. 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.

vi. 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 5.8% (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.

vii. 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.

viii. 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.

ix. Foreign Currency Translation

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

x. 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.

xi. 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.

xii. 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.

xiii. 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.

xiv. 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. Where a lease covers land and buildings the land building 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.

In 2024/25 the Authority has applied IFRS16 Leases as per the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought into the balance sheet as at 1 April 2024.

The Authority as Lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or

- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

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.

The Authority as Lessor

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.

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.

xv. 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 2024/25 (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.

xvi. 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:

- 21 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 16 – 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.

xvii. 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 the following elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)

- **lifecycle replacement costs** – 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.

The Authority adopted the IFRS16 Leasing Accounting Standard at the start of the financial year. While IFRS 16 does not change the accounting treatment of PFI arrangements, the CIPFA Code requires that the measurement principles set out in IFRS 16 are applied to PFI liabilities; requiring the nominal lease liability within PFI contracts to be re-calculated to reflect appropriate changes in the index-linked inflation within the contract.

xiii. 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.

xix. 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.

xx. 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.

xxi. 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.

xxii. Local Taxation

Council Tax

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

NNDR

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

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

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

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

The CIPFA Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, the Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced by the 2025/26 Code where disclosures are required in the 2024/25 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- a) **IAS21 The effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)** issued in August 2023. The amendments to IAS21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- b) **IFRS17 Insurance Contracts** issued in May 2017. IFRS17 replaces IFRS4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

The Authority has reviewed the likely effects of both the above and believe the overall impact to be immaterial.

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:

- 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 determined that it is the principal body and is not acting as an agent.

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

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

The items in the Authority's Balance Sheet at 31st March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as shown overleaf:

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 £0.076 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, 20% of the land and buildings are fully revalued each year 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 £23m to £123m and therefore a 1% change in valuation would result in an increase/decrease in valuation of £1.230m</p>
Pensions	<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 39)</p> <p>Unquoted Investments</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 2025.</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 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 £7.7m.</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>

5. Events After the Reporting Period

The statement of accounts was authorised for issue by the Director of Finance and Procurement on 30th June 2025. Events taking place after this date are not reflected in the financial statements or notes. There are no events after the balance sheet date of 31st March 2025 to be reported.

6. 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 2024/25

2024/25	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	(14,153)	-	-	14,153
Transfer of non-current asset sale proceeds from revenue to the capital reserve	(3,711)	3,711	-	-
Statutory provision for the repayment of debt (transfer to the capital adjustment account)	6,496	-	-	(6,496)
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	8,920	-	-	(8,920)
Pensions costs (transferred to (or from) the pensions reserve)	2,555	-	-	(2,555)
Financial instruments (transferred to the financial instruments adjustments account)	(22)	-	-	22
Council Tax and NDR (transferred to the collection fund adjustments account)	78	-	-	(78)
Holiday pay (transferred to the accumulated absences reserve)	350	-	-	(350)
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account):	(1,473)	-	(3,420)	4,893
Application of capital grants to finance capital expenditure	-	-	4,247	(4,247)
Use of the capital receipts reserve to finance capital expenditure	-	(3,711)	-	3,711
Total Adjustments	(960)	-	827	133

Adjustments between Accounting Basis and Funding Basis under Regulations 2023/24

2023/24	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	(5,833)	-	-	5,833
Transfer of non-current asset sale proceeds from revenue to the capital reserve	-	-	-	-
Statutory provision for the repayment of debt (transfer to 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
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account):	(1,359)	-	(5,446)	6,805
Application of capital grants to finance capital expenditure	-	-	6,110	(6,110)
Use of the capital receipts reserve to finance capital expenditure	-	-	-	-
Total Adjustments	9,148	-	664	(9,812)

7. 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 2024/25.

2024/25	Balance at 31 March 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31 March 2024	Transfers Out 2024/25	Transfers In 2024/25	Balance at 31 March 2025
	£000	£000	£000	£000	£000	£000	£000
<i>Emergency Related Reserves:</i>							
Bellwin Reserve	222	-	-	222	-	-	222
Insurance and Legal Reserve	534	-	-	534	-	-	534
Collection Fund Reserve	250	(150)	-	100	-	-	100
<i>Modernisation Challenge:</i>							
Smoothing Reserve	1,000	-	400	1,400	-	-	1,400
Severance / Holiday Pay Reserve	530	-	150	680	(680)	-	0
Pensions Reserve	590	(290)	-	300	-	-	300
Recruitment Reserve	1,814	-	-	1,814	-	-	1,814
Carbon Net Zero Reserve	-	-	-	-	-	2,000	2,000
Invest To Save Reserve	282	(282)	-	-	-	-	0
<i>Capital Investment:</i>							
Capital Investment Reserve	10,744	(9,618)	2,036	3,162	(3,242)	3,461	3,381
Emerging Technologies Reserve	37	-	5	42	(42)	-	0
PFI Annuity Reserve	1,373	(69)	-	1,304	(69)	-	1,235
<i>Specific Projects:</i>							
Health & Safety Reserve	55	-	-	55	-	2	57
Equipment Reserve	217	(13)	145	349	(11)	162	500
Clothing Reserve	90	-	-	90	-	-	90
Health & Wellbeing Reserve	30	-	-	30	(23)	-	7
Training Reserve	212	(132)	220	300	(30)	-	270
<i>Inflation:</i>							
Inflation Reserve	1,250	(50)	-	1,200	-	-	1,200
Total	19,230	(10,604)	2,956	11,582	(4,097)	5,625	13,110
<i>Ringfenced Reserves:</i>							
Community Risk Management Reserve	300	(80)	37	257	(12)	8	253
Energy Reserve	201	-	57	258	(204)	56	110
New Dimensions Reserve	58	-	19	77	-	19	96
Total	559	(80)	113	592	(216)	83	459
Total Committed Reserves	19,789	(10,684)	3,069	12,174	(4,313)	5,708	13,569

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 has finalised 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 has been utilised within the year and future payments will be made from in year funding.

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 over 10% 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.

Carbon Net Zero Reserve

This reserve was created to contribute towards the costs associated with investing in carbon zero renewables and initiatives, to reduce carbon emissions and reduce energy costs.

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.

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.

8. Other Operating Income and Expenditure

2023/24 £000		2024/25 £000
-	(Gains)/losses on the disposal of non-current assets	39
(31,162)	Government grant payable to Pension Fund on Authority's behalf	(33,617)
(31,162)	Total	(33,578)

9. Financing and Investment Income and Expenditure

2023/24 £000		2024/25 £000
3,360	Interest payable and similar charges	3,240
43,602	Pensions interest cost	44,566
(4,620)	Expected return on pensions assets	(4,941)
(1,046)	Interest receivable and similar income	(1,640)
41,296	Total	41,225

10. Taxation and Non-Specific Grant Income

2023/24 £000		2024/25 £000
(34,519)	Council tax income	(36,008)
(4,165)	National non-domestic rates (local share)	(4,430)
-	National non-domestic rates pool	-
(16,428)	National non-domestic rates top up grant	(17,229)
(12,759)	Revenue support grant	(16,629)
(5,446)	Capital grants and contributions	(3,420)
(73,317)	Total	(77,716)

11. Property, Plant and Equipment

Movements in 2024/25:

	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
Cost or valuation					
At 1 April 2024	96,924	37,440	24,179	158,543	33,130
Additions	4,326	1,452	3,236	9,014	19
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	(4,871)	-	-	(4,871)	(563)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(10,033)	-	-	(10,033)	2,580
Derecognition – disposals	(39)	-	-	(39)	-
Derecognition – other	-	-	(1,499)	(1,499)	-
Assets reclassified (to)/from held for sale	(5,423)	-	-	(5,423)	-
Other movements in cost or valuation	38,892	(38,892)	-	-	-
At 31 March 2025	119,776	-	25,916	145,692	35,166
Accumulated depreciation and impairment					
At 1 April 2024	-	-	(12,519)	(12,519)	-
Depreciation charge	(2,748)	-	(2,434)	(5,182)	(761)
Depreciation written out to the revaluation reserve	2,748	-	-	2,748	761
Depreciation written out to the surplus/deficit on the provision of services	-	-	-	-	(2,580)
Impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in surplus/deficit on the provision of services	-	-	-	-	-
Derecognition – disposals	39	-	-	39	-
Derecognition – other	-	-	1,499	1,499	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-
At 31 March 2025	39	-	(13,454)	(13,415)	(2,580)
Net book value					
At 31 March 2025	119,815	-	12,462	132,277	32,586
At 31 March 2024	96,924	37,440	11,660	146,024	33,130
Nature of asset holding					
Owned	84,295	-	12,462	96,757	-
Finance lease	2,934	-	-	2,934	-
PFI	32,586	-	-	32,586	32,586
Balance outstanding at year-end	119,815	-	12,462	132,277	32,586

Property, Plant and Equipment

Comparative 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
Cost or valuation					
At 1 April 2023	87,865	15,505	22,778	126,148	28,339
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	-	-	-	-	-
At 31 March 2024	96,924	37,440	24,179	158,543	33,130
Accumulated depreciation and impairment					
At 1 April 2023	-	-	(12,112)	(12,112)	-
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	-	-	-	-	-
At 31 March 2024	-	-	(12,519)	(12,519)	-
Net book value					
At 31 March 2024	96,924	37,440	11,660	146,024	33,130
At 31 March 2023	87,865	15,505	10,666	114,036	28,339
Nature of asset holding					
Owned	60,860	37,440	11,660	109,960	-
Finance lease	2,934	-	-	2,934	-
PFI	33,130	-	-	33,130	33,130
Balance outstanding at year-end	96,924	37,440	11,660	146,024	33,130

The Authority as a Lessee – Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor

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 16 – 50 years
- Vehicles, plant and equipment – straight-line allocation over the remaining useful life as estimated by a suitably qualified officer. Vehicles are depreciated over 5 – 20 years and plant and equipment is depreciated over 3 – 25 years
- Land – depreciation is not applied to land
- No residual value is accounted for

Depreciation / Impairment Reconciliation 2024/25

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

	I&E Account £000	MIRS Reversal £000	Fixed Assets £000	Intangible Assets £000	AHFS £000	Revaluation Reserve £000
Depreciation						
Fixed assets	5,182	(5,182)	(5,182)	-	-	-
Intangible assets	226	(226)	-	(226)	-	-
Total	5,408	(5,408)	(5,182)	(226)	-	-
Impairments & Revaluation Losses						
(Gain)/loss on Assets Sold	608	(608)	-	-	608	-
General impairments (L&B)	-	-	-	-	-	-
Revaluation losses (L&B New Build)	10,033	(10,033)	10,033	-	-	-
Total	10,641	(10,641)	10,033	-	608	-
Grand Total	16,049	(16,049)	4,851	(226)	608	-
Revaluations						
Revaluation in/out in year to CAA	-	-	-	-	-	3,562
Revaluation gain/loss	-	-	(2,123)	-	-	2,123
Reversal of PY impairments	-	-	-	-	-	-
Reversal of PY revaluation gain	(284)	284	-	-	-	284
Net (gain)/loss	(284)	284	(2,123)	-	-	5,969

Comparative 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 Account £000	MIRS Reversal £000	Fixed Assets £000	Intangible Assets £000	AHFS £000	Revaluation Reserve £000
Depreciation						
Fixed assets	8,324	(8,324)	(8,324)	-	-	-
Intangible assets	132	(132)	-	(132)	-	-
Total	8,456	(8,456)	(8,324)	(132)	-	-
Impairments & Revaluation Losses						
(Gain)/loss on Assets Sold	-	-	-	-	-	-
General impairments (L&B)	-	-	-	-	-	-
Revaluation losses (L&B New Build)	-	-	-	-	-	-
Total	-	-	-	-	-	-
Grand Total	8,456	(8,456)	8,324	(132)	-	-
Revaluations						
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
Net (gain)/loss	(2,623)	2,623	12,484	-	-	(7,206)

Capital Commitments

At 31st March 2025, 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 2024/25 and future years is £4.4m. Similar commitments at 31st March 2024 were £6.9m. The commitments can be analysed as follows:

- Building Schemes £ 0.8m
 - Equipment and ICT Schemes £ 0.1m
 - Vehicles £ 0.1m
 - National Resilience (NRAT) £ 3.4m
- £ 4.4m**

Effects of Changes in Estimates

The Authority sold two sites in 2024/25, Aintree fire station and the combined land at Croxteth fire station and the training and development academy. The new training and development academy was opened during 2024/25 and was revalued as part of the Authority's rolling revaluation programme of its properties.

There are three properties that are classed as assets held for sale as at 31 March 2025.

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.

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 have been fully revalued at and are revalued annually as follows:

- 20% Full revaluation
- 80% Desktop Revaluation

The Authority has a range of assets, including fire stations, PFI stations, specialist buildings (HQ, training academy, workshops etc) and domestic properties. All properties have a full valuation at least every 5 years and at least one of every asset type is revalued in full annually.

	Land and Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total £000
Carried at historical cost	-	-	22,940	22,940
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2025	83,651	-	-	83,651
Values at current value as at:				
31 March 2025	36,164	-	-	36,164
Total cost or valuation	119,815	-	22,940	142,755

12. 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. As at 31 March 2025 the value of intangible assets (gross carrying amount less accumulated amortisation) was £299,000.

13. 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	
	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000
Financial assets				
Investments at amortised cost	-	-	35,597	13,282
Cash & bank	-	-	11,893	13,234
Total Investments	-	-	47,490	26,516

Debtors				
Debtors at amortised cost	-	-	5,378	8,285
Non-financial instruments	-	-	14,691	13,696
Total included in debtors	-	-	20,069	21,981

Financial liabilities				
Financial liabilities at amortised cost (PWLB)	(33,720)	(33,720)	-	-
Bank overdraft	-	-	-	-
Total borrowings	(33,720)	(33,720)	-	-
Other liabilities				
Merseyside Residual Debt at amortised cost	-	(41)	(39)	(40)
Total other liabilities	-	(41)	(39)	(40)
Creditors				
Creditors at amortised cost	-	-	(5,511)	(5,531)
Non-financial instruments	-	-	(12,477)	(7,780)
Total creditors	-	-	(17,988)	(13,311)
PWLB interest carried at amortised cost	-	-	(332)	(332)
Liabilities not classed financial instruments				
Finance lease liabilities at amortised cost	(238)	-	-	-
PFI finance lease liabilities	(17,075)	(15,206)	(624)	(598)
Total borrowing	(51,033)	(48,967)	(18,983)	(14,281)

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:

	2024/25		2023/24	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
• Financial assets measured at fair value through profit or loss	-	-	-	-
• Financial assets measured at amortised cost	-	-	-	-
• Investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
Total net gains/losses	-	-	-	-
Interest revenue:				
• Financial assets measured at amortised cost	(1,640)	-	(1,045)	-
• Other financial assets measured at fair value through other comprehensive income	-	-	-	-
Total interest revenue	(1,640)	-	(1,045)	-
Interest expense	3,240	-	3,359	-
Fee income:				
• Financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-
• Trust and other fiduciary activities	-	-	-	-
Total fee income	-	-	-	-
Fee expense:				
• Financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-
• Trust and other fiduciary activities	-	-	-	-
Total fee expense	-	-	-	-

Fair Values of Assets and Liabilities

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

- actual ranges of interest rates at 31st March 2025 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 2025		31 March 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & long-term loans	33,720	34,541	33,720	38,770
PFI Liability	17,699	18,474	15,804	18,084

The PWLB fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2025) 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.

14. Inventories

	Clothing / Consumable Stores		Diesel / Maintenance Materials		Total	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	1,027	961	115	113	1,142	1,074
Purchases	498	545	883	827	1,381	1,372
Recognised as an expense in the year	(501)	(479)	(879)	(825)	(1,380)	(1,304)
Written-off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	1,024	1,027	119	115	1,143	1,142

15. Debtors

	31 March 2025	31 March 2024
	£000	£000
Central Government bodies	10,691	14,047
Other local authorities	7,978	6,054
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,400	1,880
Total	20,069	21,981

16. Cash and Cash Equivalents

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

31 March 2024		31 March 2025
£000		£000
11	Cash held by the Authority	9
(182)	Bank current accounts	(854)
13,405	Short-term deposits with building societies and Local Authorities	12,738
13,234	Total	11,893

17. Assets Held for Sale

	Current	
	2024/25	2023/24
	£000	£000
Balance outstanding at start of year	-	-
Assets newly classified as held for sale:		
• property, plant and equipment	5,423	-
• intangible assets	-	-
• other assets/liabilities in disposal groups	-	-
Revaluation losses	(849)	-
Revaluation gains	242	-
Impairments losses	-	-
Assets declassified as held for sale:		
• property, plant and equipment	-	-
• intangible assets	-	-
• other assets/liabilities in disposal groups	-	-
Assets sold	(3,751)	-
Other movements	-	-
Balance outstanding at year-end	1,065	-

18. Creditors

	31 March 2025	31 March 2024
	£000	£000
Central Government bodies	(5,355)	(2,190)
Other local authorities	(7,815)	(5,819)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(4,818)	(5,301)
Total	(17,988)	(13,310)

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

19. Provisions

	Outstanding Legal Cases	Injury and Damage Compensation Claims	Business Rates Appeals	Total
	£000	£000	£000	£000
Balance at 1 April 2024	-	(234)	(495)	(729)
Additional provisions made in 2024/25	-	(11)	116	105
Amounts used in 2024/25	-	(121)	-	(121)
Unused amounts reversed in 2024/25	-	-	-	-
Unwinding of discounting in 2024/25	-	-	-	-
Paid in 2024/25	-	-	-	-
Balance at 31 March 2025	-	(366)	(379)	(745)

Injury Compensation Claims

All of the injury compensation claims relating to employers and public liability have currently been assessed as at 31st March 2025. They relate to personal injuries sustained where the Authority is alleged to be at fault. Provision is made for those claims where a claim has been made against the Authority which requires investigation and consideration of liability. The reserves are based on experience of court decisions regarding liability and the Judicial College Guidelines to establish the amount of damages payable, where appropriate. 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 £250k.

Business Rates Appeals

This relates to Merseyside Fire Service's share of appeals at 31st March 2025 from the five precepting authorities.

20. Usable Reserves

31 March 2024 £000		31 March 2025 £000
-	Usable capital receipts reserve	-
(15,028)	Usable capital grants unapplied	(14,201)
(3,700)	General Fund balance	(3,900)
(12,174)	Earmarked reserves (Note 7)	(13,569)
(30,902)	Total usable reserves	(31,670)

21. Unusable Reserves

31 March 2024 £000		31 March 2025 £000
(40,010)	Revaluation reserve	(34,041)
(44,915)	Capital adjustment account	(45,383)
(289)	Financial instruments adjustment account	(267)
856,086	Pensions reserve	775,195
(373)	Collection fund adjustment account	(451)
1,198	Accumulating compensated absences adjustment account	849
771,697	Total unusable reserves	695,902

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.

2023/24 £000		2024/25 £000
(32,805)	Balance at 1 April	(40,010)
(12,484)	Upward revaluation of assets	-
-	Prior building revaluations write-out	284
2,623	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	2,123
(9,861)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	2,407
2,656	Difference between fair value depreciation and historical cost depreciation	1,393
-	Accumulated gains on assets sold or scrapped	2,169
2,656	Amount written off to the capital adjustment account	3,562
(40,010)	Balance at 31 March	(34,041)

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 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 6 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2023/24 £000		2024/25 £000
(29,955)	Balance outstanding at start of year	(44,915)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
8,324	• Charges for depreciation and impairment of non-current assets	5,274
(2,623)	• Revaluation losses on property, plant and equipment	12,320
132	• Amortisation of intangible assets	226
6,804	• Revenue expenditure funded from capital under statute	4,893
-	• 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	3,750
12,637		26,463
(2,655)	Adjusting amounts written out of the revaluation reserve	(3,562)
9,982	Net written out amount of the cost of non-current assets consumed in the year	22,901
	Capital financing applied in the year:	
-	• Use of the capital receipts reserve to finance new capital expenditure	(3,710)
(6,110)	• Application of grants to capital financing from the capital grants unapplied account	(4,248)
(6,470)	• Statutory provision for the financing of capital investment charged against the General Fund	(6,496)
	• IFRS 16 capital adjustments applied in the year	5
(12,362)	• Capital expenditure charged against the General Fund	(8,920)
(24,942)		(23,369)
(44,915)	Balance outstanding at year-end	(45,383)

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.

2023/24 £000		2024/25 £000
(310)	Balance at 1 April	(289)
-	Discounts received in the year and charged to the Comprehensive Income and Expenditure Statement	-
21	Proportion of discounts received in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	22
-	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-
(289)	Balance at 31 March	(267)

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.

2023/24 £000		2024/25 £000
857,830	Balance at 1 April	856,086
(3,698)	Remeasurements of the net defined benefit liability/(asset)	(78,080)
43,805	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	44,283
(41,851)	Employer's pensions contributions and direct payments to pensioners payable in the year	(47,093)
856,086	Balance at 31 March	775,196

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.

2023/24 £000		2024/25 £000
(423)	Balance at 1 April	(373)
50	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	(78)
(373)	Balance at 31 March	(451)

Accumulating Absences Account

The accumulating absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March 2024. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2023/24 £000		2024/25 £000
731	Balance at 1 April	1,198
(491)	Settlement or cancellation of accrual made at the end of the preceding year	(991)
958	Amounts accrued at the end of the current year	642
467	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	(349)
1,198	Balance at 31 March	849

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

2023/24 £000		2024/25 £000
(8,324)	Depreciation and impairment of non-current assets	(5,274)
2,623	Revaluation losses on property plant and equipment	(12,320)
(132)	Amortisation of intangible assets	(226)
(6,804)	Revenue expenditure treated as capital under statute	(4,893)
-	Lease adjustments in the year	(87)
-	Movement in the donated assets account	-
(1,954)	Movement in pension liability	(2,810)
-	Asset ceiling	(255)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(2,038)
(12,170)	(Increase)/decrease in creditors	(4,677)
2,692	Increase/(decrease) in debtors	(1,912)
68	Increase/(decrease) in stocks	1
(97)	(Increase)/decrease in provisions	(132)
(24,098)		(34,623)

23. 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

2023/24 £000		2024/25 £000
707	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-
3	Proceeds from the sale of property plant and equipment, investment property and intangible assets	3,713
(3,359)	Loan interest	(3,240)
5,446	Capital grants	3,420
2,797		3,893

24. Cash Flow Statement – Investing Activities

2023/24 £000		2024/25 £000
34,895	Purchase of property, plant and equipment, investment property and intangible assets	13,874
(14,000)	Purchase of short-term and long-term investments	22,000
-	Other payments for investing activities	-
(3)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,713)
-	Proceeds from short-term and long-term investments	-
(6,153)	Other receipts from investing activities	(3,420)
14,739	Net cash flows from investing activities	28,741

25. Cash Flow Statement – Financing Activities

2023/24 £000		2024/25 £000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
548	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	684
41	Repayments of short-term and long-term borrowing	41
3,359	Other payments for financing activities	3,240
3,948	Net cash flows from financing activities	3,965

26. 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.

2023/24			Notes	2024/25		
Net Expenditure Chargeable to General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Account £000		Net Expenditure Chargeable to General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Account £000
75,303	(21,429)	53,874	Fire & Rescue Service Operations	73,968	(5,596)	68,372
578	378	956	Corporate and Democratic Core	514	599	1,113
-	6,120	6,120	National Resilience / International Search and Rescue	-	(51)	(51)
-	-	-	Non-Distributed Costs	-	-	-
75,881	(14,931)	60,950	Net cost of services	74,482	(5,048)	69,434
(68,966)	5,783	(63,183)	Other income and expenditure	(76,077)	6,008	(70,069)
6,915	(9,148)	(2,233)	Surplus or deficit	26	(1,595)	960
(22,789)	-	-	Opening General Fund balance	(15,874)	-	-
6,915	-	-	Less/plus (surplus) or deficit on General Fund	(1,595)	-	-
(15,874)	-	-		(17,469)	-	-

Adjustments between Funding and Accounting Basis

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	-	-	-	-
Total expenditure	(9,553)	(5,867)	489	(14,931)
Other income and expenditure from the expenditure and funding analysis	(2,087)	7,821	49	5,783
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	(11,640)	1,954	538	(9,148)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2024/25			
	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Fire & Rescue Service Operations	3,420	(8,447)	(324)	(5,351)
Corporate and Democratic Core	719	(116)	(3)	600
National Resilience / International Search and Rescue	(51)	-	-	(51)
Non-distributed costs	-	-	-	-
Exceptional items	-	-	-	-
Total expenditure	4,088	(8,563)	(327)	(4,802)
Other income and expenditure from the expenditure and funding analysis	(168)	6,008	(78)	5,762
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	3,920	(2,555)	(405)	960

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	2024/25	2023/24
	Income from Services £000	Income from Services £000
Fire & Rescue Service Operations	(17,918)	(17,266)
Corporate and Democratic Core	(14)	-
National Resilience / International Search and Rescue	(19,722)	(14,420)
Non-distributed costs	-	-
Exceptional items	-	-
Total income analysed on a segmental basis	(37,654)	(31,686)

Expenditure and Income Analysed By Nature

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

Expenditure/Income	31 March 2025 £000	31 March 2024 £000
Expenditure		
Employee benefits expenses	55,977	53,340
Past service costs	-	-
Other services expenses (including REFCUS)	32,486	32,926
Support service recharges	669	536
Depreciation, amortisation, impairment.	17,335	5,833
Interest payments	47,806	46,961
(Gain)/loss on disposal/transfer of assets	647	-
Total expenditure	154,920	139,596
Income		
Government grant revenue income	(33,065)	(27,524)
Fees and charges	(4,576)	(4,162)
Interest and investment income	(6,581)	(5,664)
Income from council tax, non-domestic rates, district rate income	(74,296)	(67,871)
Government grants and contributions (Capital)	(3,420)	(5,446)
Government grant (pension fund top-up grant)	(33,617)	(31,162)
Total income	(155,555)	(141,829)
(Surplus) or deficit on the provision of services	(635)	(2,233)

27. 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.

28. Members' Allowances

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

	2024/25 £000	2023/24 £000
Allowances	230	224
Expenses	16	19
Total	246	243

29. Officers' Remuneration

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

		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Benefits in Kind (e.g. Car Allowance)	Pension Contribution	Total
		£	£	£	£	£	£	
Chief Fire Officer – Phil Garrigan	2024/25	201,632	-	-	-	-	75,814	277,446
	2023/24	193,430	-	-	-	-	55,708	249,138
Deputy Chief Fire Officer – Nick Searle	2024/25	173,359	-	-	-	-	64,442	237,801
	2023/24	164,415	-	-	-	-	47,351	211,766
Assistant Chief Fire Officer – David Mottram	2024/25	152,538	-	-	-	-	56,861	209,399
	2023/24	145,072	-	-	-	-	41,781	186,853
Director of Finance and Procurement Note A	2024/25	-	-	-	-	-	-	0
	2023/24	72,490	-	-	-	-	12,902	85,392
Director of Finance and Procurement	2024/25	112,032	-	-	-	-	19,832	131,864
	2023/24	36,443	-	-	-	-	6,449	42,892
Head of Legal	2024/25	84,326	-	-	-	-	14,914	99,240
	2023/24	77,903	-	-	-	-	13,723	91,626

Note a

The Director of Finance and Procurement left the Service on 30th November 2023 and a new Director was appointed in the role on 1st 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	2024/25 Number of Employees	2023/24 Number of Employees
£50,000 - £54,999	67	49
£55,000 - £59,999	58	38
£60,000 - £64,999	40	28
£65,000 - £69,999	26	25
£70,000 - £74,999	24	11
£75,000 - £79,999	11	11
£80,000 - £84,999	14	6
£85,000 - £89,999	3	2
£90,000 - £94,999	3	2
£95,000 - £99,999	-	5
£100,000 - £104,999	1	1
£105,000 - £109,999	6	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£120,000 - £124,999	1	-
Total	254	179

Note a – In 2024/25, 230 of the 254 staff receiving over £50,000 are firefighting staff (in 2023/24 this was 166 of the 179), 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	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
£0 - £20,000	-	-	2	-	2	-	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	-	-	-	-	-	-	-	-
Total	-	-	2	-	2	-	19,299	-

30. 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:

	2024/25	2023/24
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year (see note)	133	97
Total	133	97

The audit fee charge for 2024/25 includes additional charges of £26,358, relating to 2023/24

The Redmond Review on Local Audit Fees is a grant to help local bodies meet additional Audit fee pressures. The Authority received £13,671 in 2024/25, not included in the above table.

The Authority spent £1,260 for the National Fraud Initiative Exercise in 2024/25, not included in the table above.

31. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024/25:

	2024/25 £000	2023/24 £000
Council tax income/Local share non-domestic rates	(40,438)	(38,684)
Non-domestic rates	(17,229)	(16,428)
Non-ring-fenced Government grants:		
• Revenue support grant	(16,629)	(12,759)
Capital grants and contributions:		
• National Resilience grant	(3,420)	(5,446)
• Other	-	-
Total	(77,716)	(73,317)
Credited to services		
Pensions grant (Home Office)	(2,336)	(3,025)
National Resilience / International Search and Rescue grant	(19,616)	(14,400)
New Dimensions grant (Home Office)	(898)	(878)
Fire Control Implementation grant (Home Office)	(498)	(163)
PFI Credits (Ministry of Housing, Communities and Local Government)	(2,097)	(2,097)
Emergency Services Mobile Communications Programme grant	-	(2)
Funding Guarantee grant (Ministry of Housing, Communities and Local Government)	(632)	-
Apprenticeship grant funding (Education & Skills)	(482)	(535)
Small Business Rates Relief (SBRR) (Ministry of Housing, Communities and Local Government)	(4,929)	(4,528)
Home Office fire protection grants	(820)	(567)
New Services grant	(267)	(815)
Other grants (Ministry of Housing, Communities and Local Government / Home Office)	(480)	(514)
Total	(33,055)	(27,524)

The Authority has the following revenue grants receipts in advance.

	2024/25 £000	2023/24 £000
Current liabilities		
Revenue Support Grant (RSG)	(5,638)	-
Emergency Services Mobile Communications Programme grant	-	(220)
National Resilience / International Search and Rescue grant	(14,972)	(15,620)
Fire protection grant	(329)	(725)
Other grants	(23)	(63)
Total	(20,962)	(16,628)

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

32. 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 15 and 18.

2023/24		Related Party Transactions	2024/25	
Receipts £000	Payments £000		Receipts £000	Payments £000
		Central Government		
16,428	-	Redistributed national non-domestic rates	17,229	-
12,759	-	Revenue support grant	16,629	-
5,446	-	Capital grants	3,420	-
-	4,357	Employers' national insurance contributions	-	4,770
		Pensions		
-	2,094	Merseyside superannuation fund employers' contributions	-	2,258
-	-	Merseyside superannuation fund deficit employers' contributions	-	-
30,947	41,521	Pension fund (Home Office)	32,978	46,285

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 31 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 2024/25 is shown in Note 28. 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 2024/25, 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 2024/25.

Entities Controlled or Significantly Influenced by the Authority

Joint Control Centre

Merseyside Fire and Rescue Authority and Merseyside Police Authority collaborated to build a joint Merseyside Command and Control Centre. The project commenced on 8th April 2013 and 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 2024/25. 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 £16.997m, Capital £3.420m.

Department for Food & Rural Affairs

The management of National Flood Response Assets. Revenue £0.248m.

Foreign, Commonwealth and Development Office

Emergency Deployment Teams Programme. Revenue £2.371m.

33. 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 movement in the CFR is analysed in the second part of the table below.

	2024/25 £000	2023/24 £000
Opening capital financing requirement	(61,330)	(51,377)
IFRS 16 transition adjustments	(2,673)	-
Adjusted opening capital financing requirement	(64,003)	-
Capital investment		
Property, plant and equipment	(9,014)	(27,827)
Right of use assets	(230)	-
Investment properties	-	-
Intangible assets	(294)	(263)
Revenue expenditure funded from capital under statute	(4,893)	(6,805)
Sources of finance		
Capital receipts	3,711	-
Government grants and other contributions	4,248	6,110
Sums set aside from revenue:		
• Direct revenue contributions	8,919	12,362
• MRP/loans fund principal	6,496	6,470
Closing capital financing requirement	(55,060)	(61,330)
Explanation of movements in year		
Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)	-	-
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	(6,270)	9,953
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase/(decrease) in capital financing requirement	(6,270)	9,953

34. Leases

In 2024/25 the Authority has applied IFRS16 Leases as per the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought into the balance sheet as at 1 April 2024. The main implication of the new standard is the need to bring leased assets accounted for as an operating lease where the Authority is acting as the lessee onto the Balance Sheet. Such assets are known as “right of use” assets.

As permitted by The Code the following have been excluded:

- Low-value items worth less than £10,000
- Contracts shorter than 12 months

Authority as Lessee

The Authority has a policy on vehicle provision and as part of that, a number of vehicles have been acquired through leases; these vehicles have typical lives of between 1 and 5 years. Upon transition to IFRS16 the Authority moved £89k worth of vehicles over on 1 April 2024. The Authority also moved £120,000 over to its balance sheet, being the land at Toxteth fire station, of which there is a peppercorn lease arrangement in place.

	Land and Buildings £000	Vehicles and PPE £000	Total £000
Value at 1st April 2024	-	-	-
Additional lease agreements identified	120	89	209
Additions purchased in the year	-	230	230
Revaluations	-	-	-
Depreciation/impairment	-	(92)	(92)
Disposals	-	-	-
Value at 31st March 2025	120	227	347

The future minimum lease payments due under non-cancellable leases in future years for these vehicles are as follows:

	2024/25 £000	2023/24 £000
Balance at 1 April	88	70
New liabilities within the year	230	114
Lease payments	(98)	-
Lease interest	13	-
Total	233	184

The Authority has assessed its leases in line with IFRS16 and have identified five vehicles with a contract greater than 12 months as at 1 April 2024. The value of these assets that were brought on to the balance sheet was £88,988.

IAS17-IFRS16 Reconciliation - Lease Commitments

	IAS17 £000
Future lease commitments as at 31st March 2024	180
Less lease commitments previously recognised	(87)
Additional lease agreements identified	-
Total Lease Commitments as at 1 April 2024	93
Less: Discounting adjustment using PWLB rate	(5)
Lease Liability as at 1 April 2024	88

The newly recognised lease liability as at 1 April 2024 of £0.088m compares with operating lease commitments of £0.180m accounted for under IAS17. The difference is attributable to adjusting those leases exempt under IFRS16 and discounting the commitments.

The Authority continues to recognise low value and short-term leases through the Comprehensive Income and Expenditure Statement.

	2024/25 £000
Comprehensive Income and Expenditure	
Expenses relating to short-term leases	161
Expenses relating to exempt leases of low value items	37
Total Comprehensive Income and Expenditure	198

35. Private Finance Initiatives and Similar Contracts

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

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

Property, Plant and Equipment

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

Movement in Value of Assets (7 Fire Stations)	Land £000	Buildings £000	Total £000
Value at 31st March 2024	2,535	30,595	33,130
Additions	-	18	18
Depreciation/impairment	-	(761)	(761)
Revaluation	-	199	199
Value at 31st March 2025	2,535	30,051	32,586

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 2024/25 and future payments will be made as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2025/26	1,012	650	1,564	3,226
Payable within 2 to 5 years	4,130	3,223	5,715	13,068
Payable within 6 to 10 years	5,356	5,922	5,436	16,714
Payable within 11 to 15 years	4,245	5,409	1,951	11,605
Payable within 16 to 20 years	-	-	-	-
Payable within 21 to 25 years	-	-	-	-
Total	14,743	15,204	14,666	44,613
Paid in 2024/25	1,005	598	1,606	3,209
Grand Total	15,748	15,802	16,272	47,822

The Authority adopted IFRS16 and, as a result, remeasured its liability and reallocated the contingent rent aspect of the payments to its principal payments (reimbursement of capital expenditure) and its finance costs (interest). The amended table is below.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2025/26	1,012	624	1,573	3,209
Payable within 2 to 5 years	4,130	3,040	5,666	12,836
Payable within 6 to 10 years	5,356	6,337	4,351	16,044
Payable within 11 to 15 years	4,245	7,698	894	12,837
Payable within 16 to 20 years	-	-	-	-
Payable within 21 to 25 years	-	-	-	-
Total	14,743	17,699	12,484	44,926
Paid in 2024/25	1,005	684	1,520	3,209
Grand Total	15,748	18,383	14,004	48,135

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:

	2024/25	2023/24
	£000	£000
Balance outstanding at start of year	(15,804)	(16,352)
Remeasurement IFRS16	(2,580)	-
Payments during the year	684	548
Capital expenditure incurred in the year	-	-
Other movements	-	-
Total	(17,699)	(15,804)

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

36. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the surplus or deficit on the provision of services and to other comprehensive income and expenditure. No losses were incurred in 2024/25.

37. Capitalisation of Borrowing Costs

The Authority has not capitalised any borrowing costs in 2024/25.

38. Termination Benefits

The Authority did not terminate the contracts of any employees in 2024/25. There was a cost of £19,299 in 2023/24. – see note 29 for the number of exit packages and the total cost per band.

39. 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 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.

- 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 the Authority is 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

2023/24				2024/25		
Funded Benefits	Unfunded Benefits	Total		Funded Benefits	Unfunded Benefits	Total
£000	£000	£000		£000	£000	£000
			Comprehensive Income and Expenditure Statement			
			<i>Cost of Services</i>			
1,944	-	1,944	• current service cost	2,020	-	2,020
-	-	-	• past service costs	-	-	-
-	-	-	• settlements and curtailments	-	-	-
58	-	58	• Administration expenses	63	-	63
			<i>Financing and Investment Income and Expenditure</i>			
(79)	(28)	(107)	• Net interest expense	(244)	(26)	(270)
1,923	(28)	1,895	Total post-employment benefits charged to the surplus or deficit on the provision of services	1,839	(26)	1,813
			<i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>			
			<i>Remeasurement of the net defined benefit liability comprising:</i>			
(1,515)	-	(1,515)	• Return on scheme assets (excluding the amount included in the net interest expense)	1,201	-	1,201
714	5	719	• Actuarial gains and losses arising on changes in demographic assumptions	(102)	(1)	(103)
(1,504)	(4)	(1,508)	• Actuarial gains and losses arising on changes in financial assumptions	(13,521)	(38)	(13,559)
(1,229)	(9)	(1,238)	• Other experiences (gain)/loss on liabilities	(291)	(2)	(293)
5,194	-	5,194	Impact of asset ceiling	12,318	-	12,318
3,583	(36)	3,547	Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	1,444	(67)	1,377
			<i>Movement in Reserves Statement</i>			
(1,867)	(28)	(1,895)	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(1,839)	26	(1,813)
			<i>Actual amount charged against the General Fund balance for pensions in the year:</i>			
1,489	-	1,489	• Employers' contributions payable to scheme	1,647	-	1,647
-	62	62	• Retirement benefits payable to pensioners	-	66	66

Firefighters Pension Scheme

2023/24						2024/25				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
					Comprehensive Income and Expenditure Statement					
					<i>Cost of Services</i>					
-	120	-	2,700	2,820	• current service cost	-	120	-	2,710	2,830
-	-	-	-	-	• past service costs	-	-	-	-	-
-	-	-	-	-	• settlements and curtailments	-	-	-	-	-
					<i>Financing and Investment Income and Expenditure</i>					
36,180	1,280	340	1,290	39,090	• Net interest expense	36,350	1,230	370	1,690	39,640
36,180	1,400	340	3,990	41,910	Total post-employment benefits charged to the surplus or deficit on the provision of services	36,350	1,350	370	4,400	42,470
					<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)	-	-	-	-	-
-	-	-	-	-	• Actuarial gains and losses arising on changes in demographic assumptions	(1,140)	20	(50)	(300)	(1,470)
(14,320)	(460)	(230)	(1,090)	(16,100)	• Actuarial gains and losses arising on changes in financial assumptions	(62,700)	(1,630)	(1,790)	(9,390)	(75,510)
9,340	(630)	220	1,820	10,750	• Other experiences (gain)/loss on liabilities	(250)	(630)	(140)	100	(920)
31,200	310	330	4,720	36,560	Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(27,740)	(890)	(1,610)	(5,190)	(35,430)
					<i>Movement in Reserves Statement</i>					
(36,180)	(1,400)	(340)	(3,990)	(41,910)	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(36,350)	(1,350)	(370)	(4,400)	(42,470)
					<i>Actual amount charged against the General Fund balance for pensions in the year:</i>					
41,620	-	10	120	41,750	• Employers' contributions payable to scheme	46,750	-	10	170	46,930
-	1,810	-	-	1,810	• Retirement benefits payable to pensioners	-	1,830	-	-	1,830

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2025 is a gain of £12.754m and to the 31st March 2024 is a gain of £8.892m.
- 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

2023/24				2024/25		
Funded Benefits	Unfunded Benefits	Total		Funded Benefits	Unfunded Benefits	Total
£000	£000	£000		£000	£000	£000
(96,560)	(576)	(97,136)	Present value of the defined benefit obligation	(85,827)	(495)	(86,322)
101,754	-	101,754	Fair value of plan assets	103,594	-	103,594
(5,194)	-	(5,194)	Impact of asset ceiling	(17,767)	-	(17,767)
-	(576)	(576)	Net asset/(liability) arising from defined benefit obligation	-	(495)	(495)

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 2025 resulting in a pension plan asset. 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 March 2025, and an unfunded liability of £0.495m has been declared.

Firefighters Pension Scheme

2023/24						2024/25				
FPS 1992	Injury Awards	FPS 2006	FPS 2015	Total		FPS 1992	Injury Awards	FPS 2006	FPS 2015	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
(788,310)	(26,810)	(7,720)	(32,670)	(855,510)	Present value of the defined benefit obligation	(713,820)	(24,090)	(6,100)	(30,690)	(774,700)
-	-	-	-	-	Fair value of plan assets	-	-	-	-	-
(788,310)	(26,810)	(7,720)	(32,670)	(855,510)	Net liability arising from defined benefit obligation	(713,820)	(24,090)	(6,100)	(30,690)	(774,700)

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme

2023/24				2024/25		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
96,770	-	96,770	Opening fair value of scheme assets	101,754	-	101,754
4,619	-	4,619	Interest income	4,941	-	4,941
			<i>Re-measurement (gains) and losses:</i>			
1,515	-	1,515	• Return on scheme assets (excluding the amount included in the net interest expense)	(1,201)	-	(1,201)
(58)	-	(58)	• Administration expenses	(63)	-	(63)
1,489	62	1,551	Contributions from employer	1,647	66	1,713
771	-	771	Contributions from employees into the scheme	833	-	833
(3,352)	(62)	(3,414)	Benefits paid	(4,317)	(66)	(4,383)
101,754	-	101,754	Closing balance at 31 March	103,594	-	103,594

Firefighters Pension Scheme

2023/24						2024/25				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
-	-	-	-	-	Opening fair value of scheme assets	-	-	-	-	-
					<i>Re-measurement gain/(loss):</i>					
41,620	-	10	(10,468)	31,162	Employers' contribution from Government (top-up grant)	46,750	-	10	(13,143)	33,617
-	1,810	-	7,328	9,138	Contributions from employer	-	1,830	-	9,933	11,763
-	-	-	3,260	3,260	Contributions from employees into the scheme	-	-	-	3,380	3,380
(41,620)	(1,810)	(10)	(120)	(43,560)	Benefits paid	(46,750)	(1,830)	(10)	(170)	(48,760)
-	-	-	-	-		-	-	-	-	-

Return on scheme assets is effectively a balancing figure because the Authority knows 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

2023/24				2024/25		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(94,732)	(618)	(95,350)	Opening balance at 1 April	(96,560)	(576)	(97,136)
(1,944)	-	(1,944)	Current service cost	(2,020)	-	(2,020)
(4,484)	(28)	(4,512)	Interest cost	(4,645)	(26)	(4,671)
(771)	-	(771)	Contributions by scheme participants	(833)	-	(833)
			Remeasurement (gains) and losses:			
1,229	9	1,238	• Actuarial gains/losses arising from changes in demographic assumptions	291	2	293
1,504	4	1,508	• Actuarial gains/losses arising from changes in financial assumptions	13,521	38	13,559
(714)	(5)	(719)	• Other experience gains and losses	102	1	103
-	-	-	Past service cost	-	-	-
-	-	-	Settlements and curtailments	-	-	-
3,352	62	3,414	Benefits paid	4,317	66	4,383
(96,560)	(576)	(97,136)	Closing balance at 31 March	(85,827)	(495)	(86,322)

Firefighters Pension Scheme

2023/24						2024/25				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
(798,730)	(28,310)	(7,400)	(24,810)	(859,250)	Opening balance at 1 April	(788,310)	(26,810)	(7,720)	(32,670)	(855,510)
-	(120)	-	(2,700)	(2,820)	Current service cost	-	(120)	-	(2,710)	(2,830)
(36,180)	(1,280)	(340)	(1,290)	(39,090)	Interest cost	(36,350)	(1,230)	(370)	(1,690)	(39,640)
-	-	-	(3,260)	(3,260)	Contributions by scheme participants	-	-	-	(3,380)	(3,380)
					Remeasurement (gains) and losses:					
-	-	-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	1,140	(20)	50	300	1,470
14,320	460	230	1,090	16,100	• Actuarial gains/losses arising from changes in financial assumptions	62,700	1,630	1,790	9,390	75,510
(9,340)	630	(220)	(1,820)	(10,750)	• Other experience gains and losses	250	630	140	(100)	920
-	-	-	-	-	Past service cost	-	-	-	-	-
-	-	-	-	-	Settlements and curtailments	-	-	-	-	-
41,620	1,810	10	120	43,560	Benefits paid	46,750	1,830	10	170	48,760
(788,310)	(26,810)	(7,720)	(32,670)	(855,510)	Closing balance at 31 March	(713,820)	(24,090)	(6,100)	(30,690)	(774,700)

Local Government Pension Scheme assets comprised:

2023/24				2024/25		
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
994	561	1,555	Cash & cash equivalents	1,423	545	1,968
			<i>Equity instruments:</i>			
12,888	324	13,212	• UK	13,294	284	13,578
25,052	14,777	39,829	• Overseas	26,407	16,590	42,997
37,940	15,101	53,041	Sub-total equity instruments	39,701	16,874	56,575
			<i>Bonds:</i>			
399	-	399	• Overseas Government	477	-	477
37	-	37	• Collateralised Bonds	5	-	5
485	-	485	• UK corporate	1,098	-	1,098
902	-	902	• UK Government	615	-	615
5,049	-	5,049	• UK index linked	2,652	-	2,652
675	-	675	• Overseas corporate	595	-	595
-	65	65	• Derivative contracts	-	500	500
7,547	65	7,612	Sub-total bonds	5,442	500	5,942
			<i>Property:</i>			
-	-	-	• Property loans	1,055	-	1,055
-	4,544	4,544	• UK direct property	-	4,511	4,511
86	4,123	4,209	• UK property managed	102	2,625	2,727
-	3,152	3,152	• Overseas property managed	-	2,886	2,886
86	11,819	11,905	Sub-total property	1,157	10,022	11,179
			<i>Private equity:</i>			
11	4,566	4,577	• UK	-	5,488	5,488
54	5,224	5,278	• Overseas	68	4,352	4,420
65	9,790	9,855	Sub-total private equity	68	9,840	9,908
			<i>Other investment funds:</i>			
-	32	32	• Hedge funds UK	-	11	11
-	2,612	2,612	• Hedge funds overseas	-	2,750	2,750
-	6,142	6,142	• Infrastructure UK	-	5,829	5,829
-	3,389	3,389	• Infrastructure overseas	-	3,250	3,250
32	1,468	1,500	• Opportunities UK	-	1,454	1,454
140	3,562	3,702	• Opportunities overseas	159	4,136	4,295
-	410	410	• Multi-asset overseas	-	432	432
172	17,615	17,787	Sub-total private equity	159	17,862	18,021
46,804	54,951	101,755	Total assets	47,950	55,643	103,593

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Firefighters Pension Fund liabilities have been assessed by the Governments Actuary Department (GAD). The Local Government Pension Scheme has been assessed by the William M Mercer fund actuaries on behalf of the Metropolitan Borough of Wirral, based on the latest full valuation of the scheme as at 31st March 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2024/25	2023/24	2024/25	2023/24
Interest on plan		6.0%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
• Men	20.8	20.9	21.3	21.3
• Women	23.5	23.4	21.3	21.3
Longevity at 65 for future pensioners:				
• Men	22.1	22.2	22.7	22.9
• Women	25.2	25.2	22.7	22.9
Rate of CPI inflation	2.60%	2.70%	2.70%	2.60%
Rate of increase in salaries	4.10%	4.20%	3.45%	3.85%
Rate of increase in pensions	2.70%	2.80%	2.70%	2.60%
Rate for discounting scheme liabilities	5.80%	4.90%	5.65%	4.75%

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

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

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	1,756	(1,756)
Rate of inflation (increase or decrease by 0.25%)	3,002	(3,002)
Rate of increase in salaries (increase or decrease by 0.25%)	602	(602)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(5,704)	5,704
Investment returns (increase or decrease by 1.0%)	(1,027)	1,027

Impact on the Authority's Cash Flows

The Public Service Pensions Act 2013 introduced significant reforms, moving the Local Government Pension Scheme (LGPS) to a career average (CARE) system from April 1, 2014, meaning benefits are based on actual career earnings, not final salary, though a 'statutory underpin' protects some service until March 31, 2022.

The Authority anticipates paying £1.684m contributions to the scheme in 2025/26. The latest triennial valuation as at 31st March 2022 shows the Authority has a funding surplus of 108% and therefore no more deficit payments are envisaged over the next 3 years.

Impact on the Defined Benefit Obligation in the Firefighters Pension Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	20,000	(20,000)
Rate of increase in salaries (increase or decrease by 0.1%)	800	(800)
Rate of increase in pensions (increase or decrease by 0.1%)	9,400	(9,400)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(9,400)	9,400

Impact on the Authority's Cash Flows

The Authority anticipates paying £10.432m contributions to the scheme in 2025/26. The Authority also receives a top up grant from Central Government which reimburses the cost of the Firefighters' pension scheme. This grant is received in July which is based on 80% of the estimated pensions deficit for 2024/25 plus the remainder of the 2023/24 grant.

Retained Firefighters' Pension Remedy (Matthews/O'Brien Case)

The Firefighters' Pension Schemes (England) (Amendment) Order 2023, which came into force on 1 October 2023, requires the Authority to offer retrospective pension membership to eligible retained (on-call) firefighters employed between 7 April 2000 and 5 April 2006. This "second options exercise" allows individuals to purchase membership in the modified section of the Firefighters' Pension Scheme 2006 dating back to their commencement of service, provided employment remained continuous. Following government consultation, the deadline for Fire and Rescue Authorities (FRAs) to conclude this exercise has been extended to 31 March 2026. As members will have the option to purchase service either as a lump sum payment or through periodic contributions over a number of years, the past service cost will be recognised as and when the relevant service is purchased and therefore accrued.

Based on the data available and the assumptions (numbers eligible, eligible service period, actual to reference pay ratio and take up of the option) it is estimated the potential increase in liability from the second Matthew's exercise to be £3m. There is very significant uncertainty in this additional liability estimate and it is very likely that actual experience for the

authority will be different to the assumptions that have been made. The estimated liability set out above may be very different from the actual impact of the options exercise once it has concluded given the level of uncertainty, the £3m liability has not been included in the disclosures.

McCloud / Sargeant Case

Following the implementation of the Firefighters' Pensions (Remediable Service) Regulations 2023 on 1 October 2023, the Authority is required to provide eligible members with a choice of pension benefits (legacy or reformed scheme) for the remedy period (1 April 2015 to 31 March 2022). This requirement applies to both active members retiring after the implementation date and pensioner members who retired during the remedy period. While the majority of eligible members were issued a Remedial Service Statement (RSS) by 31 March 2025, the Authority anticipates full distribution to all remaining members by the conclusion of the 2025/26 financial year.

40. 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.

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 criteria of 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.

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 2024/25 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 31st March 2025 that this was likely to crystallise.

The analysis overleaf 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 2024/25

	Amount at 31 March 2025	Average Lifetime Expected Loss Rate	Lifetime Expected Loss 31 March 2025	Lifetime Expected Loss 31 March 2025	Lifetime Expected Loss 31 March 2024
	£000	%	%	£000	£000
	A	B	C	(A x C)	-
Investments	34,403	-	-	-	-
Customers	708	6.35%	0.49%	4	1
				4	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.

Comparative Exposure to Credit Risk 2023/24

	Amount at 31 March 2024	Average Lifetime Expected Loss Rate	Lifetime Expected Loss 31 March 2024	Lifetime Expected Loss 31 March 2024	Lifetime Expected Loss 31 March 2023
	£000	%	%	£000	£000
	A	B	C	(A x C)	-
Investments	3,071	-	-	-	-
Customers	795	6.87%	0.16%	1	-
				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 2025	31 March 2025	31 March 2025
	£000	Lifetime Expected Loss Rate (C) %	Lifetime Expected Loss £000
Less than 30 days (normal terms)	430	0%	-
31-60 days	237	0%	-
61-90 days	26	0%	-
Over 90 days	15	0.49%	4
Total	708	0.49%	4

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 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Less than one	-	-	40	41
Between one and two	-	-	-	40
Between two and five	-	-	-	-
Between five and ten	-	-	-	-
Between ten and fifteen	2,000	2,000	-	-
Between fifteen and twenty	-	-	-	-
Between twenty and twenty-five	5,500	4,500	-	-
Between twenty-five and thirty	14,250	12,360	-	-
Between thirty and thirty-five	11,970	14,860	-	-
Between thirty-five and forty	-	-	-	-
Between forty and forty-five	-	-	-	-
More than forty-five	-	-	-	-
Total	33,720	33,720	40	81

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.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs. (The Authority currently has no variable rate loans with PWLB).

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

According to this assessment strategy, at 31st March 2025, 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	-
Increase in interest receivable on variable rate investments	(455)
Increase in Government grant receivable for financing costs	-
Impact on surplus or deficit on the provision of services	(455)
Decrease in fair value of fixed rate investment assets	-
Impact on other comprehensive income and expenditure	(455)
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 13)	(6,443)

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.

41. Contingent Assets

There were no contingent assets as at 31 March 2025.

42. Contingent Liabilities

Municipal Mutual Insurance Limited

Municipal Mutual Insurance Limited issued a levy notice on 1st January 2014 by the Scheme Administrator at a rate of 15% on Established Scheme Liabilities, which exceeded £50,000 in aggregate. This equated to £250,000, which was paid in January 2014 with Municipal Mutual Insurance Limited covering the balance. In March 2016, we were informed by Municipal Mutual Insurance Limited the 15% will need to be increased to 25%. This payment of £180,000 was paid in May 2016. The Authority maintains an insurance reserve to cover any further fluctuations in the levy. As at 31st March 2025, the latest statement shows the levy remaining at 25%.

43. 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.

There were no prior year adjustments for 2024/25.

Firefighters Pension Fund Accounts

Fund Account

2023/24 £000		2024/25 £000
	Contributions receivable:	
	Fire Authority:	
(7,232)	• Contributions in relation to pensionable pay	(9,750)
(91)	• Early retirements	(63)
-	• Pension Holiday grant	-
(3,251)	Firefighter's contributions	(3,379)
(10,574)		(13,192)
-	Transfers in from other authorities	(115)
	Benefits payable:	
37,644	• Pensions	40,156
3,877	• Commutation and lump sum retirement benefits	6,129
-	• Lump sum death benefits	-
41,521		46,285
	Payments to and on account of leavers:	
-	• Transfers out to other authorities	-
-	• Refunds of contributions	-
-		-
30,947	Net amount payable for the year	32,978
(30,947)	Top – up grant payable by the Government	(32,978)
-		-

Net Assets Statement

2023/24 £000		2024/25 £000
	Current assets	
9,433	Debtors (Pension Fund Home Office)	6,341
	Current liabilities	
(481)	Creditors	(542)
(8,952)	Creditors (Merseyside Fire and Rescue Service)	(5,799)
-		-

Notes to Pension Fund Account

Contribution Rates

Under the firefighter's pension regulations, the contribution rates for employers were as follows:

Pensionable Pay Deductions	FPS15
Employer's Contributions	37.6%
Employee Contributions:	
£0 - £27,818	11.0%
£27,819 - £51,515	12.9%
£51,516 - £142,500	13.5%
£142,501 >	14.5%

With effect from 1st April 2022, all firefighters are on the FPS15 scheme unless they have opted out.

III 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 39 in the main set of Accounts does take account of this and its long-term pension obligation under IAS19.

Debtors

	31 March 2025	31 March 2024
	£000	£000
Central Government bodies	6,341	9,433
Total	6,341	9,433

Creditors

	31 March 2025	31 March 2024
	£000	£000
Central Government bodies (HMRC)	542	481
Other local authorities	5,799	8,952
Other entities and individuals	-	-
Total	6,341	9,433

Statement of Responsibilities for the Statement of Accounts

The Director of Finance and Procurement's responsibilities

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

In preparing this statement of accounts, the Director of Finance and Procurement has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority code.

The Director of Finance and Procurement has also:

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

This statement of accounts gives a true and fair view of the financial position of the Authority as at the 31st March 2025 and of its expenditure and income for the year ended 31st March 2025.

Mike Rea

Director of Finance and Procurement

26th February 2026

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Procurement.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Statement of Approval for the Statement of Accounts

The statement of accounts for the year 1st April 2024 to 31st March 2025, were approved for issue on 26th February 2026 by Merseyside Fire and Rescue Audit Committee.

Chair of the Audit Committee Meeting Approving the Accounts
26th February 2026

AUDITORS REPORT TO FOLLOW

Glossary of terms used in the Statement of Accounts

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

ACCOUNTING POLICIES

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

ACCRUALS

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

BALANCE SHEET

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

CARRYING AMOUNT

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

COLLECTION FUND ADJUSTMENT ACCOUNT

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITORS

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

CURRENT ASSETS

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

CURRENT LIABILITIES

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

DEBTORS

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

DEFINED BENEFIT SCHEME

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

DEPRECIATION

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

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.

MHCLG

Ministry of Housing, Communities and Local Government.

MINIMUM REVENUE PROVISION

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

NET BOOK VALUE (NBV)

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

NET REALISABLE VALUE (NRV)

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

POST BALANCE SHEET EVENTS

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

PRIOR PERIOD ADJUSTMENTS

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

PROVISION

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

REMUNERATION

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

RESERVES

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

Annual Governance Statement 2024/25 Merseyside Fire and Rescue Service

1. Scope of Responsibility

Merseyside Fire & Rescue Authority (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 Strategic Leadership Team (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.

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. Delivering good governance is a process of continuous review and improvement.

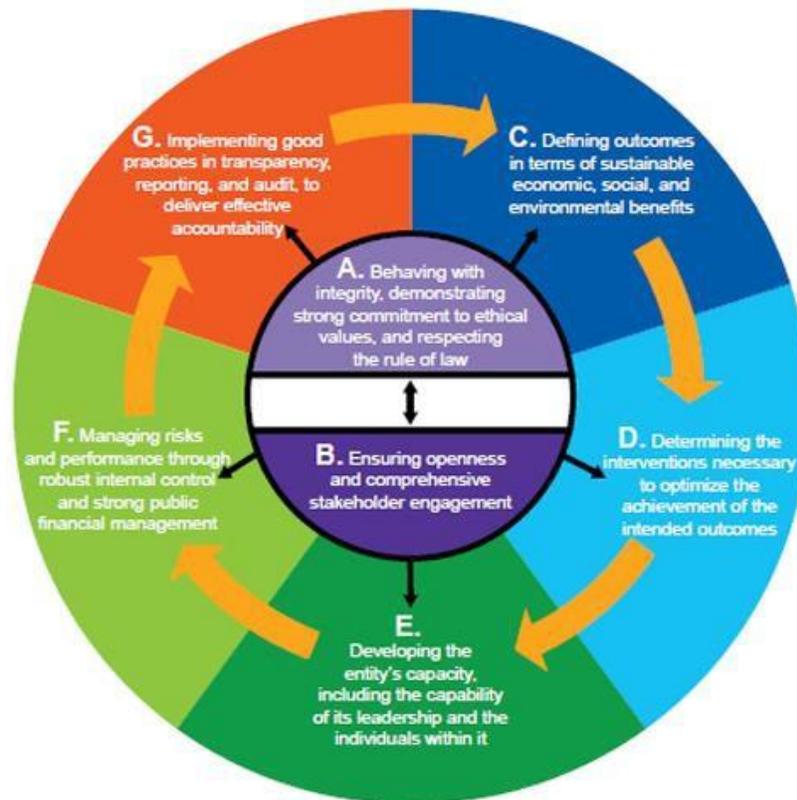
In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, delivering its functions, and arrangements for the management of risk.

Corporate Governance is a phrase used to describe how organisations are directed, controlled, led and held to account. For Fire and Rescue Authorities this also includes how an Authority relates to the communities that it serves. The Authority has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government” (2016). The key principles of the Authority’s Code of Corporate Governance are outlined below;

Three high level principles underpin Corporate Governance: -

- Openness and inclusivity
- Accountability
- Integrity

These high-level principles are supported by seven detailed principles of good governance which are:



This statement also 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.

The results of the effectiveness of the governance framework (as set out in the following pages) have been considered by the Strategic Leadership Team and the Audit Committee who have determined that the Authority's governance arrangements are effective in delivering against the seven principles of Good Governance and supporting the delivery of sustainable outcomes.

2. The Purpose of the Governance Framework

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 is accountable 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.

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.

The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31st March 2025 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

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

3.1 Identifying and Communicating the Authority's Vision and outcomes for public and service users:

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:

- **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 is focused upon outcomes related to operational preparedness, operational response, prevention (of fires and other incidents) and protection (legislative fire safety). It is very important that the organisation's priorities are unambiguous and easily understood by members of the Authority, staff, communities and other stakeholders. In particular, it is essential that the safety and effectiveness of firefighters is seen as a fundamental factor in the achievement of serving, protecting and keeping the public of Merseyside safe.

The Authority aims to deliver its Vision through the delivery of its three corporate plans; the Community Risk Management Plan, People Plan and Medium Term Financial Plan. The People Plan, the Community Risk Management Plan (CRMP) and the Medium-Term Financial Plan (MTFP) complement each other and provide the key strategic building blocks. Together these three plans detail how we will achieve our strategic ambitions and how we will measure our progress.

After consulting with the public of Merseyside and other stakeholders, assessing risk, demand, vulnerability and service priorities, the Authority prepares a Community Risk Management Plan (CRMP) that sets out the Vision, aims and service objectives for the organisation. The Authority approved a new CRMP in 2024 that extends to 2027 and established the service's priorities for that period.

The People Plan 2024-2027 was approved by the Authority in June 2024. It focuses on five key themes; attract and retain the best people; developing exceptional people and their leaders; promote holistic wellbeing; deliver sector leading performance and embedding equality, diversity and inclusion.

The proposals in the CRMP and the People Plan will be scrutinised to ensure the delivery of any such action remain aligned to the Authority's Medium Term Financial Plan.

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

The CRMP and other service projects are incorporated each year into one document – the Service Delivery Plan. There is an ongoing system of monitoring, management and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Strategic Leadership Team and Community Safety and Protection Committee (or any other committee if applicable). Station Community Risk Management Plans also 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 and performance updates can be found on the Authority's website.

3.3 The Internal Control Environment

The Authority's internal control mechanism comprises of 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:

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 (AGM). The Authority has a written Constitution that was reviewed in 2024/25 and approved by the Authority at its meeting on 13th June 2024 (CFO/42/24), 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 was updated and approved by the Authority on the 27th February 2025, to include amendments to the Contract Standing Orders section following new procurement legislation, namely the Procurement Act 2023. The Constitution is reviewed every year by the Authority at its AGM.

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

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

Management Structure

The Authority has a clear management structure with defined roles and responsibilities. The Authority has an approved Scheme of Delegation within its Constitution that is reviewed by members on an annual basis which details powers delegated to key officers by the Authority. A Strategic Leadership Team (SLT) led by the Chief Fire Officer, 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. A reporting system is used to identify the benefits, risks, legal and financial implications when considering issues

Established Policies, Procedures & Regulations

The Authority ensures compliance with established policies, procedures, laws and regulations and National Fire Standards. 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 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 processes in place to enhance the internal control system that are reviewed as and when required:

- Treasury Management Strategy
- Procurement Strategy
- Constitution including Financial Regulations, Procedural & Contract Standing Orders, Scheme of Delegation
- Anti-Fraud & Corruption Policy
- Whistleblowing/Confidential Reporting Policy
- Employee Code of Conduct Policy including the Core Code of Ethics
- Complaints Procedure
- Equality, Diversity and Inclusion Policy
- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedures, discipline process, through to performance development reviews
- Information Governance and Security – Policies and Service Instructions to protect the Authority's information, data, and assets
- National Fire Standards
- The Authority has its own Ground Rules and Leadership Message

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

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.

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 receives regular updates on any new risks or changes to risks. 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.

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. Review of Effectiveness

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

The Authority and Its Committees

The Authority

The Authority considered at its Annual General meeting on 13th June 2024 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the Constitution document on the Authority's web site, but are summarised as follows:

- **The Authority** – Considers variations to standing orders and financial regulations, the revenue budget and capital plan, levying or issuing of a precept or borrowing. Adopting a member's allowances scheme, Appointing the Chair and Vice Chairs of the Authority and the Chairs of the Committees and any Sub-Committees of the Authority. Approves new policies or substantive changes in policy relating to the development and delivery of services appropriate to the Authority. Has oversight of the preparation of the Authority's Strategic and Community Risk Management Plan. 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 where appropriate, determine all matters relating to Fire Safety Legislation.
- **The Scrutiny Committee** – To review and/or scrutinise the objectives of the Authority's Community Risk Management Plan (CRMP) 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 CRMP 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 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 and approve the audited Statement 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 (Treasurer) in line with the Authority's policy for Discipline Procedures for Statutory Officers.

- **The Joint Police & Fire Collaboration Committee** – To act as a Strategic Board to oversee collaboration between Merseyside Police (MP) and the Authority. To consider any reports on proposals for collaboration and potential budget savings or working arrangements.
- **The Appeals Committee** – To consider and determine appeals referred from the Audit Committee in relation to the Members Code of Conduct. Consider and, if appropriate, determine any other matters which may be referred to the Committee by the Authority, or any committee. In making decisions to have full regard to the Authority's public equality duties and its duties under Health and Safety and Environmental and other legislation.
- **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 & 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.

Lead Members were also introduced into key areas that focus on the corporate plans to allow for greater scrutiny and transparency between Members and Officers in the delivery of its services to the community.

Management Review

Included in the day-to-day management of the organisation there 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 level 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 Head of Internal Audit (HIA) plays a critical role in delivering the Authority's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.

There is a comprehensive system of performance management and review embedded within the Authority's management structure and processes. The 2024/25 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 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.

The Corporate 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.

The Authority employed appropriate professional staff:

- A Head of Paid Service (Section 4 of the Local Government Housing 1989) responsible for ensuring that the staffing needs of the organisation are adequate to perform the Authority's statutory functions efficiently and effectively. The Chief Fire Officer fulfils this role, is a qualified and experienced Chief Fire Officer within Merseyside Fire and Rescue Service. The Chief Fire Officer is supported by Principal Officers.
- A Statutory Monitoring Officer (Section 5 Local Government and Housing Act 1989) 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 Local Government Act 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 CRMP 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.

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.

The Chartered Institute of Public Finance and Accountancy (CIPFA) reviewed its guidance and issued the 'Financial Management Code.' This mandatory Code provides guidance for good and sustainable financial management in local authorities. The intention is that by complying with the principles and standards within the Code, local authorities will be able to demonstrate their financial sustainability. The Financial Management Code is based on six core principles:

1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into the organisational culture.
2. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
3. Financial management is undertaken with **transparency** as its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
5. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection
6. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

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.

Forvis Mazars approved an unqualified Statement of Accounts for 2023/24 and it is anticipated the Authority will receive an unqualified opinion for 2024/25. 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.

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. The internal audit plan for 2024/25, 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. Based on Liverpool City Councils Internal Audit work undertaken in compliance with PSIAS in 2024/25, their opinion provided:

- substantial assurance that the system of internal control in place at Merseyside Fire & Rescue Service accords with proper practice, and
- the work on fundamental systems audits completed have shown a substantial level of compliance, and they are not aware of any significant control weakness, which impact on the Annual Governance Statement.

External Review

External audit services are carried out by Forvis 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.

External Audit will comment upon the Authority's 2024/25 statutory financial statements and make a VFM conclusion during the 2025/26 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 2024/25 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2023/24 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2023/24 financial statements.

Year-end Review

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. SIGNIFICANT GOVERNANCE ISSUES

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.

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, pensions 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.

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

To the best of our knowledge, the governance arrangements, as outlined in this Annual Governance Statement, have been operating during the year, 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 
 Cllr. J. Bell
 Chair of Audit Committee

Signed 
 N. Searle
 Chief Fire Officer

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LETTER TO BE WRITTEN ON HEADED PAPER

Forvis Mazars

One St Peters Square
Manchester
M2 3DE

26th February 2026

Dear Karen,

Merseyside Fire and Rescue Authority - Audit for Year Ended 31 March 2025

This representation letter is provided in connection with your audit of the financial statements of Merseyside Fire and Rescue Authority (the Authority) for the year ended 31 March 2025 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 2024/25 (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 myself 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 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.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

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 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 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.

The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

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 2024/25 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 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.

Tariffs

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements 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

I 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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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	26 FEBRUARY 2026	REPORT NO:	DFP/13/2526
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM (SLT)		
TITLE OF REPORT:	INTERNAL AUDIT PROGRESS REPORT – APRIL TO JANUARY 2026		

APPENDICES:	APPENDIX A: INTERNAL AUDIT PLAN 2025/26 APPENDIX B: INTERNAL AUDIT PROGRESS REPORT
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Purpose of Report

1. To inform Members of the work of Internal Audit for the period April to January 2026.

Recommendation

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

Introduction and Background

3. The purpose of Internal Audit is defined as follows;

“Internal auditing strengthens the organisation’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.” (Source: Global 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 Global Internal Audit Standards (GIAS) 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. During the audit work, Internal Audit consider the impact of Fire Standards (and broader legislative requirements) as part of their evaluation of the Authority's risk management and internal controls.
6. 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.
7. Members of the Audit Committee approved the 2025/26 plan at their meeting on 26 June 2025, DFP/07/2526. The plan is attached to this report as Appendix A.
8. The purpose of this report is to inform Members of the work of Internal Audit for the period April to January 2026 and the progress made against the approved 2025-26 Internal Audit Plan. The report also provides an update on the previous audit recommendations. The Authority has cleared 85% of the outstanding recommendations. The progress report is attached to this report as Appendix B.
9. 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.
10. Members of the Audit Committee will receive a report after the year-end on actual performance against the audit plan.

Equality and Diversity Implications

11. None contained within the report.

Staff Implications

12. None contained within the report.

Legal Implications

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

Financial Implications & Value for Money

14. The annual cost of the audit is £45,125 and is contained within the approved budget for audit services.

Risk Management and Health & Implications

15. There are no health & safety implications contained within this report. The scrutiny provided by Internal Audit as part of the work to be undertaken on the proposed plan, will assist the Authority in assuring itself any necessary procedures and risk management processes are already in place or will be implemented as a result of the audit.

Environmental Implications

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

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

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

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

BACKGROUND PAPERS

DFP/07/2526 2025-26 Internal Audit Plan – Audit Committee 26 June 2025.

GLOSSARY OF TERMS

NONE

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INTERNAL AUDIT PLAN 2025/26

		Audit Days	
	Fundamental Financial Systems (general ledger, payroll, creditors/debtor systems etc)		40
	Strategic Reviews / Client directed / Ad hoc reviews		
1	Business Continuity – Review the Authority’s business continuity arrangements to ensure MFRS has the ability to continue operations during and after a disruption. This includes assessing the adequacy of the plan, its effectiveness, and adherence to standards.	10	
2	Training and Development Academy – Review procedures for recovering costs for use of the training facilities by external organisations and ensure costs are recovered in accordance with the procedures.	8	
3	Stores – Review Stock Inventory Management Process – including internal controls, provisioning, stock management, inventory forecasting and re-ordering.	8	
4	Foreign, Commonwealth & Development Office – Grant Funding Assurance that FCDO funds have been used for the intended purposes.	8	
5	ISAR Cash Management – Review cash management process.	4	
	Strategic Reviews / Client directed / Ad hoc reviews		38
	Contingency – Investigations/Responsive / Advice & Assistance		3
	Follow up on implementation of previous audit recommendations.		6
	Audit Management		8
	Total Planned Days		<u>95</u>

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Merseyside Fire & Rescue Service Internal Audit Progress Report

Internal Audit Service

January 2026



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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 Mersey Fire and Rescue Service. Liverpool City 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

The Accounts and Audit Regulations require relevant authorities to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, considering the internal audit standards.

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.

Internal audit's professional responsibilities as internal auditors were set out within Public Sector Internal Audit Standards (PSIAS). With effect from 1 April 2025, the new standards are the Global Internal Audit Standards (GIAS) in the UK Public Sector (PS).

2 Internal Audit Plan

The [2025/26 Internal Audit Plan](#) was approved by the Audit Committee in June 2025.

2.1 Audit Plan Flexibility

Internal Audit has an important role in providing critical assurance and helping to advise senior management and the Audit Committee on a changing governance, risk and control landscape.

To comply with the standards and to respond to the changing landscape, Internal Audit needs to be able to adapt and be proactive, prepared, and informed as to regulatory and Government announcements that could affect the Merseyside Fire & Rescue Service's (MFRS) business.

As such, the Internal Audit Plan is a flexible document which will be reviewed and amended throughout the year to ensure its content reflects new and emerging risks and priorities.

2.2 Audit Plan Amendments

No amendments have been made to the plan during the reporting period.

2.3 Audit Plan Progress

The table below provides an update in relation to the position with 2025/26 work:

Table 1: 2025/26 Internal Audit Plan Progress

Planned	Completed	Draft / In Review	Ongoing	Scoping
12	3	1	2	6

3 Internal Audit Activity

3.1 Internal Audit Period

This progress report covers all activity undertaken by Internal Audit for the period 1 June 2025 to 31 January 2026.

3.2 Internal Audit Outcomes

3.2.1 Internal Audit Reviews

Based on the work completed during the period, the main points can be summarised as follows:

- Three internal audit reports were finalised
- No reports had reduced assurance
- No recommendations were made

The audit findings of each review, together with recommendations for action and the management response are set out in our detailed reports. A summary of the reports issued during the period is detailed at **Appendix 1**, plus a summary of ongoing work.

3.2.2 Follow Up

Internal Audit follow up on progress made by services with the implementation of recommendations.

During the reporting period 22 recommendations have been marked as closed.

An age analysis of recommendations is detailed at **Appendix 2**.

The Internal Audit team have not completed any detailed follow up work during the reporting period.

4 Internal Audit Performance

Compliance with Standards

Internal Audit employ a risk-based approach in planning and conducting audit assignments, in accordance with the standards

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

Appendix 1: Summary of Planned Work

Work Completed

The following table provides a summary of the planned work completed in the reporting period

Audit	Summary Findings	Opinion	Recommendations		
			E/S	H	M
Medium Term Financial Plan (MTFP)	Controls tested were found to be operating effectively. The MTFP was approved by members, forecasts and assumptions underpinning the plan are accurate and it supports the delivery of key aims and priorities. The plan is monitored and updated when required and there was an appropriate level of reserves.	Substantial	-	-	-
Foreign, Commonwealth & Development Office Grant	This audit related to the use of the UK Emergency Deployments Team 2 grant funding during 2024/25 provided to MFRS by the Foreign, Commonwealth & Development Office. We reviewed the financial records, documentation, compliance with MFRS Contract Standing Orders and ensured that expenditure was in accordance with the Accountable Grant Arrangement. No issues were identified. Robust processes are in place to ensure compliance with the requirements as set out by the Foreign, Commonwealth & Development Office.	Substantial	-	-	-
International Search and Rescue (ISAR) Cash Management	There are comprehensive procedures for managing UK ISAR cash, which are readily available to relevant officers. These include appropriate arrangements for secure storage of the cash, for signing cash in and out and for documenting amounts signed in/out, and for recording expenditure when cash is withdrawn. Regular reconciliations are performed, including independent reconciliations completed by the Finance team.	Substantial	-	-	-

Work in Progress

The following table provides an update on work to be completed

Drafting	Ongoing	Scoping
<ul style="list-style-type: none"> • Stores 	<ul style="list-style-type: none"> • Budgetary Control • Business Continuity 	<ul style="list-style-type: none"> • Training and Development Academy • Payroll • Creditors • Treasury Management • Debtors • General Ledger

Appendix 2: Recommendation Age Analysis

The following table shows the change in the age analysis of outstanding recommendations during the reporting period

Priority	June 2025					January 2026				
	Not due	<6m	6-12m	>12m	Total	Not due	<6m	6-12m	>12m	Total
Essential / Strategic				3	3					0
High	2	6	4	3	15			3	1	4
Medium	2	2		4	8					0
Total	4	8	4	10	26	0	0	3	1	4

Appendix 3: Assurance and Ratings Definitions

Overall Assurance Opinion	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the areas audited.
Reasonable	There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Overall Assurance Opinion	Definition
Essential / Strategic	Absence or failure of fundamental control where there is no compensating control, failure or absence of a control which would probably result in a direct risk of serious injury to staff, customers or third parties, any illegal operation, any failure to comply with regulatory requirements, any national reputation impact
High	A weakness in fundamental control, absence or failure of key controls e.g. orders not authorised, no review of bank reconciliation, failure or absence of a control which would possibly result in a direct risk of serious injury to staff, customers or third parties, widespread non-compliance with policy, absence of procedure notes, absence of clear organisation policy, any local reputation impact
Medium	General weakening of the control environment, failure or absence of a control which would possibly result in an indirect risk of serious injury, localised failure of a control which would possibly result in a direct risk of serious injury to staff, customers or third parties, localised non-compliance with policy, procedure notes not updated, other actions which will improve operational efficiency

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