Merseyside FIRE & RESCUE SERVICE

Public Document Pack

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

J. Henshaw
LLB (Hons)
Clerk to the Authority

Tel: 0151 296 4000
Extn: 4112 Helen Peek

Your ref: Our ref HP/NP Date: 15 September 2014

Dear Sir/Madam,

You are invited to attend a meeting of the **POLICY AND RESOURCES COMMITTEE** to be held at **1.00 pm** on **TUESDAY, 23RD SEPTEMBER, 2014** in the Temporary Meeting Room at Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

Press and Public will be permitted entry at 12.45pm.

This meeting will be preceded by a Members Learning Lunch at 12.00 pm.
Topic: Station Mergers and Appliance Availability Update.

Yours faithfully,

Clerk to the Authority

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MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

23 SEPTEMBER 2014

AGENDA

Members

Les Byrom (Chair)
Peter Brennan
Roy Gladden
Ted Grannell
Denise Roberts
Jean Stapleton
Sharon Sullivan
Lesley Rennie

1. Preliminary Matters

Members are requested to consider the identification of:

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

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

c) the following item of business requires the exclusion of the press and public during consideration thereof, due to the possible disclosure of EXEMPT information:

- *Agenda Item 7 – "PFI Project – Progress Report For The Period September 2013 to July 2014"*

This report contains EXEMPT information by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

2. Minutes of the Previous Meeting (Pages 1 - 6)

The Minutes of the previous meeting of the Policy and Resources Committee, held on 1st April 2014, are submitted for approval as a correct record and for signature by the Chair.

3. **Audit Findings Report** (Pages 7 - 40)

To consider the Audit Findings Report for 2013/14 from the Authority's External Auditors – Grant Thornton.

Representatives from Grant Thornton will be in attendance to present their report.

4. **Statement of Accounts 2013/14 - Authorisation for Issue** (Pages 41 - 152)

(CFO/096/14)

To consider Report CFO/096/14 of the Deputy Chief Executive, concerning the audited 2013/14 Statement of Accounts for approval and request they be authorised for issue.

5. **Financial Review 2014/15 - April to June** (Pages 153 - 184)

(CFO/097/14)

To consider Report CFO/097/14 of the Deputy Chief Executive, concerning a review of the financial position, revenue and capital, for the Authority for 2014/15, for the period April to June 2014.

6. **The Openness in Local Government Regulations 2014** (Pages 185 - 226)

(CFO/087/14)

To consider Report CFO/087/14 of the Clerk to the Authority, concerning the Openness in Local Government Bodies Regulations 2014 came into force on 4th August 2014 and of the impact of these Regulations for Merseyside Fire and Rescue Authority.

7. **PFI Project - Progress report for the period September 2013 - July 2014** (Pages 227 - 238)

(CFO/098/14)

To consider Report CFO/098/14 of the Deputy Chief Executive, concerning a review of progress on the North West Fire & Rescue Services Private Finance Initiative (PFI) Project over the period from September 2013 – July 2014 and to confirm the start of the contract management phase.

This report contains EXEMPT information by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

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

Refreshments

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

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MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

1 APRIL 2014

MINUTES

Present: **Cllr Leslie T. Byrom CBE (Chair)** Councillors Robbie Ayres, Roy Gladden, Ted Grannell, Steve Niblock, Denise Roberts, Sharon Sullivan and Pat Moloney

Also Present: Anthony Boyle (Independent Person), Dave Hanratty, Linda Maloney and Lesley Rennie

Apologies of absence were received from:

1. Preliminary Matters

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

Resolved that:

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

b) the Chair determined that one additional item of business, Report CFO/041/14 Collaboration with the Fire Service College, be considered as a matter of urgency; and be included on the Agenda at item 9

c) items 8 and 9 of the Agenda require the exclusion of the press and public during consideration thereof, because of the possibility of the disclosure of exempt information:

item 8 CFO/036/14 Application for Early Release of Pension deferred LGP Scheme and associated Appendices - ***contains EXEMPT information by virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972,***

item 9 CFO/041/14 Collaboration with the Fire Service College, at Appendix A ***- contains EXEMPT information by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.***

2. Minutes of the Previous Meeting

Members considered the Minutes of the previous meeting held on 14th January 2014.

Resolved that:

The Minutes of the previous meeting of the Policy and Resources Committee, held on 14th January 2014, be approved as a correct record and signed accordingly by the Chair.

3. Critical Incident Stress Management

Members considered report CFO/040/14 of the Deputy Chief Fire Officer regarding the Critical Incident Stress Management procedure; which was introduced to Merseyside Fire and Rescue Authority (MF&RA) in July 2013.

Members were also provided with a presentation in support of this report during a learning lunch, prior to the opening of the meeting. During the learning lunch Members took the opportunity to discuss, in some detail, the nature of the work which has been undertaken to introduce the procedure, how this has worked in practice to date, and potential development of the facility in the future, to support employee's.

Resolved that:

a) Members note update report and supporting presentation; and

b) Members thanked all involved in the development and implementation of the procedure.

4. Access to Social Media

Members considered Report CFO/031/14 of the Deputy Chief Executive, requesting approval for ICT to open up access to Social Media Sites on the Corporate network, for all Merseyside Fire & Rescue Authority staff.

Resolved that:

Members;

a) Note the recent upgrade of Websense, the corporate Web Filtering and Email filtering solution,

b) Approve the access to Social Media on the Corporate ICT Network for all staff; and

c) Note the mitigation measures in place to avoid abuse or misuse

5. <u>Access Audit Report and Recommendations for Estates work</u>

Members considered Report CFO/032/14 of the Deputy Chief Fire Officer, regarding a summary of the recent Access Audit carried out across 22 Stations, and information provided therein to enable decisions to be made regarding improvement work to be completed, the timeframe and determine costs.

Discussion took place with regard to the importance of these improvements, especially the female firefighter changing and washing facilities, and Members requested that work commence on these improvements as soon as possible.

<u>Resolved that</u>:

Members:

a) approve the work required to make improvements for Female Firefighter facilities (changing and washing facilities) as highlighted in Appendices 1, 2 & 3, starting with those stations that currently have female Firefighters in post, with this work deemed a priority to be completed, commencing April 2014 in line with the specific work outlined in Appendix 6 table 1 at a cost of £34,400,

b) approve the Priority 1 work highlighted in Appendix 6 in line with the costings outlined in Table 3 of £95,035, and Table 4 of £133,845; and

   i. the list of recommended phasing for works across stations at Appendix 6, as Estates priority work streams for 2014/15 be noted; and

   ii. the list of work in Table 5, £96,550 be noted at this time, as the station merger options may make these works obsolete.

c) approve specific additional work recommended from Priority 2,3 and 4 as deemed appropriate by Estates Manager (e.g. Signage) highlighted in Appendix 2; and

   i. the total value of this work is £530,640 be noted; and

   ii. a £100,000 initial budget for this work to fund the priority work as deemed appropriate by the Estates Manager be approved.

d) note that costs are budgeted figures (already contained within existing budgets) based on industry guides and best value will be obtained in accordance with MFRA standing orders; therefore;

   i. an increase in the current DDA Capital budget from £139,000 to £364,000, seeing an increase of £225,000, to be funded from the £510,000 Equality and DDA reserve be approved; and

   ii. note that as additional DDA work is confirmed, requests for further drawdown from this reserve will be made

e) agree that ongoing monitoring of the access audit work will be reported by the Estates Manager as part of the Estates Equality and Diversity action plan quarterly progress report, discussed at Strategic Equality Group meetings.

6. **Protective Security Policy and related Service Instructions**

Members considered Report CFO/012/14 of the Deputy Chief Fire Officer, regarding the development of Policy and Service Instructions to enable the Authority to implement the requirements of the Governments Protective Security Strategy.

Resolved that:

Members;

a) note each of the documents have been through the Authority's consultation process with some minor changes made as a result; and,

approve the Protective Security Policy, Protective Marking Service Instruction, and Personnel Security Service Instruction which were attached as appendices A, B and C to the report.

7. **Review Of Improvement Scheme**

Members considered Report CFO/039/14 of the Deputy Chief Fire Officer, regarding progress and outcomes in relation to the Authority's Improvement Scheme.

Resolved that:

Members note the progress and outcomes resulting from the Improvement Scheme.

8. **APPLICATION FOR EARLY RELEASE OF PENSION (DEFERRED) LGPS**

The following items were deemed confidential by the Chair, therefore both items required the exclusion of the press and public during consideration thereof, because of the possibility of the disclosure of exempt information.

Members of the Press and public were requested to leave the meeting.

Members considered Report CFO/036/14 of the Chief Fire Officer, concerning an application for an early release of pension (deferred member of the Local Government Pension Scheme (LGPS)

This Report contains EXEMPT information by virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

Resolved that:

Members note and endorse the actions taken by the Chief Fire Officer following an application for an early release of pension.

9. Collaboration with the Fire Service College

Members considered report CFO/041/14 of the Chief Fire Officer concerning the intention to collaborate with the Fire Service College.

This Report at Appendix A contains EXEMPT information by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Resolved that:

Members approved the recommendations contained within the reports with regard to collaboration with the Fire Service College.

Close.

Date of next meeting to be agreed at the Annual meeting.

Signed:_____________________ Date:______________

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The Audit Findings
for Merseyside Fire and Rescue Authority

Year ended 31 March 2014

9 September 2014

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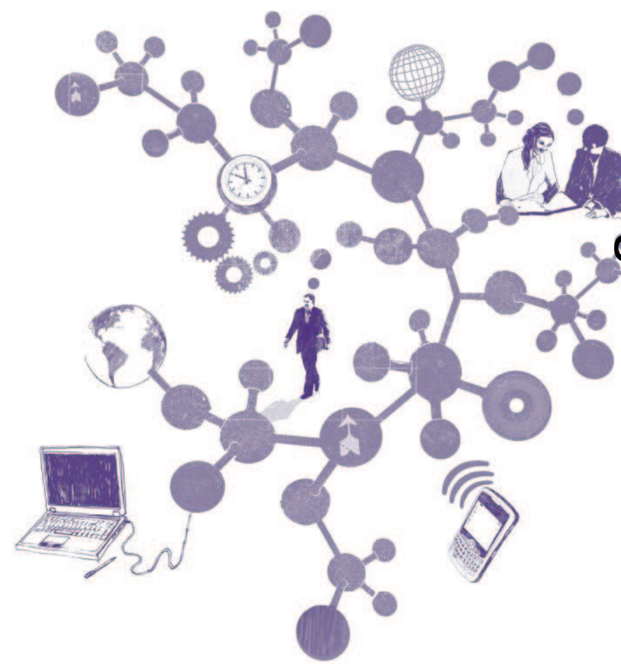

Agenda Item 3

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

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Section 1: Executive summary

We anticipate providing an unqualified opinion on the financial statements, and an unqualified value for money conclusion.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Merseyside Fire and Rescue Authority's ('the Authority') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 29 May 2014. Our audit is largely complete although we are finalising our work in the following areas:

- Finalising our testing of payroll payments; pensions contributions and pensions benefits.
- Obtaining and reviewing the final management letter of representation.
- Updating our post balance sheet events review, to the date of signing the opinion.
- Review of the Whole of Government Accounts submission.

Key issues arising from our audit

Financial statements opinion

As at 9 September 2014, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the Authority's financial statements. The financial statements show gross expenditure of £75.508m, usable reserves of £27.796m and net liabilities of £943m. At the time of drafting this report we have not identified any material errors or uncertainties in the financial statements. Officers have made some adjustments to improve the presentation of the financial statements as a result of the audit.

The key messages arising from our audit of the Authority's financial statements are:

- No significant issues were identified.
- The accounts were prepared to a fair standard and contained few errors.
- Working papers were provided at the start of the audit and further working papers were produced as required during the audit.
- Finance staff were available throughout the audit to answer our questions promptly and provided additional information in a timely manner.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion. The Authority continues to have good arrangements in place to secure financial resilience, and proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The Authority has a track record of responding positively to the need to do more with less. Over the last three years the Authority has identified £19.2m of financial savings and reduced the number of pumps from 42 to 28. Looking forward it is clear the Authority will need to make further savings and is making progress with its programme of fire station mergers.

Further details of our work on Value for Money are set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts submission in accordance with the national timetable.

Controls

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Our work has not identified any significant control weaknesses however we identified a small number of areas where the IT arrangements can be strengthened further.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Deputy Chief Executive.

Acknowledgment

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

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

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We have not identified any adjustments affecting the Authority's financial position and we are expecting to issue an unqualified opinion on the financial statements.

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 29 May 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to the Audit Committee on 29 May 2014.

Audit opinion

We anticipate that we will provide the Authority with an unmodified opinion. Our audit opinion is set out in Appendix A.

Key findings

The Authority submitted its financial statements for audit by the deadline of 30 June 2014. The draft accounts were prepared to a fair standard and were supported by detailed working papers.

Our audit work identified a small number of amendments to ensure compliance with CIPFA's Code of Practice on Local Authority Accounting. These changes have been processed by management along with a number of presentational amendments identified to improve disclosure for the reader of the accounts. These amendments do not affect the Authority's reported financial position or available reserves.

As last year, we received good co-operation from officers and we would like to record our thanks for their professional and timely approach to the audit and to our requests for additional information.

Property, Plant and Equipment (PPE)

The Authority revalues its property portfolio on a five year basis. For assets not formally revalued in the financial year, officers undertake a review to ensure the carrying value does not differ materially from the value included in the accounts. Through this process, the Authority has demonstrated that the valuation of the assets not revalued in year, has not materially changed.

We are satisfied that the outcome of this process is reasonable and we understand that a full valuation will be undertaken in 2014/15. Going forward its is important that the Authority establishes a process to confirm whether asset values, not subject to a full valuation, are likely to have changed materially since their previous valuation.

Private Finance Initiative (PFI)

In our Audit Plan we highlighted the changes to the Authority's accounts for 2013/14 that had to be made to reflect the completion of the Fire Station replacement project. The Authority's PFI project to rebuild seven of its fire stations is now complete. The three remaining new stations were operational from July 2013. We have considered the disclosures in the Authority's accounts and have discussed the accounting treatment with finance staff and audited the disclosure notes. The PFI disclosure note was amended to show the asset value recognised in the accounts as well as the payments made under the PFI arrangements.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• We considered whether the presumed risk of fraud due to improper recognition of revenue applied for the audit of Merseyside Fire and Rescue Authority. • Most of the Authority's revenues are from government grants or from Council Tax precepts which are predictable in timing and value. As the levels of other revenues are not material in 2013/14, we have concluded that the presumed risk can be rebutted and so is not relevant to our 2013/14 audit. • We have undertaken and completed the following: - review and testing of revenue recognition polices; - review of unusual significant transactions; and - testing of material revenue streams.	Our audit work has not identified any significant issues in relation to the risk identified.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management. • testing of journals entries. • review of accounting estimates, judgements and decisions made by management. • review of unusual significant transactions.	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

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Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses/creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • Documented our understanding of processes and key controls over the transaction cycle. • Undertaken walkthrough of the key controls to assess the whether those controls are designed effectively. • Selection of a sample of expenditure items and year end creditor balances for substantive testing. • Review for unrecorded liabilities. • Cut-off testing of the expenditure stream. • Substantive testing of payables and accruals including: i. Test of a sample of payables and accruals; ii. Attribute testing on a sample of expenditure; and iii. Assessment of the robustness of assumptions and estimates underlying accruals.	We tested a sample of 25 payments , selected at random and agreed the payments to source documentation to ensure the payment was valid expenditure, VAT was correctly recorded and the payment was correctly accounted for in 2013/14. We completed an additional test on a sample of 10 payments after the year end to source documentation, to ensure that if the transaction was correctly recorded. Our audit work has not identified any significant issues in relation to the risk identified.

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Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle. • walkthrough of the key controls to assess the whether those controls are designed effectively. • Substantive testing of employee remuneration including: i. Analytical procedure to determine whether movements in salaries and other pay related costs are reasonable and materially correct. ii. Attribute testing on a sample of pay costs. iii. Agreement of related disclosures to the payroll system or other appropriate source document.	Whilst no issues have arisen to date, our work to confirm the existence of a sample of employees and the accuracy of their pay is still in progress.
Property, plant & equipment	PPE activity not valid or Revaluation measurement not correct	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle. • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively. • Substantive testing of the property, plant and equipment valuation. • Review of the Valuer used by the Authority as an expert. • Review of accounting estimates, judgements and decisions made by management.	The Authority had not revalued its assets in 2013/14 as a full valuation is planned in 2014/15. We reviewed the Authority's asset valuation arrangements and confirmed the valuation of PPE was not materially mis-stated. Our audit work identified an amendment to the PPE comparative 2012/13 disclosures in note 12 to the financial statements and the finance lease disclosure in note 35. The amendment is shown on page 16. Following the finalisation of the lease with Liverpool City Council we have concluded that it is reasonable for the Authority to disclose the Toxteth Fire Fit Hub as a finance leased asset in the 201/314 balance sheet at the valuation calculated under IAS17.

Audit findings against other risks continued

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Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Pension Benefits payable	Benefits improperly computed/ liability understated.	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle. • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively. • Substantive testing of pension payments.	Whilst our testing of pension payments is still in progress, work completed has not identified any significant issues in relation to the risk identified. Review of the outputs of pension scheme actuaries found that the resulting accounting entries affecting the pensions liability and pensions reserve were consistent with the figures reported by the actuary.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• The Authority has adopted the accounting policies in accordance with the Code of Practice on Local Authority Accounting. • The policies for revenue recognition are set out in the Statement of Accounting Policies. • Income is accounted for in the year the activity relates to takes place i.e. on an accruals basis. • Income is recognised when it is earned not when it is received.	We have reviewed the accounting policies against the requirements of the Code of Practice on Local Authority Accounting. • The approach to accounting for income is robust and in accordance with current guidance. • Disclosure of the revenue recognition policy is adequate. • The revenue recognition policies of the Authority are appropriate to the accounting framework and are adequately disclosed. Our audit testing has not identified any areas of concerns in respect of revenue recognition.	
Other accounting policies	• Key estimates and judgements include – Provisions and contingent liabilities. – Classification, valuation, impairment and useful life of property, plant and equipment. – Pension liabilities. – Council tax Precept surplus / deficit. – Impairment of receivables past due date.	We have reviewed the judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting. • Where the Authority has made judgements or estimates in the financial statements these have been supported with robust methodologies and clear explanation of the assumptions applied. • Disclosure of judgements and estimates is considered appropriate.	

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	• Key estimates and judgements include – useful life of property, plant and equipment. – pension fund valuations and settlements. – property revaluations and impairments. – Provisions. – pension top-up grant.	We have reviewed the judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting. • Where the Authority has made judgements or estimates in the financial statements these have been supported with robust methodologies and clear explanation of the assumptions applied. • Disclosure of judgements and estimates is considered appropriate.	● (green)
Judgements and estimates - PPE	• Page 41 of the accounts sets out the Authority's accounting policy for asset valuations. Page 31 of the accounts sets out the critical judgements underpinning the 5 yea revaluation programme. The Authorities approach is similar to many other authorities and ensures that assets of a similar class are revalued simultaneously . This approach meets the Code's requirement in paragraph 4.1.2.35. • We are satisfied that the Authority has demonstrated the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.	We have reviewed the judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting. • The Authority's approach is similar to many other organisations. • We noted that the Authority did not complete a revaluation of all assets in 2013/14 as a full valuation is planned for 2014/15. • The Authority, in conjunction with its independent external valuer, has completed a desk- based valuation approach which helps to provide assurance over the material accuracy of the balance at 31/3/14 of those assets which have not been subject to a full valuation. • We have suggested that going forward its is important that the Authority establishes a process to confirm whether asset values, not subject to a full valuation, are likely to have changed materially since their previous valuation.	● (green)

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Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	IAS19 disclosure of prior period adjustment. The 2013/14 Code includes the adoption of the June 2011 amendment to IAS 19 Employee Benefits, which changes the classification, recognition, measurement and disclosure requirements. The 2012/13 comparative figures in the CIES have been amended as required by the 2013/14 Code. There has been no effect on the total pension liability and therefore the balance sheet has not been restated.	Financing and investment income +£411k Actuarial losses -£411k	n/a n/a	0 0
	Overall impact	**£0**	**£0**	**£0**

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Misclassifications & disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misclassification	n/a	CIES	Other comprehensive income and expenditure was amended on the face of the CIES from 'actuarial gains/losses on pension assets/liabilities' to 'remeasurement of the net pension liabilities'. The amended description is in line with the 2013/14 Code.
2	Disclosure	n/a	Note 1 Accounting polices	Note 1(iv) on prior period adjustments was amended to include a restated CIES and MIRS disclosing the changes to the comparative figures for 2012/13 following the change in the 2013/14 Code.
3	Disclose	n/a	Note 4 Assumptions/ Estimation uncertainty	Note 4 was amended to record the Authority's assumptions on its arrangements for the valuation of Land and Buildings.
4	Disclosure	411	Note 10 Financing and investment income	The comparative figure for the expected return on pension assets was amended from £2,460 to £2,049k to record the IAS 19 prior period amendments.
5	Misclassification	n/a	Note 11 taxation and non specific grant income.	The total disclosed for council tax income £27,060k consists of the precept, surplus/deficit from previous years, local business rates and an accrual. The disclosure in note 11 was amended to show separate amounts for council tax income (£23,218) and the Authority's local share of business rates (£3,842). 'Non-ringfenced' government grants was amended to 'revenue support grant'.
6	Disclosure	6,152	Note 12 PPE comparatives 12/13	Note 12 comparatives for 2012/13 were amended to disclose the finance lease element of PPE totalling £6.152m and reducing the owned asset holding from £32,560 to £26,408.

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Misclassifications & disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
7	Disclosure	411	Note 27 Reconciliation of Services Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	The comparative figure for net pension interest costs in the corporate amounts column was amended from £40,869k to £41,280k to record the IAS 19 prior period amendments.
8	Disclosure	6,029	Note 35 Finance leases	Note 35 showing the Authority as lessor was amended to include a table on the assets acquired under finance leases and carried as Property, Plant and Equipment in the Balance Sheet.
9	Disclosure	20,215	Note 36 PFI	Note 36 was amended to include a table on the value of assets recognised under PFI arrangements and an analysis of the movement in the value of assets during the year.
10	Disclosure	n/a	Note 40 Local Government pension scheme	The impact on the authority's cash flows was amended to include a paragraph outlining the prepayment of contributions towards the pension fund deficit in 2014/15.
11	Disclosure	n/a	Pension Fund	The notes to the Pension Fund were amended to include an analysis of debtors as required by the Code para 5.3.4.2.
12	Disclosure	n/a	Note 40 Firefighters' pension scheme	The note has been amended to include narrative explaining the Authority's treatment, within the financial statements, of Government top-up grant.

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Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

As part of our planned programme of work , our information system specialist team undertook a high level review of the general IT control environment at the Authority. This was undertaken as part of the review of the internal controls system. We are pleased to report that no significant issue arose from our work, however we identified a small number of minor areas where the Authority's existing IT arrangements can be developed further, including:

- developing stronger password formats and exploring the use of controls designed to address the risk of password compromise.
- reviewing the external access controls as two-factor authentication is not currently used (i.e. username/password only); and
- periodically perform a network penetration test to identify any weaknesses in the network the Authority is unaware of.

We have issued a separate detailed report on these issues to management.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance via the Audit Committee.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee. • We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Authority.
4.	**Disclosures**	• Our review found no material omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Going concern**	• Our work has not identified any reason to challenge the Authority's decisions to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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We propose to give an unqualified VFM conclusion

Value for Money

Value for money conclusion

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited bodies have put in place such arrangements.

The VFM conclusion is based on the following two criteria specified by the Audit Commission:

- **The Authority has proper arrangements in place for securing financial resilience.** The Authority has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Our audit approach involves the completion of an initial risk assessment against a series of key criteria. In undertaking this initial assessment we took account of the key issues facing the Authority including the significant financial challenge of balancing service delivery against available resources at a time of reducing budgets. We did not identify any residual risks that needed to be addressed through specific local work.

Key findings

The main matters to note from our VFM conclusion work are:

Securing financial resilience - the Authority has delivered £19m of savings following the reduction in Government grant funding over the first two year period of the spending review. In February 2013 the Authority approved a balanced budget identifying savings options that closed a £10m budget gap. The savings target of £10m by 31 March 2015 consisted of :

- a maximum increase in council tax of 2% generating income of £0.446m.
- a back office and support service review providing savings of £7m through a combination of measures including the removal of 57 posts.
- a reduction in the number of appliances from 42 to 28 and the number of firefighters from 850 to 760.

The majority of the savings plan has been achieved one year earlier than expected which is a significant achievement.

The scale of the financial challenge remains significant. Following the Government's announcement of the settlement for 2014/15 and an indicative estimate for 2015/16 the Authority was required to make further savings of £6.3m to address a funding gap in the financial position for 2014/15 to 2018/19. The challenge is becoming increasingly difficult to meet and in order to achieve this the Authority has developed a programme of fire station mergers which we understand will be completed by 2016.

Value for Money

Value for money conclusion

Challenging economy, efficiency and effectiveness
We have reviewed whether the Authority has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. The work has included:

- Review of the 2013/14 budget setting process and updates to the Medium Term Financial Strategy;
- Review of budget monitoring arrangements; and
- On-going review of major projects and developments.

Financial Planning - the Authority has developed a Medium Term Financial Strategy which provides detailed plans for five years (on a rolling basis) and considers the financial planning at a higher level for future years. This includes sensitivity analysis and scenario planning. With the uncertainty of future funding, detailed plans have not been developed further ahead than five years. However, the Authority does consider the full financial impact of any decisions made on capital projects initiated.

Reserves Strategy - The Authority has adopted a reserves strategy that maintains a General Reserve of £2.894m and Earmarked Reserves of £23.082m to cater for specific risks, projects and one-off initiatives and in particular to help it manage effectively the financial pressures. Looking ahead, the Authority is undertaking a review of all reserves and balances to support the station merger programme. The Authority holds specific risk reserves for cost smoothing, capital investment, inflation and catastrophe where it is not possible with certainty to predict in what year these reserves will be utilised and therefore holds these on the balance sheet until required.

While the Authority has a good level of reserves and balances it currently has outstanding debt of £42.1m which is relatively higher than most fire and rescue authorities due to the size of the estate and the previous capitalisations of revenue costs. The Authority's MTFS highlights that the 'ratio of financing costs to net revenue stream' will increase markedly over the next few years. The annual cost of debt repayment and interest for new borrowing is forecast to increase by £1m (2014/15). Given the level of savings the Authority has to make in the next 3 years the additional debt and interest payments may place an increasing pressure on the Authority's finances.

Should the Authority use reserves to support the funding of the station merger programme then as the reserves are used up it will reduce the short term flexibility within the financial strategy post 2016/17 and it will be harder to use natural turnover rates to deliver savings from the firefighter budget. It is therefore important that the Authority continues to monitor and assess the affordability of its capital programme in the light of the overall financial challenge.

Value for Money

Investment in major projects - the Authority, in partnership with Merseyside's Police and Crime Commissioner has made progress with the development of a combined control room and strategic and tactical command suites. Completion of the main building and stage A and B of the construction programme was achieved on the 23 June 2014. Although we understand that work on the ground floor corridor was delayed following a contractual dispute resulting in the release of the contractor and the re-tendering of the contract. We will continue to track progress on the project as the work continues.

Looking forward the Authority will seek to build on its partnership with Merseyside's Police and Crime Commissioner and find further ways of strengthening collaboration.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Section 4: Fees, non audit services and independence

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There are no significant facts or matters that impact on our independence as auditors

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Authority audit	43,232	43,232
Total audit fees	**43,232**	**43,232**

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Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

We have delivered out audit in accordance with planned timescales and the requirements of Auditing Standards. We expect give our opinions by the statutory deadlines.

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

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Appendix A: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYSIDE FIRE AND RESCUE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Merseyside Fire and Rescue Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the related notes. 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 2013/14.

This report is made solely to the members of Merseyside Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and Auditor

As explained more fully in the Statement of Responsibilities, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the Authority 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Merseyside Fire and Rescue Authority as at 31 March 2014 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 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Merseyside Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Merseyside Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Robin Baker
Engagement Lead

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool
L3 1PS

September 2014

Appendix B: Letter of Representation

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

23 September 2014

Dear Sirs

Merseyside Fire and Rescue Authority - Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Merseyside Fire and Rescue Authority for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

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

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

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

viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.

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

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

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

xii. We have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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

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

Information Provided

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

Appendix B: Letter of Representation

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

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

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

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

a. management;

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

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

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

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

xxii. We have disclosed to you the entity of the 'Authority's related parties and all the related party relationships and transactions of which we are aware.

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

Annual Governance Statement

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

Approval

The approval of this letter of representation was minuted by the Authority 's Policy and Resources Committee at its meeting on 23 September 2014.

Signed on behalf of the Authority

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Grant Thornton

grant-thornton.co.uk

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	23 SEPTEMBER 2014	REPORT NO:	CFO/096/14
PRESENTING OFFICER	DEPUTY CHIEF EXECUTIVE KIERAN TIMMINS		
RESPONSIBLE OFFICER:	KIERAN TIMMINS	REPORT AUTHOR:	IAN CUMMINS HEAD OF FINANCE
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	STATEMENT OF ACCOUNTS 2013/14 - AUTHORISATION FOR ISSUE		

APPENDICES:	APPENDIX A: APPENDIX B:	STATEMENT OF ACCOUNTS 2014/15 LETTER OF REPRESENTATION

Purpose of Report

1. To present to members the audited 2013/14 Statement of Accounts for approval and request they be authorised for issue.

Recommendation

2. That Members
   a. approve the audited Statement of Accounts 2013/14, attached as Appendix A to this report, and
   b. approve that the Statement of Accounts 2013/14 may be authorised for issue, and
   c. approve the letter of representation in relation to the 2013/14 accounts, attached as Appendix B.

Introduction and Background

3. The Authority has a statutory duty to approve and sign-off for publication the Statement of Accounts for the previous year before 30th September.

4. Members have already approved the 2013/14 year-end outturn position and movement on reserves when they considered report CFO/079/14 at the Authority meeting on 24th July 2014. That report identified net revenue expenditure in the year of £64.414m against a budget of £66.721, a favourable variance of £2.307m. The report identified that of this variance £0.955m was required to be carried forward as earmarked reserves leaving a real saving in 2013/14 of £1.352m. Member's approved the allocation of this one-off saving of £1.352m to increase the Capital Investment Reserve in light of the planned station merger and investment strategy.

5. At the time of writing this report Grant Thornton have yet to finalise the audit of the Statement of Accounts however no major issues have been identified. Grant Thornton are in the process of finalising their Audit Findings report, elsewhere on today's agenda, and this will summarise the issues they have identified in the Statement of Accounts. **The outturn position on the revenue account, capital programme, and movement on reserves reported in CFO/079/14 has not changed**.

Statement of Accounts;

6. The Statement of Accounts is a record of the Authority's financial activities for 2013/14 with comparative figures for 2012/13. 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.

On 1st April 2010 the Authority, along with all other local authorities, adopted International Financial Reporting Standards (IFRS). The accounts for 2013/14 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 Explanatory Foreword provides a brief description of each of the four core statements;

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

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

The Authority sets it budget and monitors expenditure during the year in terms of its General Fund account, which is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council tax payers. (*Paragraph 4 of this report outlined the 2013/14 General Fund position for the service)*

7. The analysis below identifies and briefly explains some of the largest movements between the figures in the formal statement of accounts for 2013/14:-

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).

Increase in usable Earmarked Reserves of £0.235m. The year-end report, CFO/079/14, identified an overall net increase in reserves of £0.235m in 2013/14 compared to a planned reduction of £2.072m, an increase of £2.307m. The increase in reserves compared to that anticipated reflects the favourable 2013/14 year-end revenue position on the general fund and the proposal to utilise this to create additional year-end earmarked reserves of £2.307m, see analysis below:

	Opening Balance	Anticpated Closing Balance	Actual Closing Balance	Variation to that Anticpated		
					Explaind By;	
				Total	Specific Projects continuing into Yr 2	Year-End Saving - Increase in Capital Investment Res.
	£000	£'000	£'000	£'000	£'000	£000
Total Earmarked Reserves	23,082	21,010	23,317	2,307	955	1,352

The General Fund balance remained at £2.894m throughout the year and reflects the perceived levels of risk within the current financial plan.

A reduction in unusable reserves of £41.827m. Unusable reserves are not available to fund spend and in reality simply reflect technical adjustments required in the accounting statements to adhere to the Code. The main entries relate to charges for notional depreciation and changes to pension liabilities and assets. Most of the reduction, £34.107m, is down to changes in the liability of the pension schemes in 2013/14.

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 2013/14 (after taking into account the creation of reserves) this becomes net expenditure of (£41.847m) on the CIES because of additional accounting transactions relating mainly to pensions but also depreciation and some other technical adjustments. The Foreword in the Statement of Accounts contains a reconciliation statement between the General Fund position and that in the CIES, (see overleaf);

	Expenditure £000
Net General Fund 2013/14 year-end position:	-
1 Net creation of Earmarked Reserves**	(235)
2 Asset valuation / charges and Capital Funding Adjustments	
Charge for depreciation and impairment	4,443
Other Operating Expenditure	0
Revenue expenditure funded from capital under statute (REFCUS)	619
Finance (interest on loans)	3,773
Capital Grants Income	(5,449)
3 Pension related adjustments	
Pension Costs calculated in accordance with IAS 19	16,834
Pension Contributions payable to pension fund	(9,210)
Pensions Interest Cost and expected return on pension assets	42,787
Non Distributable Costs (Pension Valuation Changes)	43
Reduction in value of the net defined pension liability	(84,561)
4 Other technical accounting adjustments	
Employee Compensated Absences Movement (leave/flexi c/fwd)	(208)
Council Tax Adjustment (accrual for under/over payments from collection fund)	(303)
5 Reversal of statute charges in the General Fund but not CIES	
Agency Services PFI Unitary Charge – Debt charges (Not reported in I&E Account)	(1,759)
Remove Capital Financing – Debt Charges (Not reported in I&E Account)	(8,621)
Total Comprehensive Income and Expenditure Statement	**(41,847)**

Notes to the table:

1. ***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.*

2. *The depreciation and impairment charge of £4.443m reflects the notional consumption of assets during the year (a depreciation charge of £4.242m) and the reduction in the valuation of assets during the year (an impairment charge of £0.201m). A charge of £0.619m for 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. Capital grants of £5.449m have been credited to the CIES in accordance with proper accounting practice, however for statutory purposes the financing of capital expenditure from these grants must be included within the Authority's capital programme.*

3. *Pension costs in the CIES reflect IAS 19 and therefore include movements in the pension fund valuations and pension contributions received in the year. Note 40 in the Financial Statements provides further details of movements in the pension funds during the year.*

4. *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).*

5. *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, £1,759m. The removal of capital financing charges relates to costs associated with; interest payments on loans of £2.169m; the Minimum Revenue Provision of £3.178m (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA) of £3.327m; and the saving associated with the early repayment of debt, -£0.053m.*

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.

The Balance Sheet

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

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

- Long Term Assets – increased by £13.248m. The final three PFI stations came onto the Authority's balance sheet in the year, £8.935m, in addition to the construction value of the Joint Control Room as at 31.03.14 which was £6.147m. After taking into account smaller capital purchases and the depreciation charge in the year long term assets increased in value by £13.248m.

- Current Assets – increased by £1.806m. The current strategy of building up reserves compounded by the re-phasing of planned capital spend and the receipt of grant monies in advance of expenditure has resulted in an increase in Short Term Investments, £2.972m, and reduction in Cash & Cash Equivalents, -£1.440m (reduction in short term investments). The remaining increase in current assets reflects a small increase in debtors and inventory values

- Other long-term Creditors – An increase of £8.685m. The increase reflects the completion of the PFI stations and the related contractual commitment to the PFI contract for its 25 year life until 2038.

- Provisions – A net increase of £0.424m. The injury compensation provision (personal injuries sustained where the Authority is alleged to be at fault) is re-assessed at the end of each financial year. Additional provision for new or amended claims received in the year equated to £0.605m and the value of claims settled was £0.181m, a net increase in the provision of £0.424m

- Long-term borrowing reduced by £1.475m reflecting the fact that a loan of £1.475m is due to be repaid within the coming 12 months.

- Other long-term liabilities reduction of £34.147m. Of this £0.040m is due to the reduction in the Authority's share of Merseyside County Council residual debt. The balance, £34.107m relates to the Defined Benefit Pension Scheme and Pension Account movements in the year. This reflects the movement in liability and funds in Firefighter and Local Government pension schemes. This change is offset by a reduction in the Pensions Reserve (Unusable Reserves) of £34.107m. These accounts balance each other out and allow the inclusion of the pension liability in the balance sheet. / Unusable Reserves (see Note 22 in the Statement).

- Usable Reserve increase £0.020m – this is the net movement in reserves in the year; An increase in earmarked reserves of £0.235m as a consequence of reserves created at the year-end, and a reduction of £0.215m in the capital grant unapplied reserve (grant received in advance of expenditure) as grant is applied to fund capital expenditure in the year.

- Unusable Reserves reduction of £41.827m. As mentioned previously Unusable reserves have been created to allow the technical aspects of accounting required by the Code to be reflected in the Statement of Accounts. Unusable reserves are not generally available to fund spend. The reduction in the Pension Reserve of £34.107m to reflect changes in the liability of the pension schemes accounts for most of this reduction. The other significant movement relates to the Capital Adjustment Account, -£7.656m, (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 Investment Properties and gains recognised on donated assets).

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Notes 23 to 26 in the Statement of Accounts provide more for detail of specific movements in the year.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery (for an analysis of investing activities see note 25 in the Statement). Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing, see note 26 in the Statement for details) to the Authority.

Overall total cash and cash equivalents (Cash equivalents are highly liquid investments that mature within a period of no more than three months and are readily convertible to known amounts of cash) have reduced by £1.440m to £13.279m. This in part due to the increase in longer term investments as part of the strategy of building up reserves to provide time to re-engineer the Service in light of the financial challenge ahead.

8. Members are required to approve the Statement of Accounts, attached as Appendix A, and 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.

9. International Audit Standards require a letter of representation from the Authority to the Auditors confirming that the information in the financial statements is accurate and that all material information has been disclosed. The signature of the Chair of this Committee (which is approving the Statement of Accounts) and the Treasurer (DCE) are required on the letter. The proposed letter of representation is attached to this report as Appendix B.

Equality and Diversity Implications

10. None directly related to this report.

Staff Implications

11. None directly related to this report.

Legal Implications

12. The Authority has a statutory duty pursuant to regulation 8 of the Accounts and Audit (England) Regulations 2011 to approve and sign-off for publication the Statement of Accounts for the previous year before the regulation deadline of 30th September in the current year.

Financial Implications & Value for Money

13. The report confirms the 2013/14 outturn position is consistent with that previously reported.

Risk Management, Health & Safety, and Environmental Implications

14. None directly related to this report.

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

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

BACKGROUND PAPERS

CFO/079/14 "Revenue and Capital Outturn 2013-2014" Authority 24th July 2014.

GLOSSARY OF TERMS

CIES	The Comprehensive Income and Expenditure Statement
THE CODE	Code of Practice on Local Authority Accounting
MIRS	Movement in Reserves Statement
IFRS	International Financial Reporting Standards
PFI	Private Finance Initiative

MERSEYSIDE FIRE AND RESCUE AUTHORITY

DRAFT ANNUAL STATEMENT OF ACCOUNTS 2013 – 2014

- SUBJECT TO AUDIT

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2013 – 2014

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FOREWORD by the Deputy Chief Executive

Introduction

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31st March 2014, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2013/14 Code of Practice on Local Authority Accounting (*the Code*) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and are based upon International Financial Reporting Standards (IFRS). The Code and relevant guidance notes specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of the Authority.

Due to the complex nature of the accounts a simpler version has been prepared and this can be obtained at

http://www.merseyfire.gov.uk/aspx/pages/finance/finance5.aspx

That simplified statement has no formal legal standing but does provide a quick overview of the Authority's financial activities by eliminating many of the technical accounting adjustments.

Background to Merseyside Fire and Rescue Service

Merseyside is a metropolitan area in the North West of England covering the District Councils of Knowsley, Liverpool, Sefton, St. Helens and Wirral. It covers an area of 653sq/km and has a resident population of some 1.4 million people.

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 2013/14 this was as follows:

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

The Authority's Mission and Aims are outlined below and the approved 2013/14 financial plan had prioritised the allocation of resources to deliver the Mission.

Our Mission;
To Achieve; Safer, Stronger Communities - Safe Effective Firefighters

Our Aims;
Excellent Operational Preparedness
We will provide our firefighters with the training, information, procedures and equipment to ensure they can safely and effectively resolve all emergency incidents.

Excellent Operational Response
To maintain an excellent emergency response to meet risk across Merseyside with safety and effectiveness at its core.

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

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

The Authority's Fire and Rescue Service is led by a Chief Fire Officer supported by a Strategic Management team comprising of the Deputy Chief Fire Officer, Deputy Chief Executive and other senior managers.

The Authority delivered its services through:

- employing approximately 1,150 staff during the year, most are involved in front line service delivery
- twenty eight frontline fire appliances alongside a range of specialist vehicles and equipment are available to respond quickly to fires and all other emergency incidents
- twenty seven Community Fire Stations with a variety of duty systems. These stations act as hubs for providing services to our communities.

The 2013/14 Approved Financial Plan & Financial Performance for the Year.

The Authority determines its budget requirement by assessing the future years' service commitments that are financed through its General Fund. The General Fund is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council tax payers. The Authority then monitors and manages expenditure throughout the year against the General Fund budget to ensure all expenditure is affordable and planned. The General Fund position for the year is shown in the Movement in Reserves Statement.

The Authority is facing an unprecedented financial challenge over the period 2011/12 – 2014/15 period as the government addresses imbalances in national public spending. For 2011/12 to 2012/13 the Authority received the biggest grant cuts for any fire authority in the country from Central Government, a cumulative reduction of in excess of 13%. The Authority approved a saving plan to deliver savings totalling £9.2m to balance the budget over this period.

The Government then further reduced its funding for 2013/14 and 2014/15 by 8.7% and 7.5% (respectively, this was equivalent to a £6.3m cash reduction resulting in an overall need to identify a further £10.1m of savings..

The Authority approved a robust financial plan to meet the deficit, recognising in order to deliver the required level of savings that as staff costs make up nearly 80% of its budget then it would have to reduce the number of its staff. At the same time the Authority was and is committed to avoiding compulsory redundancies and to seeking to minimise the impact of cuts on service levels to the communities of Merseyside.

The Authority adopted a medium term financial plan that included:-

- An assumption of a further two years (2013/14 – 2014/15) of pay restraint for all staff and pay bill increases of no more than 1% in each year for all staff saving £1.0m. (The pay bill includes pay awards, pension contributions and national insurance).
- An assumption that the Authority would generate savings from a review of the inflation provision overall and a review of capital charges of £3.2m in total.
- Additional income targets of £0.5m.
- Efficiencies from management and back office costs of £2.3m.
- A Council tax increase in 2013/14 and 2014/15 of 2%. The maximum allowed before a referendum

Despite the savings above the consequence of the grant reductions has meant £3.1m of inevitable cuts in operational staffing in order to balance the books. This meant a reduction of 90 front line Firefighter posts and the number of fire appliances being reduced from 37 to 28. This relates to a 33% reduction in available appliances since 2011.

The Authority set its General Fund budget for 2013/14 at £66.7million and approved a five year capital investment programme, (2013/14 – 2017/18), of £31.484m with planned expenditure in 2013/14 of £14.926m. The Authority adopted a reserves strategy that maintained a General Reserve of £2.894m and Earmarked Reserves of £23.082m to cater for specific risks, projects and one-off initiatives and in particular to help it manage effectively the financial pressures.

Revenue Expenditure:

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

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

The cash savings required to balance the budget were delivered.

The approved General Fund budget remained constant throughout the year at £66.721m. The table below summarises the general revenue fund position at the year-end and compares it to that budget. Overall the Authority was ahead of target in delivering its savings by £2.307 million by the year end.

Type of Expenditure	Budget £000	Expenditure £000	Variance £000
General Fund Movement:			
Net Authority Expenditure (net of service grants and income)	68,793	66,486	(2,307)
Contribution (from) / to Reserves	(2,072)	235	2,307
Total	66,721	66,721	-
Central Government Support and Council Tax Income	(66,721)	(66,721)	-
(Surplus) / Deficit for the year	**-**	**-**	**-**
General fund Reserve Movement:			
Balance brought forward at 1st April 2013	(2,894)	-	-
Adjust for Surplus/Deficit for the year	-	-	-
Balance carried forward at 31st March 2014	**(2,894)**	**-**	**-**

In light of the recent years of financial pressures, the Authority adopted a strategy that it would aim as far as possible to maximise its level of reserves, in order to provide a temporary resource to enable the service changes that would deliver the required future savings without compulsory redundancy. Therefore throughout the year managers looked at every opportunity to maximise savings against the approved budget to enable an increase in reserves. Details on all the Authority's reserves can be found in Note 8 to the accounts.

In total savings of £2.307m were identified in the year and the Authority was able to increase earmarked reserves from the anticipated position by that amount.

The key areas of under spending were;

- Vacancy management within the employee establishment resulted in a saving of £0.2m
- The actual phasing of PFI unitary payments and other premises costs resulted in a saving of £0.2m
- The management of supplies and services expenditure resulted in a saving of £0.8m
- Increased fees, charges, and secondment income of £0.8m
- An inflation provision saving of £0.2m

Whilst the General Fund shows a neutral position for the year (after the creation of year-end reserves), the Comprehensive Income and Expenditure Statement (CIES) indicates a £41.847m surplus 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 surplus of £41.847m represents the amount by which the Authority's overall net worth has increased over the year as shown in the Balance Sheet.

Note 27 “Amounts Reported for Resource Allocation Decisions” outlines in more detail the reconciliation of the General Fund and CIES statements, but the differences are summarised below;

	Expenditure £000
Net General Fund 2013/14 year-end position:	-
1 Net creation of Earmarked Reserves**	(235)
2 Asset valuation / charges and Capital Funding Adjustments	
Charge for depreciation and impairment	4,443
Other Operating Expenditure	0
Revenue expenditure funded from capital under statute (REFCUS)	619
Finance (interest on loans)	3,773
Capital Grants Income	(5,449)
3 Pension related adjustments	
Pension Costs calculated in accordance with IAS 19	16,834
Pension Contributions payable to pension fund	(9,210)
Pensions Interest Cost and expected return on pension assets	42,787
Non Distributable Costs (Pension Valuation Changes)	43
Reduction in value of the net defined pension liability	(84,561)
4 Other technical accounting adjustments	
Employee Compensated Absences Movement (leave/flexi c/fwd)	(208)
Council Tax Adjustment (accrual for under/over payments from collection fund)	(303)
5 Reversal of statute charges in the General Fund but not CIES	
Agency Services PFI Unitary Charge – Debt charges (Not reported in I&E Account)	(1,759)
Remove Capital Financing – Debt Charges (Not reported in I&E Account)	(8,621)
Total Comprehensive Income and Expenditure Statement	**(41,847)**

Notes to the table:

1. ***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.*

2. *The depreciation and impairment charge of £4.443m reflects the notional consumption of assets during the year (a depreciation charge of £4.242m) and the reduction in the valuation of assets during the year (an impairment charge of £0.201m). A charge of £0.619m for 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. Capital grants of £5.449m have been credited to the CIES in accordance with proper accounting practice, however for statutory purposes the financing of capital expenditure from these grants must be included within the Authority’s capital programme.*

3. *Pension costs in the CIES reflect IAS 19 and therefore include movements in the pension fund valuations and pension contributions received in the year. Note 40 in the Financial Statements provides further details of movements in the pension funds during the year.*

4. *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).*

5. *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 (£1,759m). The removal of capital financing charges relates to costs associated with; interest*

payments on loans of £2.169m; the Minimum Revenue Provision of £3.178m (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA) of £3.327m; and other costs totaling £0.053m (the saving associated with the early repayment of debt).

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.

Capital Investment Programme:
The Authority manages its capital investment plans through its capital programme. The approved budget and final expenditure together with the various sources of funding are shown below:

Programme	Final Budget £000	Actual Expenditure £000	Re-Phased from 2013/14 into 2014/15 £000	Variance £000
Expenditure				
Building/Land	12,004	7,648	4,392	36
Fire Safety	811	619	-	(192)
ICT	2,274	750	1,524	-
Operational Equip & Hydrants	831	269	526	(36)
Vehicles	360	89	271	-
TOTAL	**16,280**	**9,375**	**6,713**	**(192)**
Financing				
Capital Receipts	-	-	-	-
Revenue Contribution	499	499	-	-
Capital Investment Reserve	2,827	2,827	-	-
Grants	3,044	2,344	700	-
External Contributions	5,070	3,321	1,749	-
Unsupported Borrowing	4,840	384	4,264	(192)
TOTAL	**16,280**	**9,375**	**6,713**	**(192)**

The most significant items of capital expenditure have been:
- The refurbishment and expansion of the Authority's Headquarters building to accommodate a joint control and command center with Merseyside Police,
- The purchase of a new building for the Marine Rescue service,
- Installation of smoke alarms,
- Upgrades and replacement of ICT software and hardware.

Borrowing:
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 an agreed Treasury Management Strategy. The strategy sets limits for the next three years on:-
- overall level of external debt;
- operational boundary for debt;
- upper limits on fixed interest rate exposure;
- upper limits on variable rate exposure;
- limits on the maturity structure of debt;
- limits on investments for more than 364 days.

The strategy covers:
- prospects for interest rates;
- capital borrowings and the portfolio strategy;
- annual investment strategy;

- debt rescheduling;
- external debt prudential indicators.

The Authority's borrowing with the Public Works Loan Board reduced from £45.1m at the start of the year to £43.6m at the end. Interest paid during the year on existing long term borrowing totalled £1.5m.

Reserves:

The Authority sets aside money in the form of reserves to fund future planned investment, to mitigate financial risks, and to smooth savings. At the end of 2013/14 the Authority's earmarked reserves were £2.307m higher than anticipated. This was as a consequence of additional earmarked reserves of £0.955m for special projects and the increase in the capital investment reserve of £1.352m to meet future investment needs. The Authority maintained its General Reserve at £2.894m. The table below summarises the movement in reserves in 2013/14:

	Opening Balance £000	Anticipated Closing Balance £000	Actual Closing Balance £000
Total Earmarked Reserves	23,082	21,010	23,317
General Revenue Reserves	2,894	2,894	2,894
Total Reserves	**25,976**	**23,904**	**26,211**

A further explanation of reserves can be found in Note 8.

Balance Sheet Financial Position at 31st March 2014:

The net worth (total reserves) of the Authority is shown in the Balance Sheet. Previous commentary on the CIES has outlined that the Authority's net worth has increased over the year by £41.847m, and as a consequence the current net liability on total reserves has decreased from (£985.292m) to (£943.455m). However, the reason for the net liability (negative reserve) is that a number of reserves making up the net worth relate to technical adjustments arising from the pensions reserve and the capital adjustments reserve, and these reserves are not available to spend. Note 22 provides more detail on unusable reserves. The pensions reserve alone has a net liability of £968.118m 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 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 scheme is met by grant funding from Central Government and the Authority is only required to cover discretionary benefits when the pensions are actually paid.

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

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

The Comprehensive Income and Expenditure Statement
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 taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet
The Balance Sheet shows the value as at the 31 March 2014 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 2013/14 Code has built upon the changes introduced by IFRS and has made some small changes to accounting policies and disclosure requirements none of which are of any significance or have any material impact.

Financial Outlook 2014/15 – 2018/19

The Authority continues to face significant financial challenges over the next few years as the Government seeks to balance public spending as a whole. More grant cuts have been announced for 2014/15 and 2015/16 and this is expected to continue into later years. As a result The Authority has already identified that it needs to make yet further savings of £6.3m.

The Authority has maximised the savings from Back Office and Support Services and was able to identify £2.9m of the required savings from those areas. Despite these efficiencies this still left £3.4m in cuts to be identified from the operational front line.

In order to deliver a further £3.4m saving, the Authority has examined the options and consulted widely with the public and stakeholders about delivering the remaining operational savings. The merger of stations are considered to be the “least worst option” available. In order to save the remaining £3.4m from operational response at least 4 station mergers will be needed and the firefighter establishment will be reduced by a further 100 posts.

The mergers currently under consideration are:-

- two stations in Wirral (West Kirby to merge with Upton at a site within Greasby)
- two stations in St. Helens (Eccleston to merge with St. Helens at a site in the St. Helens town centre)
- two stations in Knowsley (Huyton to merge with Whiston at a site in Prescot)
- a forth (yet to be confirmed) in Liverpool.

The mergers plan will not be without risks; suitable land needs to be identified; planning permission sought; and capital funding will be required. In the interim the Chief Fire Officer will therefore need to manage staff dynamically to ensure in cash terms the firefighter savings are being delivered. The Authority will consider specific reports brought back as the proposed mergers are developed and undertake specific consultations.

The IRMP and the Authority’s financial plan recognises that it will take a number of years to deliver these front line savings.

The Authority is aware that the Government has given notice that it expects to continue cutting public spending until at least 2020, and therefore further service and operational reductions may be needed.

The Authority has prudently planned to meet its known financial challenges over the medium term and has maximised its reserves to give flexibility in delivering change.

The Authority recognises that there are substantial financial risks going forward. In light of the risks, the Authority has agreed to continue with its strategy of looking for opportunities to identify savings early and hence increase its reserves when possible so that it can use such sums as part of prudent medium term strategy. In particular the Authority is assuming to use reserves to fund the station mergers and to avoid additional borrowing costs.

FURTHER INFORMATION

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The Financial Statements

Movement in Reserves Statement

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 other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Restated	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2012		**(4,684)**	**(17,126)**	**(2,502)**	**(24,312)**	**861,057**	**836,745**
Movement in reserves during 2012/13							
(Surplus) or deficit on provision of services		40,350	-	-	**40,350**	-	**40,350**
Other Comprehensive Income and Expenditure		-	-	-	**-**	108,197	**108,197**
Total Comprehensive Income and Expenditure		**40,350**	**-**	**-**	40,350	108,197	148,547
Adjustments between accounting basis & funding basis under regulations	7	(44,516)	-	702	**(43,814)**	43,814	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(4,166)**	**-**	**702**	**(3,464)**	**152,011**	**148,547**
Transfers (to)/from Earmarked Reserves	8	5,956	(5,956)	**-**	**-**	-	**-**
Increase/Decrease in 2012/13		**1,790**	**(5,956)**	**702**	**(3,464)**	**152,011**	**148,547**
Balance at 31 March 2013 carried forward		**(2,894)**	**(23,082)**	**(1,800)**	**(27,776)**	**1,013,068**	**985,292**

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2013		**(2,894)**	**(23,082)**	**(1,800)**	**(27,776)**	**1,013,068**	**985,292**
Movement in reserves during 2013/14							
(Surplus) or deficit on provision of services		42,714	-	-	**42,714**	-	**42,714**
Other Comprehensive Income and Expenditure		-	-	-	**-**	(84,561)	**(84,561)**
Total Comprehensive Income and Expenditure		**42,714**	**-**	**-**	**42,714**	**(84,561)**	**(41,847)**
Adjustments between accounting basis & funding basis under regulations	7	(42,949)	-	215	**(42,734)**	42,734	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(235)**	**-**	**215**	**(20)**	**(41,827)**	**(41,847)**
Transfers (to)/from Earmarked Reserves	8	235	(235)	**-**	**-**	-	**-**
Increase/Decrease in 2013/14		**-**	**(235)**	**215**	**(20)**	**(41,827)**	**(41,847)**
Balance at 31 March 2014 carried forward		**(2,894)**	**(23,317)**	**(1,585)**	**(27,796)**	**971,241**	**943,445**

Comprehensive Income and Expenditure Statement

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 taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated Gross Expenditure £000	2012/13 Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	2013/14 Gross Income £000	Net Expenditure £000
9,575	(878)	8,697	Community Fire Safety		9,286	(793)	8,493
65,389	(5,989)	59,400	Firefighting and Rescue Operations		65,149	(6,002)	59,147
1,017	-	1,017	Corporate and Democratic Core		1,030	-	1,030
68	-	68	Non-Distributed Costs	40	43	-	43
76,049	**(6,867)**	**69,182**	**Cost Of Services**		**75,508**	**(6,795)**	**68,713**
17	-	17	Other Operating Expenditure	9	-	-	-
46,378	(2,304)	44,074	Financing and Investment Income and Expenditure	10	48,605	(2,132)	46,473
-	(72,923)	(72,923)	Taxation and Non-Specific Grant Income	11	-	(72,472)	(72,472)
		40,350	**(Surplus) or Deficit on Provision of Services**				**42,714**
		-	(Surplus) or deficit on revaluation of fixed assets				-
		108,197	Remeasurement of the Net Defined Benefit Liability				(84,561)
		108,197	**Other Comprehensive Income and Expenditure**				**(84,561)**
		148,547	**Total Comprehensive Income and Expenditure**				**(41,847)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves 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'.

31 March 2013 £000		Notes	31 March 2014 £000
54,661	Property, Plant & Equipment	12	68,076
507	Intangible Assets	13	340
-	Assets Held for Sale	18	-
-	Long Term Investments	14	-
-	Long Term Debtors	14	-
55,168	**Long Term Assets**		**68,416**
-	Current Intangible Assets		-
7,118	Short Term Investments	14	10,090
250	Assets Held for Sale	18	250
370	Inventories	15	396
3,117	Short Term Debtors	16	3,365
14,719	Cash and Cash Equivalents	17	13,279
25,574	**Current Assets**		**27,380**
(2,179)	Short Term Borrowing	14	(2,197)
(6,194)	Short Term Creditors	19	(5,896)
(8,373)	**Current Liabilities**		**(8,093)**
(10,749)	Long Term Creditors	14	(19,434)
(625)	Provisions	20	(1,049)
(43,575)	Long Term Borrowing	14	(42,100)
(1,002,712)	Other Long Term Liabilities	14 & 40	(968,565)
(1,057,661)	**Long Term Liabilities**		**(1,031,148)**
(985,292)	**Net Assets**		**(943,445)**
27,776	Usable Reserves	21	27,796
(1,013,068)	Unusable Reserves	22	(971,241)
(985,292)	**Total Reserves**		**(943,445)**

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.

2012/13 £000		Notes	2013/14 £000
40,350	Net (surplus) or deficit on the provision of services		42,714
(54,208)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(55,367)
999	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	1,771
(12,859)	**Net cash flows from Operating Activities**		**(10,882)**
5,066	Investing Activities	25	6,802
4,056	Financing Activities	26	5,520
(3,737)	**Net increase or decrease in cash and cash equivalents**		**1,440**
(10,982)	Cash and cash equivalents at the beginning of the reporting period		(14,719)
(14,719)	**Cash and cash equivalents at the end of the reporting period**	17	**(13,279)**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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. 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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 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 might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not 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.

iv. 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. No such material errors have been identified.

The 2013/14 Code includes the adoption of the June 2011 amendments to IAS 19 Employee Benefits, which change classification, recognition, measurement and disclosure requirements, however there has been no effect on the total pension liability, therefore the Balance Sheet has not been restated. The 2012/13 comparative figures have been amended as follows and are reflected were necessary in the notes to the accounts.

Restated Comprehensive Income & Expenditure Account

2012/13 Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Restated IAS19 Pensions £000	Restated Net Expenditure £000
9,575	(878)	8,697	Community Fire Safety		-	8,697
65,389	(5,989)	59,400	Firefighting and Rescue Operations		-	59,400
1,017	-	1,017	Corporate and Democratic Core		-	1,017
68	-	68	Non-Distributed Costs	40	-	68
76,049	**(6,867)**	**69,182**	**Cost Of Services**		**-**	**69,182**
17	-	17	Other Operating Expenditure	9	-	17
46,378	(2,715)	43,663	Financing and Investment Income and Expenditure	10	411	44,074
-	(72,923)	(72,923)	Taxation and Non-Specific Grant Income	11	-	(72,923)
		39,939	**(Surplus) or Deficit on Provision of Services**		**411**	**40,350**
		-	(Surplus) or deficit on revaluation of fixed assets		**-**	-
		108,608	Remeasurement of the Net Defined Benefit Liability		**(411)**	108,197
		108,608	**Other Comprehensive Income and Expenditure**		**(411)**	**108,197**
		148,547	**Total Comprehensive Income and Expenditure**		**-**	**148,547**

Restated Movement in Reserves Statement

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2012		**(4,684)**	**(17,126)**	**(2,502)**	**(24,312)**	**861,057**	**836,745**
Movement in reserves during 2012/13							
(Surplus) or deficit on provision of services		39,939	-	-	**39,939**	-	**39,939**
(Surplus) or deficit on provision of services IAS 19 Restatement		411			**411**		**411**
Other Comprehensive Income and Expenditure		-	-	-	**-**	108,608	**108,608**
Other Comprehensive Income and Expenditure IAS 19 Restatement		-	-	-	**-**	-411	**-411**
Total Comprehensive Income and Expenditure		**40,350**	**-**	**-**	**40,350**	**108,197**	**148,547**
Adjustments between accounting basis & funding basis under regulations	7	(44,516)	-	702	**(43,814)**	43,814	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(4,166)**	**-**	**702**	**(3,464)**	**152,011**	**148,547**
Transfers (to)/from Earmarked Reserves	8	5,956	(5,956)	**-**	**-**	-	**-**
Increase/Decrease in 2012/13		**1,790**	**(5,956)**	**702**	**(3,464)**	**152,011**	**148,547**
Balance at 31 March 2013 carried forward		**(2,894)**	**(23,082)**	**(1,800)**	**(27,776)**	**1,013,068**	**985,292**

v. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding non current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations 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 within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Where leave is taken in advance of entitlement this is netted off the value of the holiday pay accrual. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits 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 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 when the Authority is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

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 Scheme for uniformed employees, administered by Wirral Borough Council through Merseyside Pension Fund (Merseyside Pension Fund, 7th Floor, Castle Chambers, 43 Castle Street, Liverpool, L69 2NW).
- The Local Government Pensions Scheme for civilian employees, administered by Wirral Borough Council through Merseyside Pension Fund (Merseyside Pension Fund, 7th Floor, Castle Chambers, 43 Castle Street, Liverpool, L69 2NW).
- Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Firefighters Pension Scheme

The Firefighters Pension Scheme is an unfunded scheme meaning that there are no investment assets built up to meet pension liabilities. Cash has to be generated to meet actual pension payments as they fall due. The Government changed the funding mechanism for this scheme in 2006/07. This alleviated concerns about the possibility of large year on year fluctuations on local tax payers by creating a pension fund account. The primary objective is to allow the separation of the cost of providing pensions from the cost of running a fire and rescue service.

Transactions in the Firefighters Pension Fund include:

Credits to the Pension Fund

- Employees' contributions from firefighters
- Transfer values received from other authorities
- The employer's contributions due from the Authority
- Additional contributions required from the Authority for ill health retirements.

Debits to the Pension Fund

- Awards payable under any provision of the pension scheme
- Transfer values payable to other authorities
- Any repayment to the Authority of contributions towards ill health retirements.

The Pension fund account is balanced to zero by either:

- Crediting a top-up grant receivable from Department for Communities and Local Government where income to the fund is less than its expenditure, or
- Debiting an amount payable to Department for Communities and Local Government where the expenditure of the fund is less than its income.

Firefighters' Injury Schemes

Under the Firefighters Compensation Scheme (England) Order 2006, a firefighter receives an injury award where they have retired and are permanently disabled because of an injury received in the execution of their duty. Under IAS 19 the Authority is required to account for contingent future injury benefits. The liability is based on an estimate of future benefits earned by members, and movements in the liability are treated in the same way as for the Firefighters pension schemes.

The Local Government Pension Scheme

- The Local Government Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (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), ie net interest expense for the authority – the change during the period in the defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Merseyside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits 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 and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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 Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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 31 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, stationery and vehicle parts.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

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. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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 2013/14 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are 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.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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:

- 27 Community Fire and Rescue Stations 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, Mobilising and Communications Centre, Engineering Centre of Excellence and Houses are valued on an fair value basis as buildings could be used for alternative purposes
- assets under construction are valued on historical cost basis
- all other assets – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 7 – 60 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
- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

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 lead on a North West PFI project to replace 16 fire stations across Merseyside, Lancashire and Cumbria. Merseyside Fire Service built 7 new PFI Stations. The building programme for Merseyside started in April 2011, with first station opening in April 2012 and the last station opening July 2013.

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Authority has taken control of the remaining 3 PFI stations in 2013/14.

Non current assets when recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operator each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – analysed on an annual basis and either capitalised as an addition to Property Plant and Equipment if the spend relates to capital or debited to the relevant service in the Comprehensive Income and Expenditure Statement if the spend relates to revenue maintenance.

xviii. 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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in the accounting policies which will be required from 1st April 2014, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

IFRS 13 Fair Value Measurement (May 2011) – Establishes a single framework for measuring fair value where that is required by other standards. The standard applies to both financial and non-financial items measured at fair value. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This is sometimes referred to as the 'exit price'. This change will not have any impact on the 2013-14 financial statements.

IFRS 10 Consolidated Financial Statements – This change introduces a new single definition when identifying control as the basis for consolidation whereas the Investor (reporting Authority) controls an investee (entity considered for consolidation) when it has:

- Power over the investee
- Exposure or rights to variable returns
- Ability to use the power to effect the amounts of the investor's returns

The Authority does not have any subsidiaries or associates that would require it to produce consolidated Financial Statements and therefore this would have no impact on the 2013/14 financial statements.

IFRS 11 Joint Arrangements – This is a change to the classification of joint arrangements, there is now only two models, joint ventures and joint operations, focus is no longer on legal structure but on how rights and obligations are shared by parties. The Authority does not have any joint arrangements that would require it to produce group accounts and therefore this change will have no impact on the 2013-14 financial statements.

IFRS 12 Disclosure of Interests in Other Entities – The objective requires an entity disclose information that enables users of its financial statements to evaluate:

- The nature of, and risks associated with, its interests in other entities; and
- The effects of those interests on its financial position, financial performance and cash flows.

The Authority discloses information relating to its interests in other entities in note 33.

IAS 27 Separate Financial Statements (as amended in 2011) – This is a change allows an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. This change will not have any impact on the 2013-14 financial statements.

IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) – This standard prescribes the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This change will have no impact on the 2013-14 financial statements.

IAS 32 Financial Instruments: Presentation – The objective of this standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities. This change will have no impact on the 2013-14 financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Insurance – The Authority's fleet of vehicles are insured for third party fire and theft only. Based on historical experience of incidents the decision was made to self insure vehicles.
- No Residual Value of Assets - The Authority assumes that the residual value of all property plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at time of disposal.

- Property valued at Depreciated Replacement Cost – The Authority has measured its fire stations as depreciated replacement cost as there is no market based evidence of fair value because of the specialist nature of the assets.
- Government Funding – There is a greater degree of certainty about future levels of funding for Local Government. The Authority has determined that the closure and relocation of a number of its fire stations in 2014-15 is inevitable. This may potentially lead to the closure of six fire stations and the building of three new fire stations in more strategic locations. These closures will be accounted for as construction figures, sales receipts and construction dates are confirmed in 2014-15.

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

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

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may effect spending on repairs and maintenance, which may change the useful lives assigned to assets.	If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £82,000 for every year that useful lives have to be reduced.
	The Authority operates a 5 year revaluation programme for Land and Buildings held on the Balance Sheet. The Authority in conjunction with its valuer's have reviewed these assets, taking into account various factors such as building cost indices and local knowledge. As a result it is judged that the potential difference in value that would result from a formal revaluation is not material, therefore the risk of material misstatement to the Balance Sheet is low.	If land and building valuations were to change by 1% this would result in a increase/decrease in valuation of £0.6m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. (Note 40)	The estimates and assumptions involve many variables all of which interact in complex ways and will have an impact on figures produced by professional actuaries. If pensions liability where to change by 1% this would result in a gain/loss of £9.7m.

Arrears	At 31 March 2014, the Authority had a balance of sundry debtors of £858,000. A review of significant balances suggested that an impairment for doubtful debts of 0.7% (£6,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £6,000 to set aside as an allowance.
Provisions	The Authority has made provision for Injury and Damage Compensation claims based on an estimate of potential payouts.	Claims are based on past experience and evaluations. If the estimate were to change by 10% this would result in a change of £105,000 in the provision.

5. Material Items of Income and Expense

The Authority's IT and communications services have been outsourced to an external provider.

2013/14 £000	2012/13 £000
1,908	1,993

6. Events after the Balance Sheet Date

Joint Control Centre

In April 2013 the Fire Authority commenced work on a Joint Control Centre in conjunction with Merseyside Police Authority. This is scheduled to be completed in June 2014 with a forecast build cost £9.3m.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can be specifying the financial year in which the liabilities and payments should impact on the General Fund Balance, which is not necessary in accordance with proper practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied (Reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by the grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14

2013/14	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(4,274)	-	-	4,274
Revaluation losses on Property Plant and Equipment	-	-	-	-
Amortisation of intangible assets	(169)	-	-	169
Capital grants and contributions applied	5,449	-	215	(5,664)
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	(619)	-	-	619
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	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	3,333	-	-	(3,333)
Capital expenditure charged against the General Fund	3,327	-	-	(3,327)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
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	(53)	-	-	53
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement **(see NOTE 40)**	(59,664)	-	-	59,664
Employer's pensions contributions and direct payments to pensioners payable in the year	9,210	-	-	(9,210)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	303	-	-	(303)
Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account:				
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	208	-	-	(208)
Total Adjustments	**(42,949)**	**-**	**215**	**42,734**

Adjustments between Accounting Basis and Funding Basis under Regulations 2012/13

2012/13	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(5,931)	-	-	5,931
Revaluation losses on Property Plant and Equipment	(211)	-	-	211
Amortisation of intangible assets	(57)	-	-	57
Capital grants and contributions applied	3,180	-	702	(3,882)
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	(835)	-	-	835
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	(630)	-	-	630
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	3,045	-	-	(3,045)
Capital expenditure charged against the General Fund	1,954	-	-	(1,954)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	613	(613)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	613	-	(613)
Adjustments primarily involving the Financial Instruments Adjustment Account:				
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	(53)	-	-	53
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement **(see NOTE 40)**	(55,144)	-	-	55,144
Employer's pensions contributions and direct payments to pensioners payable in the year	9,418	-	-	(9,418)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4)	-	-	4
Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account:				
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	139	-	-	(139)
Total Adjustments	**(44,516)**	**-**	**702**	**43,814**

8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund in 2013/14.

	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000
Emergency Related Reserves:							
Bellwin Reserve	**147**	-	-	**147**	-	-	**147**
Insurance Reserve	**620**	-	-	**620**	(250)	-	**370**
Emergency Planning Reserve	**75**	-	-	**75**	-	-	**75**
Catastrophe Reserve	**-**	-	1,000	**1,000**	-	-	**1,000**
Modernisation Challenge:							
Smoothing Reserve	**2,046**	(2,046)	5,500	**5,500**	(250)	1,500	**6,750**
Severance Reserve	**2,348**	(2,446)	1,000	**902**	(181)	-	**721**
Ill Health Penalty Reserve	**244**	(141)	496	**599**	(351)	660	**908**
Recruitment Reserve	**-**	-	1,000	**1,000**	-	-	**1,000**
SMG Reserve	**-**	-	-	**-**	-	100	**100**
Capital Investment:							
Capital Investment Reserve	**6,644**	(2,951)	2,143	**5,836**	(2,911)	1,352	**4,277**
PFI Annuity Reserve	**590**	(873)	2,293	**2,010**	(1,856)	2,097	**2,251**
Equality/DDA Investment Reserve	**-**	-	510	**510**	-	-	**510**
Firefighter Safety Investment Reserve	**-**	-	1,000	**1,000**	-	-	**1,000**
Facing the Future Reserve	**-**	-	800	**800**	-	-	**800**
Specific Projects:							
Job Evaluation Reserve	**230**	(230)	-	**-**	-	-	**-**
Community Sponsorship Reserve	**15**	-	98	**113**	(100)	-	**13**
Regional Reserve	**100**	(100)	-	**-**	-	-	**-**
Equipment Reserve	**273**	(273)	56	**56**	-	135	**191**
Contestable Research Fund Reserve	**42**	(17)	-	**25**	-	-	**25**
Training Reserve	**285**	(285)	-	**-**	-	-	**-**
Pre Retirement Reserve	**196**	(196)	-	**-**	-	-	**-**
Fire Service Direct Reserve	**35**	(35)	53	**53**	(47)	-	**6**
Healthy Living / Olympic Legacy Reserve	**109**	(48)	52	**113**	(54)	21	**80**
Water Rescue Reserve	**47**	(47)	9	**9**	(5)	1	**5**
Inflation:							
Inflation Reserve	**2,000**	(2,000)	1,500	**1,500**	-	-	**1,500**
Total	**16,046**	**(11,688)**	**17,510**	**21,868**	**(6,005)**	**5,866**	**21,729**
Ringfenced Reserves							
F.R.E.E Reserve	**35**	-	2	**37**	(22)	29	**44**
Princes Trust Reserve	**184**	(50)	10	**144**	(75)	274	**343**
Community Youth Team Reserve	**54**	-	-	**54**	-	4	**58**
Beacon Peer Project Reserve	**108**	(59)	16	**65**	(12)	9	**62**
Innovation Fund Reserve	**156**	(12)	24	**168**	-	2	**170**
Regional Control Reserve	**34**	(16)	-	**18**	-	-	**18**
Energy Reserve	**-**	-	-	**-**	-	85	**85**
St Helen's District Reserve	**40**	(32)	14	**22**	(22)	15	**15**
New Dimensions Reserve	**469**	(3)	240	**706**	(38)	125	**793**
Total	**1,080**	**(172)**	**306**	**1,214**	**(169)**	**543**	**1,588**
Total Earmarked Reserves	**17,126**	**(11,860)**	**17,816**	**23,082**	**(6,174)**	**6,409**	**23,317**

Bellwin/Civil Emergency Reserve

This reserve is set aside for expenditure in exceptional circumstances, which is below the threshold for Central Government assistance under the Bellwin scheme.

Insurance Reserve

Due to an Authority decision to increase self insurance (particularly vehicle insurance) a reserve has been set up to hedge against the risk of unidentified future claims. A specific provision is made for claims that have already been lodged.

Emergency Planning Reserve

This reserve was created due to the increased threat of terrorism and would give the Authority an immediate budget to spend in an emergency.

Catastrophe Reserve

This reserve was set up in light of the outstanding risk in Municipal Mutual Insurance Ltd (MMI) claims and the need for resources to cope with any major or protracted incident.

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 Reserve

This reserve is to be used to contribute towards the cost of voluntary severance packages and to meet pension strain costs associated with staff having early access to pensions as part of the Authority's approach to using VS/VER to make the required budget savings.

Ill Health Penalty 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.

Recruitment Reserve

Over the next decade almost two thirds of firefighters are expected to retire. In addition, it takes almost a year to train a firefighter across the full range of competencies. In order to meet this challenge in a prudent and structured fashion a reserve of £1m was created to support some staff recruitment to manage effective succession planning.

SMG Reserve

This reserve was created in 2013-14 by the Strategic Management Group to help fund any additional challenges relating to the modernisation agenda.

Capital Investment Reserve

This reserve was created to contribute towards unforeseeable costs associated with large strategic capital schemes such as the PFI project, and to provide a resource for future asset investment schemes.

PFI Annuity Reserve

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

Equality/DDA Investment Reserve

Following a recent station access audit, the service needs to carry out some works to ensure all its property portfolio is compliant with current regulations.

Firefighter Safety Reserve

This reserve will help contribute towards any funding shortfalls following the review of training facilities at the Training and Development Academy.

Facing The Future Reserve

The report by Sir Ken Knight "Facing the Future" has outlined potential business re-engineering and investment options fire authorities may want to consider. This reserve can contribute towards any investments or changes arising from the Sir Ken Knight review.

Community Sponsorship Reserve

The Authority has had a successful and innovative partnership arrangement with private sector partners that often includes the partner making contributions toward community projects. This reserve has been created to allocate those resources in support of the Authority's community work.

Equipment Reserve

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

Contestable Research Fund Reserve

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

Fire Service Direct Reserve

This reserve has been created to allow additional resources for collation of statistical data in relation to Home Fire Risk Assessments.

Healthy Living / Olympic Legacy

To improve community health where it links to fire service outcomes and to exploit and maximise opportunities and initiatives arising from the World Firefighter Games and build bridges with the 2012 Olympics event.

Water Rescue Reserve

The Marine Rescue Unit is reliant upon other public and private support. In light of the financial challenge facing partners this reserve was created to provide a short term buffer if any partner withdraws their support.

Inflation Reserve

To cope with variations in pay and price inflation compared to the rates assumed in the financial plan. This reserve would provide short term funding for any excessive inflationary cost. It should be noted that assumptions on pay increases in the budget are low (1%).

Ringfenced Reserves

The Authority has a number of ringfenced reserves for specific initiatives for which dedicated funding / resources have been earmarked. These schemes often cover more than one financial year and therefore these reserves were created to cover the planned spend over future years.

9. Other Operating Expenditure

2012/13 £000		2013/14 £000
17	(Gains)/losses on the disposal of non current assets	-
17	**Total**	**-**

10. Financing and Investment Income and Expenditure

2012/13 £000		2013/14 £000
3,049	Interest payable and similar charges	3,772
43,329	Pensions interest cost	44,833
(2,049)	Expected return on pensions assets	(2,046)
(255)	Interest receivable and similar income	(86)
-	Other investment income	-
44,074	**Total**	**46,473**

11. Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
(28,581)	Council tax income	(23,218)
0	National non domestic rates (Local share)	(3,842)
(40,379)	National non domestic rates pool	0
0	National non domestic rates top up grant	(13,522)
(783)	Revenue support grant	(26,441)
(3,180)	Capital grants and contributions	(5,449)
(72,923)	**Total**	**(72,472)**

12. Property, Plant and Equipment Movements on Balances

Movements in 2013/14:

	Land & Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property Plant and Equipment £000
Cost or Valuation					
At 1 April 2013	**47,271**	**320**	**21,689**	**69,280**	**11,442**
Additions	10,364	6,147	1,178	17,689	8,935
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Derecognition Disposals	-	-	-	-	-
Derecognition Other	-	-	(2,001)	(2,001)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Other movements in Cost or Valuation	(201)	-	-	(201)	550
At 31 March 2014	**57,434**	**6,467**	**20,866**	**84,767**	**20,927**
Accumulated Depreciation and Impairment					
At 1 April 2013	**(3,505)**	**-**	**(11,114)**	**(14,619)**	**(236)**
Depreciation Charge	(1,715)	-	(2,358)	(4,073)	(476)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	-	-	-	-	-
Derecognition – Other	-	-	2,001	2,001	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-
At 31 March 2014	**(5,220)**	**-**	**(11,471)**	**(16,691)**	**(712)**
Net Book Value					
At 31 March 2014	**52,214**	**6,467**	**9,395**	**68,076**	**20,215**
At 31 March 2013	**43,766**	**320**	**10,575**	**54,661**	**11,206**
Nature of Asset Holding					
Owned	25,970	6,467	9,395	41,832	-
Finance Lease	6,029	-	-	6,029	-
PFI	20,215	-	-	20,215	20,215
Total	**52,214**	**6,467**	**9,395**	**68,076**	**20,215**

Property, Plant and Equipment Movements on Balances

Comparative Movements in 2012/13:

	Land & Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property Plant and Equipment £000
Cost or Valuation					
At 1 April 2012	**37,673**	**1,414**	**22,109**	**61,196**	**590**
Additions	11,385	5,063	1,073	17,521	10,852
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Derecognition Disposals	-	-	-	-	-
Derecognition Other	(6,457)	-	(1,493)	(7,950)	-
Assets reclassified (to)/from Held for Sale	(950)	-	-	(950)	-
Other movements in Cost or Valuation	5,620	(6,157)	-	(537)	-
At 31 March 2013	**47,271**	**320**	**21,689**	**69,280**	**11,442**
Accumulated Depreciation and Impairment					
At 1 April 2012	**(7,617)**	**-**	**(10,047)**	**(17,664)**	**-**
Depreciation Charge	(2,834)	-	(2,560)	(5,394)	(236)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	-	-	-	-	-
Derecognition – Other	6,457	-	1,493	7,950	-
Assets reclassified (to)/from Held for Sale	489	-	-	489	-
Other movements in Depreciation and Impairment	-	-	-	-	-
At 31 March 2013	**(3,505)**	**-**	**(11,114)**	**(14,619)**	**(236)**
Net Book Value					
At 31 March 2013	**43,766**	**320**	**10,575**	**54,661**	**11,206**
At 31 March 2012	**30,056**	**1,414**	**12,062**	**43,532**	**-**
Nature of Asset Holding					
Owned	26,408	320	10,554	37,282	-
Finance Lease	6,152	-	21	6,173	-
PFI	11,206	-	-	11,206	11,206
Total	**43,766**	**320**	**10,575**	**54,661**	**11,206**

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 7 – 60 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

- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

Capital Commitments

At 31 March 2014, 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 2014/15 and future years is £3.9m. Similar commitments at 31 March 2013 were £0.4m. The commitments can be analysed as follows:

- Building Schemes £2.8m
- Equipment and ICT Schemes £1.1m

Effects of Changes in Estimates

The former Toxteth Fire Station was put up for sale and transferred to Assets Held for Sale in 2012/13. The asset has subsequently been sold in 2014-15 at the valuation currently held in assets held for sale (£250,000).

Revaluations

The Authority has its Property, Plant and Equipment revalued at fair value every five years. All properties were valued by an external valuer (Hardie Brack Chartered Surveyors). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The last valuation was completed in March 2010. Valuations of vehicles, plant, furniture and equipment are based on historical prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Componentisation

After consulting with the fire service valuers (Hardie Brack Chartered Surveyors) we have concluded that no material changes to depreciation would be incurred by componentisation and that all components have a similar asset life or their values are not material. All fire stations have been valued on a depreciated replacement cost basis as there is no market value and the balance of property has been valued on a fair value basis. Due to the small portfolio of assets, all land and buildings are revalued as one so there is no rolling program. The last full valuation was completed in March 2010.

	Land and Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total £000
Carried at historical cost	27,758	6,467	20,866	**55,091**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2011	1,550	-	-	**1,550**
31 March 2010	18,870	-	-	**18,870**
Values at fair value as at:				
31 March 2011	2,430	-	-	**2,430**
31 March 2010	6,826	-	-	**6,826**
Total Cost or Valuation	**57,434**	**6,467**	**20,866**	**84,767**

- All land and buildings are to be revalued in 2014/15
- All assets, including PFI assets (£19.8m) acquired in the last two years have been included in land and buildings valued at historical cost.

13. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses only.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are based on the life of licenses. The current purchase in 2012/13 has a 3 year life.

The movement on Intangible Asset balances during the year is as follows:

	2013/14 Software Licenses £000	2012/13 Software Licenses £000
Balance at start of year:		
• Gross carrying amounts	564	115
• Accumulated amortisation	(57)	(58)
Net carrying amount at start of year	507	57
Additions:		
• Internal Development	-	-
• Purchases	2	507
• Acquired through business combinations	-	-
Assets reclassified as held for sale	-	-
Other disposals		
Revaluations increases or decreases	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-
Amortisation for the period	(169)	(57)
Other changes	-	-
Net carrying amount at end of year	**340**	**507**
Comprising:		
Gross carrying amounts	509	564
Accumulated amortisation	(169)	(57)
Total	**340**	**507**

14. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Investments				
Loans and receivables – Investments	-	-	10,090	7,118
– Cash & Bank	-	-	13,279	14,719
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	**-**	**-**	**23,369**	**21,837**
Debtors				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	-	-
Total included in Debtors	**-**	**-**	**-**	**-**
Borrowings				
Financial liabilities at amortised cost (PWLB)	(42,100)	(43,575)	(1,475)	(1,500)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	**(42,100)**	**(43,575)**	**(1,475)**	**(1,500)**
Other Long Term Liabilities				
Finance lease liabilities	-	-	-	(22)
PFI liabilities	(19,434)	(10,749)	(250)	(155)
Merseyside Residual Debt	(447)	(487)	(41)	(41)
Total other long term liabilities	**(19,881)**	**(11,236)**	**(291)**	**(218)**
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	-	-
PWLB interest carried at contract amount	-	-	(431)	(461)
Total creditors	**-**	**-**	**(431)**	**(461)**
Total borrowing	**(61,981)**	**(54,811)**	**(2,197)**	**(2,179)**

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:

	2013/14					2012/13				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	3,772	-	-	-	**3,772**	3,049	-	-	-	**3,049**
Losses on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Reductions in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Impairment losses	-	-	-	-	**-**	-	-	-	-	**-**
Fee expense	-	-	-	-	**-**	-	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**3,772**	**-**	**-**	**-**	**3,772**	**3,049**	**-**	**-**	**-**	**3,049**
Interest income	-	(86)	-	-	**(86)**	-	(255)	-	-	**(255)**
Interest income accrued on impaired financial assets	-	-	-	-	**-**	-	-	-	-	**-**
Increases in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Gains on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Fee income	-	-	-	-	**-**	-	-	-	-	**-**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(86)**	**-**	**-**	**(86)**	**-**	**(255)**	**-**	**-**	**(255)**
Gains on revaluation	-	-	-	-	**-**	-	-	-	-	**-**
Losses on revaluation	-	-	-	-	**-**	-	-	-	-	**-**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	**-**	-	-	-	-	**-**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	**-**	-	-	-	-	**-**
Net (gain)/loss for the year	**3,772**	**(86)**	**-**	**-**	**3,686**	**3,049**	**(255)**	**-**	**-**	**2,794**

Fair Values of Assets and Liabilities

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

- actual ranges of interest rates at 31 March 2014 of 1.57% to 11.125% for loans from the PWLB
- no early repayment or impairment is recognised
- where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2014		31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & Long term loans	43,575	57,697	45,075	62,644

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders below current market rates.

The fair value of the Merseyside Residual debt is taken to be the same as the amount of principal outstanding.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Short-term investments carrying amount is assumed to approximate to fair value.

15. Inventories

	Clothing / Consumable Stores		Diesel / Engineering Centre of Excellence Stores		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	275	301	95	137	370	438
Purchases	403	402	864	819	1,267	1,221
Recognised as an expense in the year	(390)	(428)	(851)	(861)	(1,241)	(1,289)
Written off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**288**	**275**	**108**	**95**	**396**	**370**

16. Debtors

	31 March 2014 £000	31 March 2013 £000
Central Government bodies	260	241
Other local authorities	1,725	1,793
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,380	1,083
Total	**3,365**	**3,117**

17. Cash and Cash Equivalents

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

31 March 2013 £000		31 March 2014 £000
7	Cash held by the Authority	7
4,309	Bank current accounts	4,569
10,403	Short-term deposits with building societies	8,703
14,719	**Total Cash and Cash Equivalents**	**13,279**

The bank current account includes the pension fund debtor of £4.751m as at the 31st March 2014 and £4.626m as at the 31st March 2013. This relates to the disaggregation of the pension fund figures into a separate account and is the money owed to Merseyside Fire and Rescue Service from CLG for payments of pension liabilities. The Authority initially had a bank overdraft of £0.182m as at the 31st March 2014 and £0.317m as at 31st March 2013 before taking account of this debtor.

18. Assets Held for Sale

	Current		Non Current	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Balance outstanding at start of year	**250**	**630**	**-**	**-**
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	-	-	461
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	(17)	-	(211)
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	-	(613)	-	-
Transfers from non current to current	-	250	-	(250)
Other movements	-	-	-	-
Balance outstanding at year-end	**250**	**250**	**-**	**-**

19. Creditors

	31 March 2014	31 March 2013
	£000	£000
Central Government bodies	(1,134)	(1,199)
Other local authorities	(1,763)	(2,074)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(2,999)	(2,921)
Total	**(5,896)**	**(6,194)**

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

20. Provisions

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2013	-	(625)	-	(625)
Additional provisions made in 2013/14	-	(605)	-	(605)
Amounts used in 2013/14	-	181	-	181
Unused amounts reversed in 2013/14	-	-	-	-
Unwinding of discounting in 2013/14	-	-	-	-
Balance at 31 March 2014	**-**	**(1,049)**	**-**	**(1,049)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31st March 2014. They relate to personal injuries sustained where the Authority is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Authority will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled in future years but no precise date can be estimated. The Authority will only be reimbursed by the insurers for claims above £0.5m.

21. Usable Reserves

31 March 2013 £000		31 March 2014 £000
-	Usable Capital Receipts Reserve	-
1,800	Usable Capital Grants Unapplied	1,585
2,894	General Fund Balance	2,894
23,082	Earmarked Reserves **(Note 8)**	23,317
27,776	**Total Usable Reserves**	**27,796**

22. Unusable Reserves

31 March 2013 £000		31 March 2014 £000
6,517	Revaluation Reserve	6,123
-	Available for Sale Financial Instruments Reserve	-
(16,384)	Capital Adjustment Account	(8,728)
235	Financial Instruments Adjustment Account	182
(1,002,225)	Pensions Reserve	(968,118)
133	Collection Fund Adjustment Account	436
(1,344)	Accumulating Compensated Absences Adjustment Account	(1,136)
(1,013,068)	**Total Unusable Reserves**	**(971,241)**

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.

2012/13 £000			2013/14 £000
8,060	**Balance at 1 April**		**6,517**
	Upward revaluation of assets	-	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-
(1,072)	Difference between fair value depreciation and historical cost depreciation	(394)	
(471)	Accumulated gains on assets sold or scrapped	-	
(1,543)	Amount written off to the Capital Adjustment Account		(394)
6,517	**Balance at 31 March**		**6,123**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

The Authority had no available for sale financial instruments at 31 March 2014.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000			2013/14 £000
(19,757)	**Balance at 1 April**		**(16,384)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(5,931)	• Charges for depreciation and impairment of non current assets	(4,274)	
(211)	• Revaluation losses on Property, Plant and Equipment	-	
(57)	• Amortisation of intangible assets	(169)	
(835)	• Revenue expenditure funded from capital under statute	(619)	
(630)	• 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	-	
(7,664)			(5,062)
1,543	Adjusting amounts written out of the Revaluation Reserve		394
(6,121)	Net written out amount of the cost of non current assets consumed in the year		(4,668)
	Capital financing applied in the year:		
613	• Use of the Capital Receipts Reserve to finance new capital expenditure	-	
-	• Use of the Major Repairs Reserve to finance new capital expenditure	-	
3,180	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,449	
702	• Application of grants to capital financing from the Capital Grants Unapplied Account	215	
3,045	• Statutory provision for the financing of capital investment charged against the General Fund	3,333	
1,954	• Capital expenditure charged against the General Fund	3,327	
9,494			12,324
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(16,384)	**Balance at 31 March**		**(8,728)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund to the Account in the Movement in Reserves Statement. Over time, the expense or income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 5 years.

2012/13 £000		2013/14 £000	
288	**Balance at 1 April**		235
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
(53)	Proportion of discounts received in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(53)	
(53)	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		(53)
235	**Balance at 31 March**		**182**

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.

2012/13 £000		2013/14 £000
(848,302)	Balance at 1 April	(1,002,225)
(108,197)	Remeasurements of the net defined benefit liability/(asset)	84,561
(55,144)	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	(59,664)
9,418	Employer's pensions contributions and direct payments to pensioners payable in the year	9,210
(1,002,225)	**Balance at 31 March**	**(968,118)**

Collection Fund Adjustment Account

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

2012/13 £000		2013/14 £000
138	Balance at 1 April	133
(5)	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	303
133	**Balance at 31 March**	**436**

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. The Authority has no back pay claims in relation to equal pay.

Accumulating Absences Account

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

2012/13 £000		2013/14 £000	
(1,483)	Balance at 1 April		(1,344)
784	Settlement or cancellation of accrual made at the end of the preceding year	672	
(645)	Amounts accrued at the end of the current year	(464)	
139	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		208
(1,344)	**Balance at 31 March**		**(1,136)**

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

2012/13 £000		2013/14 £000
(5,931)	Depreciation and impairment of non-current assets	(4,274)
(211)	Revaluation losses on property plant and equipment	-
(57)	Amortisation of intangible assets	(169)
(835)	Revenue expenditure treated as capital under statute	(619)
-	Movement in the Donated Assets Account	-
(45,726)	Movement in Pension Liability	(50,454)
(630)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognized	-
(671)	(Increase)/Decrease in Creditors	298
74	Increase/(Decrease) in Debtors	249
(69)	Increase/(Decrease) in Stocks	26
(152)	(Increase)/Decrease in Provisions	(424)
(54,208)		**(55,367)**

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

2012/13 £000		2013/14 £000
255	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	86
613	Proceeds from the sales of property plant and equipment, investment property and intangible assets	8
(3,049)	Loan interest	(3,772)
3,180	Capital grants	5,449
999		**1,771**

25. Cash Flow Statement – Investing Activities

2012/13 £000		2013/14 £000
8,010	Purchase of property, plant and equipment, investment property and intangible assets	9,375
1,002	Purchase of short-term and long-term investments	3,000
-	Other payments for investing activities	-
(613)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8)
-	Proceeds from short-term and long-term investments	-
(3,333)	Other receipts from investing activities	(5,565)
5,066	**Net cash flows from investing activities**	**6,802**

26. Cash Flow Statement – Financing Activities

2012/13 £000		2013/14 £000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
(31)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	177
1,041	Repayments of short term and long term borrowing	1,541
3,046	Other payments for financing activities	3,802
4,056	**Net cash flows from financing activities**	**5,520**

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service appearing on the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across the Fire Service and Corporate Management. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the Authority recorded in the budget reports for the year is as follows:

Services Income and Expenditure 2013/14	Fire Service £000	Corporate Management £000	Total £000
Fees, charges & other service income	(3,036)	-	**(3,036)**
Grants and Contributions	(3,759)	-	**(3,759)**
Total Income	**(6,795)**	**-**	**(6,795)**
Employee Costs	51,447	332	**51,779**
Premises Costs	2,945	-	**2,945**
Transport Costs	1,606	-	**1,606**
Supplies & Services	3,445	103	**3,548**
Agency Services	4,463	-	**4,463**
Central Support Services	317	88	**405**
Capital Financing – Debt Charges / MRP	8,621	-	**8,621**
Total Expenditure	**72,844**	**523**	**73,367**
Net Expenditure	**66,049**	**523**	**66,572**

Services Income and Expenditure 2012/13 Comparative Figures	Fire Service £000	Corporate Management £000	Total £000
Fees, charges & other service income	(3,145)	-	**(3,145)**
Grants and Contributions	(3,722)	-	**(3,722)**
Total Income	**(6,867)**	**-**	**(6,867)**
Employee Costs	53,523	345	**53,868**
Premises Costs	2,704	-	**2,704**
Transport Costs	1,582	-	**1,582**
Supplies & Services	3,414	111	**3,525**
Agency Services	3,445	-	**3,445**
Central Support Services	229	92	**321**
Capital Financing – Debt Charges / MRP	7,258	-	**7,258**
Total Expenditure	**72,155**	**548**	**72,703**
Net Expenditure	**65,288**	**548**	**65,836**

Reconciliation of Services Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2012/13 £000		2013/14 £000
65,836	Net expenditure in the Service Analysis	66,572
20,759	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in Analysis	21,731
(17,413)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(19,590)
69,182	**Cost of Services in Comprehensive Income and Expenditure Statement**	**68,713**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Service Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(3,036)	-	-	-	**(3,036)**	-	**(3,036)**
Grants and Contributions	(3,759)	-	-	-	**(3,759)**	(45,412)	**(49,171)**
Interest and investment income	-	-	-	-	**-**	(86)	**(86)**
Income from council tax	-	-	-	-	**-**	(27,060)	**(27,060)**
Non Distributable Costs	-	-	-	-	**-**	-	**-**
Total Income	**(6,795)**	**-**	**-**	**-**	**(6,795)**	**(72,558)**	**(79,353)**
Employee Costs	51,779	(208)	(9,210)	-	**42,361**	-	**42,361**
Premises Costs	2,945	-	-	-	**2,945**	-	**2,945**
Transport Costs	1,606	-	-	-	**1,606**	-	**1,606**
Supplies & Services	3,548	-	-	-	**3,548**	-	**3,548**
Agency Services	4,463	-	(1,759)	-	**2,704**	-	**2,704**
Central Support Services	405	-	-	-	**405**	-	**405**
Capital Financing – Debt Charges / MRP	8,621	-	(8,621)	-	**-**	3,772	**3,772**
Depreciation, impairments and revaluation losses	-	4,443	-	-	**4,443**	-	**4,443**
Revenue Expenditure Funded through Capital under Statute	-	619	-	-	**619**	-	**619**
Pension Costs calculated in accordance with IAS 19	-	16,834	-	-	**16,834**	-	**16,834**
Net Pension Interest Costs FRS17	-	-	-	-	**-**	42,787	**42,787**
Non Distributable Costs	-	43	-	-	**43**	-	**43**
Other Operating Expenses	-	-	-	-	**-**	-	**-**
Gain or Loss on Disposal of Non-current Assets	-	-	-	-	**-**	-	**-**
Total expenditure	**73,367**	**21,731**	**(19,590)**	**-**	**75,508**	**46,559**	**122,067**
Surplus or deficit on the provision of services	**66,572**	**21,731**	**(19,590)**	**-**	**68,713**	**(25,999)**	**42,714**

2012/13 Comparative figures	Service Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(3,145)	-	-	-	**(3,145)**	-	**(3,145)**
Grants and Contributions	(3,722)	-	-	-	**(3,722)**	(44,342)	**(48,064)**
Interest and investment income	-	-	-	-	**-**	(255)	**(255)**
Income from council tax	-	-	-	-	**-**	(28,581)	**(28,581)**
Non Distributable Costs	-	-	-	-	**-**	-	**-**
Total Income	**(6,867)**	**-**	**-**	**-**	**(6,867)**	**(73,178)**	**(80,045)**
Employee Costs	53,868	(139)	(9,418)	-	**44,311**	-	**44,311**
Premises Costs	2,704	-	-	-	**2,704**	-	**2,704**
Transport Costs	1,582	-	-	-	**1,582**	-	**1,582**
Supplies & Services	3,525	-	-	-	**3,525**	-	**3,525**
Agency Services	3,445	-	(737)	-	**2,708**	-	**2,708**
Central Support Services	321	-	-	-	**321**	-	**321**
Capital Financing – Debt Charges / MRP	7,258	-	(7,258)	-	**-**	3,049	**3,049**
Depreciation, impairments and revaluation losses	-	6,199	-	-	**6,199**	-	**6,199**
Revenue Expenditure Funded through Capital under Statute	-	835	-	-	**835**	-	**835**
Pension Costs calculated in accordance with IAS 19	-	13,796	-	-	**13,796**	-	**13,796**
Net Pension Interest Costs FRS17	-	-	-		**-**	41,280	**41,280**
Non Distributable Costs	-	68	-	-	**68**	-	**68**
Other Operating Expenses	-	-	-	-	**-**	17	**17**
Gain or Loss on Disposal of Non-current Assets	-	-	-	-	**-**	-	**-**
Total expenditure	**72,703**	**20,759**	**(17,413)**	**-**	**76,049**	**44,346**	**120,395**
Surplus or deficit on the provision of services	**65,836**	**20,759**	**(17,413)**	**-**	**69,182**	**(28,832)**	**40,350**

28. Agency Services

The Authority currently acts as lead Authority for a North West PFI scheme, building 16 new fire stations of which 4 relate to Lancashire Fire & Rescue and 5 relate to Cumbria Fire & Rescue. All these fire stations are completed and fully operational.

29. Members' Allowances

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

	2013/14 £000	2012/13 £000
Allowances	239	250
Expenses	23	32
Total	**262**	**282**

30. Officers' Remuneration

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

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Benefits in Kind (e.g. Car Allowance) (Note a) £	Pension Contribution £	Total
Chief Fire Officer – Dan Stephens	2013/14	170,000	-	-	-	1,603	30,033	201,636
	2012/13	170,000	-	-	-	1,603	29,266	200,869
Deputy Chief Fire Officer – Phil Garrigan	2013/14	144,500	-	-	-	3,610	30,033	178,143
	2012/13	144,038	-	-	-	3,610	29,198	176,846
Deputy Chief Executive – Kieran Timmins	2013/14	144,500	-	-	-	9,035	16,040	169,575
	2012/13	144,500	-	-	-	9,035	16,040	169,575

The Authority restructured the Senior Officer Management Team in August 2011 in order to deliver savings of £0.318m per annum. The executive team was reduced from four roles to just three; with two Principal Fire Officers. The salaries for the senior roles in the organisation were also reviewed and reduced.

Note a – The benefits in kind figure for 2013/14 is an estimated figure pending final tax returns. Once the actual amounts are known the above figures will be adjusted.

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	2013/14 Number of employees	2012/13 Number of employees
£50,000 - £54,999	21	37
£55,000 - £59,999	11	10
£60,000 - £64,999	13	11
£65,000 - £69,999	-	3
£70,000 - £74,999	2	1
£75,000 - £79,999	2	2
£80,000 - £84,999	-	-
£85,000 - £89,999	-	5
£90,000 - £94,999	6	1
Total	**55**	**70**

Note a – In 2013/14 44 of the 55 staff receiving over £50,000 are firefighting staff, who provide fire cover (many of whom are receiving additional payments for working extra time or working more flexibly). In 2012/13 the firefighting staff made up 59 of the 70 posts.

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

Note c – In 2013/14 the taxable benefit for a number of staff has been estimated pending final tax returns. Once the actual amounts are known the above figures will be adjusted. The figures relate predominantly to car allowance arrangements.

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 [(b) + (c)]		Total Cost of Exit Packages in Each Band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	-	-	109	16	109	16	341,065	151,775
£20,001 - £40,000	-	-	18	3	18	3	472,025	74,811
£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	**-**	**-**	**127**	**19**	**127**	**19**	**813,090**	**226,586**

Note a – In 2012/13 78 of the 127 termination payments were paid to firefighters who terminated their secondary contract.

31. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Authority's external auditors:

	2013/14 £000	2012/13 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	43	43
Fees/(rebate) payable to/from the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	(5)	(4)
Fees payable in respect of other services by National Fraud Initiative during the year	-	-
Total	**38**	**39**

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Council tax income	(27,060)	(28,581)
Non domestic rates	(13,521)	(40,379)
Non-ring fenced Government grants:		
Revenue Support Grant	(26,441)	(783)
Capital Grants and Contributions:		
General Capital Grant (Department for Communities and Local Government)	(2,129)	(1,729)
My Place Big Lottery Funding (Liverpool City Council)	-	(1,305)
Department for the Environment, Food & Rural Affairs (DEFRA)	-	-
Control Room Resilience Grant (Department for Communities and Local Government)	-	-
Merseyside Police Joint Control Room	(3,321)	(146)
Total	**(72,472)**	**(72,923)**
Credited to Services		
New Dimensions Grant (Department for Communities and Local Government)	(999)	(997)
Fire Control Implementation Grant (Department for Communities and Local Government)	(215)	(202)
PFI Credits (Department for Communities and Local Government)	(2,097)	(2,293)
Other Grants (Department for Communities and Local Government)	(244)	(171)
Total	**(3,555)**	**(3,663)**

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

33. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. Any amounts owed to or by the Authority to other public bodies has been identified in notes 16 and 19.

2012/13 Receipts	2012/13 Payments	Related Party Transactions	2013/14 Receipts	2013/14 Payments
		Central Government		
40,379		Redistributed National Non Domestic Rates	13,522	
783		Revenue Support Grant	26,441	
1,729		Capital Grants	2,343	
	3,178	Employers National Insurance Contributions		3,010
		Local Authority Precept		
2,848		Knowsley	2,505	
8,610		Liverpool	8,136	
3,764		St. Helens	3,678	
6,222		Sefton	6,013	
7,137		Wirral	6,728	
		Pensions		
	1,754	Merseyside Superannuation Fund Employers Contributions		1,757
23,900	26,442	Pension Fund	25,140	27,724
		Other		
-	-	Merseyside Police Authority (MPA)	3,321	-

Central Government

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from Government departments are set out in the subjective analysis in Note 32 on reporting for resources allocation decisions.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 29. The Authority's membership comprises of councillors from each of the five Local Authorities in Merseyside. Members of the Authority are required to declare interests in related parties on an annual basis in respect of the Financial Statements and also in the Authority's Register of Interests throughout the year. From examining existing available sources of information for 2013/14, 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 2013/14.

Entities Controlled or Significantly Influenced by the Authority

Fire Support Network

The Authority established the Fire Support Network (FSN) formerly known as Friends of the Fire Service during 2001/02. The purpose of this voluntary organisation was to advance the education and preserve and protect the health of the public within Merseyside by promoting issues relating to fire safety and to offer support to any person in need, involved in or affected by fire or other emergency.

In establishing the "Friends of the Merseyside Fire Service" which became the FSN, the Fire Authority felt that the best formal structure for the organisation would be that of a company limited by guarantee. At the time it was felt that this form of organisation would enable the FSN to better secure external funding from the private sector. However, at the same time the Fire Authority wanted to ensure that the activities of the FSN were properly controlled and were wholly consistent with the strategy and activities of Merseyside Fire Authority itself. Therefore, the FSN Company operates with a board of five trustees.

Due to this board structure, and the fact that the FSN activities are so closely related to the activities of the Fire Service, the FSN is a "regulated company" as defined by the Local Government and Housing Act 1989, and orders under that Act. This means that the financial transactions of the company must be treated as though they were the financial transactions of Merseyside Fire & Rescue Authority, and that those transactions should be consolidated into the Authority's financial accounts. The FSN did maintain an independent bank account in 2013/14 but the total net transactions, apart from the SLA below, were minimal and not material. Therefore, the accounts have not been consolidated for this year.

The Authority has agreed a service level agreement with the FSN whereby in return for work against strict performance criteria the Authority would pay FSN £195,000 a year.

North West Partnership Board

The North-West Fire and Rescue Authorities are continuing to work collaboratively, via the North West Partnership Board which was set up in March 2011. This is a new joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee is comprised of councillors from the five constituent authorities.

The objectives of the North-West Partnership Board are as below:

- Develop the sharing of best practice from across the North West and beyond to influence future business.
- Encourage the provision of sustainable and increasingly efficient prevention, protection and intervention services to reduce overall risk.
- Influence the implementation of value led strategies on a localised basis.
- Provide the platform for continuing collaboration between NW FRS's to promote increasing value in all aspects of service delivery.

- Lobby key internal and external partners to improve fire and rescue service policies and processes.
- To lead continuous improvement through delivery of a sector led, peer reviewed approach.

Lancashire Combined Fire Authority manages the income and expenditure on behalf of the region, there were no recharges due for 2013/14.

Joint Control Centre

Merseyside Fire and Rescue and Merseyside Police Authorities have entered into a contract to develop and build a joint Merseyside Command and Control Centre. The proposed design solution will involve a new two-storey building extension attached to the rear of the current Fire Service Headquarters and a refurbishment of the existing area of the building. The forecast budget for the project is £9.3m. Work on the project started on the 8^{th} April 2013 and the project will be completed during 2014/15.

34. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement	(65,286)	(55,917)
Capital Investment		
Property, Plant and Equipment	(17,689)	(17,521)
Investment Properties	-	-
Intangible Assets	(2)	(507)
Revenue Expenditure Funded from Capital under Statute	(619)	(835)
Sources of Finance		
Capital receipts	-	613
Government grants and other contributions	5,664	3,882
Sums set aside from revenue:		
• Direct revenue contributions	3,327	1,954
• [MRP/loans fund principal]	3,333	3,045
Closing Capital Financing Requirement	**(71,272)**	**(65,286)**
Explanation of movement in year		
Increase in underlying need to borrowing (supported by Government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by Government financial assistance)	(2,949)	(1,483)
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	8,935	10,852
Increase/(decrease) in Capital Financing Requirement	**5,986**	**9,369**

35. Leases

Authority as Lessee

Finance Leases

In the past the Authority had acquired a number of fire engines and breathing apparatus under finance leases, but as at 31st March 2014 the Authority has no outstanding finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2014 £000	31 March 2013 £000
Other Land and Buildings	6,029	6,152
Vehicles, Plant, Furniture and Equipment	-	21
Total	**6,029**	**6,173**

The Authority has built a fire station and youth facility for £6.152m on land currently owned by Liverpool City Council. Although a lease is in place between the Authority and Liverpool City Council no further cash flows are envisaged.

The Authority is committed to making minimum payments under these leases, comprising of the settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2014 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	-	-
Non-current	-	22
Finance Costs payable in future years	-	1
Total	**-**	**23**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	-	23	-	22
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total	**-**	**23**	**-**	**22**

Operating Leases

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

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

	31 March 2014 £000	31 March 2013 £000
Not later than one year	152	143
Later than one year and not later than five years	82	221
Later than five years	-	-
Total	**234**	**364**

Authority as Lessor

Finance Leases

The Authority currently has no leases of this category.

36. Private Finance Initiatives and Similar Contracts

The Authority lead on a North West PFI project to replace 16 fire stations in Merseyside, Lancashire and Cumbria. Merseyside Fire Service built 7 new fire stations. The total value of the PFI scheme is £47.886m of which £19.787m relates to Merseyside Fire and Rescue Authority. The contract for building the new stations is with Balfour Beatty Fire and Rescue NW Ltd 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 2013	590	10,616	11,206
Additions	550	8,935	9,485
Depreciation/Impairment	-	(476)	(476)
Value at 31st March 2014	**1,140**	**19,075**	**20,215**

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 2013/14 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2014/15	619	250	1,771	2,640
Payable within 2 to 5 years	2,600	1,287	6,914	10,801
Payable within 6 to 10 years	3,689	2,344	8,062	14,095
Payable within 11 to 15 years	4,261	3,561	7,012	14,834
Payable within 16 to 20 years	4,934	5,437	5,298	15,669
Payable within 21 to 25 years	4,943	6,804	2,348	14,095
Payable within 26 to 30 years	-	-	-	-
Total	**21,046**	**19,683**	**31,405**	**72,134**
Paid in 2013/14	610	155	1,603	2,368
Grand Total	**21,656**	**19,838**	**33,008**	**74,502**

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

	31 March 2014 £000	31 March 2013 £000
Balance outstanding at start of year	(10,904)	-
Payments during the year	155	-
Capital expenditure incurred in the year	(8,935)	(10,852)
Other movements	-	(52)
Total	**(19,684)**	**(10,904)**

37. Impairment Losses

The Authority incurred expenditure of £201,000 in 2013/14 and £537,000 in 2012/13 and which did not add value to the buildings but maintained the upkeep of such assets (e.g. Replacement boilers, yard repairs, tower repairs etc). These costs are written off in the year to the surplus or deficit on the provision of services. These disclosures are consolidated in Note 12 reconciling the movement in the year in Property Plant and Equipment. The figures are shown in other movement in cost or valuation.

38. Capitalisation of Borrowing Costs

The Authority has not capitalised any borrowing costs in 2013/14.

39. Termination Benefits

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £227,000 (£813,000 in 2012/13) – see note 30 for the number of exit packages and the total cost per band.

40. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Merseyside Pension Fund - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- The Firefighters Pension Scheme - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. The Government changed the funding mechanism for this scheme in 2006/07. This alleviated concerns about the possibility of large year on year fluctuations on local tax payers by creating a pension fund account. The primary objective is to allow the separation of the cost of providing pensions from the cost of running a fire and recue service.

Transactions relating to post employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme

Re-aligned 2012/13				2013/14		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
1,476	-	1,476	• current service cost	1,892	-	1,892
-	-	-	• past service costs	-	-	-
58	-	58	• settlements and curtailments	43	-	43
-	-	-	• administration expenses	42		42
			Financing and Investment Income and Expenditure			
1,112	38	1,150	• Net interest expense	1,141	36	1,177
2,646	**38**	**2,684**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**3,118**	**36**	**3,154**
			Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement			
			Remeasurement of the net defined benefit liability Comprising:			
(3,522)	-	(3,522)	• Return on scheme assets (excluding the amount included in the net interest expense)	(1,198)	-	(1,198)
755	-	755	• Actuarial gains and losses arising on changes in demographic assumptions	515	11	526
7,939	64	8,003	• Actuarial gains and losses arising on changes in financial assumptions	(5,995)	(29)	(6,024)
-	-	-	• Other experiences (gain)/loss on liabilities	(3,614)	42	(3,572)
7,818	**102**	**7920**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**(7,174)**	**60**	**(7,114)**
			Movement in Reserves Statement			
(2,646)	(38)	(2,684)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,118)	(36)	(3,154)
			Actual amount charged against the General Fund Balance for pensions in the year:			
1,887	-	1,887	• Employers' contributions payable to scheme	1,842	-	1,842
	50	50	• Retirement benefits payable to pensioners		51	51

Firefighters Pension Scheme

2012/13 Old Scheme £000	2012/13 Injury Awards £000	2012/13 New Scheme £000	2012/13 Total £000		2013/14 Old Scheme £000	2013/14 Injury Awards £000	2013/14 New Scheme £000	2013/14 Total £000
				Comprehensive Income and Expenditure Statement				
				Cost of Services				
11,240	410	670	12,320	• current service cost	13,450	540	910	14,900
-	10	-	10	• past service costs	-	-	-	-
-	-	-	-	• settlements and curtailments	-	-	-	-
				Financing and Investment Income and Expenditure				
37,440	2,480	210	40,130	• Net interest expense	38,750	2,570	290	41,610
48,680	**2,900**	**880**	**52,460**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**52,200**	**3,110**	**1,200**	**56,510**
				Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
				Remeasurement of the net defined benefit liability Comprising:				
(18,059)	-	380	(17,679)	• Return on scheme assets (excluding the amount included in the net interest expense)	(19,212)	-	409	(18,803)
-	-	-	-	• Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-
104,320	9,770	-	114,090	• Actuarial gains and losses arising on changes in financial assumptions	(20,630)	(3,820)	(680)	(25,130)
7,060	(1,890)	1,380	6,550	• Other experiences (gain)/loss on liabilities	(28,620)	(1,730)	(10)	(30,360)
142,001	**10,780**	**2,640**	**155,421**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**(16,262)**	**(2,440)**	**919**	**(17,783)**
				Movement in Reserves Statement				
(48,680)	(2,900)	(880)	(52,460)	• reversal of net charges made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(52,200)	(3,110)	(1,200)	(56,510)
				Actual amount charged against the General Fund Balance for pensions in the year:				
5,541	-	210	5,751	• Employers' contributions payable to scheme	5,398	-	219	5,617
-	1,730	-	1,730	• Retirement benefits payable to pensioners	-	1,700	-	1,700

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a surplus of £84.561m and to the 31 March 2013 is a loss of £108.197m.

- Past service costs and curtailment costs are the result of increased benefits being paid in the event of members retiring early 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

2012/13				2013/14		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(76,505)	(862)	(77,367)	Present value of the defined benefit obligation	(71,363)	(871)	(72,234)
48,372	-	48,372	Fair value of scheme assets	52,246	-	52,246
(28,133)	(862)	(28,995)	***Net liability arising from defined benefit obligation***	(19,117)	(871)	(19,988)

Firefighters Pension Scheme

2012/13					2013/14			
Old Scheme £000	Injury Awards £000	New Scheme £000	Total £000		Old Scheme £000	Injury Awards £000	New Scheme £000	Total £000
(906,680)	(60,250)	(6,300)	(973,230)	Present value of the defined benefit obligation	(885,020)	(56,110)	(7,000)	(948,130)
-	-	-	-	Fair value of scheme assets	-	-	-	-
(906,680)	(60,250)	(6,300)	(973,230)	***Net liability arising from defined benefit obligation***	(885,020)	(56,110)	(7,000)	(948,130)

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme

2012/13 Funded Benefits £000	2012/13 Unfunded Benefits £000	2012/13 Total £000		2013/14 Funded Benefits £000	2013/14 Unfunded Benefits £000	2013/14 Total £000
42,239	-	42,239	Opening fair value of scheme assets	48,372	-	48,372
2,049	-	2,049	Interest income	2,046	-	2,046
			Remeasurement gain/(loss):			
3,522	-	3,522	• Return on scheme assets (excluding the amount included in the net interest expense)	1,198	-	1,198
-	-	-	• Administration Expenses	(42)	-	(42)
1,887	50	1,937	Contributions from employer	1,842	51	1,893
564	-	564	Contributions from employees into the scheme	543	-	543
(1,889)	(50)	(1,939)	Benefits paid	(1,713)	(51)	(1,764)
48,372	-	48,372	***Net liability arising from defined benefit obligation***	52,246	-	52,246

Firefighters Pension Scheme

2012/13 Old Scheme £000	2012/13 Injury Awards £000	2012/13 New Scheme £000	2012/13 Total £000		2013/14 Old Scheme £000	2013/14 Injury Awards £000	2013/14 New Scheme £000	2013/14 Total £000
-		-	-	Opening fair value of scheme assets	-		-	-
				Remeasurement gain/(loss):				
18,059	-	(380)	17,679	• Return on scheme assets (excluding the amount included in the net interest expense)	19,212	-	(409)	18,803
5,541	1,730	210	7,481	Contributions from employer	5,398	1,700	219	7,317
2,850		170	3,020	Contributions from employees into the scheme	3,110	-	190	3,300
(26,450)	(1,730)		(28,180)	Benefits paid	(27,720)	(1,700)		(29,420)
-	-	-	-	***Net liability arising from defined benefit obligation***	-	-	-	-

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Local Government Pension Scheme

2012/13				2013/14		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(64,441)	(810)	(65,251)	Opening balance at 1 April	(76,505)	(862)	(77,367)
(1,476)	-	(1,476)	Current service cost	(1,892)	-	(1,892)
(3,161)	(38)	(3,199)	Interest cost	(3,187)	(36)	(3,223)
(564)	-	(564)	Contributions by scheme participants	(543)	-	(543)
			Remeasurement (gains) and losses:			
(755)	-	(755)	• Actuarial gains/losses arising from changes in demographic assumptions	(515)	(11)	(526)
(7,939)	(64)	(8,003)	• Actuarial gains/losses arising from changes in financial assumptions	5,995	29	6,024
-	-	-	• Other experience gains and losses	3,614	(42)	3,572
-	-	-	Past service cost	-	-	-
(58)	-	(58)	Settlements and curtailments	(43)	-	(43)
1,889	50	1,939	Benefits paid	1,713	51	1,764
(76,505)	**(862)**	**(77,367)**	**Closing balance at 31 March**	**(71,363)**	**(871)**	**(72,234)**

Firefighters Pension Scheme

2012/13					2013/14			
Old Scheme £000	Injury Awards £000	New Scheme £000	Total £000		Old Scheme £000	Injury Awards £000	New Scheme £000	Total £000
(770,220)	(51,200)	(3,870)	(825,290)	Opening balance at 1 April	(906,680)	(60,250)	(6,300)	(973,230)
(11,240)	(410)	(670)	(12,320)	Current service cost	(13,450)	(540)	(910)	(14,900)
(37,440)	(2,480)	(210)	(40,130)	Interest cost	(38,750)	(2,570)	(290)	(41,610)
(2,850)	-	(170)	(3,020)	Contributions by scheme participants	(3,110)	-	(190)	(3,300)
				Remeasurement (gains) and losses:				
-	-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-
(104,320)	(9,770)	-	(114,090)	• Actuarial gains/losses arising from changes in financial assumptions	20,630	3,820	680	25,130
(7,060)	1,890	(1,380)	(6,550)	• Other experience gains and losses	28,620	1,730	10	30,360
-	(10)	-	(10)	Past service cost	-	-	-	-
-	-	-	-	Settlements and curtailments	-	-	-	-
26,450	1,730	-	28,180	Benefits paid	27,720	1,700	-	29,420
(906,680)	**(60,250)**	**(6,300)**	**(973,230)**	**Closing balance at 31 March**	**(885,020)**	**(56,110)**	**(7,000)**	**(948,130)**

Local Government Pension Scheme assets comprised:

2012/13 Quoted Prices in Active Markets £000	2012/13 Quoted Prices not in Active Markets £000	2012/13 Total £000		2013/14 Quoted Prices in Active Markets £000	2013/14 Quoted Prices not in Active Markets £000	2013/14 Total £000
952	-	952	**Cash & Cash Equivalents**	1,387	-	1,387
			Equity Instruments:			
12,258	-	12,258	• UK	13,813	-	13,813
15,285	-	15,285	• Overseas	15,908	-	15,908
27,543	-	27,543	Sub-total equity instruments	29,721	-	29,721
			Bonds:			
1,185	-	1,185	• UK Corporate	1,379	-	1,379
2,458	-	2,458	• UK Government	2,204	-	2,204
5,344	-	5,344	• UK Index Linked	4,972	-	4,972
8,987	-	8,987	Sub-total bonds	8,555	-	8,555
			Property:			
-	2,383	2,383	• UK Direct Property	-	2,551	2,551
279	744	1,023	• UK Property Managed	322	827	1,149
-	422	422	• Overseas Property Managed	-	490	490
279	3,549	3,828	Sub-total property	322	3,868	4,190
			Private Equity:			
42	1,229	1,271	• UK	37	1,343	1,380
-	1,264	1,264	• Overseas	-	1,267	1,267
42	2,493	2,535	Sub-total private equity	37	2,610	2,647
			Other Investment Funds:			
130	1,899	2,029	• Hedge Funds UK	148	2,139	2,287
-	90	90	• Hedge Funds Overseas	-	78	78
-	270	270	• Infrastructure UK	-	473	473
188	289	477	• Infrastructure Overseas	158	415	573
649	393	1,042	• Opportunities UK	762	728	1,490
379	240	619	• Opportunities Overseas	449	396	845
1,346	3,181	4,527	Sub-total other investment funds	1,517	4,229	5,746
39,149	**9,223**	**48,372**	**Total assets**	**41,539**	**10,707**	**52,246**

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 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2013/14	2012/13	2013/14	2012/13
Long-term expected rate of return on assets in the scheme:				
Equity Investments	7.0%	7.0%	-	-
Government Bonds	3.4%	2.8%	-	-
Other Bonds	4.3%	3.9%	-	-
Property	6.2%	5.7%	-	-
Cash Liquidity	0.5%	0.5%	-	-
Other	N/A	7.0%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	22.3	21.8	23.5	23.5
Women	25.2	24.7	25.5	25.4
Longevity at 65 for future pensioners:				
Men	24.7	23.7	26.6	26.7
Women	28.0	26.6	28.6	28.4
Rate of CPI inflation	2.4%	2.4%	2.5%	2.5%
Rate of increase in salaries	3.9%	3.9%	4.5%	4.7%
Rate of increase in pensions	2.4%	2.4%	2.5%	2.5%
Rate for discounting scheme liabilities	4.5%	4.2%	4.4%	4.3%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

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

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

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	1,393	(1,393)
Rate of inflation (increase or decrease by 0.1%)	1,418	(1,418)
Rate of increase in salaries (increase or decrease by 0.1%)	385	(385)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,391)	1,391

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 73% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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

The Authority anticipates paying £3.719m contributions to the scheme in 2014/2015. This forecast incorporates the £2,538m fixed payment element of the deficit for the next 3 years 2014/15 – 2016/17. The Authority was able to secure a discount by paying the 3 year period upfront rather than on a monthly basis. As a result a payment of £2,538m was made in April 2014 in relation to the pension fund historic deficit, all of which is chargeable to the General Fund in 2014/15 in accordance with statutory provisions.

Impact on the Defined Benefit Obligation in the Firefighters Pension Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	15,100	(15,100)
Rate of increase in salaries (increase or decrease by 0.1%)	2,580	(2,580)
Rate of increase in pensions (increase or decrease by 0.1%)	15,320	(15,320)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(17,880)	17,880

Impact on the Authority's Cash Flows

The Authority anticipates paying £5.176m contributions to the scheme in 2014/2015.

41. Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by one of the following rating services Fitch, Moody's and Standard & Poors. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Authority are as detailed below:

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

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

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

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

Specified investments will comprise of the following institutions:-

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a gilt with less than one year to maturity)
- Supranational bonds of less than one year's duration. (Supranational bonds represent the debt on international organisations such as the World Bank, the International Monetary Fund, regional multilateral development banks and others)
- UK Local Authorities
- Money Market Funds
- UK Banks
- Foreign banks registered in the UK
- Building Societies.

The Authority will invest in UK institutions or non-UK and domiciled in a country which has a minimum Sovereign long term rating "AA". The institutions must have a high credit rating assigned by any of the three credit ratings agencies (Fitch, Moody's and Standard & Poors). To be deemed highly rated the institution must satisfy at least the minimum of the following Fitch (or equivalent) criteria:

- Long term credit rating A-

If any of the agencies assigns a rating lower than the Fitch minimum (or equivalent) to an institution then the Authority will not invest with that institution.

In addition, the Authority will use institutions that are part nationalised UK banks.

Regardless of the credit rating assigned to an institution or whether it is covered by a guarantee, if any doubt over its financial standing exist then that institution is removed immediately from the counterparty lending list.

Investment Limits

The credit ratings and individual limits for each institution within the categories of investments used by the Authority in 2013/14 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
• UK Banks and Building Societies (A- or higher rated)	£2 million
• Foreign banks registered in the UK (A or higher rated)	£2 million

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.

Non Specified Investments

Non-specified investments do not, by definition, meet the requirements of a specified investment. The Communities & Local Government (CLG) 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.

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 £10m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Exposure to Credit Risk

	Amount at 31 March 2014 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2014 %	Estimated maximum exposure to default and uncollectability at 31 March 2014 £000	Estimated maximum exposure at 31 March 2013 £000
	A	B	C	(A X C)	
Investments	10,090	-	-	-	-
Customers	858	2.69%	0.8%	7	6
				7	**6**

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 allows 30 days credit for customers, such that £0.168m of the £0.858m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2014 £000	31 March 2013 £000
Less than three months	153	398
Three months to one year	9	54
More than one year	6	6
Total	**168**	**458**

Liquidity Risk

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

Number of Years	Public Works Loan Board (PWLB) 31 March 2014 £000	31 March 2013 £000	Merseyside Residual Debt (MRD) 31 March 2014 £000	31 March 2013 £000
Less than one	1,475	1,500	41	41
Between one and two	1,000	1,475	41	41
Between two and five	3,500	4,000	123	123
Between five and ten	3,880	4,380	203	203
Between ten and fifteen	-	-	79	120
Between fifteen and twenty	-	-	-	-
Between twenty and twenty five	2,000	2,000	-	-
Between twenty five and thirty	-	-	-	-
Between thirty and thirty five	4,500	3,500	-	-
Between thirty five and forty	12,360	9,860	-	-
Between forty and forty five	14,860	16,860	-	-
More than forty five	-	1,500	-	-
Total	**43,575**	**45,075**	**487**	**528**

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 of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

According to this assessment strategy, at 31 March 2014, 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	5
Increase in interest receivable on variable rate investments	(125)
Increase in Government grant receivable for financing costs	(12)
Impact on Surplus or Deficit on the Provision of Services	**(132)**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**(132)**
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)	(577)

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

Price Risk

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

Foreign Exchange Risk

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

42. Contingent Liabilities

The Authority notes that as part of various firefighter retained contracts, payments that were paid non pensionable may now become pensionable under the new firefighters pension scheme. However the Authority has not created a provision for this contingent liability because the amounts are yet to be identified and not deemed to be material.

Firefighters Pension Fund Accounts

Fund Account

2012/13 £000		2013/14 £000	
	Contributions receivable:		
	Fire Authority:		
(5,400)	• contributions in relation to pensionable pay	(5,266)	
(351)	• early retirements	(351)	
-	• other	-	
(3,014)	Firefighters contributions	(3,299)	
(8,765)			**(8,916)**
-	**Transfers in from other authorities**		**-**
	Benefits payable:		
24,537	• pensions	25,150	
1,905	• commutation and lump sum retirement benefits	2,462	
-	• lump sum death benefits	-	
-	• other	-	
26,442			**27,612**
	Payments to and on account of leavers:		
-	• transfers out to other authorities	112	
-	• refunds of contributions	-	
-			**112**
17,677	**Net amount payable for the year**		**18,808**
(17,677)	Top – up grant payable by the Government		(18,808)
-			**-**

Net Assets Statement

2012/13 £000		2013/14 £000
	Current assets	
-	Contributions due from the Fire Authority	-
-	Recoverable overpayments of pensions	-
4,626	Debtors	4,751
(4,626)	Cash	(4,751)
	Current liabilities	
-	Creditors	-
-	Amount payable to central government	-
-		-

Notes to Pension Fund Account

Contribution Rates

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

Pensionable Pay Deductions	1992 Scheme	2006 Scheme
Employer's Contributions	21.3%	11%
Employee Contributions:		
£0 - £15,000	11.0%	8.5%
£15,001 - £21,000	11.9%	9.1%
£21,001 - £30,000	12.9%	9.6%
£30,001 - £40,000	13.2%	9.9%
£40,001 - £50,000	13.5%	10.1%
£50,001 - £60,000	13.7%	10.2%
£60,001 - £100,000	14.1%	10.5%
£100,001 - £120,000	14.5%	10.8%
£120,001 >	15.0%	11.1%

Ill Health Contributions

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

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

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

Communities and Local Government (CLG) Grant
There are no investment assets and the fund is balanced to zero each year by receipt of a top up grant from the CLG, if contributions are insufficient to meet the cost of pension payments, or by paying over any surplus grant.

Accruals
The fund has been prepared on an accruals basis in accordance with the rest of the accounts.

Future Liabilities
The fund statement does not take account of liabilities to pay pensions and other benefits after year end. However note 40 in the main set of Accounts does take account of this and its long term pension obligation under IAS19.

Debtors

	31 March 2014 £000	31 March 2013 £000
Central Government bodies	2,584	2,542
Other local authorities	-	-
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	2,167	2,084
Total	**4,751**	**4,626**

Statement of Responsibilities for the Statement of Accounts

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

The Deputy Chief Executive responsibilities

The Deputy Chief Executive 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 Deputy Chief Executive 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 Deputy Chief Executive 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 2014 and of its expenditure and income for the year ended 31st March 2014.

Kieran Timmins
Deputy Chief Executive
27th June 2014

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.

CLG

Communities and Local Government is the Government Department responsible for the national policy on local government.

CREDITORS

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

CURRENT ASSETS

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

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

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

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

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

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

FAIR VALUE
The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

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

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

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

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

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

INVENTORIES
Inventories are the amount of unused or unconsumed goods held in expectation for future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

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

LONG TERM ASSETS
Long term assets are assets that yield benefits to the Authority and the services it provides for a period of more than 12 months.

LONG TERM LIABILITIES
Long term liabilities are amounts owed by the Authority and due for payment at a time greater than 12 months e.g. Long Term Borrowing.

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 capitalized 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.

MERSEYSIDE FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT 2013-2014

1.0 SCOPE OF RESPONSIBILITY

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

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

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

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

2. These high level principles are supported by six detailed principles of good governance which are:
   - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area
   - Members and officers working together to achieve a common purpose with clearly defined functions and roles
   - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
   - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
   - Developing the capacity and capability of members and officers to be effective
   - Engaging with local people and other stakeholders to ensure robust public accountability

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

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

2.3 The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31 March 2014.

3.0 THE GOVERNANCE FRAMEWORK

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

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

3.2.1 After consulting with the citizens of Merseyside and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the mission, aims and service objectives for the organisation. The Authority approved the 2013 – 2016 IRMP at its meeting on the 27 June, 2013, and the IRMP established the service priorities for 2013/14.

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

- **Excellent Operational Preparedness**
  We will provide our firefighters with the training, information, procedures and equipment to ensure they can safely and effectively resolve all emergency incidents.

- **Excellent Operational Response**
  To maintain an excellent emergency response to meet risk across Merseyside with safety and effectiveness at its core.

- **Excellent Prevention and Protection**
  We will work with our partners and our community to protect the most vulnerable through targeted local risk reduction, health inequality intervention and the robust application of our legal powers.

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

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

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

3.3.1 IRMP and other service projects are incorporated into one document – the Service Delivery Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Performance and Scrutiny Committee and the senior management team.

District and Station Community Safety Plans have also been developed to give details of the activities taking place in each district. The reporting process applies traffic light status to each action point in the Service Delivery Plan and attention is drawn to progress achieved and matters to be addressed. Copies of the Service Delivery Plan can be found on the Authority's website: www.merseyfire.gov.uk

3.4 The Internal Control Environment:

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

3.4.2 Policy and decision making process

The Authority has meaningful democratic control over its activities via an **approved committee structure** with agreed Terms of Reference that are reviewed once a year by the Authority at its Annual General Meeting. The Authority has a **written Constitution** that was reviewed in 2013/14 and approved by the Authority at its meeting on 11th June 2013 (CFO/059/13), which is published and sets out how the Authority operates, how decisions are made, and the procedures which are followed to ensure these are efficient, transparent and accountable to local citizens. The Constitution is reviewed every year by the Authority at its AGM.

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

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

3.4.3 Management Structure

Management Structure - The Authority has a **clear management structure** with defined roles and responsibilities. A Strategic Management Group, SMG, meet on a fortnightly basis to review and agree on issues that arise during the year. The Authority has an **approved scheme of delegation within its Constitution** that is reviewed by Members on an annual basis.

3.4.4 Established Policies, Procedures & Regulations

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

- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations, Procedural & Contract Standing Orders, Scheme of Delegation
- Anti Fraud & Corruption Policy & Strategy
- Fraud Response Plan
- Confidential Reporting Policy
- Complaints procedure
- Security & Information Governance
- Code of Corporate Governance
- Constitution
- Code of Conduct
- Full range of Equality and Diversity schemes

- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedure, discipline process, through to performance development reviews.

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

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

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

3.4.8 Financial Management
The Authority produces a five year financial plan that takes into account Revenue, Capital, Reserves and Prudential Borrowing forecasts. The Authority has a history of strong and effective financial management, as confirmed in the 2012/13 Annual Governance Report by Grant Thornton;

"Overall the Authority has robust arrangements in place to plan its finances over the medium term. The MTFP [Medium Term Financial Plan] *is realistic and takes into account the likely significant reductions in government support for the Authority.*

The Authority is clearly focusing its limited resources on priority services. In the face of funding reductions it has identified ways to maintain operational performance and reduce costs.

The Authority has arrangements in place to effectively estimate future spending and funding pressures, including regular update reports to senior members and officers. My review of the Authority's arrangements over the past 12 months suggests it should be well placed to meet the significant financial challenges it continues to face.

The Authority has responded effectively to the challenges created by the reduction in central government funding and continued to ensure effective delivery of the fire service. The Authority has sound arrangements in place for prioritising resources and improving efficiency within the context of the Integrated Risk Management Plan".

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

4.0 REVIEW OF EFFECTIVENESS

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

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

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

4.3 The Authority and Its Committees

4.3.1 The Authority

The Authority considered at its Annual General Meeting on 11th June 2013 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the Constitution document on the Authority's web site, but are summarised as follows;

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

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

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

- The Performance and Scrutiny Committee – to review/or scrutinise decisions made or actions taken in connection with the discharge of any of the Authority's functions. To have oversight of the IRMP and Service Delivery Plan priorities concerning the development of service delivery strategies. To monitor the progress of the Service against actions identified in the Service Delivery Plan and IRMP.

- Task and Finish / Efficiency Review Groups – The Performance and Scrutiny Committee will agree to set up task and finish groups and/or efficiency review groups as required.

- The Consultation and Negotiation sub Committee – To contribute to good employee relations and effective industrial relations by maintaining an overview of consultation, negotiation and communication matters and help resolve differences.

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

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

To maintain an overview of the Authority's Constitution in respect of Contract Standing Orders, Financial Regulations and Codes of Employee Conduct and Behaviour.

4.4 Management Review

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

4.4.2 There is a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2013/14 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 targets throughout the year and any areas of concern with options to bring the project back on track were reported to management and the Performance and Scrutiny Committee. SMG received regular updates from managers on the delivery of services against targets throughout the year and this allowed senior management an opportunity to scrutinise progress. Performance against Local Performance Indicators is considered in depth each month by the Performance Management Group.

4.4.3 The Risk Register was updated for new risks and the status of existing risks was re-assessed during the year. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority.

4.4.4 The Authority employed appropriate professional staff:

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

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

The above statutory posts both are key members of SMG

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

4.4.6 Grant Thornton approved an unqualified Statement of Accounts for 2012/13 and it is anticipated this will be repeated in 2013/14. A presentation by the Deputy Chief Executive on the final accounts together with a detailed year-end report to the Authority helped communicate the year-end message to Members in a clear and understandable format. A simplified summary statement of accounts is available on the Authority's website to ensure the outturn position is communicated effectively to all stakeholders.

4.5 Internal Audit

4.5.1 The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2013/14, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the relevant managers as appropriate and the Head of Finance. Finalised internal audit reports were submitted to the Audit sub Committee in addition to regular progress reports form the Internal Audit manager. The Annual Review of Internal Audit Report concluded that:

"the Authority's framework of governance, risk management and controls is both adequate and effective. No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such an absolute assurance.
………Based on the audit work carried out in 2013/14 we are not aware of any significant control weaknesses within MFRS which impact on the Annual Governance Statement.

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

4.6 External Review

4.6.1 External audit services are carried out by the Grant Thornton who replaced the District Auditor during 2012/13, on behalf of the Audit Commission. The scope of the work undertaken by External Audit is;

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

4.6.2 External Audit will comment upon the Authority's 2013/14 statutory financial statements and make a VFM conclusion during the 2014/15 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 2013/14 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2012/13 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2012/13 financial statements.

SIGNIFICANT GOVERNANCE ISSUES

4.7 The Government has announced the level of grant it will provide to the Fire Authority for the next two years, the grant cut in 2014/15 is 7.6% and the indicative figure for 2015/16 is a cut of 8.5%. This is equivalent to a further £3.5m grant cash cut by 2015/16. The funding reduction means that over the 2010/11 – 2015/16 period the service has had to deliver £25.5m of savings.

4.8 The Authority approved a financial plan on 27 February 2014 that will deliver the required savings based upon those government announcements that have already been made. The Authority, however, recognises that the current government and any subsequent successor are likely to apply further cuts to the Fire and Rescue Service beyond 2015/16. Whilst the Authority will lobby against such a position it is recognised further cuts to funding will mean further cuts to services.

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

4.9.1 The Authority has identified proposals to continue to tackle the financial challenge expected in 2014/15 – 2015/16 and to deliver a balanced medium-term financial plan. This involves significant rationalisation of support and back office services and a review of the provision of front line services. The Service has reduced the number of front line appliances from 42 to 28 and is currently planning for the merger of a number of fire stations with a potential reduction from 26 to 22 fire stations. The Authority will need to ensure its control frameworks make sure that the efficiencies and improvements expected are delivered.

4.9.2 The assumptions made in the medium term financial plan, particularly around inflation, pay awards, fire fighter pension contributions and future Government grants whilst based on the best information available are subject to potential change in such volatile times. The delivery of the savings in cash terms also assumes an estimate of the rate of staff turnover and in particular firefighter retirements. Taken together these factors result in a significant potential risk to the Authority's medium term financial plan. Reliable monitoring and forecasting processes are in place and the Deputy Chief Executive will ensure any variation to assumptions made in the medium term financial plan are identified at the earliest possible time. The Financial Review reports will keep Members informed on the impact of any variation to the assumptions in the financial plan and recommended corrective action. SMG will work to develop a range of contingency plans for managing risks.

4.10 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review

Signed…………………………………… Signed……………………………………
D. Roberts D. Stephens
CHAIR of Audit Sub-Committee CHIEF FIRE OFFICER

Signed ……………………………………
K. Timmins
DEPUTY CHIEF EXECUTIVE

APPENDIX B

Kieran Timmins,
Deputy Chief Executive
& Cllr Denise Roberts,
Chair of Audit Sub Ctee
Fire Service Headquarters
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Robin Baker
Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Your ref: Our ref: KT/NDC Date: 23rd September, 2014

Dear Sirs

Merseyside Fire and Rescue Authority - Audit for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Merseyside Fire and Rescue Authority for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

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

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

vii. Except as stated in the financial statements:

 a. there are no unrecorded liabilities, actual or contingent

 b. none of the assets of the Authority has been assigned, pledged or mortgaged

 c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.

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

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

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

xii. We have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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

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

Information Provided

xv We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

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

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

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

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

a. management;

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

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

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

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

xxii. We have disclosed to you the entity of the 'Authority's related parties and all the related party relationships and transactions of which we are aware.

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

Annual Governance Statement

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

Approval

The approval of this letter of representation was minuted by the Authority's Policy and Resources Committee at its meeting on 23 September 2014.

Signed on behalf of Merseyside Fire and Rescue Authority

Signed on behalf of the Authority

Signature: ______________________________
Kieran Timmins

Position: Deputy Chief Executive

Date: ______________________________

Signature: ______________________________
Cllr Les Byrom

Position: Chair of Policy & Resources Committee

Date: ______________________________

Agenda Item 5

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	MERSEYSIDE FIRE &RESCUE AUTHORITY POLICY AND RESOURCES COMMITTEE		
DATE:	23 SEPTEMBER 2014	REPORT NO:	CFO/097/14
PRESENTING OFFICER	DEPUTY CHIEF EXECUTIVE		
RESPONSIBLE OFFICER:	KIERAN TIMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:			
TITLE OF REPORT:	FINANCIAL REVIEW 2014/15 - APRIL TO JUNE		

APPENDICES:	APPENDIX A1:	REVENUE BUDGET MOVEMENTS SUMMARY
	APPENDIX A2:	BUDGET MOVEMENT ON RESERVES
	APPENDIX A3:	FIRE SERVICE REVENUE BUDGET MOVEMENTS SUMMARY
	APPENDIX A4:	CORPORATE SERVICE REVENUE BUDGET MOVEMENTS SUMMARY
	APPENDIX B:	CAPITAL PROGRAMME 2014/15
	APPENDIX C:	APPROVED AUTHORITY CAPITAL PROGRAMME 2014/15 – 2018/19

Purpose of Report

1. To review the financial position, revenue and capital, for the Authority for 2014/15. The Authority receives regular comprehensive financial reviews during the year which provide a full health check on the Authority's finances. This report covers the first 3 months of the year (April – June 2014).

Recommendation

2. That Members note the contents of the report.

Executive Summary

Executive Summary

Revenue:
The Authority has a detailed medium-term financial plan. The key elements of this are :-

- To control Council Tax
- Continue with its modernisation programme and deliver the Authority's mission of achieving Safer Stronger Communities – Safe Effective Firefighters

- To deliver the required savings through efficiencies of which most are employee related whilst minimising the impact of the cuts.

The Authority is on target to deliver the 2014/15 budget savings in cash terms and is progressing well with the required structural changes in its workforce to maintain the required savings on a permanent basis.

The total budget requirement remains at the original budget level of £64.356m, (appendix A1 – A4 outlines in detail all the revenue budget and reserve movements).

The Authority has a strategy of maximising savings and delivering its savings plan as early as possible in order to increase reserves as a hedge against the future financial challenges. Officers will continue to work through the remainder of the year to maximise any savings in order to increase reserves.

Capital:
The capital programme planned spend has increased by £7.245m, of which £6.713m relates to the re-phasing of schemes from 2013/14 into 2014/15 (reported to members in the 2013/14 outturn report). The remaining £0.532m increase relates to Authority approved amendments in current schemes all of which is funded by specific grant or other non-borrowing funding. The revised Capital Programme is outlined in Appendix C and D.

Reserves & Balances:
A reduction in the general balance of £0.894m and other reserves of £5.077m has been used to increase the capital investment reserve in order to fund the station merger project. This is in line with the reserve strategy considered by members in report CFO/077/14, aimed at avoiding increased borrowing costs. All movements in earmarked reserves are outlined in Appendix A2.

Treasury Management:
Short-term interest rates have remained at 0.50% as expected. No new long term borrowing has been arranged and the Authority has continued its policy of reducing investments and only taking short term borrowing to cover cash flow requirements.

Financial Processes:
Performance in Financial processes remains strong.

Introduction and Background

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

4. This report is the review of the Authority's position up to the end of the June of the financial year 2014/15 (April – June 2014).

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

Financial Review Structure

Section	Content
A	Final Position 2013/14
B	Current Financial Year Review (Revenue Budget, Capital Programme and movement on Reserves)
C	Treasury Management Review
D	Internal Audit
E	Financial Process Monitoring/Performance Indicators

(A) 2013/2014 Position/Final Accounts

6. Members received a report on the 2013/14 final accounts position at the Authority meeting on 24th July 2014 (report CFO/079/14). The accounts reported the Authority was ahead of its savings target so was able to add to reserves in line with its strategy. Overall there was an increase in earmarked reserves of £2.307m (of this £0.955m related to phasing of grant funded and specific projects into 2014/15).

7. At the time of writing this report Grant Thornton have not yet completed the audit of the accounts but the Deputy Chief Executive is not aware of any areas of concern identified by the auditors that will alter the reported position and is confident Audit will approve the accounts without qualification.

(B) Current Financial Year – 2014/15

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

Revenue Position:

Budget Movements:

9. The attached **Appendix A** to this report summarises the revenue budget movements made to the approved budget. The net budget requirement remains at £64.356m which is consistent with the original budget.

10. There have been a number of budget adjustments with no net impact because they are either self-balancing virements within department budgets or budget increases financed by reserves in line with previously agreed Authority decisions. The net use of reserves for the period was £0.601m, of which £0.526 was the allocation from the capital investment and DDA reserves to fund approved expenditure on capital schemes approved by the Authority including:-

- DDA compliance work £0.225m,
- JCC SHQ work £0.177m
- JCC control £0.060m
- SHQ training tower £0.064m.

Update on Budget Savings Implementation:

11. The Authority approved savings in total of £25.577m as part of the medium term financial plans (2011/12 - 2018/19). Of the savings £20.410m was expected to have been implemented by 2014/15. This has mostly been achieved with only £0.564m yet to be formally implemented. Plans are well advanced to deliver these savings and in cash terms the total value of savings will be delivered in the year. The outstanding £0.564m savings options are;

Phase 1 & 2 (2011/12 & 2013/14 Budget Saving Options);

- Estates Savings target £0.154m; the original target was £0.250m and £0.1m has been delivered by reconfiguring the cleaning service. Outsourcing of the facilities management (FM) work and a restructure of the Estates team will deliver the remainder of this saving. The FM outsourcing has been deferred for a number of reasons but it is expected to be concluded in 2014/15. The team restructure will be reported in the next quarter's financial review

- Review of ICT Expenditure £0.150m; The Authority set a target saving on ICT expenditure of £0.200m in 2013/14 rising to £0.350m in future years. The £0.150m reflects the required increased saving target as £0.200m of permanent savings were implemented in 2013/14. Officers are currently in negotiations with our external ICT contractors (most ICT is outsourced) on proposals to achieve the additional £0.150m.

- Restructure of the Training and Development Academy (TDA) £0.062m; Officers are finalising a restructure that will deliver savings on staff costs of £0.062m

- Search and Rescue Team (SRT) contracts review £0.048m; revised staff contracts will deliver reduced operating costs for the SRT while maintaining the current service standards.

2014/15 Budget Saving Options;

- Non-Employee costs £0.150m; Officers have now finalised a review of the non-employee budgets and have identified the required saving. The technical adjustment will be implemented fully by the next financial review.

Table A below summarises the progress in implementing the approved saving options at the time of writing this report:

Progress in Implementing Approved Saving Options	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Phase 1 &2 (2011/12 & 2013/14 Budgets) Approved Savings:					
Options formally implemented into budget	-18,846	-18,788	-18,863	-18,863	-18,863
Approved Saving Options yet to be formally implemented:					
Phase 1					
Outsource Estates function	-154	-154	-154	-154	-154
Phase 2					
Review of ICT spend (*part 2 increase in saving £200k to £350k*)	-150	-150	-150	-150	-150
TDA Restructure	-62	-62	-62	-62	-62
SRT amended contracts	-48	-48	-48	-48	-48
Value of Saving Options yet to be formally implemented	-414	-414	-414	-414	-414
TOTAL VALUE OF ALL SAVING OPTIONS	-19,260	-19,202	-19,277	-19,277	-19,277
2014/15 Budget Approved Savings:					
Options formally implemented into budget	-1,000	-1,603	-1,845	-1,725	-1,725
Approved Saving Options yet to be formally implemented:					
Non Employee Budget review	-150	-275	-275	-275	-275
10% saving on Non Uniform Establishment	0	-450	-900	-900	-900
Operational Response	0	-350	-3,000	-3,400	-3,400
Value of Saving Options yet to be formally implemented	-150	-1,075	-4,175	-4,575	-4,575
TOTAL VALUE OF ALL SAVING OPTIONS	-1,150	-2,678	-6,020	-6,300	-6,300
Total Value of Approved Savings Options	-20,410	-21,880	-25,297	-25,577	-25,577
Approved Savings yet to be formally implemented:	**-564**	**-1,489**	**-4,589**	**-4,989**	**-4,989**

Actual staff numbers are continually monitored to ensure the Service continues to deliver in "cash" terms the required saving target.

Actual Expenditure in comparison to Revenue Budget:

12. The Authority is expecting further grant cuts in 2015/16 and future years and therefore as part of its strategy it has directed Officers to maximise savings in the year to contribute towards the building up reserves. Such reserves can then be used as part of an implementation and risk management strategy to deliver savings.

Employee Costs;

Employee costs make-up approximately 80% of the Authority's revenue budget. This is the most risk critical area of the financial plan so therefore is monitored extremely closely.

Firefighter retirements have continued in line with the forecast profile adopted for the financial strategy. Staff turnover within some green book posts has resulted in short term vacancies and this combined with post-holders not being at the top of the their budgeted grade is expected to deliver the approved £0.200m vacancy target saving option.

Contingency for 2014/15 Pay & Price Increases;

Members will recall that the budget made a 1% provision for pay bill increases in 2014/15. The pay award for firefighter staff has been settled at the 1% assumed but no agreement has been reached yet for other staff. Officers are reviewing the current non-employee inflation provision to determine if any efficiencies can be identified in light of the coming financial challenge.

At this point employee costs are expected to be in line with budgets.

The Deputy Chief Executive will continue to monitor actual staff numbers during the year to ensure the Service continues to deliver in "cash" terms the required saving target and report back as the year progresses.

Other Non-Employee Revenue Costs;

The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2014/15. At this point in time expenditure is forecast to be in line with budgeted levels.

Summary of Revenue Forecast Position:

The Authority has made good progress in implementing the approved budget saving options and required organisational structure changes.

A small number of budget options remains to be fully completed in budgetary terms, however due to Firefighter retirements and other green book savings the Service continues to deliver in "cash" terms the required saving target.

At present expenditure is forecast to be in line with budgets. The Deputy Chief Executive is continuing to work with budget holders to maximise savings in 2014/15 and will report in more detail in future financial reviews. Table B below summarise the revenue year-end forecast position based on expenditure to the end of June 2014:

Table B: Anticipated Year-End Revenue Position

	FIRE SERVICE BUDGET	CORP MGT BUDGET	TOTAL BUDGET	ACTUAL as at 30.06.14	FORE-CAST	VARI-ANCE
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure						
Employee Costs	51.822	0.391	52.213	14.389	52.213	0.000
Premises Costs	3.094	0.000	3.094	0.522	3.094	0.000
Transport Costs	1.623	0.000	1.623	0.584	1.623	0.000
Supplies and Services	4.064	0.069	4.133	0.582	4.133	0.000
Agency Services	4.920	0.000	4.920	1.679	4.920	0.000
Central Support Services	0.279	0.129	0.408	0.111	0.408	0.000
Capital Financing	7.275	0.000	7.275	0.000	7.275	0.000
Income	-6.100	0.000	-6.100	-0.582	-6.100	0.000
Net Expenditure	66.977	0.589	67.566	17.285	67.566	0.000
Contingency Pay&Prices	0.843		0.843	0.000	0.843	0.000
Cost of Services	67.820	0.589	68.409	17.285	68.409	0.000
Interest on Balances	-0.372		-0.372	-0.015	-0.372	0.000
Movement on Reserves	-3.681		-3.681	0.000	-3.681	0.000
Total Operating Cost	63.767	0.589	64.356	17.270	64.356	0.000

<u>Capital Programme Position:</u>

13. Members approved a 5 year capital programme worth £26.102m at the Authority Budget meeting on 27th February 2014, (CFO/011/14). This has now been updated for the approved 2013/14 year-end re-phasing of projects into 2014/15 of £6.713m as reported to the Authority on 24th July 2014.

14. Members have considered and approved specific reports on Access Audits (CFO/032/14) £0.225m, and the Joint Control Centre (JCC) update (CFO/080/14) £0.240m, and the approved changes have been incorporated into the current capital programme.

15. The land on which the old Ambulance station was sited has been purchased for the Newton-le-Willows LLAR Accommodation scheme. This requires bringing forward £0.065m from the LLAR accommodation budget which was originally all in 2015/16 The budget for the new training tower at SHQ has been increased by £0.064m funded from the capital reserve. Originally it was anticipated that waste soil from the JCC project was to be stored permanently in the location of the tower. However it was necessary to dispose of the land off site.

16. There has been a minor variation in the ICT programme has also been increased by

£2,300 to purchase hardware and this increase will be funded from approved revenue budgets.

17. Overall the revised capital programme has increased by £7.245m. The capital programme changes are summarised in Table C below. The revised detailed capital programme is attached as **Appendix B** (2014/15 Capital Programme) and **Appendix C** (2014/15–2018/19 Capital Programme) to this report.

TABLE C

Movement in the 5 Year Capital Programme						
	Total Cost	2014/15	2015/16	2016/17	2017/18	2018/19
Expenditure	£'000	£'000	£'000	£'000	£'000	£'000
2013/14year-end re-phasings	6,713.2	6,713.2	0.0	0.0	0.0	0.0
2015/16 re-phasings	0.0	65.0	-65.0			
Amendments to Approved Schemes;						
JCC SHQ build scheme (CFO/080/14)	240.3	240.3				
DDA Compliance work (CFO/032/14)	225.0	225.0				
ICT Hardware	2.3	2.3				
SHQ Training Tower	64.0	64.0				
	7,244.8	**7,309.8**	**-65.0**	**0.0**	**0.0**	**0.0**
Funding						
Borrowing:						
Re-phasing of approved schemes into future yrs	4,264.2	4,264.2	0.0	0.0	0.0	0.0
2015/16 re-phasings	0.0	65.0	-65.0			
Capital Reserve	526.3	526.3				
Capital spend funded from the Revenue Budget	2.3	2.3				
Grants:						
Fire Control Grant CLG	700.0	700.0				
External Contributions						
M'side Police (JCC)	1,752.0	1,752.0				
	7,244.8	**7,309.8**	**-65.0**	**0.0**	**0.0**	**0.0**

Use of Reserves:

18. The Authority approved the proposed reserve strategy in report CFO/077/14 at its meeting on 26th June 2014, in particular the recommendation that a large proportion of the available reserves are used to fund the station mergers programme and therefore avoid borrowing. The adjustments made to the various reserves are outlined below;

	£'000
Reduction in Reserve;	
○ Catastrophe	-500
○ Costs Smoothing	-2,659
○ SMG	-100
○ Facing the Future Challenge	-800
○ Inflation	-1,000
○ Regional	-18
○ General	-894
Increase in Capital Investment Reserve	5,971

19. The analysis in Appendix A2 outlines the £0.601m drawdown on reserves during the first quarter of 2014/15, of which £0.526m was to fund amendments to the capital programme, see Table C. The general revenue reserve has been reduced by £0.894m to £2.000m as part of the re-alignment of reserves.

20. Members will note that whilst it is desirable to use reserves in this way to avoid borrowing costs which will impact on the revenue budget it also limits the flexibility for dealing with all manner of financial risks and makes the prospect of requiring more drastic budget decision in future like compulsory redundancy more likely.

21. The Deputy Chief Executive is examining the overall framework for funding to assess the most effective way to apply the capital reserves. For example it may be more advantageous to apply reserves to refinancing the PFI project or other areas where commercial loans are involved rather than just apply directly to the station mergers themselves. Reports will follow as the best options are identified.

(C) Treasury Management

22. The Authority continues to "buy in" Treasury Management from Liverpool City Council. The following paragraphs reflect Treasury Management activities in the period April to June 2013/14.

23. Prospects For Interest Rates;

Growth rebounded during 2013 and the first quarter of 2014 to surpass expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive in indicating that growth prospects are also strong for the rest of 2014. This strong growth has resulted in unemployment falling much faster through the threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it would consider any increases in Bank Rate.

However, the MPC sets Bank Rate to meet an inflation target of 2% and there was a sharp fall in inflation (CPI), reaching 1.5% in May, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%.

The MPC have said that the decision on rates was becoming more balanced. It has now broadened its forward guidance looking at a much wider range of indicators to form a view on how much slack there is in the economy and how quickly slack is being used up.

The market's reaction to the data and guidance from the MPC is that a first increase in Bank rate to 0.75% is now expected around the end of 2014 or early 2015. In the first quarter short-term interest rates have remained at 0.5% as expected.

It was expected that there would be upward pressure on longer term rates due to a high volume of debt issuance and improved prospects of a return to economic growth. However, this has been offset by a continued demand for safe haven instruments whilst there is political unrest in various places around the world. Long term PWLB rates have fallen slightly by 0.1% during the first quarter but are expected to recover later in the year as a result of the stronger economic recovery.

The strategy indicated that the overall structure of interest rates whereby short term rates are lower than long term rates was expected to remain throughout 2014/15. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

24. Capital Borrowings and the Portfolio Strategy

The borrowing requirement comprises the expected movements in the Capital Financing Requirement and reserves plus any maturing debt which will need to be re-financed. The Authority does not envisage that any new long term borrowing will be required in 2014/15. Current market conditions continue to be unfavourable for any debt rescheduling.

25. Annual Investment Strategy

The investment strategy for 2014/15 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with DCLG Guidance and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list. The credit ratings and individual limits for each institution within the categories of investments to be used by the Authority in 2014/15 are as follows:

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

Extreme caution has been taken in placing investments to ensure security of funds rather than rate of return. The use of deposit accounts with high rated or nationalised banks and AAA rated money market funds has enabled reasonable returns in a low interest rate environment. In the period 1st April to 30th June 2014 the average rate of return achieved on average principal available was 0.75%. This compares with an average seven day deposit (7 day libid) rate of 0.34%.

The Authority had investments of £17.2m as at 30th June 2014:

ANALYSIS OF INVESTMENTS END OF JUNE 2014				
Institution	Credit Rating	MM Fund*	Bank / Other	Building Society
		£	£	£
Ignis Liquidity Fund	AAA	2,200,000		
Handelsbanken Inst Access	A		2,000,000	
Nationwide BS	A			2,000,000
Skipton Building Society	Unrated			1,000,000
Newcastle Building Society	Unrated			1,000,000
Nottingham Building Soc	Unrated			1,000,000
HBOS 6 Month FTD	A		2,000,000	
Close Brothers	A		2,000,000	
HBOS 9 Month FTD	A		2,000,000	
West Brom B Soc	Unrated			1,000,000
Principality B Soc	Unrated			1,000,000
Totals		2,200,000	8,000,000	7,000,000
Total Current Investments				**17,200,000**

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

26. External Debt Prudential Indicators

The external debt indicators of prudence for 2014/15 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£80 million
Operational boundary for external debt:	£44 million

Against these limits, the maximum amount of debt reached at any time in the first quarter of the financial year 2014/15 was £43.6 million.

27. Treasury Management Prudential Indicators

The treasury management indicators of prudence for 2014/15 required by the Prudential Code were set in the strategy as follows:

a) Interest Rate Exposures

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

The maximum that was reached in the first quarter of the financial year 2014/15 was as follows:

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

b) Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowing were set and the maximum and minimum that was reached for each limit in the first quarter of the financial year 2014/15 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	80%	0%	3%	3%
12 months and within 24 months	50%	0%	2%	2%
24 months and within 5 years	50%	0%	8%	8%
5 years and within 10 years	50%	0%	9%	9%
10 years and above	85%	0%	77%	77%

c) Total principal sums invested for periods longer than 364 days
The limit for investments of longer than 364 days was set at £2 million for 2014/15. No such investments have been placed during 2014/15.

(D) Internal Audit

28. The Authority continues to "buy in" Internal Audit services from Liverpool City Council. Most audit work is carried out in the second part of the year to fit in with service work demands and provide relevant data for the year-end audit. At the end of June 2014 only the Payroll audit which was outstanding from 2013/14 had been completed. The payroll audit determined that the level of assurance that sound controls are in place was high and that key risks are being effectively managed. There were no recommendations or changes to the current controls arising from this audit review.

(E) Monitoring of Financial Processes

29. To ensure the internal financial processes of the Authority are operating effectively, for example payroll, debt collection and the payment of invoices, a suite of performance indicators have been developed that now feed into the financial review. At present indicators relate to:
    - Payment of invoices,
    - Discounts obtained from prompt payments;
    - Debtors

Prompt payment of invoices

30. Prompt payment of invoices was previously a statutory indicator under the Best Value legislation. While there is no longer a requirement for the Authority to report its prompt payment performance under BVPI8, the number of undisputed invoices paid within 30 days of receipt continues to be analysed to assess the effectiveness of the various Exchequer Services systems and procedures. Information about the prompt payment of invoices has now been incorporated within the suite of local performance indicators (LPI128) and is reported monthly.

31. In July 2009 the Authority joined the Prompt Payment Code (PPC). The PPC gives notice to suppliers of the Authority's commitment to pay promptly. In the current economic climate the Government is keen for all businesses and Local Authorities to pay suppliers promptly. By paying promptly the Authority is able to make its contribution to improving the cash flow position of its supplier base, particularly small

businesses, that rely on payments made promptly to keep them in business. Consistent with that objective, considerable effort has been made to develop a range of administrative processes to enable the Authority to comply with its obligations under the PPC which is deemed to be best practice.

32. A comparison of first quarter performance over previous years confirms the effectiveness of systems and procedures that continue to enable the Authority to pay invoices (some 2,323 in the quarter ended June 2014) promptly.

2010/11	99.9%
2011/12	99.9%
2012/13	100.0%
2013/14	100.0%
2014/15	100.0%

33. The target for prompt payment in 2014/15 is 100%. The first quarter's results confirm the Service continues to respond quickly and efficiently to requests for payment from suppliers with 2,323 out of 2,323 invoices being paid within the required timeframe.

34. We have continued to ensure discounts due from the prompt payment of invoices are vigorously pursued. During the quarter a total of 53 invoices that attracted prompt payment discounts were paid generating savings of £4,184. This is evidence of the robustness of the systems in place that are enabling the Service to take advantage of the financial savings available from suppliers.

35. The publication of payments to suppliers for goods and services over £500 is now fully embedded. Consistent with the Government's drive for transparency in relation to spending by all Local Authorities, details of payments to suppliers for goods and services over £500 are available on the Authority's website in both PDF and CSV formats for the convenience of those wishing to access and interrogate the information. Payments details are now available for the period from 1st April 2009 to 30th June 2014. Payments for each month are made available as soon as possible following the closure of each accounting period and subject to verification against guidance received from Government.

Processing Sales Invoices and the Debt Recovery Process

36. A number of Performance Indicators have been developed to give drive and focus to improvements to the sundry debtor process and to plot the age profile of outstanding debt. Key Performance Indicators in relation to the processing of income generation type transactions are as follows:

SIRF Generation	100% in 35 working days from service delivery
Sales invoice production	100% in 2 working days from receipt of SIRF

(*Note: SIRF = Sales Invoice Request Form. SIRFs are generated by officers to request that a customer be invoiced for goods\services received*)

37. Performance against these targets for the equivalent quarter in previous years is as follows: (Cumulative)

	2010/11	2011/12	2012/13	2013/14	2014/15

SIRF Generation	72%	80%	84%	82%	89%
Sales invoice production	100%	100%	100%	100%	100%

38. Members will be aware that the Authority's Financial Regulations were amended for 2010/11 to require prepayment for services where possible. It is recognised that there is a correlation between the time taken to request payment for services and payment actually being received. While every effort is made to ensure customers receive their invoice as quickly as possible it is often necessary to wait for key information (e.g. confirmation of course attendees, Payroll data etc.) that is to be included with any invoice to enable the customer to make prompt payment. In certain circumstances it is deemed cost effective to wait until all appropriate information is available before issuing a sales invoice rather than it is raised prematurely to remove the potential for a credit note to be raised and an amended invoice reissued.

The Age Profile of Outstanding Debt

39. A comparison of the number and value of aged debts over 60 days for the first quarter can be summarised as follows:

Number of debts 60 days+

	2010/11	2011/12	2012/13	2013/14	2014/15
April	63	38	32	40	30
May	63	34	50	43	29
June	65	44	41	38	29

Value of debts 60 days+

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
April	101	81	79	131	47
May	107	62	180	136	55
June	148	149	127	45	19

40. The Service raises approximately 1,100 sales invoices per year and this can equate to income of between £2m - £3.5m. The profile of accounts raised varies significantly month by month and from year to year. It therefore can lead to significant variations when comparing the same month over a five year period. However, considerable effort has been made to actively engage with customers as part of the drive to improve the aged debt profile of the Authority and the success of that effort is reflected in the data set out above. The significant reduction in the number and value of aged debts over the period analysed is a reflection of the work undertaken by the Finance and Legal Teams to tackle aged debts though active engagement with customers in the drive to maximise income for the Authority. Consistent with that effort the number of write offs each year is small.

41. Debtor accounts under £5,000 may be written off by Deputy Chief Executive. No accounts have been written-off in the quarter.

Equality and Diversity Implications

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

Staff Implications

43. None directly related to this report.

Legal Implications

44. None directly related to this report.

Financial Implications & Value for Money

45. See Executive Summary.

Risk Management, Health & Safety, and Environmental Implications

46. None directly related to this report.

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

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

BACKGROUND PAPERS

CFO/011/14	"MFRA Budget and Financial Plan 2014/2015-2018/2019" Authority 27th February 2014.

GLOSSARY OF TERMS

DDA	The Disability Discrimination Act (DDA) 1995
JCC	Joint Control Centre
SHQ	Service Headquarters
FM	Facilities Management
ICT	Information and communications technology
TDA	Training Development Academy
SRT	Search and Rescue Team
MPC	Monetary Policy Committee
CPI	Consumer Price Index
PWLB	Public Works Loans Board
PPC	Prompt payment code

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APPENDIX A1

2014/15 REVENUE BUDGET MOVEMENT SUMMARY

Actual 2013/14	SERVICE REQUIREMENTS	Base Budget 2014/15	Reserve Draw-down	Vire- ments	Qtr 1 Budget 2014/15
£'000		£'000	£'000	£'000	£'000
66,051	Fire Service	66,938	601	2	67,541
523	Corporate Management	591	0	-2	589
0	Phase 1 & 2 Saving Options yet to be actioned	-414	0	0	-414
0	2014/15 Saving Options yet to be actioned	-150	0	0	-150
66,574		66,965	601	0	67,566
0	Contingency for Pay/Price Changes	843		0	843
66,574	TOTAL SERVICE EXPENDITURE	67,808	601	0	68,409
-86	Interest on Balances	-372	0	0	-372
66,488	NET OPERATING EXPENDITURE	67,436	601	0	68,037
	<u>Contribution to /(from) reserves</u>				
	Spate / Other Emergency Related Reserves				
-250	Insurance Reserve	0	0	0	0
	Modernisation Challenge				
1,250	Smoothing Reserve	-2,396	0	0	-2,396
-181	Severance Reserve	0	0	0	0
309	Ill Health Penalty Reserve	0	0	0	0
100	SMG Reserve	0	0	0	0
	Capital Investment Reserve				
-1,559	Capital Investment Reserve	-539	-301	0	-840
241	PFI Annuity Reserve	-19	-7	0	-26
0	Equality / DDA Investment Reserve	0	-225	0	-225
0	Firefighter Safety Investment Reserve	-200	0	0	-200
	Specific Projects				
-100	Community Sponsorship Reserve	0	0	0	0
135	Equipment Reserve	0	0	0	0
-47	FSD Reserve	0	0	0	0
-33	Healthy Living / Olympic Legacy	0	0	0	0
-4	Water Rescue Reserve	0	-4	0	-4
	Ringfenced Reserves				
6	F.R.E.E. Reserve	0	-64	0	-64
199	Princes Trust Reserve	0	0	0	0
4	Community Youth Team Reserve	0	0	0	0
-3	Beacon Peer Project Reserve	0	0	0	0
1	Innovation Fund Reserve	0	0	0	0
85	Energy Reseve	74	0	0	74
-7	St Helens District Reserve	0	0	0	0
87	New Dimensions Reserve	0	0	0	0
0	Appropriation to / From Revenue Balances	0	0	0	0
233	Reserve Movement	-3,080	-601	0	-3,681
66,721	BUDGET REQUIREMENT	64,356	0	0	64,356
-39,963	Government Funding / NNDR Top Up	-36,545	0	0	-36,545
	Local NNDR Forecast	-3,974	0	0	-3,974
-55	Collection Fund Deficit	-407	0	0	-407
-26,703	Precept Income	-23,430	0	0	-23,430
0		-64,356	0	0	-64,356

APPENDIX A2

Budgeted Movement on Reserves 2014/15

	Opening Balance	Original Budget Planned Use	CFO/077/14 Reserve Strategy	Further draw- down Qtr 1	Closing Balance
Earmarked Reserves	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bellwin Reserve	147	0		0	147
Insurance Reserve	370	0		0	370
Emergency planning Reserve	75	0		0	75
Catastrophe Reserve	1,000	0	-500	0	500
Modernisation Challenge					
Smoothing Reserve	6,750	-2,396	-2,659	0	1,695
Severance Reserve	721	0		0	721
Ill Health Penalty Reserve	908	0		0	908
Recruitment Reserve	1,000	0		0	1,000
SMG Reserve	100	0	-100	0	0
Capital Investment Reserve	4,277	-539	5,971	-301	9,408
PFI Annuity Reserve	2,251	-19		-7	2,225
Equality / DDA Investment Reserve	510	0		-225	285
Firefighter Safety Investment Reserve	1,000	-200		0	800
Facing the Future Challenge Reserve	800	0	-800	0	0
Specific Projects					
Community Sponsorship Reserve	13	0		0	13
Equipment Reserve	191	0		0	191
Contestable Research Fund Reseve	25	0		0	25
FSD Reserve	6	0		0	6
Healthy Living / Olympic Legacy	80	0		0	80
Water Rescue Reserve	5	0		-4	1
Inflation Reserve	1,500	0	-1,000	0	500
Ringfenced Reserves					
F.R.E.E. Reserve	44	0		-64	-20
Princes Trust Reserve	343	0		0	343
Community Youth Team Reserve	58	0		0	58
Beacon Peer Project Reserve	62	0		0	62
Innovation Fund Reserve	170	0		0	170
Regional Control Reserve	18	0	-18	0	0
Energy Reseve	85	74		0	159
St Helens District Reserve	15	0		0	15
New Dimensions Reserve	793	0		0	793
Total Earmarked Reserves	**23,317**	**-3,080**	**894**	**-601**	**20,530**
General revenue Reserve	**2,894**	**0**	**-894**	**0**	**2,000**
Total Reserves	**26,211**	**-3,080**	**0**	**-601**	**22,530**

APPENDIX A3

2014/15 FIRE SERVICE REVENUE BUDGET MOVEMENT SUMMARY

Actual 2013/14	SERVICE REQUIREMENTS	Base Budget 2014/15	Reserve Draw-down	Vire- ments	Qtr 1 Budget 2014/15
£'000		£'000	£'000	£'000	£'000
	EMPLOYEES				
	Uniformed				
34,077	Firefighters	34,104		67	34,171
1,263	Control	1,259			1,259
2,253	Additional Hours	1,285		18	1,303
37,593	**TOTAL UNIFORMED**	36,648	0	85	36,733
	APT&C and Manual				
8,163	APT&C	8,378	64	314	8,756
259	Handymen/Cleaning	288			288
93	Catering	106			106
540	Transport Maintenance	568			568
59	Other Manual	95			95
186	Casuals	0		19	19
9,300	**TOTAL APT&C/MANUAL**	9,435	64	333	9,832
	Other Employee Expenses				
0	Rent & Lodging	1			1
149	Allowances	68		23	91
5	Removal Expenses	5			5
376	Training Expenses	585		31	616
217	Other Expenses	36		-4	32
15	Staff Advertising	22			22
37	Development Expenses	97			97
946	Employee Insurance	128			128
832	MPF Pen Fixed Rate	2,818			2,818
168	Enhanced pensions	46			46
8	SSP & SMP Reimbursements	-16			-16
109	Catering Expenditure	113			113
-358	HFRA Capitalisation Payroll	0			0
2,504	**TOTAL OTHER EMPLOYEE EXPEND**	3,903	0	50	3,953
	Pensions				
1,700	Injury Pension	1,694			1,694
351	Ill Health Ret charges	174			174
2,051	**TOTAL PENSIONS**	1,868	0	0	1,868
51,448	**TOTAL EMPLOYEES**	51,854	64	468	52,386
	PREMISES				
352	Building Maintenance Repairs	368		-29	339
203	Site Maintenance Costs	172		11	183
732	Energy	759			759
108	Rent	76			76
1,061	Rates	1,195			1,195
232	Water	264			264
58	Fixtures	66		-6	60
152	Contract Cleaning	157			157
47	Insurance	61			61
2,945	**TOTAL PREMISES**	3,118	0	-24	3,094
	TRANSPORT				
400	Direct Transport	330		4	334
26	Tunnel Fees	29			29
168	Operating Lease	198		1	199
493	Other Transport Costs	584		1	585
154	Car Allowances	133		-1	132
365	Insurance	344			344
1,606	**TOTAL TRANSPORT**	1,618	0	5	1,623

APPENDIX A3

2014/15 FIRE SERVICE REVENUE BUDGET MOVEMENT SUMMARY

Actual 2013/14	SERVICE REQUIREMENTS	Base Budget 2014/15	Reserve Draw-down	Vire- ments	Qtr 1 Budget 2014/15
£'000		£'000	£'000	£'000	£'000
	SUPPLIES & SERVICES				
43	Administrative Supplies	42		22	64
274	Operational Supplies	292		13	305
6	Hydrants	20			20
65	Consumables	74		1	75
103	Training Supplies	154		11	165
119	Fire Prevention Supplies	138		2	140
43	Catering Supplies	31		16	47
0	Radiation Monitoring	0			0
316	Uniforms	358		5	363
113	Printing & Stationery	170		-6	164
14	Operating Leases	2			2
729	Professional Fees/Service	883	4	2	889
660	Communications	664		20	684
25	Postage	35			35
8	Command/Control	4			4
305	Computing	387		3	390
251	Medicals	306		4	310
90	Travel & Subsistence	84		4	88
74	Grants/Subscriptions	110		3	113
23	Advertising	15			15
45	Furniture	44		1	45
81	Laundry	81			81
32	Insurances	46			46
27	Hospitality	16		3	19
3,446	**TOTAL SUPPLIES & SERVICES**	3,956	4	104	4,064
	AGENCY SERVICES				
75	Super Fund Admin	73			73
1,453	ICT Service Provider	1,466			1,466
203	Third Party Payments (FSN)	197			197
455	ICT Managed Suppliers	544			544
2276	PFI Unitary Charges ((Int/Principal/Op Costs)	2633	7		2,640
4,462	**TOTAL AGENCY SERVICES**	4,913	7	0	4,920
	CENTRAL EXPENSES				
317	Finance & Computing	278		1	279
317	**TOTAL CENTRAL EXPENSES**	278	0	1	279
	CAPITAL FINANCING				
5,197	PWLB Debt Charges	5,895			5,895
75	MRB Debt Charges	76			76
23	Finance Lease Debt Charges	0			0
3,327	Revenue Contribution to Capital	775	526	3	1,304
8,622	**TOTAL CAPITAL FINANCING**	6,746	526	3	7,275
72,846	**TOTAL EXPENDITURE**	72,483	601	557	73,641
	INCOME				
3,759	Specific Grants	3,585		111	3,696
16	Sales	0			0
1,581	Fees & Charges	832		279	1,111
281	Rents etc	448			448
754	Recharges Secondments	456		65	521
218	Contributions	100		100	200
107	Recharges Internal	114			114
43	Other Income	10			10
36	UKRO Income	0			0
6,795	**TOTAL INCOME**	5,545	0	555	6,100
66,051	**NET EXPENDITURE**	66,938	601	2	67,541

2013/14 CORPORATE SERVICES REVENUE BUDGET MOVEMENT SUMMARY

Actual 2013/14	SERVICE REQUIREMENTS	Base Budget 2014/15	Reserve Draw-down	Vire- ments	Qtr 1 Budget 2014/15
£'000		£'000	£'000	£'000	£'000
	EXPENDITURE				
	Finance & Legal costs				
79	Finance Officer	79			79
93	Legal Officer	84			84
	Democratic Rep (1020)				
19	5162 - Travel & Subsistence	48			48
4	- Conference fees	15			15
239	- Members Allowances	230		-2	228
1	- Telephones	2			2
0	- Training	1			1
0	- Hospitality	3			3
	Central Expenses (1030)				
16	Bank charges	18			18
38	District Audit Fees	68			68
34	Subscriptions	43			43
523	**TOTAL EXPENDITURE**	591	0	-2	589

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Capital Programme 2014/15

EXPENDITURE		Approved Budget	2013/14 Re-phasing to 2014/15	Qtr 1 Re-Phasing of Schemes	QTR 1 Virements	QTR 1 Amend	Qtr 1 Current Budget	Actual to June 2014
		£	£	£	£	£	£	£
BUILDING & LAND PROGRAMME								
BLD001	Roofs & Canopy Replacements	50,000	15,000				65,000	720
BLD004	Concrete Yard Repairs	20,000	8,000				28,000	3,857
BLD005	Tower Improvements	0	9,900				9,900	0
BLD007	L.E.V. Sys In App Rooms	0	2,700		4,000		6,700	2,157
BLD011	Capital Refurbishment	57,000					57,000	0
BLD013	Appliance Room Floors	46,500	5,000				51,500	0
BLD014	Boiler Replacements	0	49,500				49,500	0
BLD016	Community Station Investment	35,500	3,000				38,500	0
BLD017	F.S. Refurbishment Toxteth	0					0	-34,528
BLD018	Conference Faciities H/Q	4,500					4,500	0
BLD020	5 Year Electrical Test	38,000	112,000				150,000	0
BLD026	Corporate Signage	0	3,000				3,000	0
BLD031	Diesel Tanks	150,000					150,000	0
BLD033	Sanitary Accommodation Refurb	50,000	6,000				56,000	0
BLD034	Office Accommodation	0	16,000				16,000	13,345
BLD036	L.L.A.R. Accommodation Formby	300,000	13,500				313,500	0
BLD040	F.S. Refurbishment Whiston	152,500					152,500	0
BLD041	F.S. Refurbishment Aintree	277,000	3,000				280,000	0
BLD042	St Helens Conversion	507,000	4,000				511,000	0
BLD044	Asbestos Surveys	0	19,500		-4,000		15,500	0
BLD045	City Centre Community Facility	70,000	9,500				79,500	0
BLD055	F.S. Refurbishment Bromborough	310,000	12,500				322,500	9,570
BLD056	F.S. Refurbishment Eccleston	338,000					338,000	0
BLD057	F.S. Refurbishment Crosby	375,000					375,000	0
BLD058	H.V.A.C. Heating, Vent & Air Con	92,000					92,000	0
BLD059	Llar Accomodation Eccleston	237,500					237,500	0
BLD060	D.D.A. Compliance Work	0	82,000			225,000	307,000	0
BLD061	Lighting Conductors Surge Protectors	50,000	5,000				55,000	0
BLD062	Emergency Lighting	0	26,400				26,400	0
BLD063	F.S. Refurbishment Kirby	326,000					326,000	0
BLD065	MACC Server Room Extension	0	4,000				4,000	0
BLD067	Gym Equipment Replacement	25,000	51,500				76,500	0
BLD067/7	SHQ Joint Control Room	0	3,325,500	0	8,500	180,300	3,514,300	1,697,459
BLD069	F.S. Refurbishment Allerton	341,000					341,000	0
BLD070	Workshop Enhancement	0	350,000				350,000	0
BLD071	Station Refresh	450,000	36,000				486,000	12,294
BLD072	SHQ Tower	75,000	110,000			64,000	249,000	135,940
BLD073	SHQ Museum	75,000	75,000				150,000	0
BLD075	LLAR Accomodation Newton-le-Willows	0	0	65,000			65,000	0
CON001	Energy Conservation Salix	25,000	8,500				33,500	0
DSO001	D.S.O. Cleaning Equipment	6,000	2,500				8,500	0
EQU002	Fridge/Freezer Rep Prog	10,500	11,500				22,000	1,481
EQU003	Furniture Replacement Prog	10,500	12,000				22,500	1,995
TDA001	Fire House Refurbishment	80,000					80,000	0
	Total	**4,584,500**	**4,392,000**	**65,000**	**8,500**	**469,300**	**9,519,300**	**1,844,289**
FIRE SAFETY								
FIR002	Smoke Alarms (H.F.R.A.)	500,000					500,000	61,448
FIR005	Installation Costs (H.F.R.A.)	730,000					730,000	0
FIR006	Deaf Alarms (H.F.R.A.)	49,000					49,000	0
FIR007	Replacement Batteries (H.F.R.A.)	2,000					2,000	242
FIR009	Risk Management Residential Blocks	200,000					200,000	0
	Total	**1,481,000**	**0**	**0**	**0**		**1,481,000**	**61,691**

Capital Programme 2014/15

	EXPENDITURE	Approved Budget	2013/14 Re-phasing to 2014/15	Qtr 1 Re-Phasing of Schemes	QTR 1 Virements	QTR 1 Amend	Qtr 1 Current Budget	Actual to June 2014
		£	£	£	£	£	£	£
ICT								
FIN001	F.M.I.S. Replacement	0	233,000				233,000	70,876
IT002	I.C.T. Software	2,000					2,000	0
IT003	I.C.T. Hardware	91,000	13,500			2,300	106,800	39,048
IT005	I.C.T. Servers	205,000	98,500				303,500	0
IT018	I.C.T. Network	54,000	26,000		-8,500		71,500	1,266
IT026	I.C.T. Operational Equipment	12,000	2,000				14,000	0
IT027	I.C.T. Security	2,000	4,000				6,000	0
IT028	System Development Portal	112,000	17,900				129,900	923
IT030	I.C.T. Projects / Upgrades	5,000					5,000	0
IT036	Portable Storage Media	0	27,000				27,000	0
IT039	Estates Management System	20,000					20,000	0
IT040	Analytical Tool CFS Work	90,000					90,000	0
IT043	E Recruitment System	0	700				700	0
IT046	TRM System	0	200,000				200,000	54,000
IT047	Legl Case Management system	0	4,500				4,500	0
IT049	Wireless Rollout	0	9,000				9,000	0
IT050	Community Protection System	30,000					30,000	0
	JCC ICT / Control	0	868,000	0	0	60,000	928,000	337,505
IT055	C3i C&C Comms and Info system	15,000	10,000				25,000	0
IT056	PFI Access Door System	18,000					18,000	0
RC003	Corporate Gazateeer	0	9,500				9,500	0
	Total	**656,000**	**1,523,600**	**0**	**-8,500**	**62,300**	**2,233,400**	**503,617**
OPERATIONAL EQUIP. & HYDRANTS								
OPS001	Gas Tight Suits Other Ppe	40,000	10,000				50,000	0
OPS003	Hydraulic Rescue Equipment	65,000	28,000				93,000	0
OPS005	Resuscitation Equipment	0	30,500		-3,000		27,500	0
OPS009	Pod Equipment	50,000	69,000				119,000	0
OPS011	Thermal Imaging Cameras	10,000	1,500				11,500	0
OPS022	Improvements To Fleet	20,000	13,000		3,000		36,000	35,532
OPS024	BA equipment / Comms	502,000	221,500				723,500	0
OPS026	Rope Replacement	20,000	15,000				35,000	0
OPS027	Light Portable Pumps	20,000					20,000	0
OPS031	Cctv Equipment/Drone	32,000					32,000	0
OPS033	Marine Rescue Launch	0	5,000				5,000	0
OPS038	Water Delivery System	0	62,000				62,000	0
OPS039	Water Delivery Hoses	0	49,000				49,000	0
OPS049	Bulk Foam Attack Equipment	48,000					48,000	0
OPS052	DEFRA FRNE Water Rescue Grant	0	20,000				20,000	0
HYD001	Hydrants (New Installations)	18,500					18,500	1,233
HYD002	Hydrants (Rep Installations)	18,500	1,600				20,100	0
	Total	**844,000**	**526,100**	**0**	**0**	**0**	**1,370,100**	**36,765**
VEHICLES								
VEH001								
VEH002	Wtl'S Purchased	750,000					750,000	0
VEH004	Ancilliary Vehicles	677,200	199,000				876,200	0
VEH005	Special Vehicles	1,001,000	11,500				1,012,500	0
VEH006	Vehicles water Strategy	0	29,000				29,000	0
WOR001	Motorcycle Response	44,000					44,000	0
	Workshop Equipment	0	32,000				32,000	8,685
	Total	**2,472,200**	**271,500**	**0**	**0**	**0**	**2,743,700**	**8,685**
	Grand Total	**10,037,700**	**6,713,200**	**65,000**	**0**	**531,600**	**17,347,500**	**2,455,047**

APPENDIX B

Capital Programme 2014/15

	Approved Budget	2013/14 Re-phasing to 2014/15	Qtr 1 Re-Phasing of Schemes	QTR 1 Virements	QTR 1 Amend	Qtr 1 Current Budget	Actual to June 2014
	£	£	£	£	£	£	£
FINANCING							
Capital Receipts							
Sale of Toxteth FS	250,000	0	0	0		250,000	243,956
Sale of Formby LLAR House	350,000	0	0	0		350,000	0
Sale of Derby Road	700,000	0	0	0	-200,000	500,000	0
External Contributions							
BLD017 LCC Contrbution	0	0	0	0		0	0
R.C.C.O.							
Cpitalisation of Sals HFRA	730,000	0	0	0		730,000	0
It Equipment (IT003)	0	0	0		2,300	2,300	0
FSN Charge for Alarms (FIR002)	50,000	0	0	0		50,000	0
Station Refresh (BLD071) Cap Inv Res	400,000	0	0	0		400,000	0
SHQ Museum (BLD073) Cap Inv Res	75,000	0	0	0		75,000	0
Fire Risk Mgmt (FIR009) Fire Safety Res	200,000	0	0	0		200,000	0
Planning Perf Mgt (IT040) Cap Inv Res	50,000	0	0	0		50,000	0
Training Tower HQ (BLD072) Cap Inv Res	0	0	0		64,000	64,000	0
JCC SHQ Cap Inv Res					177,300	177,300	
JCC ICT Cap inv reserve					60,000	60,000	
Grant DDA & Equality Reserve					225,000	225,000	
(Capital Grant) Fire Control Grant	0	700,000	0	0		700,000	0
(Capital Grant) DCMS	133,000	0	0	0		133,000	0
(Capital Grant) Police Grant	0	1,749,000	0		3,000	1,752,000	643,725
Capital Grant (2,128,966) (BLD067)	1,243,966	0	0	0		1,243,966	1,243,966
Total Non Borrowing	**4,181,966**	**2,449,000**	**0**	**0**	**331,600**	**6,962,566**	**2,131,647**
Borrowing Requirement							
Unsupported Borrowing	5,855,734	4,264,200	65,000	0	200,000	10,384,934	323,400
Borrowing	**5,855,734**	**4,264,200**	**65,000**	**0**	**200,000**	**10,384,934**	**323,400**
Total Funding	**10,037,700**	**6,713,200**	**65,000**	**0**	**531,600**	**17,347,500**	**2,455,047**

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Approved Authority Capital Progamme for 2014/2015 - 2018/2019

Capital Expenditure	Total Cost £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Building/Land	**12,554,300**	9,519,300	1,831,000	455,500	352,000	396,500
Fire Safety	**6,599,000**	1,481,000	1,281,000	1,279,000	1,279,000	1,279,000
ICT	**4,498,400**	2,233,400	652,000	531,000	556,000	526,000
Operational Equipment & Hydrants	**1,913,100**	1,370,100	57,000	352,000	67,000	67,000
Vehicles	**7,782,300**	2,743,700	1,383,800	1,543,800	1,212,000	899,000
	33,347,100	**17,347,500**	**5,204,800**	**4,161,300**	**3,466,000**	**3,167,500**
2014/15 - 2018/19 Original Approved Programme	**26,102,300**	**10,037,700**	**5,269,800**	**4,161,300**	**3,466,000**	**3,167,500**
Current to Original Change	**7,244,800**	**7,309,800**	**(65,000)**	**0**	**0**	**0**
Explained by:						
2013/14 year-end re-phasing	**6,713,200**					
Total Buildings		4,392,000				
Total IT		1,523,600				
Total Operational Equipment		526,100				
Total Vehicles		271,500				
2014/15 re-phasing	**0**					
Total Buildings		65,000	(65,000)			
Grants	**3,000**					
BLD068 JCC/SHA - M'side Police		3,000				
RCCO	**528,600**					
BLD072 SHQ Tower - Capital Reserve		64,000				
BLD068 JCC/SHA - Capital Reserve		177,300				
BLD060 DDA Compliance work - Capital Reserve		225,000				
JCC Control/ICT - Capital Reserve		60,000				
IT003 - Laptops		2,300				
Quarter 1 Movement	**7,244,800**	**7,309,800**	**(65,000)**	**0**	**0**	**0**

Financing Available	Total £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Capital Receipts						
Toxteth Fire Station (Firefit Hub)	**250,000**	250,000				
Sale of 2 existing N-le-W LLAR properties	**275,000**		275,000			
Sale of LLAR house Cable Street, Formby	**350,000**	350,000				
Sale of Derby Road	**500,000**	500,000				
	1,375,000	1,100,000	275,000	0	0	0
RCCO						
CFS alarm installation (salaries)	**3,650,000**	730,000	730,000	730,000	730,000	730,000
CFS alarm installation (FSD)	**250,000**	50,000	50,000	50,000	50,000	50,000
BLD073 Museum - Capital Reserve	**75,000**	75,000				
Fire Risk Management in Residential Blocks (CFO/135/13)	**200,000**	200,000				
IT040 Analytical Tool CFS Work - Capital Reserve	**50,000**	50,000				
BLD071 Station Refresh (CFO/140/13)	**400,000**	400,000				
BLD068 JCC/SHQ - Capital Reserve	**177,300**	177,300				
BLD074 JCC Tower - Capital Reserve	**64,000**	64,000				
BLD060 DDA Compliance Work - Capital Reserve	**225,000**	225,000				
JCC Control / ICT scheme- Capital Reserve	**60,000**	60,000				
IT003 - Laptops	**2,300**	2,300				
	5,153,600	2,033,600	780,000	780,000	780,000	780,000
Grants						
CLG General Capital Grant Allocation	**1,243,966**	1,243,966				
Fire Control Grant	**700,000**	700,000				
Dept. of Culture/Media/Sport (BA Telementary) (CFO/140/13)	**133,000**	133,000				
	2,076,966	2,076,966	0	0	0	0
Other						
BLD068 Merseyside PA Contribution	**1,752,000**	1,752,000				
	1,752,000	1,752,000	0	0	0	0
Total Non Borrowing	**10,357,566**	**6,962,566**	**1,055,000**	**780,000**	**780,000**	**780,000**
Unsupported Borrowing	22,989,534	10,384,934	4,149,800	3,381,300	2,686,000	2,387,500
Total Funding	**33,347,100**	**17,347,500**	**5,204,800**	**4,161,300**	**3,466,000**	**3,167,500**
Original Funding for 2013/14 - 2017/18 Programme	**26,102,300**	**10,037,700**	**5,269,800**	**4,161,300**	**3,466,000**	**3,167,500**
Current to Original Change	**7,244,800**	**7,309,800**	**(65,000)**	**0**	**0**	**0**
Explained by:						
Borrowing:						
2013/14 year-end re-phasing (slippage)	**4,264,200**	4,264,200				
Re-phasing from 2015/16 into 2014/15	**0**	65,000	(65,000)			
R.C.C.O						
BLD072 SHQ Tower - Capital Reserve	**64,000**	64,000				
BLD068 JCC/SHQ - Capital Reserve	**177,300**	177,300				
BLD060 DDA Compliance work - Capital Reserve	**225,000**	225,000				
JCC Control/ICT - Capital Reserve	**60,000**	60,000				
IT003 - Laptops	**2,300**	2,300				
Other						
Grant CLG Fire Control Grant	**700,000**	700,000				
Grant: BLD068 JCC - Merseyside PA Contribution	**1,752,000**	1,752,000				
	7,244,800	**7,309,800**	**(65,000)**	**0**	**0**	**0**

Building / Land - Approved Budget 2014/15 to 2018/19

Type of Capital Expenditure	Total Cost £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Major Site Refurbishments						
BLD016 Community Station Investment	**144,500**	38,500		36,000	25,000	45,000
BLD039 FS Refurbishment Heswall	**150,000**		150,000			
BLD040 FS Refurbishment Whiston	**152,500**	152,500				
BLD041 FS Refurbishment Aintree	**280,000**	280,000				
BLD042 St Helens Conversion	**511,000**	511,000				
BLD055 FS Refurbishment Bromborough	**322,500**	322,500				
BLD056 FS Refurbishment Eccleston	**338,000**	338,000				
BLD057 FS Refurbishment Crosby	**375,000**	375,000				
BLD063 FS Refurbishment Kirkby	**326,000**	326,000				
BLD069 FS Refurbishment Allerton	**341,000**	341,000				
BLD070 Workshop Enhancement	**350,000**	350,000				
BLD071 Station Refresh	**486,000**	486,000				
BLD076 FS Refurbishment Huyton	**350,000**		350,000			
BLD077 FS Refurbishment Upton	**275,000**		275,000			
BLD078 FS Refurbishment West Kirby	**400,000**		400,000			
	4,801,500	**3,520,500**	**1,175,000**	**36,000**	**25,000**	**45,000**
SHQ Major Refurbishement						
SHQ Joint Control Room	**3,514,300**	**3,514,300**				
BLD072 SHQ Tower	**249,000**	249,000				
BLD073 SHQ Museum	**150,000**	150,000				
	3,913,300	**3,913,300**				
LLAR Accomodation Works						
BLD036 LLAR Accomodation Formby	**313,500**	313,500				
BLD045 City Centre Community Facility	**79,500**	79,500				
BLD059 LLAR Accomodation Eccleston	**237,500**	237,500				
BLD075 LLAR Accomodation Newton-le-Willows	**375,000**	**65,000**	310,000			
	1,005,500	**695,500**	**310,000**			
General Station Upgrade Works						
BLD001 Roofs & Canopy Replacements	**245,000**	65,000	50,000	50,000	40,000	40,000
BLD004 Concrete Yard Repairs	**108,000**	28,000	20,000	20,000	20,000	20,000
BLD005 Tower Improvements	**47,900**	9,900		18,000	10,000	10,000
BLD011 Capital Refurbishment	**57,000**	57,000				
BLD013 Non Slip Coating to Appliance Room Floors	**224,500**	51,500	46,500	46,500	40,000	40,000
BLD014 Boiler Replacements	**69,500**	49,500				20,000
BLD020 Electrical Testing	**276,000**	150,000	38,000	38,000	30,000	20,000
BLD031 Diesel Tanks	**150,000**	150,000				
BLD033 Sanitary Accomodation Refurbishment	**176,000**	56,000	30,000	30,000	30,000	30,000
BLD044 Asbestos Surveys	**150,500**	15,500	50,000	50,000	25,000	10,000
BLD060 DDA Compliance	**377,000**	307,000		30,000	20,000	20,000
	1,881,400	**939,400**	**234,500**	**282,500**	**215,000**	**210,000**
Other Works						
BLD007 L.E.V. System in Appliance Rooms	**6,700**	6,700				
BLD018 Conference Facilities SHQ	**29,000**	4,500	4,500	10,000	5,000	5,000
BLD026 Corporate Signage	**23,000**	3,000	5,000	5,000	5,000	5,000
BLD032 Power Strategy	**40,000**			20,000	10,000	10,000
BLD034 Office Accomodation	**96,000**	16,000	25,000	25,000	15,000	15,000
BLD058 HVAC - Heating, Ventalation & Air Con	**122,000**	92,000				30,000
BLD061 Lightening Conductors & Surge Protection	**55,000**	55,000				
BLD062 Emergency Lighting	**26,400**	26,400				
BLD065 MACC Server Room Extension	**4,000**	4,000				
BLD067 Gym Equipment Replacement	**176,500**	76,500	25,000	25,000	25,000	25,000
CON001 Energy Conservation Salix	**133,500**	33,500	25,000	25,000	25,000	25,000
DSO001 DSO Cleaning Equipment	**32,500**	8,500	6,000	6,000	6,000	6,000
EQU002 Replacement programme for Fridge Freezers	**63,500**	22,000	10,500	10,500	10,500	10,000
EQU003 Bulk purchase of furniture for refurbished premises	**64,500**	22,500	10,500	10,500	10,500	10,500
	872,600	**370,600**	**111,500**	**137,000**	**112,000**	**141,500**
TDA001 Fire house refurbishment	**80,000**	80,000				
	12,554,300	**9,519,300**	**1,831,000**	**455,500**	**352,000**	**396,500**
Original Budget	**7,684,500**	**4,584,500**	**1,896,000**	**455,500**	**352,000**	**396,500**
Current Programme	**12,554,300**	**9,519,300**	**1,831,000**	**455,500**	**352,000**	**396,500**
Changes	**4,869,800**	**4,934,800**	**(65,000)**			
Q1 Movements/Adjustments:	**9,261,800**	**9,326,800**	**(65,000)**			
Year end Slippage b/f from 2013/14		4,392,000				
Grant						
BLD068 Merseyside PA Contribution		3,000				
RCCO						
BLD072 Capital Reserve		64,000				
SHQ Joint Control Room		177,300				
DDA Compliance		225,000				
Re-phasing						
BLD075 LLAR Accomodation Newton-le-Willows		65,000	(65,000)			
Virements						
BLD074 from IT018		8,500				
	4,869,800	**4,934,800**	**(65,000)**			

Fire Safety - Approved Budget 2014/15 to 2018/19

Type of Capital Expenditure		Total Cost £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
FIR002	Smoke Alarms (100,000 HFRA target)	**2,500,000**	500,000	500,000	500,000	500,000	500,000
FIR005	Installation costs (HFRA)	**3,650,000**	730,000	730,000	730,000	730,000	730,000
FIR006	Deaf Alarms (HFRA)	**245,000**	49,000	49,000	49,000	49,000	49,000
FIR007	Replacement Batteries (12,000)	**4,000**	2,000	2,000			
FIR009	Fire Risk Management in Residential Blocks (CFO/135/13)	**200,000**	200,000				
		6,599,000	**1,481,000**	**1,281,000**	**1,279,000**	**1,279,000**	**1,279,000**
	Original Budget	**6,599,000**	**1,481,000**	**1,281,000**	**1,279,000**	**1,279,000**	**1,279,000**
	Current Programme	**6,599,000**	**1,481,000**	**1,281,000**	**1,279,000**	**1,279,000**	**1,279,000**
	Changes						

ICT including Regional Control - Approved Budget 2014/15 to 2018/19

Type of Capital Expenditure	Total Cost £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
IT002 ICT Software						
Software Licences	**10,000**	2,000	2,000	2,000	2,000	2,000
New Visualistaion Infrastructure	**75,000**					75,000
3 Year Licences Antivirus & Filtering	**155,000**				155,000	
Microsoft EA Agreement (Servers & Security)	**180,000**		60,000	60,000	60,000	
Microsoft SQL Upgrade	**50,000**		50,000			
	470,000	**2,000**	**112,000**	**62,000**	**217,000**	**77,000**
IT003 ICT Hardware						
PC, monitor and laptop replacement (target 20%)	**415,800**	95,800	80,000	80,000	80,000	80,000
PC, monitor and laptop growth	**25,000**	5,000	5,000	5,000	5,000	5,000
Periherals replacement (target 20%)	**30,000**	6,000	6,000	6,000	6,000	6,000
Appliance Toughbook Replacement	**110,000**		110,000			
LFS Laptops	**40,000**			40,000		
	620,800	**106,800**	**201,000**	**131,000**	**91,000**	**91,000**
IT005 ICT Servers						
Server/storage replacement (target 20%)	**548,500**	288,500	65,000	65,000	65,000	65,000
Server/storage growth	**75,000**	15,000	15,000	15,000	15,000	15,000
New SAN Solution	**100,000**					100,000
	723,500	**303,500**	**80,000**	**80,000**	**80,000**	**180,000**
IT018 ICT Network						
Local Area Network replacement (discrete)	**20,000**	4,000	4,000	4,000	4,000	4,000
Network Switches/Routers replacement	**377,000**	26,000	141,000		100,000	110,000
Network Switches/Router growth	**25,000**	5,000	5,000	5,000	5,000	5,000
Vesty Road Network Link Refresh	**31,500**	31,500				
IP Telephony	**155,000**	5,000	50,000	100,000		
Wireless Network	**40,000**			40,000		
	648,500	**71,500**	**200,000**	**149,000**	**109,000**	**119,000**
IT026 ICT Operational Equipment						
Pagers/Alerters	**37,000**	9,000	7,000	7,000	7,000	7,000
Station End Kit	**25,000**	5,000	5,000	5,000	5,000	5,000
Incident Ground Management System	**50,000**			50,000		
	112,000	**14,000**	**12,000**	**62,000**	**12,000**	**12,000**
Other IT Schemes						
IT027 ICT Security - Remote Access Security FOBS	**14,000**	6,000	2,000	2,000	2,000	2,000
IT028 System Development (Portal)	**229,900**	129,900	25,000	25,000	25,000	25,000
IT030 ICT Projects/Upgrades	**25,000**	5,000	5,000	5,000	5,000	5,000
IT036 Portable Storage Media Security	**27,000**	27,000				
IT039 Estates Management System	**20,000**	20,000				
IT040 Integrated Planning & Performance M.S.	**90,000**	90,000				
IT043 E-Recruitment System	**700**	700				
IT046 TRM System	**200,000**	200,000				
IT047 Computerised Legal Case Management System	**4,500**	4,500				
IT049 Wireless Rollout	**9,000**	9,000				
IT050 Community Protection IMS System	**30,000**	30,000				
JCC Control / ICT	**928,000**	928,000				
IT055 C.3.I. C.&.C Communication & Information System	**85,000**	25,000	15,000	15,000	15,000	15,000
IT056 P.F.I. Door Access System	**18,000**	18,000				
FIN001 FMIS/Eproc/Payroll/HR Replacement	**233,000**	233,000				
RC003 Corporate Gazetteer	**9,500**	9,500				
	1,923,600	**1,735,600**	**47,000**	**47,000**	**47,000**	**47,000**
	4,498,400	**2,233,400**	**652,000**	**531,000**	**556,000**	**526,000**
Original Budget	**2,921,000**	**656,000**	**652,000**	**531,000**	**556,000**	**526,000**
Current Programme	**4,498,400**	**2,233,400**	**652,000**	**531,000**	**556,000**	**526,000**
Changes	**1,577,400**	**1,577,400**				
Q1 Movements/Adjustments	**1,577,400**	**1,577,400**				
Year end Slippage b/f from 2013/14		1,523,600				
RCCO						
JCC Control / ICT -capital reserve		60,000				
IT003 00855575		2,300				
Virements		(8,500)				
IT018 to BLD064						
	1,577,400	**1,577,400**				

Operational Equipment - Approved Budget 2014/15 to 2018/19

Type of Capital Expenditure	Total Cost £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
OPS003 Hydraulic Rescue Equipment						
Hydraulic Rescue Equipment - Replacement Programme	**28,000**	28,000				
Pneumatic Rescue Equipment - Air Bags	**65,000**	65,000				
	93,000	**93,000**				
OPS024 BA Equipment/Communications						
BA Cylinder Replacement	**221,500**	221,500				
BA Sets (back pack/face mask/tubes/equip) Replacement	**219,000**	219,000				
BA Telementary Breathing Units	**133,000**	133,000				
Replacement of hand held communication radios	**150,000**	150,000				
	723,500	**723,500**				
Other Operational Equipment						
OPS001 Gas Tight Suits Other PPE	**50,000**	50,000				
OPS005 Resuscitation Equipment	**27,500**	27,500				
OPS009 POD Equipment (Demountable Unit Refurb 2013/14 IRMP)	**119,000**	119,000				
OPS011 Thermal imaging cameras	**11,500**	11,500				
OPS022 Improvements to Fleet (Utilise Emergency Response	**136,000**	36,000	20,000	20,000	30,000	30,000
OPS023 Water Rescue Equipment	**250,000**			250,000		
OPS026 Rope Replacement	**35,000**	35,000				
OPS027 Light prtable Pumps	**20,000**	20,000				
OPS031 CCTV Equipment (IRMP2 CCTV Drone)	**32,000**	32,000				
OPS033 Marine Rescue Launch	**5,000**	5,000				
OPS036 Radiation Detection Equipment	**45,000**			45,000		
OPS038 Water Delivery System	**62,000**	62,000				
OPS039 Water Delivery Hoses	**49,000**	49,000				
OPS049 Bulk Foam Attack Equipment	**48,000**	48,000				
OPS052 DEFRA FRNE	**20,000**	20,000				
	910,000	**515,000**	**20,000**	**315,000**	**30,000**	**30,000**
Hydrants						
HYD001 Hydrants (New Installations)	**92,500**	18,500	18,500	18,500	18,500	18,500
HYD002 Hydrants (Replacements)	**94,100**	20,100	18,500	18,500	18,500	18,500
	186,600	**38,600**	**37,000**	**37,000**	**37,000**	**37,000**
	1,913,100	**1,370,100**	**57,000**	**352,000**	**67,000**	**67,000**

Original Budget	**1,387,000**	**844,000**	**57,000**	**352,000**	**67,000**	**67,000**
Current Programme	**1,913,100**	**1,370,100**	**57,000**	**352,000**	**67,000**	**67,000**
Changes	**526,100**	**526,100**				
Q1 Movements/Adjustments	**526,100**	**526,100**				
Year end Slippage b/f from 2013/14		**526,100**				
Virements						
OPS022 from OPS005		5,000				
OPS005 TO OPS022		(5,000)				
	526,100	**526,100**				

Vehicles - Approved Budget 2014/15 to 2018/19

Type of Capital Expenditure	Price Per Unit	Total		2014/15		2015/16		2016/17		2017/18		2018/19	
		Units	Cost £	Units	£	Units	£	Units	£	Units	£	Units	£
VEH002 Ancillary Vehicles													
Water Training Vehicle (Mercedes Sprinter)	42,000	**1**	**42,000**	1	42,000								
Car (5 door - Fiesta/Corsa/Focus)	8,300	**49**	**406,700**	32	265,600	1	8,300	16	132,800				
Small Vans (Fiesta/Corsa)	7,000	**5**	**35,000**	5	35,000								
Panel Van 1 (Renault Master)	18,200	**16**	**291,200**	16	291,200								
Panel Van 2	18,500	**6**	**111,000**	1	18,500	3	55,500	2	37,000				
Panel Van 3	25,000	**2**	**50,000**							2	50,000		
Ford Connect Van	9,500	**8**	**76,000**	4	38,000	2	19,000			2	19,000		
PCVs (Ford Transit)	18,000	**4**	**72,000**	4	72,000								
4x4 1 (Ford Ranger/Toyota Hilux)	16,000	**5**	**80,000**	3	48,000					2	32,000		
4x4 2 (Isuzu)	27,000	**2**	**54,000**							2	54,000		
4x4s 3 (Ford Ranger/Toyota Hilux)	21,000	**5**	**105,000**	3	63,000							2	42,000
4x4 4 (Climbing Wall Vehicle)	21,000	**1**	**21,000**									1	21,000
Officer Response Car 1	22,000	**2**	**44,000**					2	44,000				
Officer Response Car 2	26,000	**2**	**52,000**							2	52,000		
Officer Response Car 3	20,000	**2**	**40,000**									2	40,000
7 Seater Galaxy	23,000	**2**	**46,000**									2	46,000
Car -Automatc	25,000	**1**	**25,000**							1	25,000		
Slippage towards price increase			***2,900***		*2,900*								
			1,553,800		**876,200**		**82,800**		**213,800**		**232,000**		**149,000**
VEH004 Special Vehicles													
CPL Vehicle 2 (refurbished)	300,000	**1**	**300,000**	1	300,000								
CPL Vehicle 3 (refurbished)	300,000	**1**	**300,000**	1	300,000								
CPL Vehicle 4 (New)	600,000	**1**	**600,000**					1	600,000				
IMU - Prime Movers	98,000	**4**	**392,000**	2	196,000	2	196,000						
Slippage towards price increase			***11,500***		*11,500*								
BA Support Unit (POD)	75,000	**1**	**75,000**	1	75,000								
SFU Vehicle	85,000	**2**	**170,000**	1	85,000	1	85,000						
Water Rescue Unit	45,000	**1**	**45,000**	1	45,000								
			1,893,500		**1,012,500**		**281,000**		**600,000**				
VEH006 Motorcycle Response													
AFA/RTC Bikes	6,000	**2**	**12,000**	2	12,000								
Firefighting bikes	16,000	**2**	**32,000**	2	32,000								
			44,000		**44,000**								
Other Vehicles													
VEH001 Fire Appliances £245,000 to £250,000		**17**	**4,190,000**	3	750,000	4	980,000	3	730,000	4	980,000	3	750,000
VEH005 Water Strategy			**29,000**		29,000								
WOR001 Workshop Equipment													
Equipment			**32,000**		32,000								
Replace steam clean lift			**40,000**				40,000						
			72,000		**32,000**		**40,000**						
			7,782,300		**2,743,700**		**1,383,800**		**1,543,800**		**1,212,000**		**899,000**
Original Budget			**7,510,800**		**2,472,200**		**1,383,800**		**1,543,800**		**1,212,000**		**899,000**
Current Programme			**7,782,300**		**2,743,700**		**1,383,800**		**1,543,800**		**1,212,000**		**899,000**
Changes			**271,500**		**271,500**								
Q1 Movements/Adjustments			**271,500**		**271,500**								
Year end Slippage b/f from 2013/14			**271,500**		**271,500**								

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	**POLICY AND RESOURCES COMMITTEE**		
DATE:	**23 SEPTEMBER 2014**	**REPORT NO:**	**CFO/087/14**
PRESENTING OFFICER	**CLERK TO THE AUTHORITY**		
RESPONSIBLE OFFICER:	**JANET HENSHAW**	**REPORT AUTHOR:**	**JANET HENSHAW**
OFFICERS CONSULTED:	**HELEN PEEK, DEMOCRATIC SERVICES MANAGER**		
TITLE OF REPORT:	**THE OPENNESS IN LOCAL GOVERNMENT REGULATIONS 2014**		

APPENDICES:	**APPENDIX A:**	**REVISED DRAFT TEMPLATE FOR COMMITTEE REPORTS**
	APPENDIX B:	**DCLG OPEN AND ACCOUNTABLE LOCAL GOVERNMENT**

Purpose of Report

1. To inform Members that the Openness in Local Government Bodies Regulations 2014 came into force on 4th August 2014 and of the impact of these Regulations for Merseyside Fire and Rescue Authority.

Recommendation

2. That Members;

   a. note that the Openness in Local Government Bodies Regulations 2014 came into force on 4th August 2014 and

   b. note the revised template for Reports to the Authority

Introduction and Background

3. Members may recall that a consultation on proposed Regulations for openness in Local Government, was considered by the Authority on 27th February 2014. Draft Regulations were attached to that report. The Regulations have now been published and came into force on 4th August 2014.

4. The new Regulations will require changes to the Authority's Constitution and some slight amendments to the format of Reports to the Authority and its Committees. The revised draft template for writing Authority reports is shown at Appendix A to this report, and changes to the Constitution concerning this and other issues will be presented to Members in a separate report to the full Authority.

5. The Regulations reflect new requirements imposed upon Local Government Bodies, the definition of which includes Fire and Rescue Authorities. These requirements are set out below.

Recording of Decisions

6. If a decision is made by the Authority or any of its Committees to grant delegated powers to an officer or individual Member, either pursuant to the Scheme of Delegation (currently held within the Constitution) or under a specific delegation which would not fall under this Scheme and the effect of that decision is to

   a. Grant a permission or a licence or

   b. Affect the rights of an individual or

   c. Award a contract which materially affects the Authority's financial position or

   d. Incur expenditure which materially affects the Authority's financial position

   A written record must be produced and published containing the date of the decision, reasons for the decision and alternative options considered and rejected along with the names of those Members who declared a conflict of interest relating to the decision (where specified delegations are approved)

7. In relation to the definition of "material affects…" which was raised as an issue in the response to the consultation, this phrase is still not defined in the Regulation. In legal terms the use of "material" in for example contracts would mean "significant" or "important". If this definition were applied in these Regulations, in the absence of any other definition then the effect of a decision to award a contract or incur expenditure must be significant.

8. By way of examples: a decision to delegate the grant of a long term lease of Authority land at a "peppercorn rent", where that land is valuable in terms of sale (and therefore realisation of capital) could be said to be incurring expenditure which materially affects the Authority's' financial position. Equally the award of a contract valued over £250,000 must be made by the Authority and such a decision cannot be delegated due to the value and financial implications. However the Chief Fire Officer (CFO) has delegated Authority to maintain operational effectiveness of the service. If the CFO used this to recruit over and above the established numbers of operational staff then this would need to be a recorded decision.

9. The term "materiality" is often used in relation to issues that affect the Authorities Financial Accounts and is a widely recognised accounting concept. Whilst this can never just be a numerical calculation and it is important to consider each case on its merits experience indicated that issues of a value

less than £1.5m for an organisation with the budget the size of MFRA are unlikely to be material. The delegated authority limits already set in place by the Authority mean that the prospects of officers making decision under delegated powers which materially affect the Authority's finances are quite low.

10. Registrations and Licences for the storage and supply of fireworks are provided by Protection staff as delegated by the CFO. Such delegations will also need to be recorded.

Reporting upon Authority proceedings

11. The Local Government Act 1972 has also been amended with the effect that unless the public has been excluded from a Meeting of the Authority or any of its Committees under section 100A, any person attending the meeting is to be permitted to report on the meeting. Such "reporting " can cover

    a Filming, photographing or making an audio recording of proceedings of a meeting

    b Using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later, or

    c Reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later to persons not present, although the Authority is not required to permit oral reporting or oral commentary if the person reporting is present at the meeting.

12. The Authority however must afford reasonable facilities as far as practicable for persons reporting on meetings and this person can use any method of communicating, including the internet to publish post or otherwise share the results of the reporting.

Criminal Sanctions

13. Regulation 10 of the Openness in Local Bodies Regulations 2014 provides for an offence if anyone wilfully obstructs and refuses a request to provide the papers or recorded decision to "any person".

Equality and Diversity Implications

14. There are no direct Equality and Diversity implication although EIA's themselves will be subject to the same reporting requirements as other proceedings.

Staff Implications

15. The Regulations will create additional work for the Democratic Services Team in recoding and publishing certain decisions.

Legal Implications

16. The Legal Implications are all addressed within the body of this report.

Financial Implications & Value for Money

17. There are no direct costs associated with this report however there is an administrative burden to Democratic Services in recording decisions.

Risk Management, Health & Safety, and Environmental Implications

18. There are risks in terms of the potential for fines if there is any obstruction or refusal to give access to members of the public to meeting papers or records of decisions made under this legislation.

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

19. These Regulations are intended by Parliament to give greater access to the public to meetings and decisions of public bodies and Local Government in particular.

BACKGROUND PAPERS

CFO/021/14	CONSULTATION FROM DCLG: OPENNESS OF LOCAL GOVERNMENT BODIES DRAFT REGULATIONS 2014

GLOSSARY OF TERMS

EIA'S	**Equality Impact Assessment's**

APPENDIX A

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	[COMMITTEE NAME]		
DATE:	[DATE OF MEETING]	REPORT NO:	REFERENCE
PRESENTING OFFICER	[PRINCIPAL/ STATUTORY OFFICER]		
RESPONSIBLE OFFICER:	[LEAD OFFICER]	REPORT AUTHOR:	[AUTHOR NAME]
OFFICERS CONSULTED:	[FILL IN ANY OTHER OFFICERS/DEPARTMENTS YOU HAVE CONSULTED]		
TITLE OF REPORT:	[REPORT TITLE]		

APPENDICES:	APPENDIX A: APPENDIX B:	(TITLE) (TITLE…ETC)

Purpose of Report

1. To inform/request that Members…

Recommendation

2. That Members;
   a. note, approve, instruct…………., and/or
   b. note, approve, instruct………….etc.
   c. delegated powers to …….state name and position and what precise delegated powers you request (Delegated Powers are usually only granted to Statutory Officers)

[Or in the case of one recommendation:]

3. That Members note, approve, instruct….etc.
   Note that every action or decision you wish to be considered MUST be detailed as a separate recommendation – for Members to consider and make decision against each.

Introduction and Background

4. Provide the detail of the report in this section. Write enough information but not too much – more info can be provided in appendices, presentations or by the Reporting Officer at the meeting.

<u>Your own Subtitles can be used</u>

5. Every paragraph must be numbered – do not number subtitles

Equality and Diversity Implications

6. EIA completed? Attach as appendix if yes.

7. What E&D implications have been considered/ why

Staff Implications

8. How are staff affected? Think about resources etc. Don't leave this empty. If no implications state why not.

Legal Implications

9. There are always Legal Implications

10. Don't leave this empty. Check with Legal if unsure

Financial Implications & Value for Money

11. State the cost of the recommendation.

12. Where will the funding will come from?

13. How is it Value for Money?

14. Don't leave this empty. Consult the Head of Finance if needed

Risk Management, Health & Safety, and Environmental Implications

15. What actions have been taken to manage risk?

16. What Health & Safety implications have been considered?

17. What Environmental Implications have been considered?

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

18. How does this benefit our Communities and the Authority?

BACKGROUND PAPERS

CFO/111/11 If this report follows on from another, list the previous report(s)

GLOSSARY OF TERMS

MFRA **M**erseyside **F**ire and **R**escue **A**uthority is the physical and legal entity. When writing reports MFRA is the "object".

MFRS **M**erseyside **F**ire and **R**escue **S**ervice is the service provided by MFRA. When writing reports MFRS is the "action"

E.G.	You are employed by the Authority (MFRA). The job you do forms part of the Service (MFRS) provided by the Authority (MFRA). If in doubt use MFRA.

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Department for Communities and Local Government

Open and accountable local government

A guide for the press and public on attending and reporting meetings of local government

August 2014
Department for Communities and Local Government

This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, email contactus@communities.gov.uk or write to us at:

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Contents

About this Guide

The national rules[i] have been changed to make councils, including parish and town councils[ii], and other local government bodies such as fire and rescue authorities, more transparent and accountable to their local communities. A full list of bodies to which the rules apply is at **annex A**.

This plain English Guide[iii] gives practical information about what these new rules mean for members of the public attending meetings of local government bodies, including meetings of a body's committees, sub-committees and any joint committees involving two or more bodies. The Guide also covers meetings of any council's executive (i.e. the council's cabinet[iv]), including any committees and sub-committees of the executive.

In particular, this Guide gives practical information about how members of the public can use modern technology and communication tools to report on meetings they are attending, and about how to access information on decisions taken by a body's officers or individual members. This Guide will also help the public to know when they can attend meetings of local government bodies, and what documents and information are available to them. It should also help councillors and officers to comply with the new rules.

As the Guide explains, different rules apply to different meetings, particularly meetings of a parish council or parish meeting, and the meetings of a council's executive, its committees or sub-committees.

- **Part 1** focuses on the use of various communication tools for reporting the proceedings of any meeting of a local government body which is open to the public.
- **Part 2** explains how the public can access meetings of a council's executive, its committees and sub-committees, and records of executive decisions taken by individual members or officers.
- **Part 3** explains how the public can access all other meetings of a local government body, other than parish and town councils, and records of certain other decisions taken by officers.
- **Part 4** explains how the public can access meetings of parish and town councils, parish meetings and the Council of the Isles of Scilly, and records of certain decisions taken by those councils' officers.
- **Part 5** focuses on other rights that the public have to access information.

This Guide now replaces the Guide titled "Your council – going to its meetings, seeing how it works" that the department issued in June 2013.

All footnotes are listed at the end of the Guide.

Part 1 Your rights to attend and report meetings

This part of the Guide applies to all the local government bodies listed at annex A.

Why are there new national rules?

We now live in a modern, digital world where the use of modern communication methods such as filming, tweeting and blogging should be embraced for enhancing the openness and transparency of local government bodies. This will ensure we have strong, 21st century, local democracy where local government bodies are genuinely accountable to the local people whom they serve and to the local taxpayers who help fund them.

Who do these rules help?

These rules help any members of the press and public who want to know about, view or report the work of local government bodies. The “press” is defined in the widest terms – including traditional print media, filming crews, hyper-local journalists and bloggers.

The new national rules[v] have increased your rights to film, audio-record, take photographs, and use social media such as tweeting and blogging to report the proceedings of all such meetings that are open to the public.

Are all meetings of a local government body open to the public?

All meetings must be open to the public except in limited defined circumstances where the national rules require or allow the meeting to be closed to the public – see Part 2 for the rules for a council’s executive, Part 3 for the rules for other local government bodies, other than parish and town councils, and Part 4 for the rules for parish and town councils.

Can I film or audio-record the meeting?

Yes, councils and other local government bodies are required to allow any member of the public to take photographs, film and audio-record the proceedings, and report on all public meetings. While no prior permission is required to carry out this activity, it is advisable that any person wishing to film or audio-record a public meeting let their local government staff know so that all necessary arrangements can be made for the public meeting. This is important because the rules require local government bodies only to provide reasonable facilities for any member of the public to report on meetings.

There is no legal requirement for councils to webcast their meetings, but where councils and other local government bodies webcast any of their public meetings, they should, as a matter of good practice, notify the public.

Do I need to have advance permission to report the meeting?

No. Whilst we would encourage people to contact staff in advance if they want to film or record, equally, we would discourage any system which “vetted” journalists or restricted reporting to “approved” journalists. Councils should support freedom of the press within the law and not seek to restrict those who may write critical comments.

Can I film or audio-record a private meeting[vi]?

The rules on the use of communication methods, such as filming and audio-recording, only require local government bodies to allow the reporting of meetings open to the public. The relevant council or local government body may not allow you to film or audio-record its private meetings. You may also not be allowed to leave recording equipment in the room where a private meeting is held for the purpose of reporting on the meeting.

Can I tweet or blog a council or local government body meeting?

Yes, the new rules[vii] allow for reporting of meetings via social media of any kind. Therefore bloggers, tweeters, and for example, Facebook, YouTube users and individuals with their own website, should be able to report meetings. You should ask your council for details of the facilities they are providing for reporting.

If I am a councillor, can I tweet or blog during council meetings?

The national rules do not prevent councillors from tweeting and blogging at meetings, so they should be able to do so provided it is not disruptive and does not detract from the proper conduct of the meeting. Whilst councillors are expected to comply with their body’s code of conduct, this should not prevent councillors from tweeting or blogging when appropriate.

What sort of facilities will my council or local government body provide?

Councils or local government bodies are required to provide “reasonable facilities” to facilitate reporting. This should include space to view and hear the meeting, seats, and ideally a desk. Councils and local government bodies should use their common sense to determine the range of reasonable facilities they can actively provide to support the free press in all its forms.

To facilitate public scrutiny and public reporting, local authorities should not conduct their meetings in foreign languages.

Will I be allowed to film, tweet, blog or audio-record the meetings of other bodies not listed in annex A?

The Government message is that all public bodies should adopt maximum openness and transparency. This is also essential for bodies or groups making decisions for their local area because they are expected to be open and transparent in their decision-making. While the new national rules do not apply to some local groups such as neighbourhood forums and Local Enterprise Partnerships, such groups are encouraged, when having public meetings, to embrace the use of modern technology and should allow the same filming, audio-recording, taking of photographs, tweeting and blogging as applied to local government bodies, particularly if they are in receipt of public funds. This will give local people the opportunity to see how decisions are being made that affect their community.

Are there any limits to what I can say in a tweet or video I publish?

The law of the land applies – including the law of defamation and the law on public order offences (see the Crown Prosecution Service guidance on social media[viii]).

Freedom of speech within the law should also be exercised with personal and social responsibility – showing respect and tolerance towards the views of others.

Are there other limits that I should be aware of?

The council or local government body should consider adopting a policy on the filming of members of the public, and ensure that they protect children, the vulnerable and other members of the public who actively object to being filmed, without undermining the broader transparency of the meeting.

Will I be able to provide commentary during the meeting?

Any person can provide written commentary during a meeting, as well as oral commentary outside or after the meeting. The new rules do not permit oral commentary to be provided during a meeting as this would be disruptive to the good order of the meeting.

Can I be asked to leave a meeting because I'm taking photographs, filming or audio-recording the meeting or using social media?

Generally, people attending public meetings must be readily able to film, audio-record, take photographs or use social media. Councils and other local government bodies must take steps to ensure this is the case. However, those undertaking these activities must not act in a disruptive manner, which could result in being excluded from the meeting.

What is disruptive behaviour?

Essentially, this could be any action or activity which disrupts the conduct of meetings or impedes other members of the public being able to see, hear or film etc the proceedings. Examples can include:

- moving to areas outside the areas designated for the public[ix] without the consent of the Chairman,
- excessive noise in recording or setting up or re-siting equipment during the debate/discussion,
- intrusive lighting and use of flash photography; and
- asking for people to repeat statements for the purposes of recording.

You may be excluded from a meeting if you act in a disruptive manner.

Can I leave recording equipment in a public meeting room and record without being present?

There is no legal prohibition, however, under the national rules, the local government body may require any such recording to stop if at any stage the meeting becomes a private meeting.

But the local authority says reporting is a breach of its Standing Orders?

It is a legal duty for the local government body to follow the new provisions. If a local government body's existing Standing Orders are not fully in line with the new legislation, in the short-term, we recommend they simply waive the relevant provisions of those old Standing Orders which could be taken to inhibit the new reporting rules, and then take steps to update formally its Standing Orders.

Part 2 Access to meetings and documents of a council's executive

This Part explains how the public can access meetings of a council's executive, its committees and sub-committees, and records of executive decisions taken by individual members or officers. A council's executive (i.e. the council's cabinet) is its main decision making body consisting of an elected mayor or leader and a number of councillors. This Part applies to councils with either a leader and cabinet or elected mayor and cabinet. It does not apply to councils operating the committee system or other local government bodies listed in Annex A.

What are the national rules for access to meetings and documents of a council's executive?

The national rules are principally provided by the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 which introduced significantly greater transparency and openness into the meetings of a council's executive, its committees and sub-committees. The rules also strengthen the rights of councillors to access information about items to be discussed at a public or private meeting of their council's executive.

Who can make an executive decision in my council?

The decision maker can be the executive, its committees and sub-committees, joint committees, joint sub-committees, individual councillors, and officers who have delegated responsibility from the executive to make executive decisions. Your council may have local rules[x] that will explain who may make a decision.

Attending the meetings of your council's executive

How will I know about a forthcoming public meeting of my council's executive?

Your council must give a notice of the meeting at least 5 clear days before it takes place. The details of the meeting must be published at your council's offices and on its website where practicable. The agenda must be published with any background papers. No item can be considered if the item is not available for inspection by the public with 5 clear days' notice.

Where an item is added to the agenda within 5 days before the meeting is scheduled to take place, a revised agenda, public report and background papers must be published as soon as the item is added to the agenda. In some circumstances, the whole or part of a report may not be available for public inspection because it contains either confidential or exempt information. In this case, the report should bear the phrase ‘not for publication’ and state that it contains confidential information or set out the description of the exempt information.

Can I obtain a copy of the agenda and other relevant papers for a public meeting of my council’s executive?

Yes, your council must provide you with a copy of the agenda, and other relevant papers once you have made payment of postage and/or copying charge. There are also additional legal rights to access information, outlined in Part 5 of this Guide.

Can a council’s executive choose to meet in private?

All meetings of an executive including meetings of its committees or sub-committees must be open to the public, except in limited defined circumstances where the national rules require or allow the meeting to be closed to the public.

The rules require a meeting of an executive to be closed to the public in two specific circumstances:

- If the presence of the public is likely to result in the council breaching a legal obligation to third parties about the keeping of confidential information; or

- a lawful power is used to exclude the public in order to maintain orderly conduct or prevent misbehaviour at a meeting.

In addition, a meeting can also be closed to the public where the executive so decides (by passing a resolution of its members) because exempt information would otherwise be likely to be disclosed. It is open to the executive if it chooses to consider in public matters involving exempt information. There is no over-riding legal requirement forcing councils to discuss exempt information in private.

What is confidential information?

Confidential information means:

- information provided to the council by a Government department on terms which forbid the disclosure of the information to the public; and

- information which is prohibited from being disclosed by any enactment or by a court order.

What is exempt information?

The descriptions of exempt information are set out in Schedule 12A to the Local Government Act 1972. The descriptions are listed at **Annex B** of this Guide.

Can I be asked to leave a public meeting?

Yes. As a member of the public you can be asked to leave a meeting so that the executive, its committees or sub-committees can discuss matters in private, but only in the limited circumstances that are already explained.

How will I know about a private meeting of my council's executive?

Prior to holding a private meeting, your council must have published on its website and at its offices at least 28 clear days' notice of its intention to consider a matter in private and the reasons for the private meeting. This is to ensure that members of the public have reasonable opportunity to make representations as to why the proposed private meeting should not be held in private.

At least 5 clear days before the meeting, your council must confirm its intention to go ahead with the private meeting through another notice on its website and at its offices. This second notice has to include details of any representations received and the council's response to them.

Can a private meeting of my council's executive be held if 28 days' notice is not given to the public?

A private meeting can only be held without 28 days' notice after the agreement of the Chairman of the Overview and Scrutiny Committee has been obtained that the meeting is urgent and cannot reasonably be delayed. In the absence of the Overview and Scrutiny Committee Chairman, the permission of the Council Chairman (or, in their absence, the Vice Chairman) must be obtained. If this agreement is granted the council must publish a notice about why the meeting is urgent and cannot be deferred. This notice must be available at its offices and on their website. If agreement is not given then the meeting must either be held in public, or the council must comply with the 28 day notice requirements.

Can I attend an executive's pre-briefing meeting with local authority officers?

No. The rules apply only to when councillors meet as a decision making body to exercise their statutory executive responsibilities. The rules do not apply to political groups' meetings or to informal briefing meetings for councillors.

Recording of decisions of public meetings

If I am not at the meeting, how will I know of any decisions made?

The fact that you are unable to attend a public meeting of your council's executive, its committees or sub-committees does not mean you cannot find out about the decisions made there. The national rules require a council to keep records of any executive decisions[xi] made as soon as reasonably practicable after any public meeting. The written records must reflect the following information:

- Details of the decision and the date it was made;
- reasons for the decision;
- any other options considered and why those options were rejected;
- details of any conflict of interest of an executive member of the decision-making body; and
- a note of dispensation granted by the Head of Paid Service in respect of any declared conflict of interest.

You can then inspect the records and any reports considered at the meeting at your council's offices and on the council's website if it has one. All of these documents can be inspected for six years beginning from the date of the meeting apart from background papers which can be inspected for four years beginning from the date of the meeting. These records may be kept in electronic format.

Apart from information about meetings, are there other means of knowing about decisions likely to be made by a council's executive, its committees and sub-committees?

Yes. The national rules require a council to publish its intention to make a key decision[xii] in a document at least 28 clear days prior to when the decision is intended to be made. The notice has to include details of the individual or executive body that will make the decision, the matter that is subject to a decision, other documents to be considered, and where these other documents are available. This notice document must be available at the council's offices and on its website before the decision is made.

This allows you to have sufficient knowledge in advance of those decisions that will be of genuine concern to you and your local communities.

Can a key decision of a council's executive[xiii] be made without giving the 28 days' notice?

Yes, provided the following requirements are met:-

- the relevant Overview and Scrutiny Committee Chairman is informed in advance and in writing (or all the members of the Overview and Scrutiny Committee) about what the decision is concerning;
- a notice about the key decision to be made is made available for inspection at the council's offices and published on the website; and
- 5 clear days elapse following the day a notice is published about the key decision to be made.

If there is a case of special urgency, for example an urgent decision on a negotiation, expenditure or contract, the decision must only be made if the agreement of the Overview and Scrutiny Committee Chairman is received. In the absence of the Overview and Scrutiny Committee Chairman, the permission of the Council Chairman (or in their absence the Vice Chairman) must be obtained. If agreement is given, a notice explaining why the decision is urgent and cannot reasonably be deferred, must be published and should be available at the council's offices and on its website as soon as reasonably practicable.

Can 28 days' notice of a key decision also provide 28 days' notice required for a council executive's private meeting?

It is up to your council to decide whether the 28 day key decision document should contain the details required for a private meeting notice. Where there is an intention to make a key decision at a private meeting, your council must comply fully with all the national rules.

Can my council's executive make key decisions and not follow the national rules?

No. Councils must comply with all the national rules since they are prescribed by law. Should a decision be made without applying the key decision rules because the council thinks that the decision is not a key decision, but subsequently the Overview and Scrutiny Committee decides the decision is a key decision, the executive may be asked to submit a report to the full council.

Executive decisions by an individual member or officer

Can an individual member or an officer of a council's executive take decisions on matters that are the executive's responsibility?

Yes, where the rules of your council allow this. Decision makers can be individual councillors, and officers who have delegated responsibility from the executive to make executive decisions.

How will I know about an executive decision taken by a member or officer?

When a member or officer takes a decision on matters that are the responsibility of the council's executive, this must be recorded in writing. The form of the written record is for the council to decide, but the following should be included:

- details of the decision and the date it was made;
- reasons for the decision;
- any other options considered and why those options were rejected;
- details of any conflict of interest declared by any executive member consulted in relation to the decision; and
- a note of dispensation granted in respect of any declared conflict of interest.

Are all decisions made by councils' officers to be so recorded?

No. The requirement to record decisions extends only to "executive decisions". Executive decisions can sometimes be defined in your council's rules. Decisions which are taken by officers under specific delegations from a meeting of their council's executive are clearly executive decisions. However, many administrative and operational decisions officers take on how they go about their day to day work will be delegated within the council's rules and are not in this "executive decisions" category; as such they do not need to be recorded.

The decisions that should be not recorded might include the following examples:

- Decisions to allocate social carers to particular individuals, or for example, to provide walking aids;
- decisions to allocate a social housing unit to an applicant or to send someone to carry out repairs;
- decisions to review the benefit claims of an individual applicant and
- decisions to allocate market stalls to individual traders.

Where officers have been empowered to act on behalf of their council's executive, examples of decisions that should be recorded could include:

- Decisions about awarding contracts above specified individual or total values;
- decisions to exercise powers of Compulsory Purchase;
- decisions on disposal of and/ or provision of allotment land and green spaces;
- awarding of Discretionary Rate Relief
- the opening hours of local libraries; and
- the holding of car boot sales/markets on council-owned land.

This is not intended to be an exhaustive list, rather a series of examples to illustrate that, in the interests of maximum transparency, these Regulations require more than just key decisions to be recorded.

Ultimately it is for local decision makers to decide what information should be recorded on the basis of the national rules.

How can I see any records of decisions taken by executive members or officers?

Once a record of executive decisions taken by an executive member or officer has been made, you should be able to inspect the record at the council's offices and on its website as soon as reasonably practicable.

However you will not be able to see some of the information if it is considered to be either confidential or exempt information.

Can I ask for a copy of any records of executive decisions?

Yes. You can ask for a copy of any documents relating to executive decisions and your council should supply the information once you have paid for the postage, copying or any other necessary charge for transmission which will be determined by your council. There are also additional legal rights to access information, outlined in Part 5 of this Guide.

Your rights as a councillor

If I am a councillor, do I have any right to access meeting documents?

As a councillor, you can inspect any document that contains material to be discussed at least 5 days before a public meeting is held. In case of a private meeting or decision made by an individual executive member or officer, you can inspect the document within 24 hours of the conclusion of the meeting or the decision being made.

In addition, if you are a member of an overview and scrutiny committee, you can ask for any document that contains business transacted at a meeting of the executive, its committees or sub-committees or officer of the authority. The executive must provide the document within 10 days after it (the executive) receives the request. In an instance where the executive cannot release the whole or part of the document, the executive must provide you with a written explanation.

What other rights do councillors have to inspect documents of their councils?

In addition to the rights conferred on councillors by these Regulations in relation to executive decision making, councillors also have statutory rights to inspect documents of the council and its committees under Part 5A of the Local Government Act 1972. Councillors may also request information held by their council under the Freedom of Information Act 2000 (or the Environmental Information Regulations 2004 in relation to environmental information). Councillors may have rights under the common law to inspect such documents held by their council as are reasonably necessary for them to perform their duties.

What happens if documents relating to executive decisions are not made public?

It is a criminal offence if, without a reasonable excuse, a person who has in his or her custody a document[xiv], which the national rules require to be made available to the public, refuses to supply the whole or part of the document or intentionally obstructs any other person/s from disclosing such a document.

If a person is found guilty of such a criminal offence, he/she can be fined up to £200[xv].

Part 3 Access to non-executive meetings and documents of a local government body, other than parish and town councils

This Part explains how the public can access all meetings (other than those of a council's executive) of a council or other local government body, other than parish and town councils. These meetings include those of a body's committees, sub-committees and any joint committees involving two or more local government bodies. It also explains how to access the records of certain non-executive decisions taken by the officers of local government bodies, other than parish and town councils.

Attending the meetings

How will I know about a forthcoming meeting of my council or local government body which will be open to the public?

Your council or local government body must give a notice of the meeting at least 5 clear days before a public meeting is held. The details of the meeting, such as the time and place, must be published at your council or local government body's offices. The notice may also be published on the body's website where practicable. You can also inspect the agenda and any background papers at least 5 clear days before the meeting.

Where an item is added to the agenda within 5 days before the meeting is scheduled to take place, a revised agenda and background papers must be published as soon as the item is added to the agenda.

An item that is not on the agenda can only be considered in special circumstances if the chairman is of the opinion that the item should be considered at the meeting as a matter of urgency. Any such special circumstances should be specified in the minutes.

How can I obtain a copy of the agenda and other relevant papers for a public meeting?

If you are representing a newspaper, your council or local government body must provide you with a copy of the agenda and any background upon payment of postage and/or copying charge. Councils and local government bodies are encouraged to provide a similar service to other members of the public upon request and payment of postage and/or copying charge.

In some circumstances, the whole or part of a report may not be available for public inspection if it contains either confidential or exempt information. In this case, the report should bear the phrase 'not for publication' and state that it contains confidential information or set out the description of the exempt information.

There are also additional legal rights to access information, outlined in Part 5 of this Guide.

Can a meeting be held in private?

The rules require a meeting of a council or local government body to be closed to the public in two circumstances:

- If the presence of the public is likely to result in the council or local government body breaching a legal obligation to third parties about the keeping of confidential information; and

- if the council or local government body decides (by passing a resolution of its members) because exempt information would otherwise be likely to be disclosed. It is open to the council or local government body if it chooses to consider in public matters involving exempt information. There is no over-riding legal requirement compelling the body to discuss exempt information in a private meeting.

The rules do not prevent the chairman from excluding any member of the public in order to maintain orderly conduct or prevent genuine misbehaviour at a meeting.

What is confidential information?

Confidential information means:

- information provided to the council or local government body by a Government department on terms which forbid the disclosure of the information to the public; and

- information which is prohibited from being disclosed by any enactment or by a court order.

What is exempt information?

The descriptions of exempt information are set out in Schedule 12A to the Local Government Act 1972. The descriptions are listed at **Annex B** of this Guide.

Can I be asked to leave a public meeting?

Yes. As a member of the public you can be asked to leave a meeting so that the council or local government body, its committees or sub-committees can discuss matters in private, but only in the limited circumstances that are already explained. The rules do not prevent the chairman from excluding any member of the public in order to maintain orderly conduct or prevent genuine disruption at a meeting.

How will I know about a private meeting of my council or local government body?

The rules do not require your council or local government body to notify the public if a meeting will be held in private. However, where part of a public meeting will be held in private, it should be explained when the public is notified of the meeting.

Can I attend a pre-briefing meeting with local authority officers?

No. The rules do not apply to political groups' meetings or to informal briefing meetings for councillors.

Recording of decisions of public meetings

If I am not at the meeting, how will I know of any decisions made?

The fact that you are unable to attend a public meeting of your council or local government body, its committees or sub-committees does not mean you cannot find out about the decisions made there. The national rules require the council or local government body to make the following documents available for inspection after a public meeting:

- a copy of the minutes;
- a summary of the proceedings, where applicable;
- a copy of the agenda;
- a copy of any report for the meeting as relates to any item during which the meeting was open to the public; and
- a copy of a list of the background papers for any report for the meeting.

You can then inspect the records and any reports considered at the meeting at your council or local government body's offices and on the council or local government body's website if it has one. All of these documents can be inspected for six years, apart from background papers which can be inspected for four years beginning from the date of the meeting.

Decisions by officers

Can an officer take decisions on matters that are the council or local government body's responsibility?

Yes, where the council or local government body's rules[xvi] allow this.

How will I know about decisions made by officers?

The new national rules require the recording of certain decisions[xvii] taken by officers acting under powers delegated to them by a council or local government body, its committees or sub-committees or a joint committee. The written record must be available for inspection at the council or local government body's offices and on the website if it has one[xviii], as soon as reasonably practicable, and should include:

- The decision taken and the date the decision was taken;
- the reason/s for the decision;
- any alternative options considered and rejected; and
- any other background documents.

Where a decision is taken under a specific express authorisation, the names of any member of the council or local government body who has declared a conflict of interest must be recorded.

The relevant council or local government body must retain and make the written record of their officers' decisions available for inspection for six years beginning from the date of the meeting. The background papers should also be available for inspection for four years beginning from the date of the meeting. These may be kept in electronic format.

Can I see all decisions made by my council or local government body's officers?

No. The requirement to record applies to all decisions taken by officers whilst acting under a specific express authorisation and to only three categories of decision taken whilst acting under a general authorisation. These categories cover decisions to "grant a permission or licence"; that "affect the rights of an individual" (i.e. to change an individual's legal rights)[xix]; or to "award a contract or incur expenditure which, in either case, materially affects [xx] that relevant local government body's financial position".

Officers take many administrative and operational decisions about how they go about their day to day work within the council's or local body's rules. These decisions will not need to be recorded.

You will not be able inspect some recorded decisions if the whole or part of the records contain confidential or exempt information.

Examples of decisions that should be recorded could include:

- Decisions about awarding contracts above specified individual or total values (the values will vary according to the relevant council or local government body);
- a decision to carry out major road works;
- determination of licencing applications, building control decisions and notices; and
- decisions to give listed building consents.

Where decisions are already required to be published by other legislation, they do not need to be recorded again provided the record published includes the date the decision was taken and the reasons for the decision.

Decisions that do not need to be recorded might include the following examples:

- Routine administrative and organisational decisions such as giving permission to a local society to use the authority's premises;
- decisions on operational matters such as day to day variations in services;
- decisions to give business relief to individual traders;
- decisions to review the benefit claims of an individual applicant; and
- decisions taken in response to requests under the Data Protection Act 1998 or the Freedom of Information Act 2000.

These are a few selected examples and not an exhaustive list. It is for the council or local government body to decide what information should be recorded on the basis of the national rules.

Can I ask for a copy of any records of decisions taken by an officer of my council or local government body?

Yes. You can ask for a copy of any documents relating to decisions taken by an officer acting under specific or general delegated powers once you have paid for the postage, copying or any other necessary charge for transmission which will be determined by your council or local government body.

There are also additional legal rights to access information, outlined in Part 5 of this Guide.

What happens if documents relating to decisions are not made public?

It is a criminal offence if, without reasonable excuse, a person with custody of a document[xxi] (which is required by the national rules to be made available to the public), refuses to supply the whole or part of the document, or intentionally obstructs any other person/s from disclosing such a document.

If a person is found guilty of such a criminal offence, he/she may be fined up to £200[xxii].

Part 4 Access to meetings and documents of parish and town councils

As a member of the public, you have the right to attend the annual parish and town meeting, as well as the meetings of parish and town councils[xxiii], and of the Council of the Isles of Scilly. This Part explains how the public can access meetings of these councils and records of certain decisions taken by those council's officers.

Attending meetings of parish councils and the Council of the Isles of Scilly

How will I know about a forthcoming meeting of a parish or town council or the Council of the Isles of Scilly which is open to the public?

Parish and town councils and the Council of the Isles of Scilly must give notice of their meeting at least 3 clear days before it takes place. Where a parish meeting[xxiv] is called, at least 7 clear days' notice must be given.

Notice of the meeting specifying the business to be discussed must be placed in a central conspicuous place within the parish or area at least 3 clear days before the meeting. These councils are also encouraged to place copies of the agenda, meeting papers and notice of meetings at offices and on their website, if they have these facilities.

Can a parish or town council or the Council of the Isles of Scilly choose to meet in private?

All meetings of these councils must be open to the public, except in limited defined circumstances. These councils can only decide, by resolution, to meet in private when discussing confidential business or for other special reasons where publicity would be prejudicial to the public interest.

What is confidential information and publicity prejudicial to the public interest?

Though not an exhaustive list, we expect this to cover matters such as discussing the conduct of employees, negotiations of contracts or terms of tender, or the early stages of a legal dispute.

Can I be asked to leave a public meeting?

Yes. As a member so the public you can be asked to leave a meeting so that the council can discuss matters in private, but only in the limited circumstances described above. The rules also do not prevent the chairman from excluding any member of the public in order to maintain orderly conduct or prevent genuine disruption at a meeting.

Recording of decisions of public meetings

If I am not at the meeting, how will I know of any decisions made?

The fact that you are unable to attend a public meeting of your parish and town council, its committees or sub-committees does not mean you cannot find out about the decisions made there. The national rules require the parish and town councils to make a copy of the minutes available for inspection after a public meeting.

You can inspect the minutes at your council's offices and on the council website if it has one.

Decisions by officers

Can an officer take decisions on matters that are the parish or town council's responsibility?

Yes, where the parish or town council's rules allow this.

Are there means of knowing about decisions made by individuals?

Yes. The rules require the recording of certain decisions[xxv] taken by officers acting under powers delegated to them by a parish or town council, its committees or sub-committees or a joint committee. The written record should include:

- The decision taken and the date the decision was taken;
- the reason/s for the decision;
- any alternative options considered and rejected; and
- any other background documents.

You can see these records of decisions made by officers along with any other background papers because they have to be available for inspection at the council's offices and on its website as soon as is reasonably practicable after the decisions are made[xxvi].

The relevant parish or town council must retain and make the written record of their officers' decisions available for inspection for six years beginning from the date of the meeting. The background papers should also be available for inspection for four years beginning from the date of the meeting. These may be kept in electronic format.

Can I see all decisions made by my parish or town council's officers?

No. The requirement to record applies to all decisions taken by officers whilst acting under a specific express authorisation, and only to three categories of decision taken whilst acting under a general authorisation. These categories cover decisions to "grant a permission or licence"; that "affect the rights of an individual"(i.e. to change an individual's legal rights)[xxvii]; or to "award a contract or incur expenditure which, in either case, materially affects[xxviii] that relevant local government body's financial position".

Officers take many administrative and operational decisions on how they go about their day to day work within the council's rules. These decisions will not need to be recorded.

You will not be able inspect some recorded decisions if the whole or part of the records contain confidential information or any other information, which its publicity would be prejudicial to the public interest.

Examples of decisions that should be recorded could include:

- Decisions about awarding contracts above specified individual/total values (the values will vary according to the relevant parish or town council); and
- decision to renew a lease to an Allotment Association.

Where decisions are already required to be published by other legislation, they do not need to be recorded again provided the record published has the date the decision was taken and the reasons for the decision.

Decisions that do not need to be recorded might include the following examples:

- Routine administrative and organisational decisions such as the purchase of office supplies or repairs;
- a decision to sign an allotment tenancy agreement;
- decisions to allocate burial plots; and
- decisions to book rooms or sports grounds; and decisions to approve works undertaken by a contractor.

These are a few selected examples and not an exhaustive list. It is for the council to decide what information should be recorded on the basis of the national rules.

Can I ask for a copy of any records of decisions taken by an officer of my parish or town council?

Yes. You can ask for a copy of any documents relating to decisions taken by an officer acting under specific or general delegated powers once you have paid for the postage, copying or any other necessary charge for transmission which will be determined by your parish or town council.

There are also additional legal rights to access information, outlined in Part 5 of this Guide.

What happens if documents relating to decisions are not made public?

It is a criminal offence if, without reasonable excuse, a person with custody of a document[xxix] which is required by the national rules to be made available to the public, refuses to supply the whole or part of the document, or intentionally obstructs any other person/s from disclosing such a document.

If a person is found guilty of such a criminal offence, he/she may be fined up to £200[xxx].

Part 5 Your other rights of access to information

Are there other rights I can exercise?
The Local Government Transparency Code sets out the minimum datasets that your local authority should publish. These include spending transactions valued over £500, salaries of senior staff, organisational charts, contracts and the location of public land and assets. The Code applies to local authorities, including parish councils with annual income or expenditure (whichever is the higher) over £200,000[xxxi]. Local authorities with annual income or expenditure of above £6.5m will soon be statutorily required to comply with Part 2 of the Code when the relevant regulations are in place. You can obtain further information on this from:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/308185/Local_Government_Transparency_Code_2014_Final.pdf

You can inspect a council's detailed financial accounts, ledgers and records under section 15 of the Audit Commission Act 1998. In addition, the Accounts and Audit (England) Regulations 2011[xxxii] cover checking not just the accounts, but also "all books, deeds, contracts, bills, vouchers and receipts related to them". More information on this right is available at: https://www.gov.uk/government/policies/making-local-councils-more-transparent-and-accountable-to-local-people/supporting-pages/peoples-rights-to-see-council-accounts

Also, you have the right to request information held by your council by submitting a Freedom of Information Act request to your council (a similar regime exists in relation to environmental information under the Environmental Information Regulations 2004). Information on the Freedom of Information Act and data protection is available on the Information Commissioner's Office website at: http://ico.org.uk/

You have certain rights to re-use for your own purposes documents held by the council under the Re-use of Public Sector Information Regulations 2005. These Regulations provide that any request for re-use must be in writing, and where possible and appropriate the council must make the document concerned available for re-use by electronic means. More information is available at:
http://www.legislation.gov.uk/uksi/2005/1515/introduction/made

Where can I find the legislation relating to access to local government bodies' and council's executive meetings and information?
The relevant legislation about access to local government body meetings and information is in Section 40 of the Local Audit and Accountability Act 2014. The relevant provisions are available at the following link:
http://www.legislation.gov.uk/ukpga/2014/2/section/40

The detailed provisions on how any person can report on the meetings of a local government body are in The Openness of Local Government Bodies Regulations 2014 which can be found at:
http://www.legislation.gov.uk/id/uksi/2014/2095

The legislation relating to access to information regarding decisions made by council executives, and their committees, sub-committees and joint committees is Part 1A of the Local Government Act 2000 – see sections 9G and 9GA. This part was inserted as a result of amendments made by the Localism Act 2011 and the relevant provisions are available at the following link:
http://www.legislation.gov.uk/ukpga/2011/20/schedule/2/part/1

The detailed provisions on the rights to attend meetings and obtain information of an executive are in the secondary legislation made under the 2000 Act, that is the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 which can be found at:
http://www.legislation.gov.uk/uksi/2012/2089/contents/made

The legislation relating to access to meetings and documents of a council and other local government bodies can be found in Part VA of the Local Government Act 1972, available at the following link:
http://www.legislation.gov.uk/ukpga/1972/70/part/VA

The legislation relating to access to meetings of a parish or town council can be found at section 1 the Public Bodies (Admission to Meetings) Act 1960, available at the following link:
http://www.legislation.gov.uk/ukpga/Eliz2/8-9/67/section/1

Annex A – Description of the local government bodies that are covered by the new rules

(a) a district council,
(b) a county council in England,
(c) a London borough council,
(d) the London Assembly (Greater London Authority),
(e) the Common Council of the City of London in its capacity as a local authority or police authority,
(f) the London Fire and Emergency Planning Authority,
(g) Transport for London,
(h) a joint authority established under Part 4 of the Local Government Act 1985,
(i) an economic prosperity board,
(j) a combined authority,
(k) a fire and rescue authority in England constituted by a scheme under section 2 of the Fire and Rescue Services Act 2004 or a scheme to which section 4 of that Act applies,
(l) a National Park Authority for a National Park in England,
(m) the Broads Authority,
(n) the Council of the Isles of Scilly,
(o) a parish council, and
(p) a parish meeting.

The new national rules also apply to the committees, sub-committees and joint committees of these local government bodies.

Annex B – Descriptions of Exempt Information

The exempt information set out at Schedule 12A to the Local Government Act 1972 Act is as follows:

1. Information relating to any individual.
2. Information which is likely to reveal the identity of an individual.
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
6. Information which reveals that the authority proposes—

    a. to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or

    b. to make an order or direction under any enactment.

7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The qualifications to the list of exempt information are as follows:

A. Information falling within number 3 above is not exempt information by virtue of that paragraph if it is required to be registered under--

[the Companies Acts (as defined in section 2 of the Companies Act 2006)];
the Friendly Societies Act 1974;
the Friendly Societies Act 1992;
the *Industrial and Provident Societies Acts 1965* [Co-operative and Community Benefit Societies and Credit Unions Acts 1965] to 1978;
the Building Societies Act 1986; or
[(f) the Charities Act 2011.

B. Information is not exempt information if it relates to proposed development for which the local planning authority may grant itself planning permission pursuant to regulation 3 of the Town and Country Planning General Regulations 1992.

C. Information which—

falls within any of numbers 1 to 7 above; and
is not prevented from being exempt by virtue of number A or B above,

is exempt information if, and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

[i] The new national rules are in The Openness of Local Government Bodies Regulations 2014 (S.I. 2014/…) and The Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 (S.I. 2012/2089).
[ii] A parish or town council may also be called a city, community, neighbourhood or village council. Any reference to parish council in this Guide also refers to these bodies.
[iii] The Guide should not be taken as providing any definitive interpretation of the statutory requirements on councils, members, officers, or of public rights: those wishing to address such issues should seek their own legal advice.
[iv] A council's cabinet is its main decision making body, consisting of an elected mayor or leader and a number of councillors.
[v] Part 2 of the Openness of Local Government Bodies Regulations 2014 (S.I. 2014/…)
[vi] "Private meeting" is a meeting or part of a meeting during which the public are excluded for limited and certain circumstances described in the Local Government Act 1972 and the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012
[vii] Regulation 4 of The Openness of Local Government Bodies Regulations 2014
[viii] http://www.cps.gov.uk/legal/a_to_c/communications_sent_via_social_media/
[ix] Any area designated for the public should be appropriate for filming, audio-recording and photographing.
[x] Each council has its own rules for doing business - its constitution and standing orders- which must be in line with any national rules.
[xi] An "executive decision" means a decision made or to be made by a decision maker in connection with the discharge of a function which is the responsibility of the executive of a local authority.
xii "key decision" means an executive decision which, is likely—

> to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; or
> to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.

[xiii] All references to 'a council executive' should be construed to include the executive's committees and sub-committees, joint committees, and joint sub-committees.
[xiv] A document can be the written record of executive decisions made by an executive member or officer or any other background papers.
[xv] This fine could change to reflect any future changes in legislation and/or national policy.
[xvi] Each council or local government has its own rules for doing business - its constitution and standing orders- which must be in line with any national rules.
[xvii] Regulation 7(2) of the 2014 regulations.
[xviii] If a local government body does not have offices or a website, other appropriate means should be used to allow you to access these documents, such as publishing the information on a website of another local authority body in the area.
[xix] These decisions do not include decisions taken pursuant to an existing framework of rights.
[xx] As the financial position of bodies affected by these rules varies, what constitutes the material threshold is a judgement that should be made by individual bodies.
[xxi] A document can be the written record of decisions made by an officer, or any background papers.
[xxii] This fine could change to reflect any future changes in legislation and/or national policy.
[xxiii] A parish or town council may also be called a city, community, neighbourhood or village council. Any reference to parish council in this Guide also refers to these bodies.
[xxiv] A parish meeting is a meeting for all of the local government electors of the parish. This can be in the case of an annual meeting in an area where there is a separate parish council, or any meeting of local government electors where there is no separate parish council.
[xxv] Regulation 7(2) of the 2014 regulations.
[xxvi] If a parish or town council does not have offices or a website, other appropriate means should be used to make the papers accessible to the public, such as publishing the information on the website of the local principal authority.
[xxvii] These decisions do not include decisions taken pursuant to an existing framework of rights.
[xxviii] As the financial position of bodies affected by these rules varies, what constitutes the 'material threshold' is a judgement that would be made by individual bodies.
[xxix] A document can be the written record of decisions made by an officer, or any background papers.
[xxx] This fine could change to reflect any future changes in legislation and/or national policy.

[xxxi] The government has recently consulted on a new transparency code for certain authorities with a turnover not exceeding £25,000 pa, which will act as a substitute for routine external audit. The draft code is available at: https://www.gov.uk/government/consultations/draft-transparency-code-for-parish-councils

[xxxii] Under the new Audit framework, this right is restated in Section 26 of the Local Audit and Accountability Act 2014. The Government will be consulting shortly on draft regulations in relation to the new arrangements. Some changes are proposed to the framework for exercising public rights, but broadly the aim is to simplify and clarify arrangements. The intention is for the regulations to be in place for the accounting period 2015-16.

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