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

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The Protocol and Procedure for visitors attending meetings of Merseyside Fire and Rescue Authority can be found by clicking **here** or on the Authority's website: http://www.merseyfire.gov.uk - About Us > Fire Authority.

Your ref: Our ref HP/NP Date: 20 July 2016

Dear Sir/Madam,

You are invited to attend a meeting of the **POLICY AND RESOURCES COMMITTEE** to be held at **1.00 pm** on **THURSDAY, 28TH JULY, 2016** in the Liverpool Suite at Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

Yours faithfully,

K Kellaway PP.

Clerk to the Authority

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MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

28 JULY 2016

AGENDA

Members

Les Byrom (Chair)
Joe De'Asha, St Helens
Veronica McNeill, Knowsley Council
Barbara Murray
Lesley Rennie
James Roberts
Jean Stapleton
Sharon Sullivan

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) items of business which may require the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information.

2. Minutes of the Previous Meeting (Pages 7 - 12)

The Minutes of the previous meeting of the Policy and Resources Committee, held on 24th March 2016, are submitted for approval as a correct record and for signature by the Chair.

3. Part 2 EXEMPT Minutes (Pages 13 - 14)

The Part 2 EXEMPT Minutes of the previous meeting of the Policy and Resources Committee, held on 24th March 2016, are submitted for approval as a correct record and for signature by the Chair.

4. **Grant Thornton - Audit Findings 2015-16** (Pages 15 - 56)

To consider a presentation from the Authority's External Auditors, Grant Thornton, on the audit findings for 2015-16

5. **REVENUE AND CAPITAL OUTTURN 2015/16** (Pages 57 - 76)

To consider report CFO/061/16 of the Treasurer, concerning the reporting upon the Authority's year-end financial position for 2015-16

6. **statement of accounts 2015/16 - authorisation for issue** (Pages 77 - 198)

To consider report CFO/062/16 of the Treasurer, presenting to Members the audited 2015-16 Statement of Accounts

7. **IRMP 2017-20 PREPARATION & PLANNING PRINCIPLES** (Pages 199 - 222)

To consider report CFO/064/16 of the Deputy Chief Fire Officer, concerning the approval of planning principles which have been created in order to inform the development of proposals within the Integrated Risk Management Plan (IRMP) 2017-20. These principles have been the subject of public consultation.

8. **Contract for Trauma Care Training** (Pages 223 - 226)

To consider report CFO/065/16 of the Chief Fire Officer, concerning the approval of expenditure in excess of £250,000 under the contract for Trauma Care Training and extension of the contract to its maximum term of 5 years.

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

24 MARCH 2016

MINUTES

Present: **Cllr Leslie T. Byrom CBE (Chair)** Councillors Peter Brennan, Roy Gladden, Denise Roberts, Sharon Sullivan, Lesley Rennie and Dave Hanratty

Also Present:

Apologies of absence were received from:
Ray Halpin and Jean Stapleton

8. CHAIR'S ANNOUNCEMENT

Prior to the start of the meeting, information regarding general housekeeping was provided by the Chair to all in attendance.

The Chair confirmed to all present that the proceedings of the meeting would be filmed and requested that any members of the public present who objected to being filmed, make themselves known.

No members of the public voiced any objection therefore the meeting was declared open and recording commenced.

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) no additional items of business to be considered as matters of urgency were determined by the Chair; and

c) the following item of business required the exclusion of the press and public during consideration thereof because of the possibility of the disclosure of exempt information:

- **Agenda Item 7 – *"PFI Contract – Market Testing of Cleaning Services"***

2. Minutes of the Previous Meeting

The Minutes of the previous meeting of the Policy and Resources Committee, held on 17th September 2015, were approved as a correct record and signed accordingly by the Chair.

3. SERVICE DELIVERY PLAN 2016-17

Members considered Report CFO/017/16 of the Deputy Chief Fire Officer, concerning the Service Delivery Plan and Station Community Risk Management Plans for 2016/17.

Members were informed that the Annual Service Delivery Plan brings together in one document, the Annual IRMP Medium Term Objectives; Functional Plan Actions; Equality Objectives; Station Community Risk Management Plans and Performance Indicators.

Members were advised that following a move from a District based delivery model, to a functional based delivery model, local Community Risk Management Plans for each station are now produced. This process has enabled plans and target outcomes to be set, which are reflective of each specific area in terms of risk and vulnerability.

Discussion took place regarding the increase in fire deaths with questions raised around the recent deaths in West Kirby, Wirral; and likely response times had West Kirby Fire Station been operational.

Members were informed of the approximated response times that could be expected from the West Kirby and the actual response time from Upton and how that would compare with the proposed new build Fire Station at Saughall Massie; Members noted how this represents a clear consideration when recommending a merged station in Wirral.

Members were further informed of dialogue with civil servants to try to understand why the number of fire deaths has increased significantly, despite the number of accidental dwelling fires remaining constant.   They were also informed of work currently underway to revise and refresh the Home Safety Strategy, to ensure that limited resources are targeted towards those who are most vulnerable.

Members Resolved that:

The attached Service Delivery Plan for 2016/17, be approved for publication on the Authority's website.

4. **Emergency Services Mobile Communications Programme**

Members considered Report CFO/014/16 of the Deputy Chief Fire Officer, concerning an update on the progress of the Emergency Services Network (ESN), which is being introduced through the Emergency Services Mobile Communication Platform (ESMCP) Project.

Members were provided with an overview of the report, detailing the ESMCP, which is hosted by UK Home Office and is a cross government programme to replace the existing mobile communications services for the three emergency services, based on 4G technology. Members were informed that the current contract between Airwave and DCLG is due for review and as such a procurement exercise has been undertaken.

The overview highlighted that although DCLG accept that it is the responsibility of each individual Authority to ensure they have suitable fire communications systems in place, the Government are responsible for ensuring that the Country is fully prepared to deal with civil contingency issues. As, such, although they cannot instruct authorities to take up the ESMCP, the Government are strongly recommending that authorities do take up the ESMCP due to the financial and operational benefits.

Members were informed that the Chief Fire Officer has provided formal notification of the Authority's intention to transfer to the ESN, with the North West (including Merseyside) being the first region to transfer.

Members Resolved that:

The contents of the report and the wider implications of the ESMCP as detailed within the appendices to the report, be noted.

5. **Business Rates Retention - Liverpool City Region Pilot**

Members considered Report CFO/026/16 of the Treasurer, concerning acceptance from the Liverpool City Region of an offer from Government to pilot a scheme to develop the arrangements for local government funding based on a system of 100% Business Rates retention.

Members were provided with an overview of the report, which detailed the current local government finance system, in which local authorities receive up to 50% of business rates, with 49% of this income being retained by the billing authorities and 1% provided to the Fire & Rescue Authority, with a "top up" grant from Government provided where the level of income falls below a "baseline" figure.

The overview highlighted that DCLG have invited the Liverpool City Region to participate in a pilot to develop arrangements for a funding system for local authorities based on 100% Business Rates retention. It was stressed to Members that by participating in the pilot, MFRA **would not** be worse off financially.

Members Resolved that:

a) The Terms of Agreement, attached at Appendix A, be noted.

b) The Authority's participation in the City Region's 100% Business Rates retention scheme, be noted.

c) Assurance provided by Government that by participating in the pilot scheme the Authority will **not be any worse off financially** than it was under the four-year funding position announced in the 2016/17 Local Government Finance Settlement, be noted.

6. Introduction of the Living Wage

Members considered Report CFO/018/16 of the Deputy Chief Fire Officer, concerning the implications of introducing the National Living Wage with effect from 1st April 2016.

Members were provided with an overview of the report, which outlined the difference between the Rowntree Living Wage, which Members have considered previously; and the Government introduced National Living Wage.

Members were reminded that when they considered the introduction of the Rowntree Living Wage previously, due to budget cuts and other issues such as the risk of salary grade erosion, Members decided to wait and reconsider their position in the future.

Members were informed that the Government introduction of the National Living Wage for all employees over the age of 25, could create potential age discrimination issues, therefore it is proposed to introduce this by grade not age, as other organisations have done.

Members were further informed that when the National Living Wage is introduced from 1st April 2016, there will be criminal sanctions for non-compliance, however due to the length of the working week within MFRA, there will be no additional cost to the Authority in 2016/17 as a result of its implementation.

Members Resolved that:

a) The requirements placed on the Authority in relation to the implementation of the National Living Wage, be noted.

b) The application of the payments to all employees within the effected spinal column points as opposed to paying on an age related basis, be approved.

c) Officers be requested to provide a further report advising of the financial impact in 2017, detailing the application of payments to all employees.

7. PFI Contract - Market Testing of Cleaning Services

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

Close

Date of next meeting Thursday, 28 July 2016

Signed:_____________________ Date:______________

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 3

This report is Restricted

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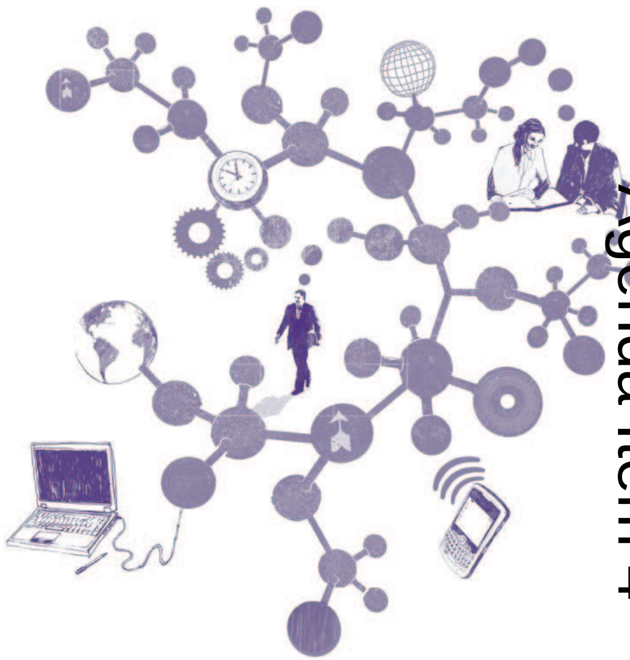
The Audit Findings
for Merseyside Fire and Rescue Authority

Year ended 31 March 2016



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July 2016

Dear Cllr Byrom

Audit Findings for the Merseyside Fire and Rescue Authority for the year ending 31 March 2016

Page 16

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

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

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.

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

Yours sincerely

Michael Thomas
Engagement lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Merseyside Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Authority or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Authority and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter our audit approach, which we communicated to you in our Audit Plan dated 9 June 2016. Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements;
- review of the required assurance from the auditors of Merseyside Pension Fund over IAS 19 (pensions) related entries in the financial statements;
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts. The NAO has delayed issuing their data collection tool and counterparty list which the Authority needs to complete and provide for audit. This does not delay our opinion on the accounts but means that we cannot certify the audit as complete until the WGA audit is complete.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Authority's reported financial position. Both the draft and audited financial statements for the year ended 31 March 2016 show net expenditure on the provision of services of £34,945k.

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

- draft financial statements were provided for audit on 15th June 2016 in advance of the national deadline and the planned start date for our year-end fieldwork;
- as last year, the draft accounts were prepared to a good standard and were supported by comprehensive working papers; and
- there are no significant amendments to the accounts as a result of our audit.

We did identify a relatively small number of minor changes to the supporting notes to improve presentation and consistency. Our audit fieldwork, now mostly complete, has been undertaken with good co-operation from your Finance team. Further details are set out in section two of this report. We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix A).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Annual Governance Statement (AGS), we are satisfied that it meets the requirements set out in the CIPFA/SOLACE guidance and is consistent with the audited financial statements.

Controls

Roles and responsibilities

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.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. As part of our planned programme of work , we followed up our high level review of the general IT control environment. We are pleased to report that no significant issues arose from our work

Further details are provided within section two of this report.

Value for Money

In our Audit Plan we highlighted that the Authority faced increasing financial pressure. During 2015/16 the Authority reported an under-spending against its revenue budget of £1.571m and delivered its savings target of £6.3m. However the scale of the financial challenge going forward remains significant. The Authority's financial plan for 2016/17 to 2019/20 identifies a need to make savings amounting to £11m over the period, approximately 13% of the current budget. The Authority will face considerable pressure to manage its budget within lower levels of funding in the future.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act. Further details of our work on other statutory powers and duties is set out in section four of this report.

The way forward

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

Looking ahead, we will continue our work on the arrangements for bringing forward the accounts and audit completion period, including an earlier Audit Committee date, ahead of the changes to the national deadlines in 2017/18.

Acknowledgement

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
July 2016

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1.347m (being 2% of gross revenue expenditure). We have determined that this overall materiality remains appropriate.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £68k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	All transactions made by the Authority affect the cash balance and it is therefore considered to be material by nature.	Any errors identified by testing in excess of triviality would be deemed to have implications on the users understanding of the financial statements.
Disclosures of senior manager salaries and allowances in the remuneration report	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing in excess of £10,000 would be deemed to have implications on the users understanding of the financial statements.
Audit fees	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing would be deemed to have implications on the users understanding of the financial statements.

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. Judgemental 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.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; and • opportunities to manipulate revenue recognition are very limited. The culture and ethical frameworks of local authorities, including Merseyside Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable. We also undertook a range of substantive procedures including testing receipts in March, April and May 2016 to ensure they were recognised in the right year.	Our audit work has not identified any significant issues in relation to the risk identified. 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 significant in 2015/16, we have concluded that the presumed risk can be rebutted. We therefore do not consider this to be a significant risk for the Authority.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls.	We have reviewed the journal control environment and not identified any significant control weaknesses. We have tested key journal entries and not found any items which impacted on our opinion. We have reviewed the accounting estimates, judgements and decisions made by management. We have reviewed any unusual, significant transactions and not identified anything which would impact on our opinion.	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 judgements.

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	**Valuation of property, plant and equipment** The Authority revalues its assets over a five year period, with a full valuation every fifth year. The last full valuation was in 2014/15 The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.	• Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work. • Discussions with the Authority's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the asset register. • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.	Our review of property, plant and equipment has not highlighted any issues which we wish to bring to your attention. We undertook a detailed review of the work performed by the Valuer to provide land and building valuations for financial reporting purposes. We were satisfied from our review of the valuation report, that the methods and assumptions used by the Valuer in valuing the land and property assets are considered to be reasonable and in accordance with the requirements of IFRS and the Code.
4.	**The expenditure cycle includes fraudulent transactions.** Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially where the body is required to meet targets.	We have considered this risk and do not consider it to require additional audit procedures because of the nature of your 2015/16 budgeted expenditure: • 62% relates to employee costs which are addressed by our procedures in response to the identified risk in this area (see page 13). • 33% relates to operating expenses and capital financing charges which are addressed by our procedures in response to the identified risk in this area (see above). • 5% relates to pensions expenditure which are addressed by our procedures in response to the identified risk in this area.(see page 14).	Our audit work has not identified any issues in respect of expenditure recognition.

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
5.	**Valuation of pension fund net liability** The pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	As part of our audit work we have completed: • Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. • Review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of Merseyside Pension Fund over IAS 19 (pensions) related entries in the financial statements. Subject to a satisfactory response, our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.	Our audit work has not identified any significant issues in relation to the risk identified. For LGPS and the two firefighter pension schemes we undertook a review of the relevant actuary's (Mercer for LGPS and GAD for firefighter schemes) work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the schemes actuary. For LGPS we have confirmed with the LGPS external auditor that the controls over membership data were operating as intended. For the two firefighter schemes we have reviewed the information sent to the actuary ourselves and confirmed it was consistent with our expectations. For both LGPS and the firefighter pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by both Mercer and GAD are reasonable for the purpose of valuing the pension fund liabilities as at 31 March 2016.

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
Employee remuneration	Employee remuneration and benefit obligations and expenses understated The Authority has a large number of employees and related payroll transactions. This means the inherent risk, which includes year end accruals, is high.	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 were in line with our documented understanding; • substantive testing of payments made to employees during the 2015/16 financial year and confirmed that the pay costs agreed with the payslip and contract documentation. • use of analytical techniques to compare expected payroll costs with actual; and • review of payroll reconciliations including at the year end.	Our audit work is complete. We have not identified any issues in the course of completing our work.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls; • we tested a sample of 12 payments, selected at random and agreed the payments to source documentation to ensure the payment was valid expenditure, and the payment was correctly accounted for in 2015/16; and • we completed an additional test on a sample of 12 payments after the year end to source documentation, to ensure that if the transaction was correctly recorded and to ensure they have been accurately accounted for and in the correct period.	Our audit work has not identified any significant issues in relation to the risk identified.

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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
Firefighters ' Pensions Benefit Payments	Benefits improperly computed / claims liability understated	As part of our audit work we have completed the following work in relation to this risk. • We have documented processes and controls in place around the accounting for Fire Fighters' Pensions. • We have carried out a walkthrough test to confirm the operation of controls is in line with our understanding. • Agreement of pension disclosures in the financial statements to supporting evidence. • Testing a sample of 14 new Fire Fighters' pensions coming into payment in the period 1st April 2015 to 31 March 2016 to ensure that both lump sum and recurring elements have been accurately accounted for and in the correct period.	Our audit work has not identified any significant issues in relation to the risk identified. Our audit work confirmed that the pension benefits paid agreed with the supporting documentation.

Significant matters discussed with management

	Significant matter	Commentary
1.	Accounting for the Pension Ombudsman's decision – Government Actuary's Department commutation factors	The Pension Ombudsman determined in July 2015 that the calculation of pensioners' lump sum amounts on commutation since 1998 was not based on the right actuarial data. The Government Actuary's Department has issued guidance in respect of the Firefighters' Pension Scheme (England): 1992 Scheme. This will enable each Fire Authority to calculate the impact for their 2015/16 accounts. **Management response** The Authority has acknowledged that there is an IAS 19 impact in relation to the present value of the defined benefit obligation as a result in the updating of the commutation factors as the calculations of future lump sum and future pension payments would have taken into account assumptions with regards to the commutations. The Authority has incorporated the figures provided by the actuary into the disclosures for pensions and top up grant. Consequently, to address this issue in the 2015/16 financial statements, officers have made adjustments to the pension fund and confirmed that there is no liability at the 31 March 2016. Officers made accounting entries to show that the amount of the pension benefit payments will be met by pension top up grant from Government.

Accounting policies, estimates and 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's policy is set out in its accounting policies (Note 1 in supporting notes to the financial statements). The Authority has two principal revenue streams: • grant income is recognised in accordance with the terms of the grant, whether specific or non-specific; and • income from fees/charges in the provision of services, which is recognised when the service has been provided or when title to goods has passed. The Authority's policy for recognising revenue is to recognise it when the economic benefits or service potential will flow to the Authority.	• The Authority's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). • A significant quantity of the Authority's revenue is predictable meaning there is minimal judgement required from the Authority in identifying when to recognise income. • The accounting policy is appropriately disclosed within the statement of accounts. • Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	
Cost recognition	• Expenditure is recognised on an accruals basis. • The cost of support services are apportioned to services in full in line with the CIPFA Service Reporting Code of Practice (SeRCoP) 2015/16. These costs are charged to relevant service lines in the CIES.	We are satisfied that expenditure recognition policies are appropriate and result in materially accurate recognition of costs in the Authority's financial statements.	

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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

Accounting policies, estimates and 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: • Insurance Fund – the Authority operates a self insure scheme; • Useful lives and £ nil residual value of property, plant and equipment; • Property valuations including revaluations, impairments and fair valuations, • Government Funding and the high degree of uncertainty; • Pension fund valuations and settlements; and • Provisions.	The Authority's policies on estimates and judgements are reasonable and appropriately disclosed and reliance on experts is taken where appropriate.	●
Going concern	Fire Service Managers' have a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. Members concur with this view. For this reason, the Authority continues to adopt the going concern basis in preparing the financial statements.	We have reviewed the Authority's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements. We are satisfied with managements' assessment that the going concern basis is appropriate for the 2015/16 financial statements. The Authority has approved a balanced budget for 2016/17 and a medium term financial plan to 2019/20. We have assessed the reasonableness of the assumptions underlying this forecast, and the sensitivity of the forecast to changes in those assumptions. We do not consider there to be a material uncertainty which could cast doubt on the entity's ability to continue as a going concern. The Authority holds £26.2 million of useable revenue reserves, approximately £15million of which are held in cash and short-term investments. Based on this, we are satisfied that it remains appropriate for the Authority to prepare accounts on a going concern basis as at 31 March 2016.	●

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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

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 Sub-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.	**Confirmation requests from third parties**	• We obtained direct confirmation for loans and requested from management permission to send confirmation requests to for bank and investment balances. The requests were sent and were returned with positive confirmation.
7.	**Matters on which we report by exception**	We have not identified any issues we would be required to report by exception in the following areas. • The Annual Governance Statement meets the disclosure requirements set out in the CIPFA/SOLACE guidance and is consistent with the information of which we are aware from our audit. • The information in the Narrative Report is materially consistent with the information in the audited financial statements and our knowledge of the Authority.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not started because the NAO has not yet issued the consolidation pack for Authorities to complete. We will carry out our review of the NAO consolidation once the information becomes available. This will not delay our opinion on the accounts but we will not be able to certify completion of the audit until the WGA audit is completed.

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.

Our work has not identified any significant control weaknesses.

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts 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
There were no adjusted or unadjusted misstatements

Misclassifications and disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Note 22 Capital adjustment account	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing was (£1.245m) in the audited PY figures for 2014/15 but shown as £2.130m in the 2015/16 accounts. Original figures to be reinstated.
2	Disclosure	n/a	Note 22 Capital adjustment account	Application of grants to capital financing from the Capital Grants Unapplied Account was (£185k) in the audited PY figures for 2014/15 but shown as £700k in the 2015/16 accounts. Original figures to be reinstated.
3	Disclosure	68,879	Note 14 Fair value of assets and liabilities	The Finance Team have recalculated the Fair Value using an appropriate Discounted Cash Flow model, and appropriate discount rates associated with new borrowing rates. This will result in a £13m amendment to the disclosed figure.
4	Disclosure	4,672	Note 16 Debtors	Recognition of a debtor in the accounts for the impact of Business Rates Appeals
5	Disclosure	(984)	Note 20 Provisions	Recognition of a provision in the accounts for the impact of Business Rates Appeals
6	Disclosure	n/a	Note 30 Officers' Remuneration	Inclusion of members of the management team.

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment which we communicated to the Audit and Scrutiny Committee on 9 June 2016 in our Audit Plan. Like other public sector bodies the Authority faces a number of significant risks including the need to:

- demonstrate achievement of financial performance;
- develop the overall vision for the service including the arrangements for the implementation of the fire station merger strategy; and
- collaborate with blue light providers to deliver the outcomes required by the Government.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any additional significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and on-going risk assessment.

Significant qualitative aspects

We are required to set out our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness. We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- The Authority has maintained its strong record in the delivery of its savings plans and its budgets. The outturn for 2015/16 showed that the Authority achieved an underspend of £1.571m against budget, as well as delivering the savings of £6.3m required so far. The Authority effectively managed financial performance during the year, demonstrated by its outturn for the year. Pressure areas were identified and monitored within department budgets and although there have been a number of budget adjustments there has been no net impact because they were self-balancing virements. The Authority is facing a significant financial challenge over the next 4 years and has identified a savings target of £11m. Consequently the Authority will have a focus on driving collaboration and improvement despite the spending cuts.
- The Authority continues to develop its strategy to transform its emergency response by merging fire stations. Significant progress has been achieved with the closure of Allerton Fire Station and obtaining planning approval for the construction of a Community Fire and Neighbourhood Police Station on Prescot Business Park. Discussions are continuing with the merger of St. Helens and Eccleston fire stations at a new site at Canal Street. However progress on the site at Saughall Massie stalled as the scheme required an ecological survey and a planning application will now be considered in October 2016.
- The Authority is focused on maintaining response times and demonstrating VfM in terms of service delivery to the public. It has identified a number of opportunities and action areas which it is actively developing. Much work has been done in developing the role of the fire-fighter by undertaking a trial with NWAS on responding to cardiac arrests. The response to cardiac arrests by firefighters is relatively new and could have a real impact in saving lives if agreement can be reached on a roll-out to all stations.

The Authority has had a challenging year and faces a significant challenge of working within a substantially reducing budget whilst continuing to deliver a vital public service.

The Authority has general reserves of £2m, risk assessed earmarked reserves of £26.3m and a track record of delivering financial performance in line with budgets. The savings programme has been successful over the past three years and plans are in place which should enable the Chief Fire Officer to deliver services in line with the IRMP's objectives despite the significant cuts in funding. The Authority is committed to exploring new and innovative ways of working to achieve this. The Authority's agreed strategy is to protect operational response as much as possible, therefore in the first instance savings from technical adjustments and support services have been identified.

The required level of saving cannot be delivered from management and support staff costs alone and therefore is likely to mean further reductions in appliances, a review of fire station numbers and duty system arrangements. In response to the scale of the fiscal challenge, the Authority is preparing a plan that will lead to an reduction of up to 100 operational firefighter posts by 2020.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section on pages 25 to 32.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

We only report by exception in our auditors' report where we give a qualified conclusion, so the form of our report is briefer than in previous years. The text of our report, which confirms this is under the 'matters on which we report by exception' section, can be found at Appendix A.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Overall vision for the Service The Authority has made significant progress in developing its Fire Station Merger Strategy. This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads. Following the provisional LG finance settlement it is inevitable that the Authority will need to make further changes to the number of stations or the way in which fire engines are crewed. The Authority will need to take a considered view and evaluate the change in response times arising from the options. The merger strategy may not deliver the performance outcomes required due to delays in the process.	We reviewed the Authority's progress in updating its fire station merger strategy. We also enquired from key officers the delivery of the merger strategy against plans. The work included a review as to whether the IRMP needs to be developed further to take into account the financial challenges and the progress in developing the Fire Station Merger Strategy	A key consideration for the Authority has been the move to the merge fire stations which is designed to deliver savings and provide resilience to the service. The merger strategy along with the operational plans form a key part of the IRMP. At a strategic level, the IRMP supplement to 2017 is well considered, with a clear understanding by all parties of the strategic direction and the overarching requirements. The plan has been prepared in the context that MFRS would face further cuts of £11m to its budget by 2020. As part of its financial plan for 2015/16 the Authority produced a number of options to change fire cover across Merseyside. The merger of stations was recognised by the Authority and the public as the best option given the circumstances; having the least impact on operational response. Despite the financial challenges and the strong opposition of community groups in Wirral, the Authority has made significant progress in developing its Fire Station Merger Strategy. This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads. Significant progress has been achieved with the closure of Allerton fire Station and obtaining planning approval for the construction of a Community Fire and Neighbourhood Police Station with training facilities on the Prescot Business Park. Discussions are continuing with the merger of St. Helens and Eccleston fire stations at a new site on Canal Street. However progress on the site at Saughall Massie has been stalled as the scheme cannot proceed to planning application without an ecological survey.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Overall vision for the Service – (continued) The Authority has made significant progress in developing its Fire Station Merger Strategy. This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads. Following the provisional LG finance settlement it is inevitable that the Authority will need to make further changes to the number of stations or the way in which fire engines are crewed. The Authority will need to take a considered view and evaluate the change in response times arising from the options. The merger strategy may not deliver the performance outcomes required due to delays in the process.	We reviewed the Authority's progress in updating its fire station merger strategy. We also enquired from key officers the delivery of the merger strategy against plans. The work included a review as to whether the IRMP needs to be developed further to take into account the financial challenges and the progress in developing the Fire Station Merger Strategy	There is scope to develop the reporting on the progress of the station mergers strategy particularly around the key deliverables. An update report was taken to the Authority in December 2015 provided a high level briefing on the discussions around the merger programme. Once projects receive planning approval the update reports could be developed further to contain information on milestone achievements and the financial impact. The Authority's Service Delivery plan for 2015/16 sets out the key plans and efficiencies intended for the Authority and is supported by the IRMP supplement for 2015 -17. Performance reports in 2015/16 show a decrease in the number of deaths and serious injuries from Road Traffic Collisions (RTCs) and the number of injuries and deaths from fire compared with Quarter 2 in 2014/15. The Service continues to work closely with its partners in relation to RTC's and its prevention activity is continuing to have an impact on the key deliverable of the decreasing the number of deaths, injuries, accidental dwelling fires and deliberate fires. The Authority also undertakes a detailed analysis of external drivers via its financial modelling economic and political considerations. The analysis highlights the potential impact on the Authority of various identified changes and the action the Authority has already taken in response to these identified issues. There is evidence of sensitivity analysis on projections. The Authority has not planned further than 4 years ahead financially as there is such uncertainty around grant funding. **Given that the Authority has put arrangements into place to implement its merger strategy , we concluded that progress is in line with priorities. We will continue to monitor progress on this in future years.**

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Financial health - consideration of the arrangements in place to secure financial balance The Authority has historically managed its finances well, achieving financial targets and is on course to deliver its 2015/16 budget. Nevertheless the scale and pace of change for the Fire Service will effect future projections, particularly following announcements from the Comprehensive Spending Review, Autumn Statement 2015 and then more recently the provisional Local Government Finance Settlement 2016/17 published in December 2015. The Authority has approved a 4 year plan from 2016/17 to achieve savings of £11m by 2019/20. The savings are to be achieved from variety of factors including new ways of working and the retirement profile of uniformed employees. However actual spending in this period will be under pressure as costs increase.	We reviewed the Authority's progress in updating its financial position and forward strategy. We also review the arrangements for putting together and agreeing the medium term financial plans and the identification of savings plans. The work included a review the finance reports to the Authority, review the out-turn position for 15/16 and the financial plans going forward for 2016/17.	The Authority has a detailed medium-term financial strategy which sets out expected changes in income and expenditure over the period to 2019/20. The MTFP allows the Authority to model future expenditure budgets by varying assumptions about staff and officer pay inflation, non-pay inflation and other key factors. We have reviewed the expenditure assumptions in the latest version of the financial strategy. In our view the assumptions in respect of pay and non-pay inflation are reasonable and broadly in line with those used by other similar organisations. The budget and savings profile over the next four years are summarised in the table below.

	2016/17 £million	2017/18 £million	2018/19 £million	2019/20 £million
Base budget	62.673	64.963	66.713	68.463
Savings plan	(1.497)	(4.979)	(7.929)	(9.977)
Savings %age cumulative	2%	9.5%	12.5%	14.5%
Planned use of reserves	0.331	(1.075)	(0.406)	0
Budget requirement	61.507	58.909	58.378	58.486
General balances carried forward	2.0	2.0	2.0	2.0

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Financial health - consideration of the arrangements in place to secure financial balance (continued) The Authority has historically managed its finances well, achieving financial targets and is on course to deliver its 2015/16 budget. Nevertheless the scale and pace of change for the Fire Service will effect future projections, particularly following announcements from the Comprehensive Spending Review, Autumn Statement 2015 and then more recently the provisional Local Government Finance Settlement 2016/17 published in December 2015. The Authority has approved a 4 year plan from 2016/17 to achieve savings of £11m by 2019/20. The savings are to be achieved from variety of factors including new ways of working and the retirement profile of uniformed employees. However actual spending in this period will be under pressure as costs increase.	We reviewed the Authority's progress in updating its financial position and forward strategy. We also review the arrangements for putting together and agreeing the medium term financial plans and the identification of savings plans. The work included a review the finance reports to the Authority, review the out-turn position for 15/16 and the financial plans going forward for 2016/17.	The Authority has a good track record of achieving its overall savings targets and meeting its budget. The Authority has delivered over £19m of savings in the last three financial years. The Authority is reporting that it has delivered further savings of £6.3m in 2015-16 however, financial risks remain. In the period from 2016/17 to 2019/20 the target for efficiency savings is £11m. The savings target was delivered in 2015/16 and the budget included a planned contribution of £0.6m from the smoothing and severance reserves towards costs. The Authority has a proven track record for meeting significant financial challenges in the past. The Authority, as part of a risk based strategy, has built up reserves in recent years to provide a short term buffer whilst the Authority implements the structural changes to deliver the required savings on a permanent basis. The Authority adopts a risk-based approach to financial planning, which is used to determine the minimum level of reserves required. Compliance against this benchmark is monitored on a regular basis and reported to Members through the revenue financial review. The aims of the strategy are to (a) Ensure the Working Balance is set at a risk assessed level – this is the Authority's 'last line of defence' should unforeseen financial difficulties emerge and (b) Ensure earmarked reserves are set at an appropriate level to cover specific financial risks faced by the Authority – these may also be used on a short-term temporary basis for other purposes provided the funding is replaced in future years utilised to support the budget position over the four year planning period.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Financial health - consideration of the arrangements in place to secure financial balance (continued) The Authority has historically managed its finances well, achieving financial targets and is on course to deliver its 2015/16 budget. Nevertheless the scale and pace of change for the Fire Service will effect future projections, particularly following announcements from the Comprehensive Spending Review, Autumn Statement 2015 and then more recently the provisional Local Government Finance Settlement 2016/17 published in December 2015. The Authority has approved a 4 year plan from 2016/17 to achieve savings of £15.8m by 2019/20. The savings are to be achieved from variety of factors including service transformation, new ways of working and the retirement profile of uniformed employees. However actual spending in this period will be under pressure as costs increase.	We reviewed the Authority's progress in updating its financial position and forward strategy. We also review the arrangements for putting together and agreeing the medium term financial plans and the identification of savings plans. The work included a review the finance reports to the Authority, review the out-turn position for 15/16 and the financial plans going forward for 2016/17.	The MTFP shows 16/17 a budget gap which is met by the use of reserves and efficiency savings of £1.1m. Subsequent years 2017/18 to 2019/20 show significant savings of £8.3m are required. The budget assumptions applied in the forecast includes sensible expectations that pay and non pay inflation will increase and that grant funding as a whole is likely to go down; which is consistent with those used by other fire bodies. The sensitivity analysis detailed in the MTFP considers the main sources of funds grant and precept income and pay and price rises. While it is clear that the Authority faces a financial challenge, the overall approach of balancing a long-term, strategic cost saving programme with a planned use of available reserves to support the budget position and invest in the capital schemes is reasonable. At around 14%, the level of savings being targeted by 2019/20 appears challenging and will require a significant long term solution. However, at present the Authority have estimated that up to £4m of the overall annual savings will come from operational response savings. There is a risk that, as the operational response changes are completed, the anticipated benefits may vary from that envisaged in medium term financial strategy. Linked to this the options will be fully evaluated over the coming months and officers will consult with the public on the response options as part of the IRMP 2017/20 pre-planning. This may mean further remodelling of the budget and savings profile will be required to deliver the savings set out above from 2017/18 onwards. **We concluded that the Authority has proper arrangements to plan finances effectively and provide reliable financial reporting to support the delivery of its strategic priorities.**

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Corporate Governance and Devolution The Authority is closely monitoring the Liverpool City Region devolution agreement and the implication of the agreement will be clearer as powers and functions are devolved from central government. The Authority is positioning itself to maximise the opportunities from the devolution plans. Closer working is anticipated between Merseyside Police and Fire services. The governance arrangements and working arrangements going forward are being developed and clarity is required.	We updated our understanding of how governance arrangements will work with other emergency services across the wider landscape of collaboration.	The Government has announced a series of measures to transform the delivery of local fire and rescue and police services including the transfer of ministerial authority for the Fire Service from the Department for Communities and Local Government to the Home Office. The response to the 'Enabling Closer Working' consultation also introduces legislative proposals to introduce a high level duty to collaborate on the three emergency services to improve efficiency and effectiveness. The Police and Crime Bill introduces an enabling power which would allow a PCC to assume responsibility for their local fire and rescue service where it would be in the interests of economy, efficiency and effectiveness or public safety and where a local case is made. The Authority has created a joint committee with Merseyside Police force and discussions are taking place on the collaboration programme which will focus on shared support services, joint ways of working and procurement. All of these opportunities will be important to understanding and reducing demand for fire and police services, which will be a key ingredient to supporting the medium term financial strategy enabling the Fire Service to deliver services within the reduced resources which will be available. Plans are now in place for Devolution in Merseyside following the signing of the Liverpool City Region devolution agreement. There are clear opportunities for the Fire Authority to explore collaboration with the Liverpool City Region Mayor. The Service will have an important role to play in shaping its role as devolution gathers pace.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Corporate Governance and Devolution (continued) The Authority is closely monitoring the Liverpool City Region devolution agreement and the implication of the agreement will be clearer as powers and functions are devolved from central government. The Authority is positioning itself to maximise the opportunities from the devolution plans. Closer working is anticipated between Merseyside Police and Fire services. The governance arrangements and working arrangements going forward are being developed and clarity is required.	We updated our understanding of how governance arrangements will work with other emergency services across the wider landscape of collaboration.	The Service has been keen to bring together other partners and has developed several initiatives under its Prevention and Protection activity. The Service has a number of partnerships which aim to develop and enhance multi-agency approaches to the welfare of the public in respect of vulnerable people. The Service is developing the role of the fire-fighter by undertaking a trial with NWAS on responding to cardiac arrests. The response by firefighters is relatively new and could have a real impact by saving lives. There are some areas which may need further refinements. For example fire engines do not carry casualties and there needs to be procedures in place for dealing with the impact of critical incidents and its aftermath on firefighters. In addition the training of firefighters to respond to cardiac arrests will need to consider the approach when responding to patients with schizophrenia or dementia. The response to cardiac arrests by firefighters is relatively new and could have a real impact in saving lives if agreement can be reached on a roll-out to all stations. **We concluded that the Authority has proper arrangements to work with other parties to deliver its strategic priorities for devolution.**

The main matters to note from our work are:

- The Authority continues to show strong financial resilience, and good financial planning and management. The challenge is however becoming increasingly difficult to meet. The Authority should continue to monitor the savings programme to maintain financial resilience and good financial planning and management.
- The Authority should continue to engage with the other emergency services to implement the blue light collaboration programme and with the Liverpool City Region to shape its role in the region as devolution gathers pace.
- The Authority should continue to progress its Fire Station Merger Strategy to deliver the financial savings required by the medium term financial plan.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

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

	Issue	Commentary
1.	**Public interest report**	We have not identified any matters that would require a public interest report to be issued.
2.	**Written recommendations**	We have not made any written recommendations that the Authority is required to respond to publicly.
3.	**Application to the court for a declaration that an item of account is contrary to law**	We have not used this duty.
4.	**Issue of an advisory notice**	We have not used this duty.
5.	**Application for judicial review**	We have not used this duty.

Section 5: Fees, non-audit services and independence

Fees and independence

Fees

	£
Fire Authority audit	32,424
Total audit fees (excluding VAT)	**32,424**

Fees for other services

Service	Fees £
Non-audit services	0

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

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.

Full details of all fees charged for audit and non-audit services are included in this report.

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

Section 6: Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 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 Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

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 at the time of our appointment. 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 NAO (https://www.nao.org.uk/code-audit-practice/about-code/). 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		✓
Non compliance with laws and regulations		✓
Expected modifications to 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

DRAFT INDEPENDENT AUDITOR'S REPORT TO MERSEYSIDE FIRE AND RESCUE AUTHORITY

We have audited the financial statements of Merseyside Fire and Rescue Authority (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

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

Respective responsibilities of the Treasurer and Auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which 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 Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement 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:
- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:
- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government (WGA) Component Assurance Statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic , efficient and effective use of resources.

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

Date to be confirmed

grant-thornton.co.uk

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	28 JULY 2016	REPORT NO:	CFO/061/16
PRESENTING OFFICER	IAN CUMMINS, TREASURER		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	REVENUE & CAPITAL OUTTURN 2015/16		

APPENDICES:	APPENDIX A1- A4:	REVENUE BUDGET TO ACTUAL
	APPENDIX B:	2015/16 CAPITAL BUDGET TO ACTUAL

Purpose of Report

1. To report upon the Authority's year-end financial position for 2015/16.

Recommendation

2. That Members;
   a. note the actual financial performance against the approved budget and the achievement of a net revenue saving in 2015/16 of £2.362m, and

   b. approve the proposal to utilise the £2.362m saving to;
      i. fund the creation of £0.791m year-end earmarked reserves in order to finance approved 2015/16 spend that has been re-phased into 2016/17, and
      ii. fund an increase in the Capital Investment Reserve of £1.571m to support the planned investment in the Training and Development Academy.

Executive Summary

The Authority approved a robust financial plan to meet the financial challenge it faced following the significant reductions to its Government grant funding between 2011/12 to 2015/16.

The approved revenue budget in 2015/16 was £62.169m. Having recognised the future financial challenges facing the public sector Members instructed Officers to try to further maximise savings in the year and deliver efficiencies as early as possible.

The final accounts of the Authority have now been completed prior to audit and a £2.362m saving has been delivered. This report proposes that this revenue saving be allocated to fund specific year-end reserves of £0.791m to cover initiatives or projects planned for 2015/16 which are now expected to occur in 2016/17. In addition the report recommends the balance of the saving, £1.571m, be used to increase the capital investment reserve to support the planned investment in the Training and Development Academy.

The Authority has an approved strategy of building up reserves in order to provide a short-term buffer while it re-engineers the service and to avoid compulsory redundancies if possible.

The General Fund balance remains as anticipated at £2.000m.

Capital spending was £4.766m resulting in a variance of £2.327m against the £7.093m budget for 2015/16. The variance can be broken down into:

- A £2.169m re-phasing of planned spend from 2015/16 into 2016/17, requiring the carry forward of capital budget. £1.322m of the rephrasing relates to the new Prescot Fire Station scheme and other building works.

- A net underspend and saving on capital projects of £0.158m.

Introduction and Background

3. This report sets out the actual financial performance of the Authority compared to the approved 2015/16 revenue (general fund) and capital budgets.

4. Elsewhere on today's agenda is a report containing the audited Statement of Accounts for 2015/16 for Members' consideration and approval. The Accounts and Audit (England) Regulations 2015 require the Authority to prepare a Statement of Accounts each financial year in accordance with the CIPFA Code of Practice on Local Authority Accounting (the Code). The Code requires that the Statement of Accounts is based upon International Financial Reporting Standards (IFRS). In simple terms this means that the revenue outturn report (this report) shows the true year-end position against the revenue (general fund) budget, while the Statement of Accounts includes numerous self-balancing notional charges and income.

2015/16 Budget – Background

5. Following the announcement by the Government of an increase in the 2014/15 grant cut and a further 10% real terms cut to grant funding for 2015/16 the Authority faced a £6.3m budget deficit over the 2014/15 – 2015/16**.** This followed on from severe cuts from 2011/12 to 2014/15, requiring accumulated savings of £25.6m over the 2011/12 – 2015/16 period.

6. The Authority's medium term financial plan had approved savings to deal with the financial challenge but had made a number of assumptions around future costs which included:-

   - An assumption that there would be pay-bill restraint for all staff and pay inflation would be no greater than 1%, delivering a saving of £0.500m.
   - An assumption that the Authority would generate savings of £1.300m by 2016/17 from other technical savings such as non-employee inflation and revenue costs associated with borrowing.
   - An assumption that the Authority would generate efficiencies from management and back office costs of £1.100m by 2016/17. The savings resulted in a 10% reduction in managerial and back office roles.
   - A reduction of approximately 90 front line Firefighter posts equal to a 10% reduction in wholetime Firefighter roles, saving £3.400m by 2016/17.

- Use of reserves to smooth out budget cuts.
- An assumed Council tax increase from 2015/16 to 2019/20 of 2%.

7. The delivery of the approved financial plan was monitored closely and all the saving options have been delivered as planned. The station merger programme is progressing as expected and will deliver the structural changes required to realise the savings assumed from operational response. In the meantime firefighter retirements are delivering the required operational response savings in cash terms.

How the 2015/16 Budget changed during the year

8. The Authority Revenue Budget for 2015/16 was set at £62.169m.

9. The Authority also set a five year capital investment programme (2015/16 – 2019/20), of £27.268m, with a planned expenditure in 2015/16 of £13.780m.

10. The Authority adopted a reserves strategy, which maintains a general reserve of £2.000m and had anticipated £21.081m of earmarked reserves (before any 204/15 year-end adjustment) to cater for specific risks and to fund specific projects.

11. Throughout the year Members received regular financial review reports detailing the Service's progress in implementing the approved saving options, any additional budget amendments required, plus the movements from and to reserves.

12. Further minor budget amendments have been made since the last financial review report, CFO/007/15, was approved by the Authority on 25th February 2015 that reflect already approved policy decisions. These were;

Revenue:

- The use of £0.291m from reserves to the revenue budget, (of which £0.100m was use of the pension reserve to reflect the cost of ill health retirements);
- A number of self-balancing virements within the revenue account.

Capital:

- A small reduction of £0.036m in the fire safety and ICT budgets to reflect adjustments to planned scheme funding from revenue that was no longer required.

The following tables show how the **overall** budget has changed across the year:

REVENUE BUDGET MOVEMENTS IN 2015/16

	Original Budget	Approved Qtr 3 Budget	Further Budget Amendments	Final Budget	Original to Final Budget Movement
	£'m	£'m	£'m	£'m	£'m
Net Expenditure					
Fire Service	62.170	62.194	-0.291	61.903	-0.267
Corporate	0.562	0.567	0.000	0.567	0.005
	62.732	62.761	-0.291	62.470	-0.262
Interest on Balances	-0.372	-0.372	0.000	-0.372	0.000
Inflation Provision	1.038	0.169	0.000	0.169	-0.869
Contribution (from) to Reserves	-1.229	-0.389	0.291	-0.098	1.131
Total Expenditure	62.169	62.169	0.000	62.169	0.000
Funded By					
Government Grant	-36.909	-36.909	0.000	-36.909	0.000
Precept	-25.260	-25.260	0.000	-25.260	0.000
	-62.169	-62.169	0.000	-62.169	0.000

CAPITAL BUDGET MOVEMENTS IN 2015/16	Original Budget	Approved Qtr 3 Budget	Further Budget Amendments	Final Budget	Original to Final Budget Movement
	£'m	£'m	£'m	£'m	£'m
Total	13.780	7.129	-0.036	7.093	-6.687
Funding:					
Specific	3.375	3.187	0.059	3.246	-0.129
Borrowing	10.405	3.942	-0.095	3.847	-6.559
	13.780	7.129	-0.036	7.093	-6.687

Financial Performance in the Year

13. **2015/16 Revenue Outturn Position**: The table below summarises the actual revenue position for 2015/16 compared to that final budget, (**Appendix A** provides a more detailed analysis):

Year-End Revenue Position	FIRE SERVICE BUDGET	Fire Authority	TOTAL BUDGET	ACTUAL	VARIANCE	Year-End Earmarked Reserves	Post ER VARIANCE
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Expenditure							
Employee Costs	47.584	0.406	47.990	47.294	-0.696	0.027	-0.669
Premises Costs	2.788	0.000	2.788	2.513	-0.275	0.054	-0.221
Transport Costs	1.528	0.000	1.528	1.338	-0.190	0.000	-0.190
Supplies and Services	3.724	0.067	3.791	3.053	-0.738	0.608	-0.130
Agency Services	5.645	0.000	5.645	5.626	-0.019	0.000	-0.019
Central Support Services	0.487	0.094	0.581	0.494	-0.087	0.000	-0.087
Capital Financing	7.174	0.000	7.174	6.922	-0.252	0.000	-0.252
Income	-7.027	0.000	-7.027	-7.132	-0.105	0.102	-0.003
Net Expenditure	61.903	0.567	62.470	60.108	-2.362	0.791	**-1.571**
Contingency Pay&Prices	0.169		0.169	0.000	-0.169	0.000	-0.169
Interest on Balances	-0.372		-0.372	-0.203	0.169	0.000	0.169
	61.700	0.567	62.267	59.905	-2.362	**0.791**	**-1.571**
Movement on Reserves	-0.098		-0.098	-0.098	0.000		
Overall Financial Position	61.602	0.567	62.169	59.807	**-2.362**		
Year-End Earmarked Reserves						**0.791**	
Increase Capital Investment Res.							**1.571**
Year-End funded Reserves							**0.000**

14. Overall the Authority underspent on its revenue services budget by £2.362m. However, £0.791m was as a result of timing issues for projects and grant funded schemes. Specific earmarked reserves have been created to cover the phasing of this expenditure. The remaining net underspend of £1.571m is approximately a 2.5%

variance on the budget and reflects the continuing drive to maximise savings in the year in light of the financial challenge ahead.

15. The main variations were :

Employee Costs, £0.659m (1.4%) favourable variance. This was made up of a number of different variations –

Variation £'m	Explanation
-1.005	Effective Vacancy Management
0.340	Employee Insurance costs
-0.021	Other minor variances
0.027	Year-end specific reserves - Various project reserves
-0.659	

Overall main direct employee costs underspent by approximately £1.045m. Details of the major variances are provided below: –

- **Vacancy Management, -£1.005m**; in light of the overall financial position vacant green book posts have not been actively filled resulting in a £0.215m saving. Firefighter retirements were slightly ahead of target and after taking into account spend on voluntary additional hours resulted in a £0.790m saving.
- **Employee Insurance, £0.340m**; an assessment of the potential liability of the Service's current outstanding claims indicated that if the Service was deemed negligent it would require an increase in the existing provision of £0.340m. The Authority's claims section and insurers continue to challenge any claims received where appropriate.
- **Other minor variances, -£0.021m**, an underspend on the training budget and other small variances has resulted in a small favourable variance.
- **Year-end reserves, £0.027m** – in order to fund specific projects funded from New Dimensions grant the Authority needs to carry forward some employee budget into 2016/17 in the form of a specific reserve.

Premises Costs, -£0.221m (7.9%) favourable variance –

- Following successful business rating valuation appeals the Service received one-off refunds on a number of historic business rate payments. This contributed to a £0.152m saving on the rates budget.
- Small underspends on other premises costs made up the balance.

Transport Costs, -£0.190m (12.4%) favourable variance –

- A saving on diesel, £0.124m and £0.24m for a reduction in the cost of excess insurance payments for vehicles.
- The balance is made up from small savings on lease car rentals and vehicle replacement parts.

Supplies and Services, -£0.130m (3.4% of budget) favourable variance–
Officers are continuing to strictly manage controllable expenditure lines such as ICT, Computing, Operational, Prevention and Training supplies in light of the financial challenge resulting in an overall underspend of £0.130m.

Agency Services, -£0.019m (0.3%) favourable variance.
Small savings on the PFI and facilities management contract have resulted in a saving of £0.019m.

Central Expenses -£0.087m (15.0%) favourable variance.
This is due to a saving on the financial systems contract consultancy line as some development work was done in-house.

Capital Financing, -£0.252m (3.5%) favourable variance;
Robust management of the Authority's cashflow combined with the short-term use of internal cash has delayed the take-up of new loans to fund capital schemes financed by borrowing. This has resulted in a one-off saving on interest payments of £0.252m.

Inflation Provision, -£0.169m favourable variance.
In the first instance any inflationary increase in non-employee costs is expected to be contained within the relevant department's controllable budget before any request is made to cover rising costs from the inflation provision. This approach has delivered a saving on the inflation provision of £0.169m.

Interest and Investment Income, £0.169 adverse variance.
The global interest rates and hence the interest rate paid on investments has remained low (average rate of return achieved on average principal available in 2015/16 was 0.77%). This has made the achievement of the £0.372m income budget impossible in the current climate.

16. **Qtr 4 Bad Debt Write-Offs.** Debtor accounts under £5,000 may be written off by the Treasurer. No accounts have been approved for write-off during the final quarter of the year.

<u>**2015/16 Movement on Reserves**</u>**.**

17. This report identifies a net increase in earmarked reserves (opening balance £23.985m to closing balance £26.248m) of £2.263m. Year-end reserves of £2.362m accounted for the overall increase in reserves, as outlined in the following paragraphs.

18. The Authority receives grants and external funding during the year to deliver specific projects. Because these sometimes span more than one financial year this necessitates the carrying forward of the funding through creation of earmarked reserves. Any potential liabilities arising in the year or previous years for which the Authority is required to set aside a contingency will also require the creation of a reserve. At the end of 2015/16 £0.791m of earmarked reserves were established to cover timing issues between funds and spend for projects and grant funded schemes.

19. It is proposed that the Authority use the £1.571m underspend (£2.362m saving less the £0.791m used for new earmarked year-end reserves) to increase the capital investment reserve to fund required investment in the Training and Development Academy (TDA). The current 2016/17 – 2020/21 capital programme includes a £1.100m scheme for the refurbishment of the TDA. The current proposals being developed for the TDA refurbishment indicate the level of investment required will be significantly greater than £1.100m. Therefore Officers are recommending Members' approve an increase in Capital Investment Reserve of £1.571m funded from the net revenue underspend. The Authority has recognised that it has relatively high debt levels and that if possible it should seek to avoid borrowing for the capital investment projects. It has therefore created a substantial capital investment reserve to support that aim.

20. Appendix A4 outlines the movement on reserves throughout the year, (*more details are available in the statement of accounts report elsewhere on today's agenda).*

21. The table below sets out year-end reserve requests totalling £2.362m split between £0.791m for specific reserves and £1.571m increase in the capital investment reserve.

2015/16 Year-End Earmarked Reserves		
Reserve	Request	Description
	£'000	
Earmarked Reserves		
Equipment	265	Hydrant repairs, Occupational Health equip, Asset investment
Training	230	Provision for external Collaboration support. Equal Opps support
Clothing/Boots	150	Purchase of new Operational Kit
Other	45	Various small initiatives carried over from 2015/16
Ringfenced Reserves:		
New Dimensions	91	Esternally Funded Schemes
Innovation Fund	7	
St Helens District	4	
F.R.E.E.	-1	
	791	
Capital Investment Reserve		
Yr-End Underspend	1,571	Use to fund TDA refurbishment
	2,362	

22. The General Fund reserve balance remains at £2.000m.

2015/2016 Capital Expenditure.

23. The Authority **final** capital budget for 2015/16 was £7.093m. Actual spending in the year was £4.766m, a net variation of £2.327m. The variance can be broken down into:

- A £2.169m re-phasing of planned spend from 2015/16 into 2016/17, requiring the carry forward of capital budget. £1.322m of the rephrasing relates to the new Prescot Fire Station scheme and other building works.

- A net saving on capital projects of £0.158m

A summarised capital programme outturn position statement is outlined overleaf:

CAPITAL BUDGET MOVEMENTS IN 2015/16					
	Original Budget	Final Budget	Actual Expenditure	Year-End Re-phasing 2015/16 to 2016/17	Variance
	£'m	£'m	£'m	£'m	£'m
Expenditure					
Building / Land	9.366	3.450	1.984	1.321	0.145
Fire Safety	0.777	0.735	0.733	0.000	0.002
ICT	0.737	1.119	0.802	0.316	0.001
Operational Equip & Hydrants	0.225	0.686	0.447	0.228	0.011
Vehicles	2.675	1.103	0.800	0.304	-0.001
Total	13.780	7.093	4.766	2.169	0.158
Funding:					
Capital Receipts	0.275	1.065	0.430	0.625	0.010
Revenue Contribution / Reserves	1.330	1.381	0.987	0.394	0.000
Grants	1.770	0.300	0.212	0.068	0.020
External Contributions	0.000	0.500	0.551	0.000	-0.051
Borrowing	10.405	3.847	2.586	1.082	0.179
	13.780	7.093	4.766	2.169	0.158

24. The year-end re-phasing of capital schemes into 2016/17 is outlined in the table below:

Re-phasing £'m	Scheme	Explanation
0.485	Prescot Fire Station	Members have received numerous reports throughout the year on the challenges over the land issues and uncertainty over North West Ambulance Service's participation in the scheme. These issues have delayed the start of the build stage of the project which is about to commence and it is hoped be completed by the end of 2016/17.
0.837	Building enhancement and refurbishment work	This reflects a number of smaller value building scheme re-phasing that have arisen as staff have prioritised work on the station merger schemes development and the major building schemes.
0.316	ICT Schemes	Delay in the procurement of Hardware/Software as the Service seeks to gain savings by packaging the tender document in a way to deliver best VFM.
0.228	Operational Equipment	Technical advances are constantly being made that can delay the finalisation of product choices resulting in small timing delays over a number of schemes such as personal protection equipment, water delivery systems etc., but delivery is now expected in 2016.
0.240	Ancillary Vehicles	Orders have been raised in late 2015/16 for vans and cars and delivery is expected early in 2016/17.
0.063	Other	A number of small re-phasings on a variety of schemes.
2.169		

25. A full detailed breakdown of the 2015/16 capital budget movements, year-end variances and proposed slippage can be found attached to this report as Appendix B.

Equality and Diversity Implications

26. Resources are invested to support equality and diversity.

Staff Implications

27. Approximately +75% of expenditure is directly staff related.

Legal Implications

28. None arising from this report.

Financial Implications & Value for Money

29. Subject to members approving this report recommends using the £2.362m revenue underspend to increase specific earmarked reserves of £0.791m to cover financial commitments re-phased into 2016/17. Officers recommend the remaining underspend, £1.571m, be used to increase the Capital Investment Reserve to fund the required refurbishment at the TDA. The final revenue position can be summarised as:

2015/16 Revenue Year-End Position

	Budget	Actual	Variance
	£'m	£'m	£'m
Net Expenditure	62.169	59.807	-2.362
Year-End Earmarked Reserve Requests		0.791	0.791
Utilisation of remaining underspend to increase Captial Investment Reserve		1.571	1.571
	62.169	62.169	0.000

30. The Authority has an approved strategy of building up reserves in anticipation of future funding cuts and the creation of year-end reserves is consistent with this strategy.

31. Capital spending was £4.766m resulting in a variance of £2.327m against the £7.093m budget for 2015/16. The variance can be broken down into:

- A £2.169m re-phasing of planned spend from 2015/16 into 2016/17, requiring the carry forward of capital budget into 2016/17.
- A net underspend and saving on capital projects of £0.158m.

32. The General Fund Balance as at 31st March 2016 was as anticipated, £2.000m.

Risk Management, Health & Safety, and Environmental Implications

33. None arising from this report.

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

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

BACKGROUND PAPERS

CFO/014/15	"MFRA Budget and Financial Plan 2015/2016-2019/2020" Authority 26th February 2015.
CFO/074/15	"Financial Review 2015/16 April to June" Policy & Resources Committee 17th September 2015.
CFO/091/15	"Financial Review 2015/16 April to September" " Authority 17th December 2015.
CFO/007/16	"Financial Review 2015/16 – April to December Review" Authority 25th February 2016.

GLOSSARY OF TERMS

CAPITAL EXPENDITURE	Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the Authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account**.**
RESERVES	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.
REVENUE EXPENDITURE	This 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.

APPENDIX A1

2015/16 REVENUE OUTTURN SUMMARY

Actual 2014/15	SERVICE REQUIREMENTS	Base Budget 2015/16	Qtr 3 Budget 2015/16	Reserve Draw- down	Vire- ments	Final Budget 2015/16	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
64,352	Fire Service	62,698	62,194	-291	0	61,903	59,617	-2,286	791	-1,495
485	Corporate Management	562	567	0	0	567	491	-76	0	-76
0	2013 - 14 New Dynamic Staff Saving	-78	0	0	0	0	0	0	0	0
0	2014 - 15 New Dynamic Staff Saving	-450	0	0	0	0	0	0	0	0
64,837		62,732	62,761	-291	0	62,470	60,108	-2,362	791	-1571
0	Contingency for Pay/Price Changes	1,038	169	0	0	169	0	-169	0	-169
-253	Interest on Balances	-372	-372	0	0	-372	-203	169	0	169
64,584	NET OPERATING EXPENDITURE	63,398	62,558	-291	0	62,267	59,905	-2,362	791	-1571
	Contribution to /(from) reserves									
	Emergency Related Reserves:									
500	Insurance Reserve	0	0	0	0	0	0	0		
-500	Catastrophe Reserve	0	0	0	0	0	0	0		
	Modernisation Challenge:									
-5,055	Smoothing Reserve	-372	-372	0	0	-372	-372	0		
-100	Severance Reserve	0	-256	0	0	-256	-256	0		
92	Ill Health Penalty Reserve	0	0	-100	0	-100	-100	0		
-100	SMG Reserve	0	0	0	0	0	0	0		
	Capital Investment Reserve:									
7,761	Capital Investment Reserve	-882	414	396	0	810	810	0		
-25	PFI Annuity Reserve	-49	-49	0	0	-49	-49	0	-5	
-225	Equality / DDA Investment Reserve	0	0	0	0	0	0	0		
-200	Firefighter Safety Investment Res	0	-40	0	0	-40	-40	0		
-800	Facing the Future Challenge Res	0	0	0	0	0	0	0		
	Specific Projects:									
-9	Community Sponsorship Reserve	0	-4	0	0	-4	-4	0	2	
31	Equipment Reserve	0	-65	0	0	-65	-65	0	265	
0	Training Reserve	0	0	0	0	0	0	0	230	
-6	FSD Reserve	0	0	0	0	0	0	0		
28	Healthy Living / Olympic Legacy	0	-85	0	0	-85	-85	0	11	
-4	Water Rescue Reserve	0	0	0	0	0	0	0		
-1,000	Inflation Reserve	0	0	0	0	0	0	0		
16	Clothing / Boots Reserve	0	0	0	0	0	0	0	150	
0	Communication Reserve	0	0	0	0	0	0	0	17	
100	CFOA Road Safety Reserve	0	0	0	0	0	0	0		
	Ringfenced Reserves:									
8	F.R.E.E. Reserve	0	0	0	0	0	0	0	-1	
25	Princes Trust Reserve	0	0	0	0	0	0	0		
-1	Community Youth Team Reserve	0	0	0	0	0	0	0		
-1	Beacon Peer Project Reserve	0	0	0	0	0	0	0		
2	Innovation Fund Reserve	0	0	-5	0	-5	-5	0	7	
-18	Regional Control Reserve	0	0	0	0	0	0	0		
-1	Energy Reseve	74	72	0	0	72	72	0		
-5	St Helens District Reserve	0	-4	0	0	-4	-4	0	4	
153	New Dimensions Reserve	0	0	0	0	0	0	0	91	
	Rounding adjustment								1	
-894	Appropriation to/from Revenue Bal	0	0	0	0	0	0	0		
-228		-1,229	-389	291	0	-98	-98	0		
64,356	BUDGET REQUIREMENT	62,169	62,169	0	0	62,169	59,807	-2,362	791	-1,571
Capital Investment Reserve - use year-end net surplus to increase reserve										1,571
										0
	Funding:									
-40,519	Settlement Funding Assessment	-36,909	-36,909	0	0	-36,909	-36,909	0		
-407	Collection Fund Deficit	-778	-778	0	0	-778	-778	0		
-23,430	Precept Income	-24,482	-24,482	0	0	-24,482	-24,482	0		
-64,356	BUDGET FUNDING	-62,169	-62,169	0	0	-62,169	-62,169	0		

Fire Service Outturn Position

Actual 2014/15	SERVICE REQUIREMENTS	Base Budget 2015/16	Qtr 3 Budget 2015/16	Reserve Draw- down	Vire- ments	Final Budget 2015/16	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EMPLOYEES									
	Uniformed									
32,306	Firefighters	32,201	32,371		25	32,396	31,183	-1,213	7	-1,206
1,304	Control	1,299	1,260			1,260	1,231	-29		-29
2,073	Voluntary Additional Hours	1,251	1,249		61	1,310	1,755	445		445
35,683	TOTAL UNIFORMED	34,751	34,880	0	86	34,966	34,169	-797	7	-790
	APT&C and Manual									
8,488	APT&C	8,458	8,725		-11	8,714	8,466	-248	6	-242
260	Handymen/Cleaning	309	154			154	133	-21		-21
114	Catering	126	134			134	111	-23		-23
561	Transport Maintenance	558	538		-1	537	544	7		7
56	Other Manual	70	70			70	57	-13		-13
105	Casuals	0	18		42	60	137	77		77
9,584	TOTAL APT&C/MANUAL	9,521	9,639	0	30	9,669	9,448	-221	6	-215
	Other Employee Expenses									
121	Allowances	61	93		9	102	103	1		1
2	Removal Expenses	5	4		-1	3	3	0		0
387	Training Expenses	550	616	2	-38	580	516	-64	14	-50
0	Interview Expenses	0	0			0	0	0		0
143	Other Expenses	29	283		-1	282	302	20		20
13	Staff Advertising	15	10		1	11	11	0		0
56	Development Expenses	62	53		4	57	52	-5		-5
562	Employee Insurance	133	135			135	475	340		340
2,538	MPF Pen Fixed Rate	0	0			0	0	0		0
128	Enhanced pensions	52	52			52	50	-2		-2
4	SSP & SMP Reimbursements	-16	-16			-16	4	20		20
117	Catering Expenditure	113	127		5	132	132	0		0
-488	HFRA Capitalisation Payroll	-450	-450		7	-443	-443	0		0
3,583	TOTAL OTHER EMPLOYEE EXPEND	554	907	2	-14	895	1,205	310	14	324
	Pensions									
1,777	Injury Pension	1,740	1,780			1,780	1,790	10		10
411	Ill Health Ret charges	174	174	100		274	271	-3		-3
0	Injury Gratuity	0	0			0	15	15		15
2,188	TOTAL PENSIONS	1,914	1,954	100	0	2,054	2,076	22	0	22
51,038	TOTAL EMPLOYEES	46,740	47,380	102	102	47,584	46,898	-686	27	-659
	PREMISES									
313	Building Maintenance Repairs	364	184		-11	173	108	-65	54	-11
258	Site Maintenance Costs	181	65		1	66	59	-7		-7
868	Energy	807	814		-3	811	831	20		20
90	Rent	104	97		-41	56	14	-42		-42
1,050	Rates	1,314	1,314			1,314	1,162	-152		-152
247	Water	228	202		3	205	195	-10		-10
53	Fixtures	57	74		-4	70	61	-9		-9
128	Contract Cleaning	152	40		3	43	35	-8		-8
47	Insurance	65	50			50	48	-2		-2
3,054	TOTAL PREMISES	3,272	2,840	0	-52	2,788	2,513	-275	54	-221
	TRANSPORT									
403	Direct Transport	383	381		-42	339	331	-8		-8
25	Tunnel Fees	29	29			29	25	-4		-4
165	Operating Lease	198	201		-2	199	138	-61		-61
437	Other Transport Costs	495	501			501	376	-125		-125
140	Car Allowances	114	116		-30	86	122	36		36
314	Insurance	344	374			374	346	-28		-28
1,484	TOTAL TRANSPORT	1,563	1,602	0	-74	1,528	1,338	-190	0	-190

Fire Service Outturn Position

Actual 2014/15	SERVICE REQUIREMENTS	Base Budget 2015/16	Qtr 3 Budget 2015/16	Reserve Draw- down	Vire- ments	Final Budget 2015/16	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	SUPPLIES & SERVICES									
43	Administrative Supplies	32	51			51	25	-26	24	-2
343	Operational Suppliers	291	296		17	313	275	-38	34	-4
2	Hydrants	18	18			18	14	-4		-4
73	Consumables	76	47		4	51	47	-4		-4
121	Training Supplies	146	151		5	156	132	-24	20	-4
93	Fire Prevention Supplies	135	145	5	-33	117	98	-19	19	0
48	Catering Supplies	28	43		0	43	36	-7		-7
0	Radiation Monitoring	0	0			0	0	0		0
306	Uniforms	321	324		13	337	297	-40	40	0
125	Printing & Stationery	128	143		26	169	146	-23	18	-5
1	Operating Leases	2	2			2	1	-1		-1
542	Professional Fees/Service	1,667	744		49	793	447	-346	346	0
681	Communications	689	698		5	703	721	18		18
22	Postage	30	25		-8	17	14	-3		-3
6	Command/Control	10	8		5	13	6	-7		-7
303	Computing	330	323	-4	-23	296	244	-52	21	-31
294	Medicals	292	291		-4	287	197	-90	77	-13
103	Travel & Subsistence	80	97			97	81	-16	9	-7
83	Grants/Subscriptions	95	85		-9	76	89	13		13
14	Advertising	10	11			11	7	-4		-4
63	Furniture	34	83		-15	68	60	-8		-8
80	Laundry	81	81		1	82	82	0		0
0	Civil Defence Training	0	0			0	0	0		0
33	Insurances	49	35		-20	15	14	-1		-1
4	Hospitality	8	9			9	6	-3		-3
3,383	**TOTAL SUPPLIES & SERVICES**	4,552	3,710	1	13	3,724	3,039	-685	608	-77
	AGENCY SERVICES									
144	Super Fund Admin	93	100			100	108	8		8
1,442	ICT Service Provider	1,437	1,479			1,479	1,485	6		6
195	Third Party Payments (FSN)	195	195			195	195	0		0
442	ICT Managed Suppliers	324	399			399	399	0		0
2,457	PFI Unitary Charges ((Int/Princip	2,663	2,663			2,663	2,647	-16		-16
0	Estates Service Provider	0	769		40	809	792	-17		-17
4,680	**TOTAL AGENCY SERVICES**	4,712	5,605	0	40	5,645	5,626	-19	0	-19
	CENTRAL EXPENSES									
344	Finance & Computing	453	487			487	413	-74		-74
344	**TOTAL CENTRAL EXPENSES**	453	487	0	0	487	413	-74	0	-74
	CAPITAL FINANCING									
5,186	PWLB Debt Charges	6,151	6,111			6,111	5,869	-242		-242
69	MRB Debt Charges	76	76			76	66	-10		-10
2,364	Revenue Contribution to Capital	1,330	1,422	-394	-41	987	987	0		0
7,619	**TOTAL CAPITAL FINANCING**	7,557	7,609	-394	-41	7,174	6,922	-252	0	-252
71,602	**TOTAL EXPENDITURE**	68,849	69,233	-291	-12	68,930	66,749	-2181	689	-1,492
	INCOME									
3,813	Specific Grants	-3,699	-4,011		-53	-4,064	-3,898	166	77	243
9	Sales	0	0		-26	-26	-29	-3		-3
1,524	Fees & Charges	-959	-1,395		71	-1,324	-1,468	-144	25	-119
9	Reinforcing moves	-5	-5			-5	-10	-5		-5
681	Rents etc	-743	-783		31	-752	-777	-25		-25
741	Recharges Secondments	-456	-535			-535	-573	-38		-38
350	Contributions	-170	-189		-11	-200	-240	-40		-40
108	Recharges Internal	-114	-108		-2	-110	-108	2		2
15	Other Income	-5	-13		2	-11	-29	-18		-18
7,250		-6,151	-7,039	0	12	-7,027	-7,132	-105	102	-3
64,352	**NET EXPENDITURE**	62,698	62,194	-291	0	61,903	59,617	-2,286	791	-1,495

APPENDIX A3

Authority (Corporate) Service Outturn Position

Actual 2014/15	SERVICE REQUIREMENTS		Base Budget 2015/16	Qtr 3 Budget 2015/16	Reserve Draw- down	Vire- ments	Final Budget 2015/16	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE										
		Finance & Legal costs									
79	1010	Finance Officer	79	79			79	79	0		0
83	1015	Legal Officer	91	105			105	93	-12		-12
		Democratic Rep (1020)									
13	5162-4	- Travel & Subsistence	55	46			46	11	-35		-35
1	5165	- Conference fees	15	15			15	2	-13		-13
225	5166	- Members Allowances	222	222			222	224	2		2
0	5168	- Telephones	2	2			2	0	-2		-2
0	5169	- Training	1	1			1	1	0		0
0	5170	- Hospitality	3	3			3	0	-3		-3
		Central Expenses (1030)									
16	5141	Bank Charges	17	17			17	16	-1		-1
40	5142	District Audit Fees	48	48			48	32	-16		-16
28	5144	Subscriptions	29	29			29	33	4		4
485	**TOTAL EXPENDITURE**		**562**	**567**	**0**	**0**	**567**	**491**	**-76**	**0**	**-76**

APPENDIX A4

Movement on Reserves 2015/16

	Opening Balance	Original Budget Planned Use	Qtr 1 Drawdown & changes	Qtr 2 Drawdown & changes	Qtr 3 Drawdown & changes	Qtr 4 Drawdown & changes	Year-End Request	Closing Balance
Earmarked Reserves	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Emergency Related Reserves								
Bellwin Reserve	147	0						147
Insurance Reserve	870	0						870
Emergency planning Reserve	75	0						75
Catastrophe Reserve	500	0						500
Modernisation Challenge								
Smoothing Reserve	1,695	-372						1,323
Severance Reserve	621	0		-82	-174			365
Ill Health Penalty Reserve	1,000	0				-100		900
Recruitment Reserve	1,000	0						1,000
Capital Investment Reserve	12,039	-882	-50	696	650	396	19	12,868
PFI Annuity Reserve	2,226	-49					-5	2,172
Equality / DDA Investment Reserve	285	0						285
Firefighter Safety Investment Res	800	0	-40					760
Specific Projects								
Community Sponsorship Reserve	4	0	-4				2	2
Equipment Reserve	222	0	-55		-10		265	422
Contestable Research Fund	25	0						25
Training Reserve	0	0					230	230
Healthy Living / Olympic Legacy	108	0	-35	-50			11	34
Inflation Reserve	500	0						500
Clothing / Boots Reserve	16	0					150	166
CFOA Road Safety Reserve	100	0						100
Communication Reserve	0	0					17	17
Rounding Adjustment							1	0
Ringfenced Reserves								
F.R.E.E. Reserve	52	0					-1	51
Princes Trust Reserve	368	0						368
Community Youth Team Reserve	58	0						58
Beacon Peer Project Reserve	62	0						62
Innovation Fund Reserve	171	0				-5	7	173
Energy Reserve	84	74	-2	0				156
St Helens District Reserve	10	0		-4			4	10
New Dimensions Reserve	947	0					91	1,038
Total Earmarked Reserves	**23,985**	**-1,229**	**-186**	**560**	**466**	**291**	**791**	**24,677**
Capital Investment Reserve - use year-end net surplus to increase reserve							**1,571**	**1,571**
Total Earmarked Reserves	**23,985**	**-1,229**	**-186**	**560**	**466**	**291**	**2,362**	**26,248**
General Revenue Reserve	**2,000**	**0**	**0**	**0**	0	0	0	**2,000**
Total Reserves	**25,985**	**-1,229**	**-186**	**560**	**466**	**291**	**2,362**	**28,248**

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Capital Programme 2015/16

		Approved Budget	Qtr 1 Budget	Qtr 2 Current Budget	Qtr 3 Current Budget	Qtr 4 Amend-ment	Qtr 4 Vire-ments	Qtr 4 Budget	2015/16 Actual	Year-End Re-Phasing into Future Years	Year-End Variance
		£	£	£	£	£	£	£	£	£	£
BUILDING & LAND PROGRAMME											
BLD001	Roofs & Canopy Replacements	50,000	89,000	89,000	40,000			40,000	5,772	34,000	-229
BLD004	Concrete Yard Repairs	20,000	29,000	29,000	20,000			20,000	6,200	14,000	200
BLD005	Tower Improvements	0	10,000	10,000	10,000		10,000	20,000	748	19,500	248
BLD007	L.E.V. Sys In App Rooms	0	1,100	1,100	1,100			1,100	0	0	-1,100
BLD011	Capital Refurbishment	0	57,000	0	0			0	0	0	0
BLD013	Appliance Room Floors	46,500	98,000	98,000	40,000		-10,000	30,000	1,978	28,000	-22
BLD014	Boiler Replacements	0	34,500	34,500	15,000			15,000	0	15,000	0
BLD016	Community Station Investment	0	36,500	36,500	36,500			36,500	36,154	0	-346
BLD017	F.S. Refurbishment Toxteth	0	0	0	0		3,900	3,900	3,876	0	-24
BLD018	Conference Faciities H/Q	4,500	45,500	45,500	10,000		31,000	41,000	40,651	0	-349
BLD020	5 Year Electrical Test	138,000	143,000	143,000	70,000		-24,700	45,300	0	45,500	200
BLD026	Corporate Signage	5,000	5,000	5,000	5,000			5,000	0	5,000	0
BLD031	Diesel Tanks	150,000	150,000	150,000	20,000			20,000	0	20,000	0
BLD033	Sanitary Accommodation Refurb	30,000	79,000	79,000	79,000		-31,000	48,000	0	48,000	0
BLD034	Office Accommodation	25,000	27,000	27,000	27,000		-9,000	18,000	6,358	11,500	-142
BLD036	L.L.A.R. Accommodation Formby	300,000	310,000	310,000	0			0	0	0	0
BLD039	F.S. Refurbishment Heswall	150,000	150,000	150,000	0			0	0	0	0
BLD041	F.S. Refurbishment Aintree	0	0	0	15,000			15,000	0	15,000	0
BLD042	St Helens Conversion	0	71,000	71,000	10,000			10,000	0	10,000	0
BLD044	Asbestos Surveys	50,000	60,000	60,000	25,000		-8,000	17,000	0	17,000	0
BLD045	City Centre Community Facility	70,000	79,500	79,500	0			0	0	0	0
BLD055	F.S. Refurbishment Bromborough	0	3,000	3,000	0			0	0	0	0
BLD058	H.V.A.C. Heating, Vent & Air Con	50,000	92,000	92,000	30,000			30,000	0	30,000	0
BLD060	D.D.A. Compliance Work	250,000	277,300	277,300	100,000			100,000	35,976	64,000	-24
BLD061	Lighting Conductors Surge Protectors	55,000	55,000	55,000	10,000			10,000	0	10,000	0
BLD062	Emergency Lighting	0	26,000	26,000	5,000		10,000	15,000	0	15,000	0
BLD063	F.S. Refurbishment Kirby	0	0	0	25,000			25,000	0	25,000	0
BLD065	MACC Server Room Extension	0	4,000	0	0			0	0		0
BLD067	Gym Equipment Replacement	25,000	81,000	81,000	40,000			40,000	35,658	4,500	158
BLD068	SHQ Joint Control Room	0	395,000	395,000	395,000		-89,400	305,600	165,561	0	-140,039
BLD070	Workshop Enhancement	250,000	370,000	370,000	150,000			150,000	2,160	148,000	160
BLD071	Station Refresh	75,000	106,000	163,000	25,000		9,000	34,000	27,136	7,000	136
BLD072	SHQ Tower	0	14,500	14,500	14,500			14,500	14,476	0	-24
BLD073	SHQ Museum	75,000	226,000	191,000	0			0	0	0	0
BLD075	Llar Accomodation NewtonLeWillows	310,000	310,000	310,000	0			0	0	0	0
BLD076	F.S. Refurbishment Huyton	0	0	0	25,000			25,000	0	25,000	0
BLD077	F.S. Refurbishment Upton	275,000	275,000	0	25,000			25,000	21,973	0	-3,027
BLD078	F.S. Refurbishment West Kirby	400,000	400,000	0	0			0	0	0	0
BLD079	F,S General Station Refurbishment	3,410,000	3,410,000	4,085,000	0			0	0	0	0
BLD080	Prescot Fire Station Build	3,100,000	3,100,000	3,100,000	1,000,000			1,000,000	515,630	484,500	130
BLD081	SHQ Stage C Works	0	715,500	727,600	727,600		84,500	812,100	812,193	0	93
BLD082	Saughall Massie Fire Station Build	0	100,000	100,000	200,000			200,000	131,623	68,000	-377
BLD091	Refurbishment TDA	0	0	0	100,000			100,000	11,040	89,000	40
CON001	Energy Conservation Non-Salix	25,000	58,500	58,500	58,500			58,500	6,500	52,000	0
CON002	Energy Conservation Salix	0	75,000	75,000	75,000			75,000	70,093	5,000	93
DSO001	D.S.O. Cleaning Equipment	6,000	6,000	0	0			0	0	0	0
EQU002	Fridge/Freezer Rep Prog	10,500	17,500	23,500	10,000		-200	9,800	5,365	4,500	65
EQU003	Furniture Replacement Prog	10,500	30,500	30,500	10,500		9,200	19,700	12,249	7,500	49
TDA001	Fire House Refurbishment	0	30,000	30,000	0		14,700	14,700	14,700	0	0
	Total	**9,366,000**	**11,652,900**	**11,626,000**	**3,449,700**	**0**	**0**	**3,449,700**	**1,984,070**	**1,321,500**	**-144,130**
FIRE SAFETY											
FIR002	Smoke Alarms (H.F.R.A.)	300,000	300,000	300,000	300,000	-35,000		265,000	265,034	0	34
FIR005	Installation Costs (H.F.R.A.)	450,000	450,000	450,000	450,000	-7,000		443,000	443,000	0	0
FIR006	Deaf Alarms (H.F.R.A.)	25,000	25,000	25,000	25,000			25,000	23,617	0	-1,383
FIR007	Replacement Batteries (H.F.R.A.)	2,000	2,000	2,000	2,000			2,000	1,360	0	-640
FIR009	Risk Management Residential Blocks	0	200,000	200,000	0			0	0	0	0
	Total	**777,000**	**977,000**	**977,000**	**777,000**	**-42,000**	**0**	**735,000**	**733,011**	**0**	**-1,989**

Capital Programme 2015/16

		Approved Budget	Qtr 1 Budget	Qtr 2 Current Budget	Qtr 3 Current Budget	Qtr 4 Amend-ment	Qtr 4 Vire-ments	Qtr 4 Budget	2015/16 Actual	Year-End Re-Phasing into Future Years	Year-End Variance
		£	£	£	£	£	£	£	£	£	£
ICT											
FIN001	F.M.I.S. Replacement	0	108,500	108,500	108,500			108,500	32,432	76,000	-68
IT002	I.C.T. Software	177,000	177,000	177,000	177,000			177,000	168,761	8,000	-239
IT003	I.C.T. Hardware	201,000	191,700	193,900	221,800	1,400		223,200	187,031	36,000	-169
IT005	I.C.T. Servers	80,000	80,000	80,000	80,000			80,000	75,006	5,000	6
IT018	I.C.T. Network	200,000	200,000	200,000	140,000			140,000	104,595	35,500	95
IT026	I.C.T. Operational Equipment	12,000	12,000	3,900	0			0	0	0	0
IT027	I.C.T. Security	2,000	2,000	2,000	2,000			2,000	0	2,000	0
IT028	System Development Portal	25,000	101,000	101,000	108,000	5,000		113,000	80,451	32,500	-49
IT030	I.C.T. Projects / Upgrades	5,000	5,000	5,000	0			0	0	0	0
IT039	Estates Management System	20,000	20,000	20,000	0			0	0	0	0
IT040	Analytical Tool CFS Work	0	14,000	14,000	0			0	0	0	0
IT046	TRM System	0	0	32,500	32,500			32,500	32,507	0	7
IT049	Wireless Rollout	0	18,300	18,300	18,300			18,300	18,241	0	-59
IT050	Community Protection System	0	30,000	30,000	30,000			30,000	0	30,000	0
IT051	JCC Airwave Solution	0	100,000	100,000	99,000			99,000	77,086	22,000	86
IT052	JCC Specialist IT	0	7,000	7,000	0			0	0	0	0
IT053	JCC Backup MACC	0	57,000	57,000	57,000			57,000	17,280	39,500	-220
IT055	C3i C&C Comms and Info system	15,000	19,000	19,000	8,000			8,000	5,555	2,500	55
IT056	PFI Access Door System	0	18,000	18,000	18,000			18,000	0	18,000	0
IT057	Fleet Management System	0	12,000	12,000	12,000			12,000	3,400	8,500	-100
	Total	**737,000**	**1,172,500**	**1,199,100**	**1,112,100**	**6,400**	**0**	**1,118,500**	**802,344**	**315,500**	**-656**
OPERATIONAL EQUIP. & HYDRANTS											
OPS001	Gas Tight Suits Other Ppe	0	23,500	23,500	31,800			31,800	0	32,000	200
OPS003	Hydraulic Rescue Equipment	0	101,000	101,000	261,000			261,000	250,686	10,500	186
OPS005	Resuscitation Equipment	0	20,000	20,000	20,000			20,000	4,523	15,500	23
OPS009	Pod Equipment	50,000	119,000	119,000	44,000			44,000	6,388	37,500	-112
OPS011	Thermal Imaging Cameras	0	11,500	11,500	11,500			11,500	0	11,500	0
OPS022	Improvements To Fleet	20,000	13,000	10,000	11,500			11,500	8,575	3,000	75
OPS023	Water Rescue Equipment	50,000	63,000	63,000	21,500			21,500	15,426	6,000	-74
OPS024	BA equipment / Comms	0	217,000	217,000	87,000			87,000	59,288	27,500	-212
OPS026	Rope Replacement	0	30,000	30,000	30,000			30,000	0	30,000	0
OPS027	Light Portable Pumps	0	20,000	20,000	0			0	0	0	0
OPS031	Cctv Equipment/Drone	0	48,000	48,000	48,000			48,000	27,242	21,000	242
OPS038	Water Delivery System	0	52,000	52,000	0			0	0	0	0
OPS039	Water Delivery Hoses	20,000	24,000	24,000	24,000			24,000	6,332	17,500	-168
OPS049	Bulk Foam Attack Equipment	48,000	48,000	48,000	0			0	0	0	0
OPS052	DEFRA FRNE Water Rescue Grant	0	18,000	18,000	18,000			18,000	1,991	16,000	-9
OPS054	Electrical Equipment	0	38,000	41,000	41,000			41,000	40,956	0	-44
HYD001	Hydrants (New Installations)	18,500	18,500	18,500	18,500		-1,000	17,500	6,409	0	-11,091
HYD002	Hydrants (Rep Installations)	18,500	18,500	18,500	18,500		1,000	19,500	19,296	0	-204
	Total	**225,000**	**883,000**	**883,000**	**686,300**	**0**	**0**	**686,300**	**447,111**	**228,000**	**-11,189**
VEHICLES											
VEH001	Wtl'S Purchased	980,000	1,183,000	1,183,000	203,000			203,000	201,536	1,500	36
VEH002	Ancilliary Vehicles	470,100	725,100	725,100	425,200			425,200	316,869	108,500	169
VEH004	Special Vehicles	1,112,000	1,156,000	1,142,680	399,680			399,680	268,584	131,000	-96
VEH005	Vehicles water Strategy	29,000	29,000	29,000	12,600			12,600	12,565	0	-35
VEH006	Motorcycle Response	44,000	44,000	44,000	0			0	0	0	0
WOR001	Workshop Equipment	40,000	63,000	63,000	63,000			63,000	0	63,000	0
	Total	**2,675,100**	**3,200,100**	**3,186,780**	**1,103,480**	**0**	**0**	**1,103,480**	**799,554**	**304,000**	**74**
	Grand Total	**13,780,100**	**17,885,500**	**17,871,880**	**7,128,580**	**-35,600**	**0**	**7,092,980**	**4,766,090**	**2,169,000**	**-157,890**

Capital Programme 2015/16

	Approved Budget	Qtr 1 Budget	Qtr 2 Current Budget	Qtr 3 Current Budget	Qtr 4 Amend-ment	Qtr 4 Vire-ments	Qtr 4 Budget	2015/16 Actual	Year-End Re-Phasing into Future Years	Year-End Variance
	£	£	£	£	£	£	£	£	£	£
Financing Available:										
Capital Receipts										
Sale of Formby LLAR House	0	350,000	350,000	350,000	0	0	350,000	0	350,000	0
Sale of Newton 2 LLAR House	275,000	275,000	275,000	275,000	0	0	275,000	0	275,000	0
Sale of Derby Road	0	440,000	440,000	440,000	0	0	440,000	430,207	0	-9,793
External Contributions										
R.C.C.O. / Reserves										
Capitalisation of Sals HFRA (FIR005)	450,000	450,000	450,000	450,000	-7,000		443,000	443,000	0	0
Telemetric Forklift Truck (VEH004)	0	44,000	44,000	44,000	0	0	44,000	44,000	0	0
CCTV on Fire Engines (OPS031)	0	40,000	40,000	40,000	0	0	40,000	40,000	0	0
It Equipment (IT003)	0	0	2,200	2,200	1,400		3,600	3,600	0	0
TRM System (IT046)	0	0	32,500	32,500	0	0	32,500	32,500	0	0
MTFA PPE (OPS001)	0	0	0	8,300	0	0	8,300	8,300	0	0
FSN Charge for Alarms (FIR002)	50,000	50,000	50,000	50,000	-35,000		15,000	15,000	0	0
SHQ Museum Cap Inv Res	0	0	-35,000	-35,000	0	0	-35,000	-35,000	0	0
Prescot FS (BLD080) Cap Inv Res	830,000	830,000	830,000	830,000	0	0	830,000	436,000	394,000	0
Grants										
Police Contribution (Prescot)	0	500,000	500,000	500,000	0	0	500,000	550,503	0	50,503
NWAS Contribution (Prescot)	0	0	0	0	100,000	0	100,000	80,000	0	-20,000
Prescot Fire Station Build Grant	1,770,000	1,770,000	1,770,000	0	0	0	0	0	0	0
Suaghill Transformation Grant	0	100,000	100,000	200,000	0		200,000	132,000	68,000	0
Total Non Borrowing	**3,375,000**	**4,849,000**	**4,848,700**	**3,187,000**	**59,400**	**0**	**3,246,400**	**2,180,110**	**1,087,000**	**20,710**
Borrowing Requirement										
Unsupported Borrowing	10,405,100	13,036,500	13,023,180	3,941,580	-95,000	0	3,846,580	2,585,980	1,082,000	-178,600
Borrowing	**10,405,100**	**13,036,500**	**13,023,180**	**3,941,580**	**-95,000**	**0**	**3,846,580**	**2,585,980**	**1,082,000**	**-178,600**
Total Funding	**13,780,100**	**17,885,500**	**17,871,880**	**7,128,580**	**-35,600**	**0**	**7,092,980**	**4,766,090**	**2,169,000**	**-157,890**

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	28TH JULY 2016	REPORT NO:	CFO/062/16
PRESENTING OFFICER	AUTHORITY TREASURER: IAN CUMMINS		
RESPONSIBLE OFFICER:	IAN CUMMINS IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS TREASURER
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	STATEMENT OF ACCOUNTS 2015/16 - AUTHORISATION FOR ISSUE		

APPENDICES:	APPENDIX A: APPENDIX B:	STATEMENT OF ACCOUNTS 2015/16 LETTER OF REPRESENTATION

Purpose of Report

1. To present to members the audited 2015/16 Statement of Accounts for approval and request that they be authorised for issue.

Recommendation

2. That Members
   a. approve the audited Statement of Accounts 2015/16, attached as Appendix A to this report, and
   b. approve that the Statement of Accounts 2015/16 may be authorised for issue, and
   c. approve the letter of representation in relation to the 2015/16 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 of the following year.

4. Members have already considered the 2015/16 year-end outturn position and movement on reserves within report CFO/061/16. That report identified net revenue expenditure in the year of £59.807m against a budget of £62.169, a favourable variance of £2.362m before any adjustments for year-end reserves. The report identified that of this variance £0.791m was required to be carried forward as earmarked reserves, leaving a real saving in 2015/16 of £1.571m. Members approved the allocation of this one-off saving of £1.571m to increase

the Capital Investment Reserve in light of the planned refurbishment of the Training and Development Academy.

5. At the time of writing this report Grant Thornton, the Authority's current external auditors, have yet to finalise the audit of the Statement of Accounts however no major issues have been identified. Grant Thornton are in the process of finalising their Audit Findings report, which is presented elsewhere on today's Agenda, and which 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/061/16 as outlined above, has not changed**.

Statement of Accounts;

6. The Statement of Accounts is a record of the Authority's financial activities for 2015/16 with comparative figures for 2014/15. 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.

7. On 1st April 2010 the Authority, along with all other Local Authorities, adopted International Financial Reporting Standards (IFRS). The accounts for 2015/16 have therefore been prepared under these regulations. The move to an IFRS-based system of accounting has resulted in a significant increase in disclosure requirements and the formats of the principal financial statements. The Statement of Accounts Narrative Report provides a brief description of each of the four core statements;

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

8. 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.

9. 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 2015/16 General Fund position for the service).*

10. The analysis below identifies and briefly explains some of the largest movements between the figures in the formal statement of accounts for 2015/16:-

a 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 £2.263m. The year-end report, CFO/061/16, identified an overall net increase in reserves of £2.263m in 2015/16 compared to a planned reduction of £0.099m, an increase of £2.362m. The increase in reserves compared to that anticipated reflects the favourable 2015/16 year-end revenue position on the general fund and the proposal to utilise this to create additional year-end earmarked reserves of £2.362m, see analysis below:

						Variation to that Anticipated		
						Variance to anticipated movement (-£99k) to Actual (+£2,263k) =£2,362k	Explained By:	
	Opening Balance	Anticipated Closing Balance	Anticipated Movement in Reserves	Actual Closing Balance	Actual Movement 01.04.15 - 31.03.16		Year-End Earmarked Reserves	Net Underspend Increase in Capital Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Earmarked Reserves	23,985	23,886	-99	26,248	2,263	2,362	791	1,571

The General Fund balance was unchanged at £2.000m and reflects the perceived levels of risk within the current financial plan.

An increase in unusable reserves of £97.755m. 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 increase, £99.476m, is down to changes in the liability of the pension schemes in 2015/16.

b 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 2015/16 (after taking into account the creation of reserves) this becomes net expenditure of £104.057m 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 2015/16 year-end position:	-
1 Net creation of Earmarked Reserves**	(2,263)
2 Asset valuation / charges and Capital Funding Adjustments	
Revaluation losses	435
Charge for depreciation and impairment	4,733
Revaluation surplus Reversal	(151)
Impairment surplus Reversal	0
Surplus on revaluation of Fixed Assets	1,158
Other Operating Expenditure	10
Revenue expenditure funded from capital under statute (REFCUS)	733
Finance (interest on loans)	3,846
Capital Grants Income	(4,251)
3 Pension related adjustments	
Pension Costs calculated in accordance with IAS 19	14,717
Pension Contributions payable to pension fund	(7,825)
Pensions Interest Cost and expected return on pension assets	33,792
Non Distributable Costs (Pension Valuation Changes)	-
Reduction in value of the net defined pension liability	(140,160)
4 Other technical accounting adjustments	
Employee Compensated Absences Movement (leave/flexi c/fwd)	57
Council Tax Adjustment (accrual for under/over payments from collection fund)	76
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)	(2,040)
Remove Capital Financing – Debt Charges (Not reported in I&E Account)	(6,923)
Rounding adjustment	(1)
Total Comprehensive Income and Expenditure Statement	**(104,057)**

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 £4.733m reflects the notional consumption of assets during the year (a depreciation charge of £4.442m) and the reduction in the valuation of assets during the year (an impairment charge of £0.291m). A charge of £0.733m 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 £4.251m have been credited to the CIES in accordance with proper accounting practice.*

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 (£2.040m). The removal of capital financing charges relates to costs associated with; interest payments on loans of (£2.088m); the Minimum Revenue Provision of (£3.898m) (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA) of (£0.987m); and other costs totaling £0.050m (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.

c 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 – decreased by £3.092m. This was due to the sale of Derby Road and depreciation charges in the year.

- Current Assets – increased by £7.354m. 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, £1.017m, and an increase in Cash & Cash Equivalents, £5.126m. The remaining increase in current assets reflects a small increase in debtors, inventory values, and assets held for sale.

- Current Liabilities – increased by £2.266m. A planned repayment of loans in 2016/17 has resulted in an increase in short term borrowing of £1.000m. Indebtedness between the Authority and the Merseyside Billing Authorities for cash collected for council tax and business rates compared with that paid over has increased short term creditors by £1.529m. The remaining balance reflects grants and other income received in advance of expenditure.

- Long Term Liabilities – decreased by £102.061m;
  - Other long-term Creditors – A reduction of £0.307m. The reduction reflects contractual payments to the PFI contract for its 25 year life until 2038.
  - Provisions – A net decrease of £0.237m. 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 £0.343m and the value of claims settled was £0.580m, a net decrease in the provision of £0.237m
  - Long-term borrowing reduced by £2.000m reflecting the fact that a loan of £2.000m will be repaid in the coming year.
  - Other long-term liabilities decrease of £99.517m. Of this £0.041m is due to the reduction in the Authority's share of Merseyside County Council residual debt. The balance, £99.476m 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 an increase in the Pensions Reserve (Unusable Reserves) of £99.476m. 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 £6.302m – this is the net movement in reserves in the year; An increase in earmarked reserves of £2.263m as a consequence of reserves created at the year-end, and an increase of £4.039m in the capital grant unapplied reserve (grant received in advance of expenditure) as grant is applied to fund capital expenditure in the year. The general fund balance has remained the same at £2.000m.

- Unusable Reserves increase of £97.755m. 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 decrease in the Pension Reserve of £99.476m to reflect changes in the liability of the pension schemes accounts for most of this reduction. The other movements relate to the Capital Adjustment Account, £0.237m, (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 Revaluation Reserve has decreased by £1.774m due to the Land and Building revaluation and difference between fair value depreciation and historical cost depreciation.

d 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 increased by £5.126m to £15.526m. 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.

11. Members are requested to approve the Statement of Accounts, attached as Appendix A, and authorise them for issue. If the Statement of Accounts have been authorised for issue the public will have access to the document via the Authority's website. A summary plain English statement of accounts is also available on the website.

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

Equality and Diversity Implications

13. None directly related to this report.

Staff Implications

14. None directly related to this report.

Legal Implications

15. The Authority has a statutory duty pursuant to regulation 10 of the Accounts and Audit (England) Regulations 2015 to approve and sign-off for publication the Statement of Accounts for the previous year before the regulation deadline of 30th July in the current year with effect from the 2017/18 Statement of Accounts. However for 2015/16 and 2016/17 the Authority has up to 30th September of the relevant current year.

Financial Implications & Value for Money

16. The report confirms the 2015/16 outturn position is consistent with that previously reported.

Risk Management, Health & Safety, and Environmental Implications

17. None directly related to this report.

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

18. 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/061/16	"Revenue and Capital Outturn 2015-2016" Policy & Resources 28th July 2016.

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 & Rescue Service

2015/16 Statement of Accounts

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2015 – 2016

CONTENTS **Page**

Narrative Report by the Treasurer

Introduction

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31st March 2016, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2015/16 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.

This Narrative Report (a change in requirements for 2015/16 replacing the Explanatory Foreword) provides information about Merseyside Fire and Rescue Authority (the Authority), including the key issues affecting the Authority in 2015/16 and the future. It also provides a summary of the financial position at 31 March 2016 and is structured as below:

- Background to the Authority & Key Information
- The Authority 2015/16 Non-Financial Performance
- The 2015/16 Revenue Budget and Financial Challenge
- 2015/16 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2015/16 to 2019/20
- Treasury Management
- Balance Sheet Financial Position at 31st March 2016
- Future Financial Challenge / Corporate Risks 2016/17 – 2019/20

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2015/16.

Background to the Authority & Key Information

Merseyside is an area in the north west of England, which straddles the Mersey Estuary and includes the metropolitan districts of Knowsley, Liverpool, Sefton, St Helens and Wirral. Merseyside spans 249 square miles (645 Km2) of land containing a mix of high density urban areas, suburbs, semi-rural and rural locations, but overwhelmingly the land use is urban. It has a focused central business district, formed by Liverpool City Centre, but Merseyside is also a polycentric county and each of the metropolitan districts has at least one major town centre and outlying suburbs. Mid 2014 Office of National Statistics (ONS) estimated figures showed that Merseyside has a population total of 1,391,113 which is a 0.72% increase on the 2011 Census figures. The population is split 48.6% male and 51.4% female, with 17.7% of the population being children (0-15), 63.9% being of working age (16-64) and 18.4% above 65. Merseyside has an aging population. There are some areas of affluence, for example in West Wirral and North Sefton, but large areas of Merseyside fall within the highest ratings of social deprivation. There remain large pockets of deprivation with high levels of social exclusion and crime. According to the Indices of Multiple Deprivation 2015; out of 326 Local Authorities across England, Knowsley and Liverpool both appear in the top 10 most deprived Local Authorities. The Local Authority breakdown is as follows: Knowsley is ranked 2nd, Liverpool is ranked 4th, St Helens is ranked 25th, Wirral is ranked 36th and Sefton 41st.

Political Structure

Merseyside Fire & Rescue Authority (MFRA) is a local authority created by the Local Government Act 1985. It is made up of 18 elected representatives appointed by the constituent District Councils. The number of councillors from each district is determined by statute and in most cases is representative of the political composition of that Council. During 2015/16 this was as follows:

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

The 18 elected members meet together as the Fire and Rescue Authority and decide the Authority's overall policies and set the budget each year. At the Annual General Meeting (AGM) they establish and make appointments to the various committees as well as appointing the Chair and Vice Chair of the Authority and its committees.

The Authority has ultimate responsibility for decision making but delegates many decisions to committees as part of their terms of reference agreed at the AGM and to senior officers within Merseyside Fire and Rescue under the Authority's Scheme of Delegated Powers.

Management Structure

Supporting the work of the elected members is the organisational structure of the Authority led by a Chief Fire Officer supported by a Strategic Management Group Team (SMG). The current makeup of the SMG is detailed below:

- Chief Fire Officer
- Deputy Chief Fire Officer
- Director of Legal Services (Monitoring Officer)
- Treasurer (Section 151 Officer)
- Area Manager for Operational Preparedness
- Area Manager for Operational Response
- Director of Strategy and Performance
- Area Manager Strategic Change and Resources
- Area Manager for Community Risk Management

Integrated Risk Management Plan

It is a statutory requirement of the Fire and Rescue Service National Framework for fire authorities to produce an Integrated Risk Management Plan (IRMP). The IRMP is the key driver in the allocation of the Authority's resources in response to the risks facing Merseyside and states the main strategic themes that the Authority has been progressing and its plans for the future. The IRMP sets out the ways in which the Authority will deal with local risks and challenges. The Authority published its 2013/16 IRMP in June 2013 and a 2015/17 IRMP Supplement on 26th February 2015 that updated stakeholders on the progress made against the 2013/16 objectives and how the Authority intended to deal with any future challenges brought about as a consequence of continuing reductions in Government financial support for the Authority. The Supplementary IRMP reaffirmed the Authority's commitment to minimise the impact of any service cuts on the people of Merseyside and how the service would continue to keep the safety of the public and the effectiveness of firefighters as our priority. The IRMP can be found on the Authority's website at http://mfra.merseyfire.gov.uk/ieListDocuments.aspx?CId=158&MId=564&Ver=4

Mission & Aims

The Authority's Mission and Aims are outlined below. The approved 2015/16 financial plan prioritised the allocation of resources to reflect the priorities in the Mission and IRMP.

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.

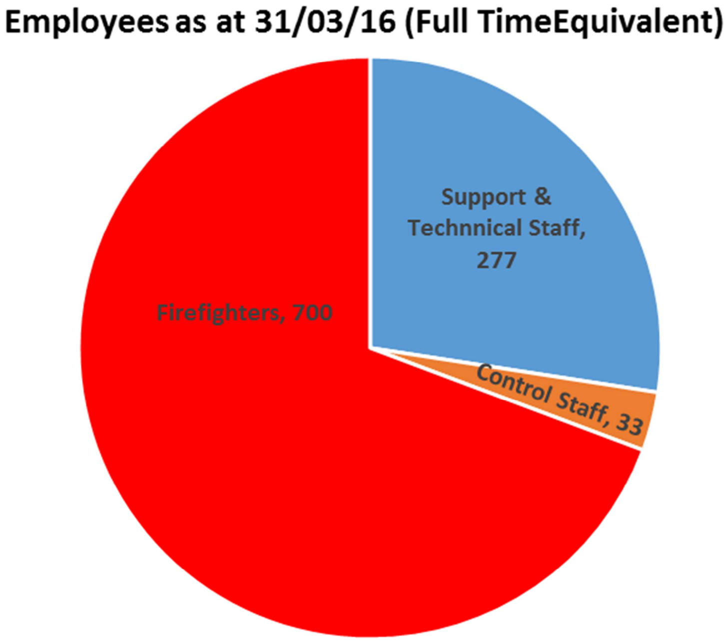
Excellent Operational Response
To maintain an excellent emergency response to meet risk across Merseyside with safety and effectiveness at its core.

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.

Staffing, Fire Appliances & Fire Stations

The Authority employed circa 1,000 Full Time Equivalents at the end of March 2016 to deliver its services. Most of the staff are involved in front line service delivery (Firefighters, Marine Rescue and Community Prevention work).



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

Ten years ago the Authority employed over 1,200 firefighters. At the end of 2015/16 the number was 700, a 42% reduction. Support and technical staff have reduced from 425 to 277 Full Time Equivalents since 2010/11, and some of these staff fulfilled important fire preventative work with the Merseyside community.

In 2015/16 the Authority had 28 fire appliances available, 24 wholetime and 4 wholetime retained (crewed on a 30 minute recall). Ten years ago it had 42 (24 hour crewed on immediate response).

The planned closure or merger of fire stations will reduce the number of fire stations from 26 to 22 once the programme has been fully implemented. Following the closure of Allerton community fire station the Authority had 25 community fire stations with a variety of duty systems at the end of 2015/16. These stations act as hubs for providing services to our communities. In addition to the community fire stations the Authority has a Water Rescue station, a Training and Development Academy, a headquarters and an operational workshop.

The above reductions reflect year-on-year cuts in Government grant support over the period. Further reductions in firefighters, fire appliances and stations are planned following the announcement by the Government of the indicative grant settlements for the Authority up to and including 2019/20.

The Authority 2015/16 Non-Financial Performance

The Authority monitors its performance and deliver of its objectives through a comprehensive performance management framework. The IRMP and other service projects are incorporated into one document – the Service Delivery Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Performance and Scrutiny Committee and the Strategic Management Group. 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 the progress achieved and matters to be addressed. Copies of the Service Delivery Plan can be found on the Authority's website. The 2015/16 Authority's performance against the key performance indicators (PI) is summarised in the table below:

	KPI	Narrative	Performance 2014/15	Target 2015/16	Performance 2015/16	Status
Total Fires Attended	61	The total number of fires in Merseyside	6871	6580	7171	
	66	Number of primary fires attended	2503	2434	2618	
Dwelling Fires	44	Number of accidental fires in dwellings	1050	1082	1086	
	45	Number of fatalities from accidental dwelling fires	10	8	16	
	46	Number of injuries from accidental dwelling fires	121	118	112	
	48	Number of deliberate dwelling fires in occupied properties	163	169	171	
	48a	Number of deliberate dwelling fires in unoccupied properties	44	52	48	
	49	Number of deaths occurring in deliberate dwelling fires	2	1	0	
	50	Number of injuries occurring in deliberate dwelling fires	14	26	17	
	47	Percentage of accidental dwelling fires confined to room of origin	92.5%	92%	93.4%	
	137	Attendance Standard – the first attendance of an appliance at all life risk incidents in 10 minutes	96.2%	90%	95.9%	
Non Domestic Property	19	Number of deliberate fires in non-domestic premises	93	84	92	
	19a	Number of accidental fires in non-domestic premises	218	223	206	
Anti-Social Behaviour	61a	Number of deliberate vehicle fires	503	488	516	
	61b	Number of deliberate anti-social behaviour small fires	3917	4481	4035	
Road Traffic Collisions	36	Number of road traffic collisions (RTC) attended	580	541	550	
	40	Total number of injuries at road traffic collisions (RTC's) attended	454	442	364	
	42a	Number of fatalities at RTC's	11	8	7	

Within 10% of Target

Target Achieved
Performance 10% worse than last year

Key Performance Indicator 45 - Number of fatalities from accidental dwelling fires - Regrettably this indicator failed to meet the target set for 2015/16. Of the 16 fatalities 9 were over 65 years of age, 5 had a disability and 7 lived alone reinforcing the importance of intelligently targeting prevention work to those residents over 65 years of age or identified as vulnerable. The Authority continues to work closely with partners to ensure we deploy our resources effectively and efficiently.

The 2015/16 Revenue Budget and Financial Challenge

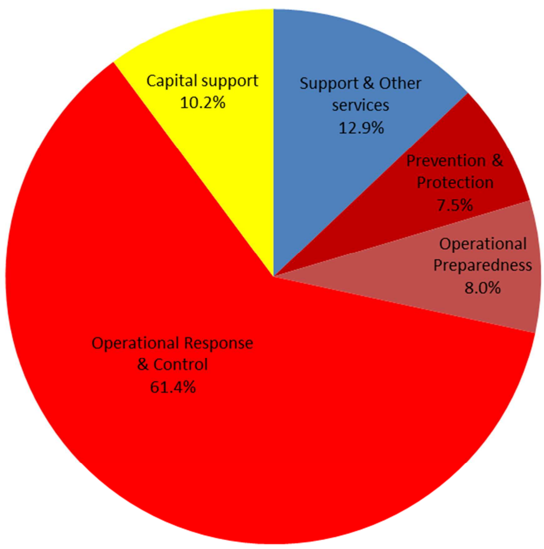
The Authority determines its budget requirement by assessing the service commitments that are financed through its General Fund. The General Fund is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council tax payers. The 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 faced an unprecedented financial challenge over the period 2011/12 – 2015/16 as the Government addressed the 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 announced in December 2012 further reductions in the Authority’s funding for 2013/14 and 2014/15 (indicative figure) 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. When the Government confirmed the grant reduction for 2014/15 and the cut for 2015/16 the Authority faced a further 10% (in real terms) cut to grant funding for 2015/16, requiring an additional £6.3m of savings. In total the Authority had to identify £25.6m of savings over the 2011/12 – 2015/16 period.

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. The Authority has made significant efficiency savings, cut management costs and reduced support services to minimise the impact on frontline services, however there has been an unavoidable reduction in frontline services.

The Authority set its General Fund budget for 2015/16 at £62.169m and the allocation of resources reflected the Authority’s approved mission and the fire risks facing Merseyside and in particular how the Authority would continue to keep the safety of the public and the effectiveness of firefighters as our priority. Approximately 70% of the budget is directly funding activities related to fire response or prevention work:

2015/16 Service Analysis



The Authority adopted a reserves strategy that maintained a General Reserve of £2.000m and Earmarked Reserves of £21.081m to cater for specific risks, projects and one-off initiatives and in particular to help it manage effectively the financial pressures. Authority's resources in response to the risks facing Merseyside

2015/16 Revenue Outturn Position

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

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

The cash savings required to balance the budget were delivered.

The approved General Fund budget remained constant throughout the year at £62.169 million. 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 £1.571m million by the year end after taking into account £0.791 million of year-end earmarked reserves required to cover expenditure re-phased from 2015/16 into future years:

Year-End Revenue Position

	FIRE SERVICE BUDGET	FIRE AUTHORITY BUDGET	TOTAL BUDGET	ACTUAL	VARIANCE	Year-End Earmarked Reserves	Post Earmarked Reserves VARIANCE
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Expenditure							
Employee Costs	47.584	0.406	47.990	47.294	-0.696	0.027	-0.669
Premises Costs	2.788	0.000	2.788	2.513	-0.275	0.054	-0.221
Transport Costs	1.528	0.000	1.528	1.338	-0.190	0.000	-0.190
Supplies and Services	3.724	0.067	3.791	3.053	-0.738	0.608	-0.130
Agency Services	5.645	0.000	5.645	5.626	-0.019	0.000	-0.019
Central Support Services	0.487	0.094	0.581	0.494	-0.087	0.000	-0.087
Capital Financing	7.174	0.000	7.174	6.922	-0.252	0.000	-0.252
Income	-7.027	0.000	-7.027	-7.132	-0.105	0.102	-0.003
Net Expenditure	61.903	0.567	62.470	60.108	-2.362	**0.791**	**-1.571**
Contingency Pay&Prices	0.169		0.169	0.000	-0.169	0.000	-0.169
Interest on Balances	-0.372		-0.372	-0.203	0.169	0.000	0.169
	61.700	0.567	62.267	59.905	-2.362	**0.791**	**-1.571**
Movement on Reserves	-0.098		-0.098	2.264	2.362		
Overall Financial Position	61.602	0.567	62.169	62.169	**0.000**		
Year-End Earmarked Reserves						**0.791**	
Increase in Capital Investment Res.							**1.571**
Year-End funded Reserves							**2.362**

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.

Before any year-end reserves savings of £2.362m were identified and the key areas of under spending were;

- Vacancy management within the employee establishment resulted in a saving of £0.7m
- Following a successful business rates appeal the Authority received a refund for previous years payments of £0.2m
- The lower than expected diesel prices and other reactive vehicle maintenance costs resulted in transport cost savings of £0.2m
- The management of supplies and services expenditure resulted in a saving of £0.7m
- By using internal cash on a temporary basis the Authority managed to delay any new loans and saved on loan interest payments of £0.3m
- Increased fees, charges, interest and secondment income of £0.1m
- 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 £104.057m for the year. The CIES is prepared on a different basis to the General Revenue Fund, the CIES shows the accounting cost in the year in accordance with the relevant generally accepted accounting principles, rather than the amount funded from taxation (General Fund). The CIES includes such expenses as depreciation and amounts to reflect pension costs which are not charged to council tax and are excluded from the General Fund statement. The CIES represents the amount by which the Authority's overall net worth has moved over the year as shown in the Balance Sheet.

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 2015/16 year-end position:	-
1 Net creation of Earmarked Reserves**	(2,263)
2 Asset valuation / charges and Capital Funding Adjustments	
Revaluation losses	435
Charge for depreciation and impairment	4,733
Revaluation surplus Reversal	(151)
Impairment surplus Reversal	0
Surplus on revaluation of Fixed Assets	1,158
Other Operating Expenditure	10
Revenue expenditure funded from capital under statute (REFCUS)	733
Finance (interest on loans)	3,846
Capital Grants Income	(4,251)
3 Pension related adjustments	
Pension Costs calculated in accordance with IAS 19	14,717
Pension Contributions payable to pension fund	(7,825)
Pensions Interest Cost and expected return on pension assets	33,792
Non Distributable Costs (Pension Valuation Changes)	-
Reduction in value of the net defined pension liability	(140,160)
4 Other technical accounting adjustments	
Employee Compensated Absences Movement (leave/flexi c/fwd)	57
Council Tax Adjustment (accrual for under/over payments from collection fund)	76
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)	(2,040)
Remove Capital Financing – Debt Charges (Not reported in I&E Account)	(6,923)
Rounding adjustment	(1)

Total Comprehensive Income and Expenditure Statement	(104,057)

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 £4.733m reflects the notional consumption of assets during the year (a depreciation charge of £4.442m) and the reduction in the valuation of assets during the year (an impairment charge of £0.291m). A charge of £0.733m 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 £4.251m have been credited to the CIES in accordance with proper accounting practice.*

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 (£2.040m). The removal of capital financing charges relates to costs associated with; interest payments on loans of (£2.088m); the Minimum Revenue Provision of (£3.898m) (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA) of (£0.987m); and other costs totaling £0.050m (the saving associated with the early repayment of debt).*

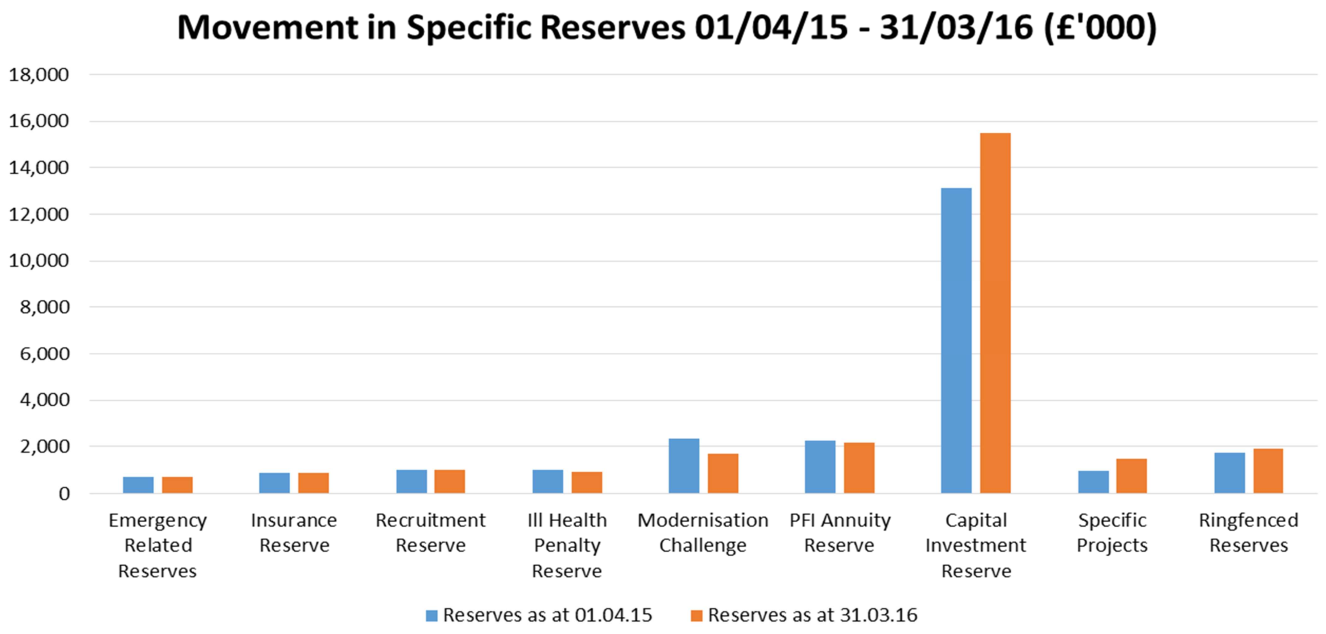
Whilst the CIES shows the true accounting position for the year, it is the General Fund position which more directly reflects the impact on Merseyside residents as it records only those expenses which statute allows to be charged against the Authority's annual budget, the amounts to be set aside as reserves and the amounts to be collected from local council tax payers.

Reserves

The Authority maintains a number of useable reserves, as detailed in the Balance Sheet and in Note 8 of the core financial statement explanatory notes. Note 8 also provides a comment of the purpose of each of the useable reserves. In general though, the Authority sets aside money in the form of useable reserves to fund future planned investment, to mitigate financial risks, and to smooth savings.

At the end of 2015/16 the Authority's earmarked reserves were £26.248m, a net increase of £2.263m on the value at the start of the year. This was as a consequence of the need at the year-end to increase specific earmarked reserves by £0.791m in order to carry forward 2015/16 funds into 2016/17 to meet projects now re-phased into 2016/17. In addition the £1.571m net underspend on the General Fund in 2015/16, after taking into account the year-end earmarked reserves (£0.791m), has been allocated to the Capital Investment Reserve to meet future investment needs. Net reserves of £0.100m were drawn down in the year to meet planned spend on specific projects. The Authority General Reserve has remained constant at £2.000m or 3% of the gross budget, and this provides a relatively small cushion to enable the Authority to cover the risk of unexpected events leading to significant unplanned expenditure.

The table below summarises the main types of earmarked reserves, most notable is the Capital Investment Reserve. Note that the Capital Investment Reserve will be drawn down in the coming years to fund fire station investment as the Authority merges stations, builds new stations and invests in its Training and Development Centre.



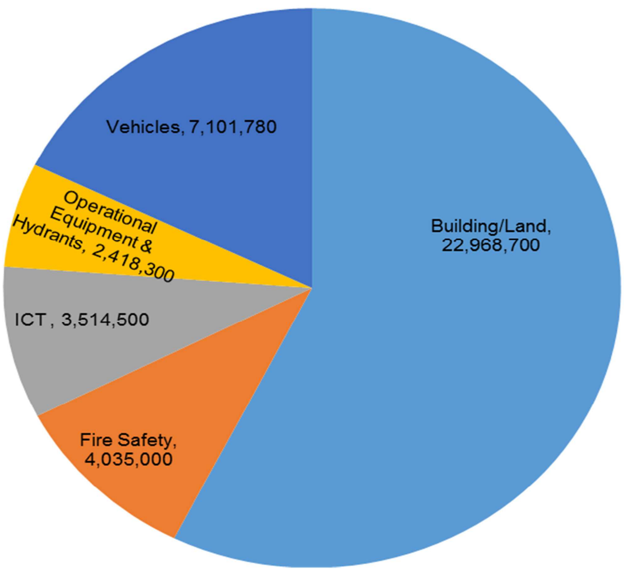
Capital Strategy and Capital Programme 2015/16 to 2019/20

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

The starting point for the programme is an assessment of the capital investment requirements for the Authority for future years based upon needs identified by the various expert professionals in areas like buildings, vehicles, ICT, and operational equipment. The Authority manages its capital investment plans through its asset management plans and capital programme.

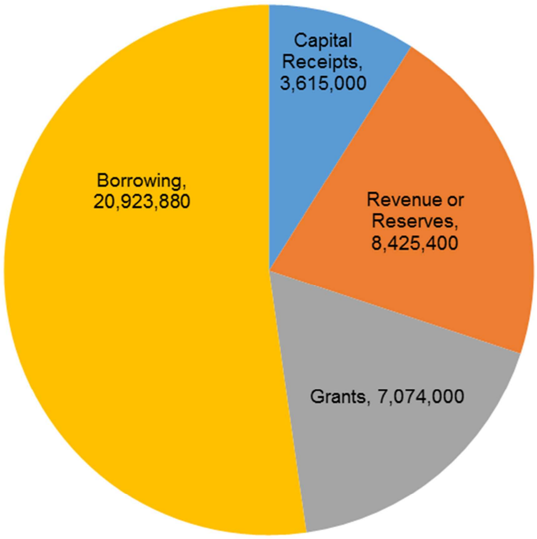
The chart below summarises the 2015/16 – 2019/20 capital budget of £40.004m over its planned investments which are mainly in the Authority's property, vehicles, fire safety (household smoke alarms) and ICT assets:

2015/16 – 2019/20 Planned Capital Investments (£'s)



This capital programme has a borrowing requirement of £20.924m million across the whole life of the plan. The proposed borrowing is unsupported borrowing or prudential which means the Government no longer provides any revenue grant funding to meet the revenue costs associated with the borrowing. This means all borrowing is "prudential" and the Authority must determine if it can afford and sustain the servicing of the associated debt and revenue costs. Current and future debt servicing costs as a consequence of the proposed capital programme have been built into the Authority's financial plan and revenue budget and are therefore deemed as affordable and sustainable. The chart below breaks down how the capital programme is funded:

2015/16 – 2019/20 Planned Capital Investments – Funding (£'s)



The 2015/16 capital budget and final expenditure together with the various sources of funding are shown below:

Programme	Final Budget £000	Actual Expenditure £000	Re-Phased from 2015/16 into 2016/17 £000	Variance £000
Expenditure				
Building/Land	2,988	1,984	859	-145
Fire Safety	735	733	0	-2
ICT	1,119	802	316	-1
Operational Equip & Hydrants	686	447	228	-11
Vehicles	1,103	800	304	1
TOTAL	**6,631**	**4,766**	**1,707**	**-158**
Financing				
Capital Receipts	1065	430	625	-10
Revenue and Reserves	987	987	0	0
Grants	732	763	0	31
Unsupported Borrowing	3,847	2,586	1,082	-179
TOTAL	**6,631**	**4,766**	**1,707**	**-158**

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 development of plans and proposals for a new fire station at Prescot
- Installation of smoke alarms
- Upgrades and replacement of ICT software and hardware
- The purchase of new hydraulic rescue equipment
- The purchase of new appliances and specialist vehicles.

Treasury Management

The Authority's Treasury Management Strategy is reviewed annually as part of the budget approval process. The Strategy Statement sets out the Authority's policies and parameters to provide an approved framework within which Officers undertake the day to day capital and treasury activities. The key elements are:

•The Treasury Management Strategy 2015/16
•The External Debt and Treasury Management Prudential Indicators and Limits for 2015/16 to 2017/18
•The Investment Strategy 2015/16
•The Minimum Revenue Provision (MRP) Statement included in section D which sets out the Authority's policy on MRP.

The Treasury Management Strategy Statement sets out how the Authority's treasury service supports capital decisions, day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit required by S3 of the Local Government Act 2003 and is in accordance with the CIPFA (The Chartered Institute of Public Finance & Accountancy) Codes of Practice.

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

The Investment Strategy sets out the Authority's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the Department for Communities and Local Government (DCLG) Guidance on Local Government Investments updated in 2010. The Authority's minimum long term credit rating requirement is Fitch A- or equivalent.

The Authority's Minimum Revenue Provision (MRP) Statement, sets out how the Authority will pay for capital assets through revenue each year as required by Local Authorities (Capital Finance and Accounting) Regulations 2008.

Borrowing:

As already stated a large proportion of the capital programme is funded by borrowing. When undertaking borrowing, the Authority ensures that its plans are prudent and affordable in both the short and long term. The Authority adheres to CIPFA's Prudential Code and Treasury Management Guidelines and it determines before the start of each financial the limits for the next three years on:-

- overall level of external debt;
- operational boundary for debt;
- upper limits on fixed interest rate exposure;
- upper limits on variable rate exposure;
- limits on the maturity structure of debt;
- limits on investments for more than 364 days.

The Authority's borrowing with the Public Works Loan Board reduced from £42.1m at the start of the year to £41.1m at the end following the repayment of £1.0m of loans in the year. Interest paid during the year on existing long term borrowing totalled £2.1m.

Balance Sheet Financial Position at 31st March 2016

The net worth (total reserves) of the Authority is shown in the Balance Sheet. From the CIES it can be seen that the Authority's net worth has increased by £104.057m over the year, and as a consequence the current net liability on total reserves has reduced from (£1,001.522m) to (£897.465m). 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 £934.895m 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.

Future Financial Challenge and Corporate Risks 2016/17 – 2019/20

The Authority continues to face significant financial challenges over the next few years as the Government seeks to balance public spending as a whole. Between 2011/12 and 2015/16 the Authority had already identified savings of over £25m to meet the challenge from cuts in Government grants over that period. Following the announcement of the 2016/17 Local Government Finance Settlement the Authority faces a significant reduction in the level of government grant support in 2016/17 and in each year up to and including 2019/20. The reduction in Government support over this period has meant the Authority faces at least an £11.0m financial challenge, assuming all budget assumptions remain valid. The Authority approved a financial plan to meet this challenge at the Budget meeting on 26th February 2016.

The Authority has planned prudently to minimise the impact on frontline services and has made significant efficiency savings, cut management costs and reduced support services. However, as a direct consequence of the scale of Government cuts to date there has been an inevitable impact on frontline services. Already the Authority has seen the number of fire appliances in Merseyside reduce from 42 to only 24 plus 4 retained pumps, which equates to 33% overall reduction in appliance availability since 2010. In addition the number of Firefighters has fallen from over 1,200 firefighter to 700, a 42% reduction in firefighters over the same period. Following the closure of Allerton community fire station the Authority has 25 community fire stations with a variety of duty systems. These stations act as hubs for providing services to our communities. As a consequence of Government grant cuts to date the Authority has approved plans to merge a number of the stations which will see the total reduce to 22 over the next year or two.

In order to deliver the £11.0m required savings by 2019/20 the Authority will need to further reduce the number of firefighters, appliances and fire stations. The Authority will consult with the Merseyside community on its plans to deliver the operational changes during 2016 and approve the required changes as part of the IRMP planning process. The Authority will need to ensure its control frameworks deliver the required efficiencies and improvements.

The IRMP and the Authority's financial plan recognise that it will take a number of years to deliver these front line savings and 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 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 any station merger and operational response rationalisation investment in order to minimise any borrowing costs.

The future governance arrangements of the Merseyside Fire and Rescue Service is currently being considered by the Authority. On 10th February 2016 the Police and Crime Bill was introduced to the House of Commons. The Bill places a statutory duty on the three emergency services (Ambulance, Fire and Police) to keep collaboration opportunities under review and to collaborate where this would improve efficiency and effectiveness. The Authority is currently in discussions with Merseyside Police and North West Ambulance Service on developing opportunities for greater collaboration. As part of the discussions the Authority and the Merseyside Police Crime Commissioner are evaluating possible governance arrangements. The Police and Crime Bill includes two different models for a Police and Crime Commissioner, where a case is made to take on responsibility for fire and rescue services; the ‘governance model’ and the ‘single employer’ model. Where the Police and Crime Commissioner does not take on responsibility for fire and rescue services but wishes to enhance collaboration opportunities the Bill enables them to seek representation on the Fire and Rescue Authority (FRA) under the ‘representation’ model.

In addition under the Cities and Local Government Devolution Act (2016), in November 2015, the Government agreed to devolve a range of powers and responsibility to the Liverpool City Region Combined Authority. The model includes a directly elected City Region Mayor over the Combined Authority Area, with first elections taking place in May 2017. This may see the Merseyside Police and Crime Commissioner and Fire and Rescue Authority responsibilities at some future point transferring to the Liverpool City Region Mayor.

Over the coming year the Authority will work with the Merseyside Police, the Office of the Police and Crime Commissioner and the Liverpool City Region Mayor to establish the future governance arrangement for Merseyside Fire and Rescue Service.

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 2016 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 2015/16 Code has built upon the changes introduced by IFRS and has made some small changes to accounting policies and disclosure requirements none of which are of any significance or have any material impact.

FURTHER INFORMATION

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The Financial Statements

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.

	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 2014		**(2,894)**	**(23,317)**	**(1,585)**	**(27,796)**	**971,241**	**943,445**
Movement in reserves during 2014/15							
(Surplus) or deficit on provision of services		43,754	-	-	**43,754**	-	**43,754**
Other Comprehensive Income and Expenditure		-	-	-	**-**	14,323	**14,323**
Total Comprehensive Income and Expenditure		**43,754**	**-**	**-**	**43,754**	**14,323**	**58,077**
Adjustments between accounting basis & funding basis under regulations	7	(43,528)	-	(185)	**(43,713)**	43,713	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**226**	**-**	**(185)**	**41**	**58,036**	**58,077**
Transfers (to)/from Earmarked Reserves	8	668	(668)	**-**	**-**	-	**-**
Increase/Decrease in 2014/15		**894**	**(668)**	**(185)**	**41**	**58,036**	**58,077**
Balance at 31 March 2015 carried forward		**(2,000)**	**(23,985)**	**(1,770)**	**(27,755)**	**1,029,277**	**1,001,522**

	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 2015		**(2,000)**	**(23,985)**	**(1,770)**	**(27,755)**	**1,029,277**	**1,001,522**
Movement in reserves during 2015/16							
(Surplus) or deficit on provision of services		34,945	-	-	**34,945**	-	**34,945**
Other Comprehensive Income and Expenditure		-	-	-	**-**	(139,002)	**(139,002)**
Total Comprehensive Income and Expenditure		**34,945**	**-**	**-**	**34,945**	**(139,002)**	**(104,057)**
Adjustments between accounting basis & funding basis under regulations	7	(37,208)	-	(4,039)	**(41,247)**	41,247	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(2,263)**	**-**	**(4,039)**	**(6,302)**	**(97,755)**	**(104,057)**
Transfers (to)/from Earmarked Reserves	8	2,263	(2,263)	**-**	**-**	-	**-**

	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**
Increase/Decrease in 2015/16		**-**	**(2,263)**	**(4,039)**	**(6,302)**	**(97,755)**	**(104,057)**
Balance at 31 March 2016 carried forward		**(2,000)**	**(26,248)**	**(5,809)**	**(34,057)**	**931,522**	**897,465**

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.

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		Notes	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000
8,534	(732)	7,802	Community Fire Safety		8,379	(774)	7,605
59,236	(6,517)	52,719	Firefighting and Rescue Operations		61,613	(6,358)	55,255
932	-	932	Corporate and Democratic Core		974	-	974
-	-	-	Non-Distributed Costs	40	10	-	10
68,702	**(7,249)**	**61,453**	**Cost Of Services**		**70,976**	**(7,132)**	**63,844**
6	-	6	Other Operating Expenditure	9	10	-	10
48,471	(2,713)	45,758	Financing and Investment Income and Expenditure	10	39,649	(2,214)	37,435
-	(63,463)	(63,463)	Taxation and Non-Specific Grant Income	11	-	(66,344)	(66,344)
		43,754	**(Surplus) or Deficit on Provision of Services**				**34,945**
		(6,314)	(Surplus) or deficit on revaluation of fixed assets				1,158
		20,637	Remeasurement of the Net Defined Benefit Liability				(140,160)
		14,323	**Other Comprehensive Income and Expenditure**				**(139,002)**
		58,077	**Total Comprehensive Income and Expenditure**				**(104,057)**

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 2015 £000		Notes	31 March 2016 £000
74,482	Property, Plant & Equipment	12	71,400
179	Intangible Assets	13	169
-	Assets Held for Sale	18	-
-	Long Term Investments	14	-
-	Long Term Debtors	14	-
74,661	**Long Term Assets**		**71,569**
-	Current Intangible Assets		-
13,041	Short Term Investments	14	14,058
440	Assets Held for Sale	18	400
466	Inventories	15	461
3,416	Short Term Debtors	16	5,247
10,400	Cash and Cash Equivalents	14 & 17	15,526
27,763	**Current Assets**		**35,692**
(1,743)	Short Term Borrowing	14	(2,760)
(5,953)	Short Term Creditors	19	(7,202)
(7,696)	**Current Liabilities**		**(9,962)**
(19,152)	Long Term Creditors	14	(18,845)
(1,221)	Provisions	20	(1,559)
(41,100)	Long Term Borrowing	14	(39,100)
(1,034,777)	Other Long Term Liabilities	14 & 40	(935,260)
(1,096,250)	**Long Term Liabilities**		**(994,764)**
(1,001,522)	**Net Assets**		**(897,465)**
27,755	Usable Reserves	21	34,057
(1,029,277)	Unusable Reserves	22	(931,522)
(1,001,522)	**Total Reserves**		**(897,465)**

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.

2014/15 £000		Notes	2015/16 £000
43,754	Net (surplus) or deficit on the provision of services		34,945
(48,653)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(46,634)
(4,641)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	1,065
(9,540)	**Net cash flows from Operating Activities**		**(10,624)**
6,746	Investing Activities	25	321
5,673	Financing Activities	26	5,177
2,879	**Net increase or decrease in cash and cash equivalents**		**(5,126)**
(13,279)	Cash and cash equivalents at the beginning of the reporting period		(10,400)
(10,400)	**Cash and cash equivalents at the end of the reporting period**	17	**(15,526)**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, 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.

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 at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Firefighters Pension Scheme for uniformed employees, administered by Your Pension Service (Your Pension Service, PO Box 100, County Hall, Preston, Lancashire, PR1 0LD).
- 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 3.6% (based on the indicative rate of return on high quality corporate bond).
- The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price

- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension's liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- 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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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 31st March 2016. 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. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly

- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. 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 2015/16 (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:

- 26 Community Fire Stations (plus 1 Marine Rescue Station) are measured on a Depreciated Replacement Cost basis as the property is classed as specialised with no readily made market available
- the balance of the property portfolio consisting of Headquarters, Training Academy, Fire Control Centre, Engineering Centre of Excellence and Houses are valued on 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 10 – 50 years
- Vehicles, plant and equipment – straight line allocation over the remaining useful life as estimated by a suitably qualified officer. Vehicles are depreciated over 5 – 20 years and plant and equipment is depreciated over 3 – 25 years
- Land – depreciation is not applied to land
- No residual value is accounted for
- 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.

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.

xxii. Local Taxation

Council Tax

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

NNDR

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced several changes in the accounting policies which will be required from 1st April 2016. The Code requires the disclosure of information relating to the expected impact of an accounting change required by a new standard that has been issued but not yet adopted. The following changes are not considered to have a significant impact on the 2015/16 Statement of Accounts:

- IAS 1 Presentation of Financial Statements (Disclosure Initiative). This will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in reserves Statement and the introduction of the new Expenditure and Funding Analysis. This will also result in changes to the format of the Pension Fund Account and the Net Assets Statement
- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRS's 2010 – 2012 cycle
- Amendments to IFRS Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 cycle.

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 is inevitable. This may lead to the closure of seven 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 as construction dates are confirmed in 2016-17.

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

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

The items in the Authority's Balance Sheet at 31st March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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 £120,000 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 £9.3m.
Arrears	At 31st March 2016, the Authority had a balance of sundry debtors of £706,000. A review of significant balances suggested that an impairment for doubtful debts of 1.3% (£9,500) 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 £9,500 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 £98,000 in the provision.

5. Material Items of Income and Expense

The following services have been outsourced to an external provider.

	2015/16 £000	2014/15 £000
IT & Communications	1,884	1,885
Estates	792	-

6. Events after the Balance Sheet Date

There are no events after the balance sheet date to be reported.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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 2015/16

2015/16	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	(4,553)			4,553
Revaluation losses on Property Plant and Equipment	(284)			284
Amortisation of intangible assets	(179)			179
Capital grants and contributions applied	4,251		(4,039)	(212)
Income in relation to donated assets	-			-
Revenue expenditure funded from capital under statute	(733)			733
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	(440)			440
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	4,180			(4,180)
Capital expenditure charged against the General Fund	987			(987)
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	430	(430)		-
Use of the Capital Receipts Reserve to finance new capital expenditure		430		(430)
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	(50)			50
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)**	(48,509)			48,509
Employer's pensions contributions and direct payments to pensioners payable in the year	7,825			(7,825)
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	(76)			76
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	(57)			57
Total Adjustments	**(37,208)**	**-**	**(4,039)**	**41,247**

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15

2014/15	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	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	(1,577)	-	-	1,577
Revaluation losses on Property Plant and Equipment	(141)	-	-	141
Amortisation of intangible assets	(170)	-	-	170
Capital grants and contributions applied	(1,245)	-	(185)	1,430
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	(791)	-	-	791
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	(250)	-	-	250
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	3,434	-	-	(3,434)
Capital expenditure charged against the General Fund	2,363	-	-	(2,363)
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	244	(244)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	244	-	(244)
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)**	(56,673)	-	-	56,673
Employer's pensions contributions and direct payments to pensioners payable in the year	11,057	-	-	(11,057)
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	350	-	-	(350)
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	(76)	-	-	76
Total Adjustments	**(43,528)**	**-**	**(185)**	**43,713**

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 2015/16.

	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
Emergency Related Reserves:							
Bellwin Reserve	**147**	-	-	**147**	-	-	**147**
Insurance Reserve	**370**	-	500	**870**	-	-	**870**
Emergency Planning Reserve	**75**	-	-	**75**	-	-	**75**
Catastrophe Reserve	**1,000**	(500)	-	**500**	-	-	**500**
Modernisation Challenge:							
Smoothing Reserve	**6,750**	(5,055)	-	**1,695**	(372)	-	**1,323**
Severance Reserve	**721**	(100)	-	**621**	(256)	-	**365**
Pensions Reserve	**908**	(248)	340	**1,000**	(100)	-	**900**
Recruitment Reserve	**1,000**	-	-	**1,000**	-	-	**1,000**
SMG Reserve	**100**	(100)	-	**-**	-	-	**-**
Capital Investment:							
Capital Investment Reserve	**4,277**	(1,847)	9,609	**12,039**	(655)	3,055	**14,439**
PFI Annuity Reserve	**2,251**	(2,122)	2,097	**2,226**	(2,151)	2,097	**2,172**
Equality/DDA Investment Reserve	**510**	(225)	-	**285**	-	-	**285**
Firefighter Safety Investment Reserve	**1,000**	(200)	-	**800**	(40)	-	**760**
Facing the Future Reserve	**800**	(800)	-	**-**	-	-	**-**
Specific Projects:							
Community Sponsorship Reserve	**13**	(13)	4	**4**	(4)	2	**2**
Equipment Reserve	**191**	(102)	133	**222**	(65)	265	**422**
Contestable Research Fund Reserve	**25**	-	-	**25**	-	-	**25**
Clothing Reserve	**-**	-	16	**16**	-	150	**166**
CFOA Road Safety Reserve	**-**	-	100	**100**	-	-	**100**
Fire Service Direct Reserve	**6**	(6)	-	**-**	-	-	**-**
Healthy Living / Olympic Legacy Reserve	**80**	(45)	73	**108**	(85)	11	**34**
Water Rescue Reserve	**5**	(5)	-	**-**	-	-	**-**
Training Reserve	**-**	-	-	**-**	-	230	**230**
Communications Reserve	**-**	-	-	**-**	-	17	**17**
Inflation:							
Inflation Reserve	**1,500**	(1,000)	-	**500**	-	-	**500**
Total	**21,729**	**(12,368)**	**12,872**	**22,233**	**(3,728)**	**5,827**	**24,332**
Ringfenced Reserves							
F.R.E.E Reserve	**44**	(3)	11	**52**	(1)	-	**51**
Princes Trust Reserve	**343**	(64)	89	**368**	-	-	**368**
Community Youth Team Reserve	**58**	(5)	5	**58**	-	-	**58**
Beacon Peer Project Reserve	**62**	(12)	12	**62**	-	-	**62**
Innovation Fund Reserve	**170**	(10)	11	**171**	(5)	7	**173**
Regional Control Reserve	**18**	(18)	-	**-**	-	-	**-**
Energy Reserve	**85**	(75)	74	**84**	-	72	**156**
St Helen's District Reserve	**15**	(9)	4	**10**	(4)	4	**10**
New Dimensions Reserve	**793**	-	154	**947**	-	91	**1,038**
Total	**1,588**	**(196)**	**360**	**1,752**	**(10)**	**174**	**1,916**
Total Earmarked Reserves	**23,317**	**(12,564)**	**13,232**	**23,985**	**(3,738)**	**6,001**	**26,248**

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.

Pensions Reserve

This reserve was created to contribute towards the cost of any ill health retirements the Authority may have. The Authority is required to contribute towards the pension costs when a firefighter retires on ill health over a three year period. Also due to recent changes in commutation factors for firefighters in terms of any backdated claims.

Recruitment Reserve

Over the next decade almost two thirds of firefighters are expected to retire. In addition, it takes almost a year to train a firefighter across the full range of competencies. In order to meet this challenge in a prudent and structured fashion a reserve of £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 and to provide a resource for future station merger 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 Investment 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.

Clothing Reserve

This reserve has been created for investment in Fire Clothing/Boots

CFOA Road Safety Reserve

This reserve has been created for investment in road safety initiatives

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.

Training Reserve

This reserve has been created to allow additional resources and training for the additional costs required for emergency services collaboration.

Communications Reserve

This reserve has been created to allow for increased investment in corporate communications.

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

2014/15 £000		2015/16 £000
6	(Gains)/losses on the disposal of non current assets	10
6	**Total**	**10**

10. Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
3,896	Interest payable and similar charges	3,846
44,575	Pensions interest cost	35,803
(2,460)	Expected return on pensions assets	(2,011)
(253)	Interest receivable and similar income	(203)
-	Other investment income	-
45,758	**Total**	**37,435**

11. Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
(24,190)	Council tax income	(25,429)
(3,974)	National non domestic rates (Local share)	(3,887)
-	National non domestic rates pool	-
(13,785)	National non domestic rates top up grant	(14,048)
(22,759)	Revenue support grant	(18,729)
1,245	Capital grants and contributions	(4,251)
(63,463)	**Total**	**(66,344)**

12. Property, Plant and Equipment Movements on Balances

Movements in 2015/16:

	Land & Buildings	Assets Under Construction	Vehicles & Equipment	Total Property, Plant and Equipment	PFI Assets Included in Property Plant and Equipment
Cost or Valuation					
At 1 April 2015	**63,115**	**345**	**22,265**	**85,725**	**18,825**
Additions	472	1,459	1,933	3,864	-
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,158)	-	-	(1,158)	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	151	-	-	151	-
Derecognition Disposals	(551)	-	-	(551)	-
Derecognition Other	-	-	(2,780)	(2,780)	-
Assets reclassified (to)/from Held for Sale	(835)	-	-	(835)	-
Other movements in Cost or Valuation	867	(1,158)	-	(291)	-
At 31 March 2016	**62,061**	**646**	**21,418**	**84,125**	**18,825**
Accumulated Depreciation and Impairment					
At 1 April 2015	**-**	**-**	**(11,243)**	**(11,243)**	**-**
Depreciation Charge	(2,033)	-	(2,229)	(4,262)	(475)
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	-	-	2,780	2,780	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-
At 31 March 2016	**(2,033)**	**-**	**(10,692)**	**(12,725)**	**(475)**
Net Book Value					
At 31 March 2016	**60,028**	**646**	**10,726**	**71,400**	**18,350**
At 31 March 2015	**63,115**	**345**	**11,022**	**74,482**	**18,825**
Nature of Asset Holding					
Owned	35,386	646	10,726	46,758	-
Finance Lease	6,292	-	-	6,292	-
PFI	18,350	-	-	18,350	18,350
Total	**60,028**	**646**	**10,726**	**71,400**	**18,350**

Property, Plant and Equipment Movements on Balances

Comparative Movements in 2014/15:

	Land & Buildings	Assets Under Construction	Vehicles & Equipment	Total Property, Plant and Equipment	PFI Assets Included in Property Plant and Equipment
Cost or Valuation					
At 1 April 2014	**57,434**	**6,467**	**20,866**	**84,767**	**20,927**
Additions	1,059	2,386	3,604	7,049	5
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,314	-	-	6,314	820
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,066	-	-	3,066	(1,682)
Derecognition Disposals	(4,800)	-	-	(4,800)	-
Derecognition Other	(6,588)	-	(2,323)	(8,911)	(1,240)
Assets reclassified (to)/from Held for Sale	(1,000)	-	-	(1,000)	-
Other movements in Cost or Valuation	7,630	(8,508)	118	(760)	(5)
At 31 March 2015	**63,115**	**345**	**22,265**	**85,725**	**18,825**
Accumulated Depreciation and Impairment					
At 1 April 2014	**(5,220)**	**-**	**(11,471)**	**(16,691)**	**(712)**
Depreciation Charge	(1,698)	-	(2,095)	(3,793)	(528)
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	6,588	-	2,323	8,911	1,240
Assets reclassified (to)/from Held for Sale	330	-	-	330	-
Other movements in Depreciation and Impairment	-	-	-	-	-
At 31 March 2015	**-**	**-**	**(11,243)**	**(11,243)**	**-**
Net Book Value					
At 31 March 2015	**63,115**	**345**	**11,022**	**74,482**	**18,825**
At 31 March 2014	**52,214**	**6,467**	**9,395**	**68,076**	**20,215**
Nature of Asset Holding					
Owned	37,870	345	11,022	49,237	-
Finance Lease	6,420	-		6,420	-
PFI	18,825	-	-	18,825	18,825
Total	**63,115**	**345**	**11,022**	**74,482**	**18,825**

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 10 – 50 years
- Vehicles, plant and equipment – straight line allocation over the remaining useful life as estimated by a suitably qualified officer. Vehicles are depreciated over 5 – 20 years and plant and equipment is depreciated over 3 – 25 years
- Land – depreciation is not applied to land
- No residual value is accounted for
- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

Depreciation / Impairment Reconciliation 2015/16

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

	I&E Account £000	MIRS Reversal £000	Fixed Assets £000	Intangible Assets £000	AHFS £000	Revaluation Reserve £000
Depreciation						
Fixed Assets	4,262	(4,262)	(4,262)	-	-	-
Intangible Assets	179	(179)	-	(179)	-	-
Total	**4,441**	**(4,441)**	**(4,262)**	**(179)**	**-**	**-**
Impairments						
Loss on Allerton Road Fire Station	435	(435)	-	-	(435)	-
General Impairments (L&B)	291	(291)	(291)	-	-	-
Revaluation Losses	-	-	-	-	-	-
Total	**726**	**(726)**	**(291)**	**-**	**(435)**	**-**
Reversal of Prior Year						
Impairments	-	-	-	-	-	-
Revaluation Losses	(151)	151	151	-	-	-
Total	**(151)**	**151**	**151**	**-**	**-**	**-**
Grand Total	**5,016**	**(5,016)**	**(4,402)**	**(179)**	**(435)**	**-**
Revaluation Gain	-	-	-	-	-	-
Reversal of PY Impairments	-	-	-	-	-	-
Reversal of PY Revaluation Gain	-	-	(1,158)	-	-	1,158
Net Gain	**-**	**-**	**(1,158)**	**-**	**-**	**1,158**

Capital Commitments

At 31st March 2016, 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 2016/17 and future years is £0.7m. Similar commitments at 31st March 2015 were £1.8m. The commitments can be analysed as follows:

• Building Schemes	£0.3m
• Equipment and ICT Schemes	£0.3m
• Vehicles	£0.1m
	£0.7m

Effects of Changes in Estimates

Allerton Road Fire Station was put up for sale and transferred to Assets Held for Sale in 2015/16. The asset has subsequently been sold in 2016-17 at the valuation currently held in assets held for sale (£400,000).

Revaluations

The Authority carries out a programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least 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 2015 and becomes effective as at 31/03/2015. 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 2015.

	Land and Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total £000
Carried at historical cost	-	646	21,418	**22,064**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2015	48,421	-	-	**48,421**
Values at fair value as at:				
31 March 2015	13,640	-	-	**13,640**
Total Cost or Valuation	**62,061**	**646**	**21,418**	**84,125**

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 last major purchase was in 2012/13 and this has a 3 year life.

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

	2015/16 Software Licenses £000	2014/15 Software Licenses £000
Balance at start of year:		
• Gross carrying amounts	519	509
• Accumulated amortisation	(340)	(169)
Net carrying amount at start of year	179	340
Additions:		
• Internal Development	-	-
• Purchases	169	10
• 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	(179)	(171)
Other changes	-	-
Net carrying amount at end of year	**169**	**179**
Comprising:		
Gross carrying amounts	688	519
Accumulated amortisation	(519)	(340)
Total	**169**	**179**

14. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	£000	£000	£000	£000
Investments				
Loans and receivables – Investments	-	-	14,058	13,041
– Cash & Bank	-	-	15,526	10,400
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	**-**	**-**	**29,584**	**23,441**
Debtors				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	-	-
Total included in Debtors	**-**	**-**	**-**	**-**
Borrowings				
Financial liabilities at amortised cost (PWLB)	(39,100)	(41,100)	(2,000)	(1,000)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	**(39,100)**	**(41,100)**	**(2,000)**	**(1,000)**
Other Long Term Liabilities				
Finance lease liabilities	-	-	-	-
PFI liabilities	(18,845)	(19,152)	(307)	(282)
Merseyside Residual Debt	(365)	(406)	(41)	(41)
Total other long term liabilities	**(19,210)**	**(19,558)**	**(348)**	**(323)**
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	-	-
PWLB interest carried at contract amount	-	-	(412)	(420)
Total creditors	**-**	**-**	**(412)**	**(420)**
Total borrowing	**(58,310)**	**(60,658)**	**(2,760)**	**(1,743)**

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:

	2015/16					2014/15				
	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	3,846	-	-	-	**3,846**	3,896	-	-	-	**3,896**
Losses on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Reductions in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Impairment losses	-	-	-	-	**-**	-	-	-	-	**-**
Fee expense	-	-	-	-	**-**	-	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**3,846**	**-**	**-**	**-**	**3,846**	**3,896**	**-**	**-**	**-**	**3,896**
Interest income	-	(203)	-	-	**(203)**	-	(253)	-	-	**(253)**
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	**-**	**(203)**	**-**	**-**	**(203)**	**-**	**(253)**	**-**	**-**	**(253)**
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	**3,846**	**(203)**	**-**	**-**	**3,643**	**3,896**	**(253)**	**-**	**-**	**3,643**

Fair Values of Assets and Liabilities

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

- actual ranges of interest rates at 31st March 2016 of 2.1% 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 2016		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & Long term loans	41,100	55,812	42,100	69,103

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 higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2016) arising from a commitment to pay interest to lenders above 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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	354	288	112	108	466	396
Purchases	358	458	699	799	1,057	1,257
Recognised as an expense in the year	(359)	(392)	(703)	(795)	(1,062)	(1,187)
Written off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**353**	**354**	**108**	**112**	**461**	**466**

16. Debtors

	31 March 2016 £000	31 March 2015 £000
Central Government bodies	202	343
Other local authorities	3,943	2,136
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,102	937
Total	**5,247**	**3,416**

17. Cash and Cash Equivalents

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

31 March 2015 £000		31 March 2016 £000
7	Cash held by the Authority	7
6,391	Bank current accounts	7,616
4,002	Short-term deposits with building societies	7,903
10,400	**Total Cash and Cash Equivalents**	**15,526**

The bank current account includes the pension fund debtor of £7.711m as at the 31st March 2016 and £6.798m as at the 31st March 2015. 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 £0.095m as at the 31st March 2016 and £0.407m as at 31st March 2015 before taking account of this debtor.

18. Assets Held for Sale

	Current		Non Current	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Balance outstanding at start of year	**440**	**250**	**-**	**-**
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	-	835	670
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	(435)	(230)
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(440)	(250)	-	-
Transfers from non current to current	400	440	(400)	(440)
Other movements	-	-	-	-
Balance outstanding at year-end	**400**	**440**	**-**	**-**

19. Creditors

	31 March 2016	31 March 2015
	£000	£000
Central Government bodies	(1,541)	(1,164)
Other local authorities	(3,217)	(1,688)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(2,444)	(3,101)
Total	**(7,202)**	**(5,953)**

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

20. Provisions

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Business Rates Appeals £000	Total £000
Balance at 1 April 2015	**-**	**(1,221)**	**(460)**	**(1,681)**
Additional provisions made in 2015/16	-	(343)	(115)	(458)
Amounts used in 2015/16	-	580	-	580
Unused amounts reversed in 2015/16	-	-	-	-
Unwinding of discounting in 2015/16	-	-	-	-
Balance at 31 March 2016	**-**	**(984)**	**(575)**	**(1,559)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31st March 2016. They relate to personal injuries sustained where the Authority is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Authority will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled in future years but no precise date can be estimated. The Authority will only be reimbursed by the insurers for claims above £0.5m.

Business Rates Appeals

This relates to Merseyside Fire service's share of appeals at 31st March 2016 from the five precepting authorities.

21. Usable Reserves

31 March 2015 £000		31 March 2016 £000
-	Usable Capital Receipts Reserve	-
1,770	Usable Capital Grants Unapplied	5,809
2,000	General Fund Balance	2,000
23,985	Earmarked Reserves **(Note 8)**	26,248
27,755	**Total Usable Reserves**	**34,057**

22. Unusable Reserves

31 March 2015 £000		31 March 2016 £000
11,897	Revaluation Reserve	10,123
(6,507)	Capital Adjustment Account	(6,270)
130	Financial Instruments Adjustment Account	79
(1,034,371)	Pensions Reserve	(934,895)
786	Collection Fund Adjustment Account	710
(1,212)	Accumulating Compensated Absences Adjustment Account	(1,269)
(1,029,277)	**Total Unusable Reserves**	**(931,522)**

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.

2014/15 £000		2015/16 £000	
6,123	**Balance at 1 April**		**11,897**
12,889	Upward revaluation of assets	-	
(6,575)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,158)	
6,314	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(1,158)
(395)	Difference between fair value depreciation and historical cost depreciation	(567)	
(145)	Accumulated gains on assets sold or scrapped	(49)	
(540)	Amount written off to the Capital Adjustment Account		(616)
11,897	**Balance at 31 March**		**10,123**

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 2016.

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.

2014/15 £000			2015/16 £000
(8,728)	**Balance at 1 April**		**(6,507)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,577)	• Charges for depreciation and impairment of non current assets	(4,553)	
(141)	• Revaluation losses on Property, Plant and Equipment	(284)	
(170)	• Amortisation of intangible assets	(179)	
(791)	• Revenue expenditure funded from capital under statute	(733)	
(250)	• 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	(440)	
(2,929)			(6,189)
539	Adjusting amounts written out of the Revaluation Reserve		617
(2,390)	Net written out amount of the cost of non current assets consumed in the year		(5,572)
	Capital financing applied in the year:		
244	• Use of the Capital Receipts Reserve to finance new capital expenditure	430	
-	• Use of the Major Repairs Reserve to finance new capital expenditure	-	
(1,245)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	80	
(185)	• Application of grants to capital financing from the Capital Grants Unapplied Account	132	
3,434	• Statutory provision for the financing of capital investment charged against the General Fund	4,180	
2,363	• Capital expenditure charged against the General Fund	987	
4,611			5,809
-	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		-
(6,507)	**Balance at 31 March**		**(6,270)**

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 2016 will be charged to the General Fund over the next 3 years.

2014/15 £000		2015/16 £000	
182	**Balance at 1 April**		**130**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
(52)	Proportion of discounts received in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(51)	
(52)	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		(51)
130	**Balance at 31 March**		**79**

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.

2014/15 £000		2015/16 £000
(968,118)	Balance at 1 April	(1,034,371)
(20,637)	Remeasurements of the net defined benefit liability/(asset)	140,160
(56,673)	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	(48,509)
11,057	Employer's pensions contributions and direct payments to pensioners payable in the year	7,825
(1,034,371)	**Balance at 31 March**	**(934,895)**

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.

2014/15 £000		2015/16 £000
436	Balance at 1 April	786
350	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	(76)
786	**Balance at 31 March**	**710**

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.

2014/15 £000			2015/16 £000
(1,136)	Balance at 1 April		(1,212)
492	Settlement or cancellation of accrual made at the end of the preceding year	621	
(568)	Amounts accrued at the end of the current year	(678)	
(76)	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		(57)
(1,212)	**Balance at 31 March**		**(1,269)**

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

2014/15 £000		2015/16 £000
(1,577)	Depreciation and impairment of non-current assets	(4,553)
(141)	Revaluation losses on property plant and equipment	(284)
(170)	Amortisation of intangible assets	(179)
(791)	Revenue expenditure treated as capital under statute	(733)
-	Movement in the Donated Assets Account	-
(45,616)	Movement in Pension Liability	(40,684)
(250)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognized	(440)
(56)	(Increase)/Decrease in Creditors	(1,248)
51	Increase/(Decrease) in Debtors	1,255
70	Increase/(Decrease) in Stocks	(5)
(173)	(Increase)/Decrease in Provisions	237
(48,653)		**(46,634)**

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

2014/15 £000		2015/16 £000
253	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	203
247	Proceeds from the sales of property plant and equipment, investment property and intangible assets	457
(3,896)	Loan interest	(3,846)
(1,245)	Capital grants	4,251
(4,641)		**1,065**

25. Cash Flow Statement – Investing Activities

2014/15 £000		2015/16 £000
7,850	Purchase of property, plant and equipment, investment property and intangible assets	4,766
3,000	Purchase of short-term and long-term investments	1,000
-	Other payments for investing activities	-
(247)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(457)
-	Proceeds from short-term and long-term investments	-
(3,857)	Other receipts from investing activities	(4,988)
6,746	**Net cash flows from investing activities**	**321**

26. Cash Flow Statement – Financing Activities

2014/15 £000		2015/16 £000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
250	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	282
1,516	Repayments of short term and long term borrowing	1,041
3,907	Other payments for financing activities	3,854
5,673	**Net cash flows from financing activities**	**5,177**

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 2015/16	**Fire Service £000**	**Corporate Management £000**	**Total £000**
Fees, charges & other service income	(3,234)	-	**(3,234)**
Grants and Contributions	(3,898)	-	**(3,898)**
Total Income	**(7,132)**	**-**	**(7,132)**
Employee Costs	46,898	317	**47,215**
Premises Costs	2,513	-	**2,513**
Transport Costs	1,338	-	**1,338**
Supplies & Services	3,039	93	**3,132**
Agency Services	5,626	-	**5,626**
Central Support Services	413	81	**494**
Capital Financing – Debt Charges / MRP	6,922	-	**6,922**
Total Expenditure	**66,749**	**491**	**67,240**
Net Expenditure	**59,617**	**491**	**60,108**

Services Income and Expenditure 2014/15	**Fire Service £000**	**Corporate Management £000**	**Total £000**
Fees, charges & other service income	(3,436)	-	**(3,436)**
Grants and Contributions	(3,813)	-	**(3,813)**
Total Income	**(7,249)**	**-**	**(7,249)**
Employee Costs	51,037	308	**51,345**
Premises Costs	3,054	-	**3,054**
Transport Costs	1,484	-	**1,484**
Supplies & Services	3,383	94	**3,477**
Agency Services	4,680	-	**4,680**
Central Support Services	345	83	**428**
Capital Financing – Debt Charges / MRP	7,617	-	**7,617**
Total Expenditure	**71,600**	**485**	**72,085**

Net Expenditure	**64,351**	**485**	**64,836**

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.

2014/15 £000		2015/16 £000
64,836	Net expenditure in the Service Analysis	60,108
17,313	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in Analysis	20,523
(20,696)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(16,787)
61,453	**Cost of Services in Comprehensive Income and Expenditure Statement**	**63,844**

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.

2015/16	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	(3,234)	-	-	-	**(3,234)**	-	**(3,234)**
Grants and Contributions	(3,898)	-	-	-	**(3,898)**	(37,028)	**(40,926)**
Interest and investment income	-	-	-	-	**-**	(203)	**(203)**
Income from council tax	-	-	-	-	**-**	(29,316)	**(29,316)**
Non Distributable Costs	-	-	-	-	**-**	-	**-**
Total Income	**(7,132)**	**-**	**-**	**-**	**(7,132)**	**(66,547)**	**(73,679)**
Employee Costs	47,215	57	(7,825)	-	**39,447**	-	**39,447**
Premises Costs	2,513	-	-	-	**2,513**	-	**2,513**
Transport Costs	1,338	-	-	-	**1,338**	-	**1,338**
Supplies & Services	3,132	-	-	-	**3,132**	-	**3,132**
Agency Services	5,626	-	(2,040)	-	**3,586**	-	**3,586**
Central Support Services	494	-	-	-	**494**	-	**494**
Capital Financing – Debt Charges / MRP	6,922	-	(6,922)	-	**-**	3,846	**3,846**
Depreciation, impairments and revaluation losses	-	5,016	-	-	**5,016**	-	**5,016**
Revenue Expenditure Funded through Capital under Statute	-	733	-	-	**733**	-	**733**
Pension Costs calculated in accordance with IAS 19	-	14,707	-	-	**14,707**	33,792	**48,499**
Net Pension Interest Costs FRS17	-	-	-	-	**-**	-	**-**
Non Distributable Costs	-	10	-	-	**10**	-	**10**
Other Operating Expenses	-	-	-	-	**-**	-	**-**
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	**-**	10	**10**
Total Expenditure	**67,240**	**20,523**	**(16,787)**	**-**	**70,976**	**37,648**	**108,624**
Surplus or deficit on the provision of services	**60,108**	**20,523**	**(16,787)**	**-**	**63,844**	**(28,899)**	**34,945**

2014/15	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	(3,436)	-	-	-	**(3,436)**	-	**(3,436)**
Grants and Contributions	(3,813)	-	-	-	**(3,813)**	(35,299)	**(39,112)**
Interest and investment income	-	-	-	-	**-**	(253)	**(253)**
Income from council tax	-	-	-	-	**-**	(28,164)	**(28,164)**
Non Distributable Costs	-	-	-	-	**-**	-	**-**
Total Income	**(7,249)**	**-**	**-**	**-**	**(7,249)**	**(63,716)**	**(70,965)**
Employee Costs	51,345	76	(11,058)	-	**40,363**	-	**40,363**
Premises Costs	3,054	-	-	-	**3,054**	-	**3,054**
Transport Costs	1,484	-	-	-	**1,484**	-	**1,484**
Supplies & Services	3,477	-	-	-	**3,477**	-	**3,477**
Agency Services	4,680	-	(2,021)	-	**2,659**	-	**2,659**
Central Support Services	428	-	-	-	**428**	-	**428**
Capital Financing – Debt Charges / MRP	7,617	-	(7,617)	-	**-**	3,896	**3,896**
Depreciation, impairments and revaluation losses	-	1,888	-	-	**1,888**	-	**1,888**
Revenue Expenditure Funded through Capital under Statute	-	791	-	-	**791**	-	**791**
Pension Costs calculated in accordance with IAS 19	-	14,558	-	-	**14,558**	42,115	**56,673**
Net Pension Interest Costs FRS17	-	-	-	-	**-**	-	**-**
Non Distributable Costs	-	-	-	-	**-**	-	**-**
Other Operating Expenses	-	-	-	-	**-**	-	**-**
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	**-**	6	**6**
Total Expenditure	**72,085**	**17,313**	**(20,696)**	**-**	**68,702**	**46,017**	**114,719**
Surplus or deficit on the provision of services	**64,836**	**17,313**	**(20,696)**	**-**	**61,453**	**(17,699)**	**43,754**

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:

	2015/16 £000	2014/15 £000
Allowances	224	225
Expenses	14	14
Total	**238**	**239**

30. Officers' Remuneration

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

		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Benefits in Kind (e.g. Car Allowance) £	Pension Contribution Note 3 £	Total
Chief Fire Officer – Dan Stephens	2015/16	170,000	-	-	-	913	32,420	203,333
	2014/15	170,000	-	-	-	1,431	31,055	202,486
Deputy Chief Fire Officer	2015/16	144,500	-	-	-	975	31,356	176,831
	2014/15	144,500	-	20	-	1,875	30,779	177,174
Deputy Chief Executive	2015/16	56,226	-	-	144,500	2,807	6,920	210,453
Note 1	2014/15	144,500	-	-	-	10,089	19,652	174,241
Area Manager 3rd Officer Operational Preparedness	2015/16	92,035	-	-	-	2,430	18,231	112,696
	2014/15	101,865	-	-	-	1,951	19,306	123,122
Area Manager 3rd Officer Operational Response	2015/16	92,035	-	-	-	925	13,090	106,050
	2014/15	102,633	-	-	-	1,335	19,269	123,237
Director of Legal, Procurement & Democratic Services	2015/16	91,499	-	-	-	35	12,231	103,765
	2014/15	90,849	-	-	-	48	12,201	103,098
Treasurer Note 2	2015/16	59,936	-	-	-	-	7,707	67,643

The Authority restructured the Management Team in August 2015 in order to deliver savings of £0.500m per annum. The executive team was reduced from three roles to just two Principal Fire Officers.

Note 1
The Deputy Chief Executive post was declared redundant on the 31st July as part of the Management Team restructure.

Note 2
The Treasurer post was appointed on the 1st August as part of the Management Team restructure.

Note 3
The employers pension scheme contribution rate varies between the different firefighter pension schemes and the local governments pension scheme.

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	2015/16 Number of employees	2014/15 Number of employees
£50,000 - £54,999	28	22
£55,000 - £59,999	15	16
£60,000 - £64,999	4	12
£65,000 - £69,999	9	6
£70,000 - £74,999	2	9
£75,000 - £79,999	1	4
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	1
£100,000 - £104,999	-	1
Total	**60**	**72**

Note a – In 2015/16 50 of the 60 staff receiving over £50,000 are firefighting staff (in 2014/15 this was 63 of the 72), who provide fire cover (many of whom are receiving additional payments for working extra time or working more flexibly and providing resilience).

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

Note c – In 2015/16 1 of the 64 staff and in 2014/15 1 of the 75 staff received a termination payment which resulted in the member of staff receiving more than £50,000 remuneration for the year.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The totals include pension strain and compromise agreement fees.

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Band		Total Cost of Exit Packages in Each Band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	-	-	3	1	3	1	30,630	10,088
£20,001 - £40,000	-	-	3	3	3	3	82,663	78,016
£40,001 - £60,000	-	-	-	1	-	1	-	45,350
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	1	-	1	-	144,920
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
Total	**-**	**-**	**6**	**6**	**6**	**6**	**113,293**	**278,374**

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:

	2015/16 £000	2014/15 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	32	43
Fees/(rebate) payable to/from the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	-	(4)
Fees payable in respect of other services by National Fraud Initiative during the year	-	-
Total	**32**	**39**

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non Specific Grant Income		
Council tax income/Local share non domestic rates	(29,316)	(28,164)
Non domestic rates	(14,048)	(13,785)
Non-ring fenced Government grants:		
Revenue Support Grant	(18,729)	(22,759)
Capital Grants and Contributions:		
General Capital Grant (Department for Communities and Local Government) (DCLG)	-	(2,129)
Breathing Apparatus Telemetry Units Grant (DCLG)	-	(92)
Merseyside Police Joint Control Room*	-	3,466
Fire Transformation Grant (DCLG)	(4,171)	-
Merger Grant Recovery Costs (North West Ambulance Service)	(80)	-
Total	**(66,344)**	**(63,463)**
Credited to Services		
New Dimensions Grant (Department for Communities and Local Government)	(899)	(1,001)
Fire Control Implementation Grant (Department for Communities and Local Government)	(246)	(244)
PFI Credits (Department for Communities and Local Government)	(2,097)	(2,097)
Other Grants (Department for Communities and Local Government)	(656)	(391)
Total	**(3,898)**	**(3,733)**

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

*This adjustment relates to the reversal of receipts received in previous years from Merseyside Police, for the building of the Joint Control Centre (JCC). This was originally treated as a capital grant as no formal agreement had been completed. During 2014-15 discussions and tests were concluded and a finance lease was agreed appropriate for the operation of JCC. This adjustment moves the contribution to the Finance Lease debtor shown in Note 35.

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.

2014/15		Related Party Transactions	2015/16	
Receipts	Payments		Receipts	Payments
		Central Government		
13,785	-	Redistributed National Non-Domestic Rates	14,048	-
22,759	-	Revenue Support Grant	18,729	-
2,035	-	Capital Grants	212	-
-	2,868	Employers National Insurance Contributions		2,781
		Local Authority Precept		
2,507	-	Knowsley	2,658	-
8,657	-	Liverpool	9,003	-
3,786	-	St. Helens	3,953	-
6,271	-	Sefton	6,465	-
6,943	-	Wirral	7,237	-
		Pensions		
-	3,717	Merseyside Superannuation Fund Employers Contributions	-	1,151
26,468	31,002	Pension Fund (DCLG)	32,662	38,083
		Other		
1,334	-	Merseyside Police Authority (MPA)	551	-

Central Government

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

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2015/16 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 2015/16, 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 2015/16.

Entities Controlled or Significantly Influenced by the Authority

Fire Support Network - (Name changed to Community Risk Intervention Service on the 1st April 2016)

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 and Rescue Service. 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 Service, and that those transactions should be consolidated into the Authority's financial accounts. The FSN did maintain an independent bank account in 2015/16 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 had 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.

Joint Control Centre

Merseyside Fire and Rescue and Merseyside Police Authorities had entered into a contract to develop and build a joint Merseyside Command and Control Centre. The proposed design solution included a new two-storey building extension attached to the rear of the current Fire Service Headquarters and a refurbishment of the existing area of the building. Work on the project started on the 8th April 2013 and the project was completed during 2014/15.

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.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	(69,710)	(71,272)
Capital Investment		
Property, Plant and Equipment	(3,864)	(7,049)
Investment Properties	-	-
Intangible Assets	(169)	(10)
Revenue Expenditure Funded from Capital under Statute	(733)	(791)
Sources of Finance		
Capital receipts	430	244
Government grants and other contributions	763	3,371
Sums set aside from revenue:		
• Direct revenue contributions	987	2,363
• [MRP/loans fund principal]	4,180	3,434
Closing Capital Financing Requirement	**(68,116)**	**(69,710)**
Explanation of movement in year		
Increase/(Decrease) in underlying need to borrowing (supported by Government financial assistance)	-	-
Increase/(Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	(1,594)	(1,562)
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase/(decrease) in Capital Financing Requirement	**(1,594)**	**(1,562)**

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 2016 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 2016 £000	31 March 2015 £000
Other Land and Buildings	6,292	6,420
Vehicles, Plant, Furniture and Equipment	-	-
Total	**6,292**	**6,420**

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 youth facility is currently in the process of being transferred to Liverpool Mutual Homes.

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 2016 £000	31 March 2015 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	-	-
Non-current	-	-
Finance Costs payable in future years	-	-
Total	**-**	**-**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Not later than one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total	**-**	**-**	**-**	**-**

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 2016 £000	31 March 2015 £000
Not later than one year	51	88
Later than one year and not later than five years	44	6
Later than five years	-	-
Total	**95**	**94**

Authority as Lessor

Finance Leases

The Authority in conjunction with Merseyside Police has built a Joint Command and Control Centre. The lease to the Police is for a period of 40 years. The Police have invested all capital monies up front to the value of their share of the asset and no residual value is anticipated for the property when the lease comes to an end. There is therefore no long term debtor for the lease as all the liabilities have been paid up front. The gross investment is made up of the following amounts:

	31 March 2016 £000	31 March 2015 £000
Finance lease debtor	-	-
Proportion of build costs	5,351	4,800
Paid	(5,351)	(4,800)
Total	**-**	**-**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Not later than one year	-	*(600)	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total	**-**	**(600)**	**-**	**-**

*This final payment relates to the final invoice and outstanding retentions at 31/03/2015.

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 Service. 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 2015	**1,025**	**17,800**	**18,825**
Revaluation losses	-	-	-
Depreciation/Impairment	-	(475)	(475)
Value at 31st March 2016	**1,025**	**17,325**	**18,350**

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 2015/16 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2016/17	647	307	1,743	2,697
Payable within 2 to 5 years	2,772	1,521	6,751	11,044
Payable within 6 to 10 years	3,943	2,769	7,723	14,435
Payable within 11 to 15 years	4,560	4,215	6,443	15,218
Payable within 16 to 20 years	5,283	6,449	4,371	16,103
Payable within 21 to 25 years	2,782	3,891	932	7,605
Payable within 26 to 30 years	-	-	-	-
Total	**19,987**	**19,152**	**27,963**	**67,102**
Paid in 2015/16	627	282	1,758	2,667
Grand Total	**20,614**	**19,434**	**29,721**	**69,769**

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 2016	31 March 2015

	£000	£000
Balance outstanding at start of year	(19,434)	(19,684)
Payments during the year	282	250
Capital expenditure incurred in the year	-	-
Other movements	-	-
Total	**(19,152)**	**(19,434)**

The PFI liability represents the outstanding long term liability to the contractor for capital expenditure. A fair value disclosure has not been provided for the PFI liability as the actual borrowing lies with the PFI provider and not the Authority. The fair value is defined as 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. There is no basis on which the Authority can exchange a financial liability held by a third party, as they are not directly a market participant.

37. Impairment Losses

The Authority incurred expenditure of £291,000 in 2015/16 and £760,000 in 2014/15 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. Revaluation losses in the year equated to £435,000 but reversal of prior year revaluation losses equated to £151,000. These disclosures are consolidated in Note 12 reconciling the movement in the year in Property Plant and Equipment.

38. Capitalisation of Borrowing Costs

The Authority has not capitalised any borrowing costs in 2015/16.

39. Termination Benefits

The Authority terminated the contracts of 6 employees in 2015/16, incurring liabilities of £278,000 (£113,000 in 2014/15) – 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 rescue 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

2014/15				2015/16		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
1,735	-	1,735	• current service cost	2,064	-	2,064
-	-	-	• past service costs	-	-	-
-	-	-	• settlements and curtailments	-	-	-
43	-	43	• administration expenses	43	-	43
			Financing and Investment Income and Expenditure			
717	38	755	• Net interest expense	852	30	882
2,495	**38**	**2,533**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**2,959**	**30**	**2,989**
			Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement			
			Remeasurement of the net defined benefit liability Comprising:			
(4,235)	-	(4,235)	• Return on scheme assets (excluding the amount included in the net interest expense)	1,640	-	1,640
-	-	-	• Actuarial gains and losses arising on changes in demographic assumptions	-	-	-
12,809	81	12,890	• Actuarial gains and losses arising on changes in financial assumptions	(5,166)	(31)	(5,197)
-	-	-	• Other experiences (gain)/loss on liabilities	-	-	-
11,069	**119**	**11,188**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**(567)**	**(1)**	**(568)**
			Movement in Reserves Statement			
(2,495)	(38)	(2,533)	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,959)	(30)	(2,989)
			Actual amount charged against the General Fund Balance for pensions in the year:			
3,813	-	3,813	• Employers' contributions payable to scheme	1,158	-	1,158
-	52	52	• Retirement benefits payable to pensioners	-	50	50

Firefighters Pension Scheme

2014/15 FPS 1992 £000	2014/15 Injury Awards £000	2014/15 FPS 2006 £000	2014/15 Total £000		2015/16 FPS 1992 £000	2015/16 Injury Awards £000	2015/16 FPS 2006 £000	2015/16 FPS 2015 £000	2015/16 Total £000
				Comprehensive Income and Expenditure Statement					
				Cost of Services					
11,560	450	770	12,780	• current service cost	9,470	510	10	2,610	12,600
-	-	-	-	• past service costs	-	10	-	-	10
-	-	-	-	• settlements and curtailments	-	-	-	-	-
				Financing and Investment Income and Expenditure					
38,590	2,440	330	41,360	• Net interest expense	31,360	1,190	300	60	32,910
50,150	**2,890**	**1,100**	**54,140**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**40,830**	**1,710**	**310**	**2,670**	**45,520**
				Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement					
				Remeasurement of the net defined benefit liability Comprising:					
(22,520)	-	412	(22,108)	• Return on scheme assets (excluding the amount included in the net interest expense)	(27,556)	-	5	1,868	(25,683)
(49,270)	(23,310)	(1,260)	(73,840)	• Actuarial gains and losses arising on changes in demographic assumptions	(14,010)	(440)	(110)	(40)	(14,600)
129,400	3,830	2,590	135,820	• Actuarial gains and losses arising on changes in financial assumptions	(68,800)	(1,180)	(2,190)	(260)	(72,430)
(26,530)	(930)	(430)	(27,890)	• Other experiences (gain)/loss on liabilities	(18,830)	(4,970)	200	(290)	(23,890)
81,230	**(17,520)**	**2,412**	**66,122**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**(88,366)**	**(4,880)**	**(1,785)**	**3,948**	**(91,083)**
				Movement in Reserves Statement					
(50,150)	(2,890)	(1,100)	(54,140)	• Reversal of net charges made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(40,830)	(1,710)	(310)	(2,670)	(45,520)
				Actual amount charged against the General Fund Balance for pensions in the year:					
5,200	-	212	5,412	• Employers' contributions payable to scheme	3,754	-	5	1,058	4,817
-	1,780	-	1,780	• Retirement benefits payable to pensioners	-	1,800	-	-	1,800

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a surplus of £140.160m and to the 31 March 2015 is a deficit of £20.637m.

- 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

2014/15				2015/16		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(87,596)	(938)	(88,534)	Present value of the defined benefit obligation	(85,635)	(887)	(86,522)
61,223	-	61,223	Fair value of scheme assets	60,987	-	60,987
(26,373)	(938)	(27,311)	***Net liability arising from defined benefit obligation***	(24,648)	(887)	(25,535)

Firefighters Pension Scheme

2014/15					2015/16				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
(961,050)	(36,810)	(9,200)	(1,007,060)	Present value of the defined benefit obligation	(868,930)	(30,130)	(7,410)	(2,890)	(909,360)
-	-	-	-	Fair value of scheme assets	-	-	-	-	-
(961,050)	(36,810)	(9,200)	(1,007,060)	***Net liability arising from defined benefit obligation***	(868,930)	(30,130)	(7,410)	(2,890)	(909,360)

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme

2014/15				2015/16		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
52,246	-	52,246	Opening fair value of scheme assets	61,223	-	61,223
2,460	-	2,460	Interest income	2,011	-	2,011
			Remeasurement gain/(loss):			
4,235	-	4,235	• Return on scheme assets (excluding the amount included in the net interest expense)	(1,640)	-	(1,640)
(43)	-	(43)	• Administration expenses	(43)	-	(43)
3,813	52	3,865	Contributions from employer	1,158	50	1,208
585	-	585	Contributions from employees into the scheme	578	-	578
(2,073)	(52)	(2,125)	Benefits paid	(2,300)	(50)	(2,350)
61,223	-	61,223	***Net liability arising from defined benefit obligation***	60,987	-	60,987

Firefighters Pension Scheme

2014/15					2015/16				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
-		-	-	Opening fair value of scheme assets	-	-	-	-	-
				Remeasurement gain/(loss):					
22,520	-	(412)	22,108	• Return on scheme assets (excluding the amount included in the net interest expense)	27,556	-	(5)	(1,868)	25,683
5,200	1,780	212	7,192	Contributions from employer	3,754	1,800	5	1,058	6,617
3,280	-	200	3,480	Contributions from employees into the scheme	2,370	-	-	880	3,250
(31,000)	(1,780)		(32,780)	Benefits paid	(33,680)	(1,800)	-	(70)	(35,550)
-	-	-	-	***Net liability arising from defined benefit obligation***	-	-	-	-	-

Return on scheme assets is effectively a balancing figure because we know that there is no opening or closing assets in the Firefighters Pension Scheme. Although this statement is not provided by the actuary it is required in order to prevent the top up grant going through the Comprehensive Income and Expenditure Account. The return on scheme assets is combined with the other return on assets for both schemes.

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

Local Government Pension Scheme

2014/15		2015/16

Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(71,363)	(871)	(72,234)	Opening balance at 1 April	(87,596)	(938)	(88,534)
(1,735)	-	(1,735)	Current service cost	(2,064)	-	(2,064)
(3,177)	(38)	(3,215)	Interest cost	(2,863)	(30)	(2,893)
(585)	-	(585)	Contributions by scheme participants	(578)	-	(578)
			Remeasurement (gains) and losses:			
-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	-	-	-
(12,809)	(81)	(12,890)	• Actuarial gains/losses arising from changes in financial assumptions	5,166	31	5,197
-	-	-	• Other experience gains and losses	-	-	-
-	-	-	Past service cost	-	-	-
-	-	-	Settlements and curtailments	-	-	-
2,073	52	2,125	Benefits paid	2,300	50	2,350
(87,596)	**(938)**	**(88,534)**	**Closing balance at 31 March**	**(85,635)**	**(887)**	**(86,522)**

Firefighters Pension Scheme

2014/15					2015/16				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
(885,020)	(56,110)	(7,000)	(948,130)	Opening balance at 1 April	(961,050)	(36,810)	(9,200)	-	(1,007,060)
(11,560)	(450)	(770)	(12,780)	Current service cost	(9,470)	(510)	(10)	(2,610)	(12,600)
(38,590)	(2,440)	(330)	(41,360)	Interest cost	(31,360)	(1,190)	(300)	(60)	(32,910)
(3,280)	-	(200)	(3,480)	Contributions by scheme participants	(2,370)	-	-	(880)	(3,250)
				Remeasurement (gains) and losses:					
49,270	23,310	1,260	73,840	• Actuarial gains/losses arising from changes in demographic assumptions	14,010	440	110	40	14,600
(129,400)	(3,830)	(2,590)	(135,820)	• Actuarial gains/losses arising from changes in financial assumptions	68,800	1,180	2,190	260	72,430
26,530	930	430	27,890	• Other experience gains and losses	18,830	4,970	(200)	290	23,890
-	-	-	-	Past service cost	-	(10)	-	-	(10)
-	-	-	-	Settlements and curtailments	-	-	-	-	-
31,000	1,780	-	32,780	Benefits paid	33,680	1,800	-	70	35,550
(961,050)	**(36,810)**	**(9,200)**	**(1,007,060)**	**Closing balance at 31 March**	**(868,930)**	**(30,130)**	**(7,410)**	**(2,890)**	**(909,360)**

Local Government Pension Scheme assets comprised:

2014/15				2015/16		
Quoted Prices in Active Markets	Quoted Prices not in Active	Total		Quoted Prices in Active Markets	Quoted Prices not in Active	Total

	Markets				Markets	
1,857	-	1,857	**Cash & Cash Equivalents**	2,096	-	2,096
			Equity Instruments:			
14,608	-	14,608	• UK	13,190	-	13,190
18,440	-	18,440	• Overseas	18,398	-	18,398
33,048	-	33,048	Sub-total equity instruments	31,588	-	31,588
			Bonds:			
1,586	-	1,586	• UK Corporate	1,477	-	1,477
3,061	-	3,061	• UK Government	2,798	-	2,798
5,975	-	5,975	• UK Index Linked	5,412	-	5,412
10,622	-	10,622	Sub-total bonds	9,687	-	9,687
			Property:			
-	3,428	3,428	• UK Direct Property	-	3,495	3,495
202	814	1,016	• UK Property Managed	250	968	1,218
-	612	612	• Overseas Property Managed	-	719	719
202	4,854	5,056	Sub-total property	250	5,182	5,432
			Private Equity:			
24	1,831	1,855	• UK	12	2,240	2,252
-	1,678	1,678	• Overseas	-	1,962	1,962
24	3,509	3,533	Sub-total private equity	12	4,202	4,214
			Other Investment Funds:			
153	331	484	• Hedge Funds UK	154	330	484
-	1,867	1,867	• Hedge Funds Overseas	-	1,647	1,647
-	857	857	• Infrastructure UK	-	1,225	1,225
165	508	673	• Infrastructure Overseas	246	786	1,032
1,120	1,255	2,375	• Opportunities UK	1,056	1,740	2,796
184	667	851	• Opportunities Overseas	82	704	786
1,622	5,485	7,107	Sub-total other investment funds	1,538	6,432	7,970
47,375	**13,848**	**61,223**	**Total assets**	**45,171**	**15,816**	**60,987**

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	
	2015/16	2014/15	2015/16	2014/15
Long-term expected rate of return on assets in the scheme:				
Equity Investments	-	6.5%	-	-
Government Bonds	-	2.2%	-	-
Other Bonds	-	2.9%	-	-
Property	-	5.9%	-	-
Cash Liquidity	-	0.5%	-	-
Other	-	N/A	-	-
Interest on Plan	3.6%	3.3%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	22.5	22.4	22.3	22.5
Women	25.4	25.3	22.3	22.5
Longevity at 65 for future pensioners:				
Men	24.9	24.8	24.6	24.8
Women	28.2	28.1	24.6	24.8
Rate of CPI inflation	2.0%	2.0%	2.2%	2.2%
Rate of increase in salaries	3.5%	3.5%	4.2%	4.2%
Rate of increase in pensions	2.0%	2.0%	2.2%	2.2%
Rate for discounting scheme liabilities	3.6%	3.3%	3.6%	3.3%
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)	1,669	(1,669)
Rate of inflation (increase or decrease by 0.1%)	1,699	(1,699)
Rate of increase in salaries (increase or decrease by 0.1%)	462	(462)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,666)	1,666

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 £1.208m contributions to the scheme in 2016/2017. This forecast excludes the £2,538m fixed payment element of the deficit paid in 2014/15 for the 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 was 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)	22,000	(22,000)
Rate of increase in salaries (increase or decrease by 0.1%)	800	(800)
Rate of increase in pensions (increase or decrease by 0.1%)	14,080	(14,080)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(16,580)	16,580

Impact on the Authority's Cash Flows

The Authority anticipates paying £4.770m contributions to the scheme in 2016/2017.

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.
- UK Local Authorities
- Money Market Funds
- Enhanced Money Market (Cash) Funds.
- UK Banks
- Foreign banks registered in the UK
- Building Societies.

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

- Long term credit rating A-

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

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

Regardless of the credit rating assigned to an institution or whether it is covered by a guarantee, if any doubt over its financial standing 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 2015/16 were as follows:

• UK Government (including gilts and the DMADF)	Unlimited
• UK local authorities (each)	Unlimited
• Part Nationalised UK banks	£4 million
• Money Market Funds (AAA rated)	£3 million
• Enhanced Money Market (Cash) Funds (AAA rated)	£3 million
• UK Banks and Building Societies (A- or higher rated)	£2 million
• Foreign banks registered in the UK (A or higher rated)	£2 million

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

Non Specified Investments

Non-specified investments do not, by definition, meet the requirements of a specified investment. The 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.

Bank and Money Market Fund ratings were checked daily. The Authority is alerted by e-mail when there is an amendment by any of the agencies to the credit rating of an institution. If an amendment means an institution no longer meets the Authority’s minimum requirement or any doubt over its financial standing exists then that institution is removed immediately from the counterparty lending list. Conversely, an institution may be added to the list should it achieve the minimum rating.

Credit ratings are only the starting point when considering credit risk. The Code of Practice requires the Authority to supplement credit rating information with additional operational market information which will be applied before making any specific investment decision from the agreed pool of counterparties. Credit Default Swaps and negative rating watches/outlooks are examined and the financial press, internet and financial information systems are monitored for market information regarding its counterparties. It also receives daily e-mails from various market participants that could identify potential problems. Any information that casts doubt on an institution's creditworthiness is acted on by suspending investment with that institution.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £14m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31st March 2016 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 2016 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2016 £000	Estimated maximum exposure at 31 March 2015 £000
	A	B	C	(A X C)	
Investments	14,057	-	-	-	-
Customers	706	2.34	1.34	9	9
				9	**9**

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 £0.077m of the £0.706m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016 £000	31 March 2015 £000
Less than three months	51	67
Three months to one year	17	38

More than one year	9	9
Total	**77**	**114**

Liquidity Risk

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

Number of Years	Public Works Loan Board (PWLB) 31 March 2016 £000	31 March 2015 £000	Merseyside Residual Debt (MRD) 31 March 2016 £000	31 March 2015 £000
Less than one	2,000	1,000	41	41
Between one and two	1,000	2,000	41	41
Between two and five	1,215	1,765	123	123
Between five and ten	3,165	3,615	201	203
Between ten and fifteen	-	-	-	38
Between fifteen and twenty	-	-	-	-
Between twenty and twenty five	2,000	2,000	-	-
Between twenty five and thirty	-	-	-	-
Between thirty and thirty five	6,000	5,500	-	-
Between thirty five and forty	17,750	14,250	-	-
Between forty and forty five	7,970	11,970	-	-
More than forty five	-	-	-	-
Total	**41,100**	**42,100**	**406**	**446**

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 2016, 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	4
Increase in interest receivable on variable rate investments	(262)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	**(258)**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**(258)**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) (See Note 14)	(224)

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 yet to be identified are not deemed to be material.

Municipal Mutual Insurance Limited

Municipal Mutual Insurance Limited issued a levy notice on 1st January 2014 by the Scheme Administrator at a rate of 15% on Established Scheme Liabilities which exceeded £50,000 in aggregate. This equated to £250,000 which was paid in January 2014 with Municipal Mutual Insurance Limited covering the balance. In March 2016 we have now been informed by Municipal Mutual Insurance Limited the 15% will need to be increased to 25%. This payment of £180,000 was paid in May 2016. The Authority has increased its Insurance Reserve in 2014-15 by £500K to cover any potential increases in levies.

Firefighters Pension Fund Accounts

Fund Account

2014/15 £000		2015/16	2015/16 £000
	Contributions receivable:		
	Fire Authority:		
(5,001)	• contributions in relation to pensionable pay	(4,546)	
(411)	• early retirements	(271)	
-	• Grant Revised Commutation Factor (GAD v Milne)	(4,368)	
(3,481)	Firefighters contributions	(3,253)	
(8,893)			**(12,438)**
-	**Transfers in from other authorities**		
	Benefits payable:		
26,112	• Pensions	27,089	
4,690	• commutation and lump sum retirement benefits	6,403	
-	• lump sum death benefits	-	
-	• Revised Commutation Factor (GAD v Milne)	4,339	
30,802			**37,831**
	Payments to and on account of leavers:		
200	• transfers out to other authorities	252	
-	• refunds of contributions	-	
200			**252**
22,109	**Net amount payable for the year**		**25,645**
(22,109)	Top – up grant payable by the Government		(25,645)
-			**-**

Revised Commutation Factors (Milne v's GAD)

This case led to the revised calculations of commutation factors for firefighters retiring between 1st December 2001 and 21st August 2006. The recalculations were paid in 2015-16 and the figures are shown directly on the Pension Fund Account.

Net Assets Statement

2014/15 £000		2015/16 £000
	Current assets	
-	Contributions due from the Fire Authority	-
-	Recoverable overpayments of pensions	-
6,798	Debtors	7,711
(6,798)	Cash	(7,711)
	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	Pensionable Pay Deductions	2015 Scheme
Employer's Contributions	21.7%	11.9%	Employer's Contributions	14.3%
Employee Contributions:			Employee Contributions:	
£0 - £15,150	11.0%	8.5%	£0 - £27,000	10.0%
£15,151 - £21,210	12.2%	9.4%	£27,001 - £50,000	12.2%
£21,211 - £30,300	14.2%	10.4%	£50,001 - £142,500	13.5%
£30,301 - £40,400	14.7%	10.9%	£142,501 >	14.5%
£40,401 - £50,500	15.2%	11.2%		
£50,501 - £60,600	15.5%	11.3%		
£60,601 - £101,000	16.0%	11.7%		
£101,001 - £121,200	16.5%	12.1%		
£121,201 - £142,500	17.0%	12.5%		
£142,501 >	17.0%	12.5%		

Ill Health Contributions

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

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

Benefits Paid

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

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 2016 £000	31 March 2015 £000
Central Government bodies	5,421	4,534
Other local authorities	-	-
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	2,290	2,264
Total	**7,711**	**6,798**

Contingent Liability

A case has recently been settled for firefighters employed before the age of 20 who have served for over 30 years before reaching the minimum retirement age of 50 and it has been confirmed that affected pension scheme members will receive a refund of contributions of the FPS1992 pension scheme when regulations have been amended. It should be noted this figure is considered non-material for Merseyside Fire and Rescue Service.

Statement of Responsibilities for the Statement of Accounts

The Treasurer responsibilities

The Treasurer 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 Treasurer 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 Treasurer 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 2016 and of its expenditure and income for the year ended 31st March 2016.

Ian Cummins
Treasurer
28th July 2016

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.

Statement of Approval for the Statement of Accounts

The statement of accounts for the year 1st April 2015 to 31st March 2016, were approved for issue on 28th July 2016 by Merseyside Fire and Rescue Authority **(Report CFO/62/16).**

Chair of the Authority Meeting Approving the Accounts
28th July 2016

AUDITORS REPORT TO FOLLOW

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.

2015-2016 MERSEYSIDE FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

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

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

1.3 Corporate Governance is a phrase used to describe how organisations direct and control what they do. For Fire and Rescue Authorities this also includes how an Authority relates to the communities that it serves. The Authority has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework "*Delivering Good Governance in Local Government*". 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 31st March 2016.

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 a 2015 – 2017 IRMP Supplement at its meeting on 26th February 2015. The IRMP Supplement established the service priorities for 2015/17.

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 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.

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 Strategic Management Group. 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.

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 2015/16 and approved by the Authority at its meeting on 11th June 2015 (CFO/045/15), which is published and sets out how the Authority operates, how decisions are made, and the procedures which are followed to ensure these are efficient, transparent and accountable to local citizens. The Constitution is reviewed every year by the Authority at its AGM

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

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

3.4.3 Management Structure

Management Structure - The Authority has a **clear management structure** with defined roles and responsibilities. A Strategic 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. 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 standing section on risk this allows SMG an opportunity to regularly consider new and updated risks facing the Service at their fortnightly meetings.

3.4.8 Financial Management

The Authority produces a five year financial plan that takes into account Revenue, Capital, Reserves and Prudential Borrowing forecasts. The Authority has a history of strong and effective financial management, as confirmed in the Grant Thornton 2014/15 Annual Audit Letter and Audit Findings Report;

"The Authority continues to show strong financial resilience and good financial planning and management."

"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."

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 2015 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 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 or the Monitoring Officer.

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

- The Appeals Committee – to consider grievances appeals as identified in the Agreed Grievance Procedure. Consider whether to assent to applications for specific licences (explosives).

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 2015/16 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 Treasurer fulfils this role and is a qualified and experienced accountant. The Treasurer 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 Treasurer ensures the Authority has an approved, realistic and affordable five year financial plan for revenue and capital expenditure which links to the IRMP and the Service Delivery Plan. The financial planning process is well embedded and understood across the Authority by staff and members. Details of the approved budget are available to all stakeholders in a simple and summarised statement on the Authority's website.

  The above statutory posts are key members of 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 2014/15 and it is anticipated this will be repeated in 2015/16. A detailed year-end report is presented to the Authority in a clear and understandable format. A simplified summary statement of accounts is available on the Authority's Website to ensure the outturn position is communicated effectively to all stakeholders.

4.5 Internal Audit

4.5.1 The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2015/16, 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 from the Internal Audit manager. The Annual Review of Internal Audit Report concluded that:

"it is our opinion that we can provide Substantial Assurance that the system of internal control in place at Merseyside Fire & Rescue Service for the year ended 31st March 2015 accords with proper practice. The 2015/16 fundamental systems audits have shown a substantial level of compliance and none of the audits have identified weaknesses that have required a corporate impact assessment of Major or Moderate. Based on the audit work carried out in 2015/16 we are not aware of any significant control weaknesses within the Service 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 Grant Thornton. The scope of the work undertaken by External Audit is;

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

4.6.2 External Audit will comment upon the Authority's 2015/16 statutory financial statements and make a VFM conclusion during the 2016/17 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 2015/16 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2014/15 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2014/15 financial statements.

SIGNIFICANT GOVERNANCE ISSUES

4.7 Following the announcement of the 2016/17 Local Government Finance Settlement the Authority faces a significant reduction in the level of government grant support in 2016/17 and in each year up to and including 2019/20. The reduction in Government support over this period has meant the Authority faces at least an £11.0m financial challenge, assuming all budget assumptions remain valid. The Authority approved a financial plan to meet this challenge at the Budget meeting on 26th February 2016.

4.8 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 The Authority's proposals to deliver the approved savings required in the current financial plan involves significant rationalisation of front line and support services. The Authority has already reduced the number of front line appliances from 42 to 28 and has plans to merge a number of fire stations that will see the number fall from 25 to 22. In order to deliver the £11.0m required savings by 2019/20 the Authority will need to further reduce the number of firefighters, appliances and fire stations. The Authority will consult with the Merseyside community on its plans to deliver the operational changes during 2016 and approve the required changes as part of the IRMP planning process. The Authority will need to ensure its control frameworks deliver the required efficiencies and improvements.

4.9.1 The assumptions made in the medium term financial plan, particularly around inflation, pay awards, firefighter 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 Treasurer 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 The future governance arrangements of the Merseyside Fire and Rescue Service is currently being considered by the Authority. On 10th February 2016 the Police and Crime Bill was introduced to the House of Commons. The Bill places a statutory duty on the three emergency services (Ambulance, Fire and Police) to keep collaboration opportunities under review and to collaborate where this would improve efficiency and effectiveness. The Authority is currently in discussions with Merseyside Police and North West Ambulance Service on developing opportunities for greater collaboration. As part of the discussions the Authority and the Merseyside Police Crime Commissioner are evaluating possible governance arrangements. The Police and Crime Bill includes two different models for a Police and Crime Commissioner, where a case is made to take on responsibility for fire and rescue services; the ‘governance model’ and the ‘single employer’ model. Where the Police and Crime Commissioner does not take on responsibility for fire and rescue services but wishes to enhance collaboration opportunities the Bill enables them to seek representation on the Fire and Rescue Authority (FRA) under the ‘representation’ model.

4.11 In addition under the Cities and Local Government Devolution Act (2016), in November 2015, the Government agreed to devolve a range of powers and responsibility to the Liverpool City Region Combined Authority. The model includes a directly elected City Region Mayor over the Combined Authority Area, with first elections taking place in May 2017. This may see the Merseyside Police and Crime Commissioner and Fire and Rescue Authority responsibilities at some future point transferring to the Liverpool City Region Mayor.

4.12 Over the coming year the Authority will work with the Merseyside Police, the Office of the Police and Crime Commissioner and the Liverpool City Region Mayor to establish the future governance arrangement for Merseyside Fire and Rescue Service.

Signed……………………………………… Signed………………………………………
J. STAPLETON D. STEPHENS
CHAIR of Audit Sub-Committee CHIEF FIRE OFFICER

Signed ………………………………………
I. CUMMINS
TREASURER

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APPENDIX B

Michael Thomas
Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Ian Cummins,
Treasurer
& Cllr Les Byrom,
Chair of Policy and Resources Cttee
Fire Service Headquarters
Bridle Road
Bootle
Liverpool
L30 4YD

Telephone: **0151 296 4244**

Web Site: www.merseyfire.gov.uk
e-mail:
iancummins@merseyfire.gov.uk

Your ref: | Our ref: IC/IC | Date: 28th July, 2016

Dear Sirs

Merseyside Fire and Rescue Authority - Audit for the year ended 31 March 2016

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 2016 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.

xxi. 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.

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

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

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

Annual Governance Statement

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 28th July 2016.

Signed on behalf of Merseyside Fire and Rescue Authority

Signed on behalf of the Authority

Signature: ______________________________
Ian Cummins

Position: Treasurer

Date: 28th July 2016

Signature: ______________________________
Cllr Les Byrom

Position: Chair of Policy & Resources Committee

Date: 28th July 2016

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	28 JULY 2016	REPORT NO:	CFO/064/16
PRESENTING OFFICER	DEPUTY CHIEF FIRE OFFICER		
RESPONSIBLE OFFICER:	DEB APPLETON	REPORT AUTHOR:	JACKIE SUTTON
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	IRMP 2017-20 PREPARATION & PLANNING PRINCIPLES		

APPENDICES:	APPENDIX A:	ORS REPORT "LISTENING AND ENGAGEMENT" FORUMS WITH MEMBERS OF THE PUBLIC

Purpose of Report

1. To request that Members note and approve planning principles which have been created in order to inform the development of proposals within the Integrated Risk Management Plan (IRMP) 2017-20. These principles have been the subject of public consultation.

Recommendation

2. That Members approve the planning principles as the basis for development of proposals for the IRMP 2017-20

Introduction and Background

3. The Authority will publish a new IRMP for 2017-20; initially in draft for twelve weeks consultation (October 2016), with the final version being approved at the 2017 Budget Authority Meeting.

4. An important part of IRMP preparation is the consultation undertaken with the public at a formative stage. As future decisions on the proposals contained within the IRMP must consider the impacts and implications of any changes to services, it was considered important that members of the public were given an opportunity to express their views on what is most important to them in relation to their fire and rescue service. To that end, in May 2016, the Authority consulted on the planning principles that it believed were important to consider when developing the IRMP.

5. Prior to and following the Authority's Budget Resolution in February 2016 the Strategic Management Group (SMG) met several times (in January and March). The purpose of these meetings was to develop the factors to be

considered to determine future IRMP proposals. The planning principles proposed arose from these discussions and were informed by and reflective of observations and comments made by the public during previous IRMP forums.

6. The Strategic Management Group developed seven planning principles that would be important to consider when developing changes to services and proposals for the IRMP. The Principles identified that the Authority should be:

- Focused on the Community
- Response to Emergencies
- Safety focused
- Based in the Community
- Value for Money
- Meeting Demand
- [committed to]Continuous Improvement and Innovation

<u>Public Consultation</u>

7. In line with IRMP consultation processes undertaken over several years, deliberative forums were held to test what the public thought about the Principles. Opinion Research Services (ORS) were commissioned to facilitate the consultation forums that were held in each of the five Districts:

- St Helens — Newton-le-Willows fire station – Wednesday 18th May
- Sefton — Formby fire station – Thursday 19th May
- Liverpool — Kirkdale fire station – Monday 23rd May
- Wirral — Birkenhead fire station – Tuesday 24th May
- Knowsley — Belle Vale fire station – Wednesday 25th May

n.b. Belle Vale was used for the Knowsley forum as none of the Knowsley fire stations have suitable facilities to accommodate the number of people attending. Part of the Belle Vale station area is in Knowsley.

8. The seven principles were explained by the Opinion Research Services (ORS) facilitators and discussed at length by the public attending. One hundred and twelve (112) people attended the five forums. Working in groups, attendees were given 105 points to share between the seven principles to rank them in order of importance when making decisions about change.

9. The attached report summarises the findings of the forums. The public scored and ranked the priorities as below, 'Response to Emergencies' being considered the most important.

- Response to emergencies — 27
- Safety — 18
- Meeting demand — 17
- Focussed on the community — 14
- Continuous improvement and innovation — 11
- Value for money — 9

- Based in the community

10. The full report on the consultation, including details about the Planning Principles, can be found as an appendix to this report.

Next Steps

11. It is planned that following the Authority Strategy Day on 12th July 2016 there will be two Strategic Management Group meetings (on 15th and 25th July) to apply the seven principles to planning for the IRMP 2017-20. The draft IRMP will be brought to the Authority for consideration on 20th October 2016.

12. Following Authority approval, a further twelve weeks consultation on the proposals contained in the draft IRMP 2017-20 will take place between October and December 2016. This will include consultation with the public, partner organisations, businesses, staff and representative bodies in meetings, forums, press, social media and questionnaires.

13. The final IRMP 2017-20 will be published in March 2017 following any changes and Authority approval.

Equality and Diversity Implications

14. The protected characteristics identified in the Equality Act 2010 were included in the presentation by ORS and were considered against each of the seven principles when ranking them in order of importance to inform decision making. A full EIA will be undertaken for the IRMP 2017-20.

Staff Implications

15. There are no staff implications at this stage and any implications arising in the next stages of the IRMP process will be detailed in relevant reports.

Legal Implications

16. Section 21 of the Fire and Rescue Services Act 2004 places a statutory duty on the Authority to have regard of the National Framework 2012. This requires the Authority to produce and publish an Integrated Risk Management Plan. This report is the first stage of the process to fully discharge statutory duties under the National Framework.

Financial Implications & Value for Money

17. There are no financial implications related to this report. Costs relating to consultation on the draft IRMP will be considered at a later meeting.

Risk Management, Health & Safety, and Environmental Implications

18. The IRMP details the strategic approach to risk management, encompassing what has been done to manage risk and what will be done in the coming three years.

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

19. The IRMP is the primary way in which the Authority sets out how it will prepare for and respond to risk within its communities.

BACKGROUND PAPERS

CFO/111/11

GLOSSARY OF TERMS

MFRA Merseyside Fire and Rescue Authority

ORS Opinion Research Services

IRMP Integrated Risk Management Plan

EIA Equality Impact Assessment

Integrated Risk Management Planning 2017-2020

Report of Forums with Members of the Public

June 2016

Opinion Research Services
Spin-out company of Swansea University

Contents

Acknowledgements

Opinion Research Services (ORS) is pleased to have worked with Merseyside Fire and Rescue Authority (MFRA) on the five Merseyside local-authority-based “listening and engagement forums” reported here. The diverse participants engaged with the issues and discussed their ideas readily, so we trust that this report of findings will help to inform MFRA’s advance planning for 2017-20 at a time of serious financial constraints.

We thank MFRA for commissioning the project as part of its on-going regular programme of public and stakeholder engagement and consultation about its risk management and budget planning.

We particularly thank the senior officers and staff who attended the sessions to listen to the public’s views and answer questions. Such meetings benefit considerably from the readiness to answer participants’ questions fully and frankly, as in this case.

We are grateful to all the 112 members of the public who took part in the five meetings to share their views with us: they were patient in listening to background information before entering positively into the spirit of open discussions about challenging topics, with some controversial aspects.

At all stages of the project, ORS’s status as an independent organisation engaging with the public as fairly as possible was recognised and respected. We are grateful for the trust, and we hope this report will contribute usefully to thinking about MFRA’s development in difficult times.

The ORS Project Team

Project Design and Management

Dale Hall

Kelly Lock

Fieldwork Management

Leanne Hurlow

Forum Facilitators

Dale Hall

Kelly Lock

Report Authors

Dale Hall

Kelly Lock

Introduction

The Commission

1. ORS was commissioned by Merseyside Fire and Rescue Authority (MFRA) to conduct five deliberative "listening and engagement" forums across Merseyside about draft possible general criteria or principles that might guide or inform the Authority's integrated risk management planning (IRMP) for 2017-20. MFRA recognises the severe reductions in central government funding it faces and, through the forums, it wished to engage with members of the public at an early pre-consultation stage – in order to take into account their general ideas and priorities. ORS's role was to recruit, facilitate report the deliberative meetings.

2. MFRA has conducted both pre-consultation listening and engagement and formal consultation meetings with residents across Merseyside on a regular cycle; and in this context ORS has facilitated both district-based and all-Merseyside forums for the Authority. Within this framework, the programme reported here was early-stage listening and engagement to review the general principles that might be used in MFRA's planning for 2017-20.

3. There were no draft proposals for consideration and the five meetings focused only on general issues, criteria and principles that might be taken into account in forming proposals for yet further reductions in expenditure.

4. In summary form, MFRA's seven draft principles were listed as:

    Focused on the community

    Response to emergencies

    Safety focused

    Based in the community

    Value for money

    Meeting demand

    Continuous improvement and innovation.

5. In the forums, residents were asked to assess, rank and score these principles individually and collectively, and they were also invited to propose alternative ones.

Deliberative Research

6. The five forum meetings reported here used a 'deliberative' approach to encourage members of the public to reflect in depth about the fire and rescue service, while both receiving and questioning background information and discussing each of the seven draft planning principles in detail. The meetings lasted for at least two-and-a-half hours and in total there were 112 diverse participants. The dates of the meetings and attendance levels by members of the public at each forum are as shown in the table immediately below.

Forum Meetings		Date	Number of Attendees
St Helens	Newton-le-Willows Community Fire Station	Wednesday 18th May 2016	**25**
Sefton	Formby Community Fire Station	Thursday 19th May 2016	**20**
Liverpool	Kirkdale Community Fire Station	Monday 23rd May 2016	**21**
Wirral	Birkenhead Community Fire Station	Tuesday 24th May 2016	**27**
Knowsley	Bellevale Community Fire Station	Wednesday 25th May 2016	**19**

7. The attendance target for each of the forums was 20 to 25 people – so the total of 112 participants was better than anticipated. As usual, the participants were recruited by random-digit telephone dialling from the ORS Social Research Call Centre. Having been initially contacted by phone, they were written to – to confirm the arrangements; and those who agreed to come then received telephone or written reminders shortly before each meeting. Such recruitment by telephone is normally the most effective way of ensuring that all the participants are independently recruited.

8. In recruitment, care was taken to ensure that no potential participants were disqualified or disadvantaged by disabilities or any other factors, and the venues at which the forums met were readily accessible. People's special needs were all taken into account in the recruitment and at the venues. The random telephone recruitment process was monitored to ensure social diversity in terms of a wide range of criteria – including, for example: local authority area of residence; gender; age; ethnicity; social grade; and disability/long-term limiting illness (LLTI).

9. Consequently, as the table on the next page shows, there was a diverse range of participants from the local areas and, as standard good practice, they were recompensed for their time and efforts in travelling and taking part.

CRITERIA	ST HELENS	SEFTON	LIVERPOOL	WIRRAL	KNOWSLEY	OVERALL
Gender	Male: 13 Female: 12	Male: 12 Female: 8	Male: 11 Female: 10	Male: 13 Female: 14	Male: 12 Female: 7	Male: 61 Female: 51
Age	16-34: 8 35-54: 11 55+: 6	16-34: 4 35-54: 7 55+: 9	16-34: 6 35-54: 7 55+: 8	16-34: 5 35-54: 12 55+: 10	16-34: 5 35-54: 8 55+: 6	16-34: 28 35-54: 45 55+: 39
Social Grade	AB: 6 C1: 8 C2: 3 DE: 8	AB: 4 C1: 8 C2: 3 DE: 5	AB: 7 C1: 5 C2: 3 DE: 6	AB: 7 C1: 8 C2: 3 DE: 9	AB: 4 C1: 5 C2: 4 DE: 6	AB: 28 C1: 34 C2: 16 DE: 34
Ethnicity	0 Non-White British	0 Non-White British	2 Non-White British	0 Non-White British	1 Non-White British	3 Non-White British
Limiting Long-term Illness	0 LLTI	2 LLTI	2 LLTI	3 LLTI	4 LLTI	11 LLTI

10. Although, like all other forms of qualitative consultation, deliberative forums cannot be certified as statistically representative samples of public opinion, the five meetings reported here gave diverse groups of Merseyside residents the opportunity to comment in detail on MFRA's draft planning principles. Because the participants were diverse, the outcomes of the meeting (as reported below) are broadly indicative of how informed opinion would incline on the basis of similar discussions.

Conduct of the Meetings

11. Early in the meetings, the residents were asked during small round-table discussions to rank the seven principles impressionistically, based on their initial feelings about their meaning and relative importance. Then, after a detailed presentation taking stock of MFRA's current position and full discussions at the round tables, the participants were asked to both score and rank the options once more, to reflect their considered and final opinions.

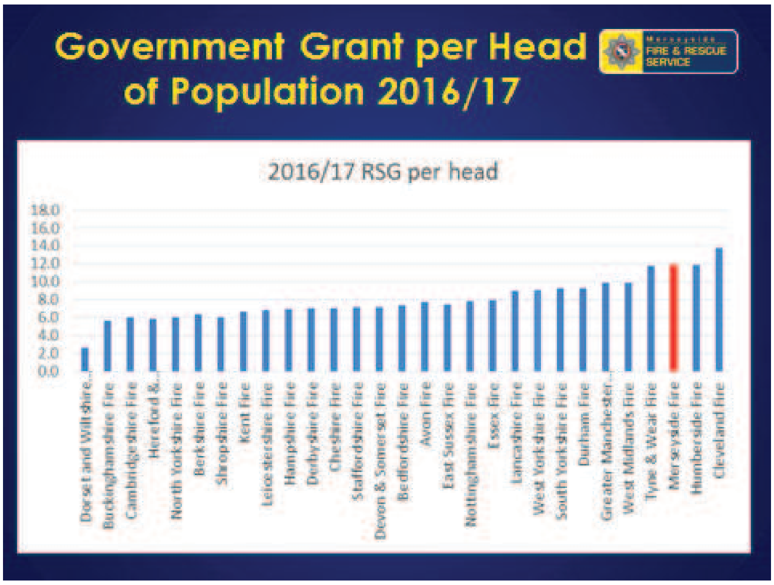
12. Between the two ranking exercises, the presentation covered key changes in MFRA's resources since 2011 in the context of previous and continuing reductions in central government funding. The topics reviewed included:

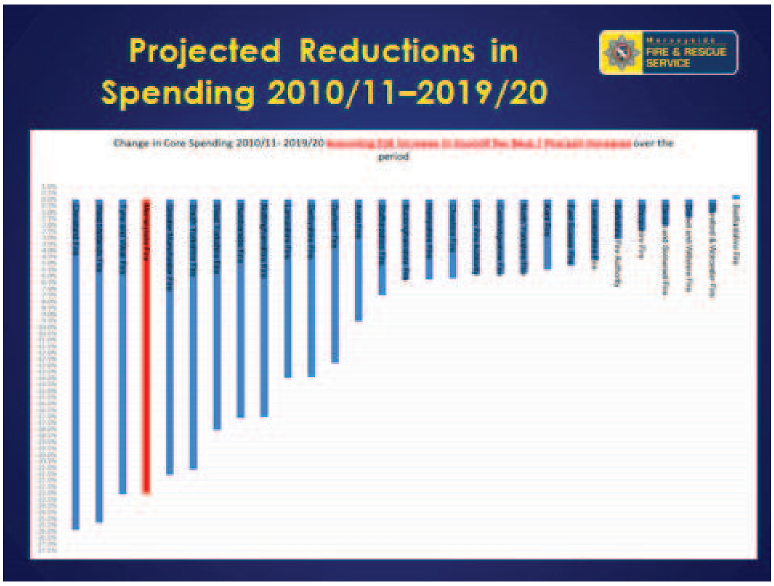
- Reduction in risk (when measured in terms of the number of incidents, including critical ones)
- Reduction from 42 to 24 wholetime fire engines
- Reduction in firefighters and support staff
- Station mergers currently underway

Financial savings already achieved and underway

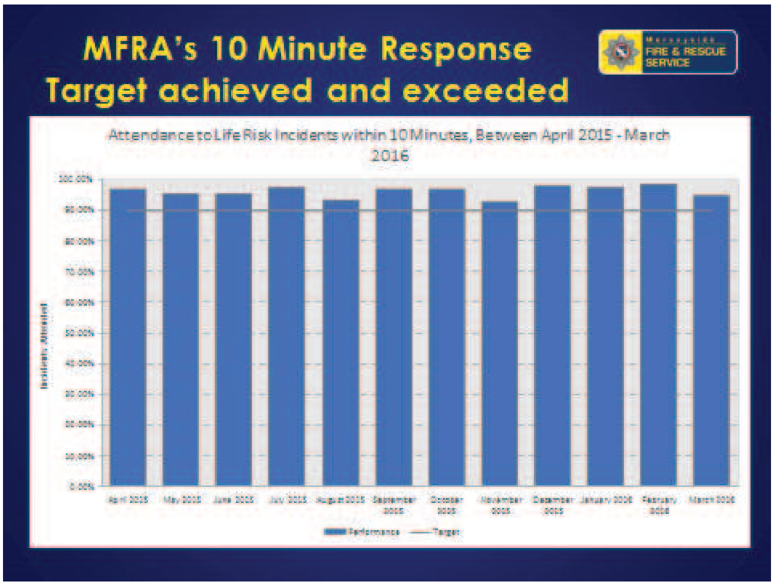
Savings yet to be achieved for 2017-20.

13. Following are some of the slides used to ‘take stock’ of MFRA’s position. In the first two, Merseyside MFRA is highlighted in red: the first shows that, relative to most other fire authorities, Merseyside still receives relatively high funding from the government; but the second shows that it faces correspondingly large proportional reductions.

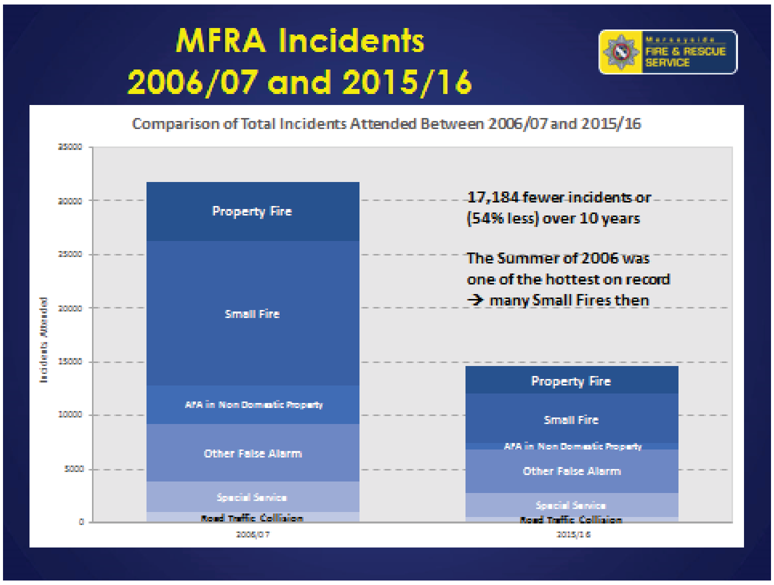


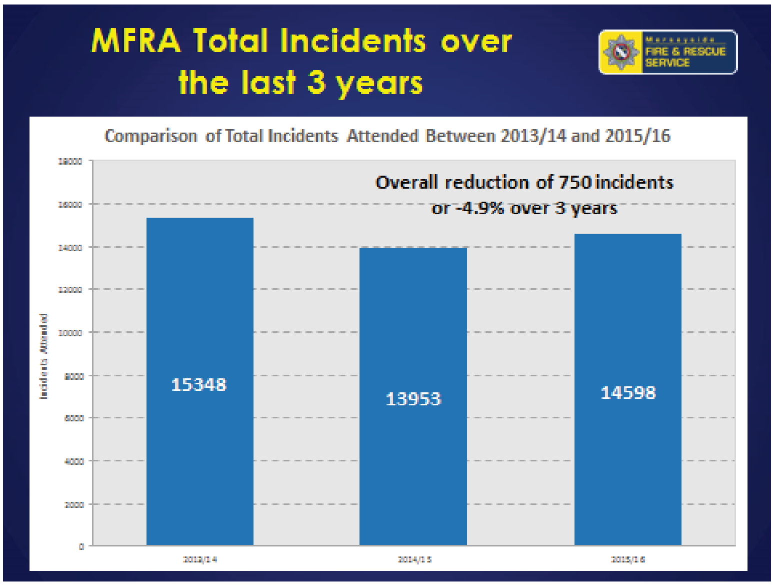


14. As the next slide below shows, despite reducing from 42 to 24 wholetime fire engines, MFRS has been able to maintain its excellent response standards.

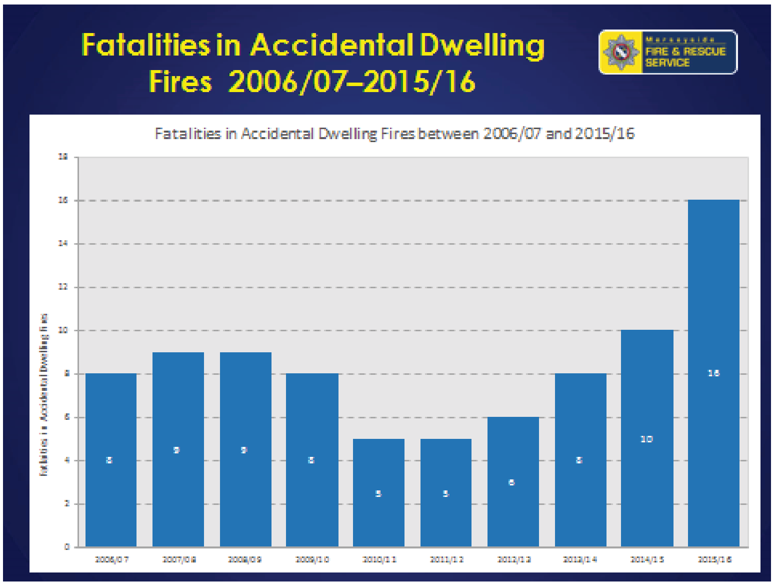


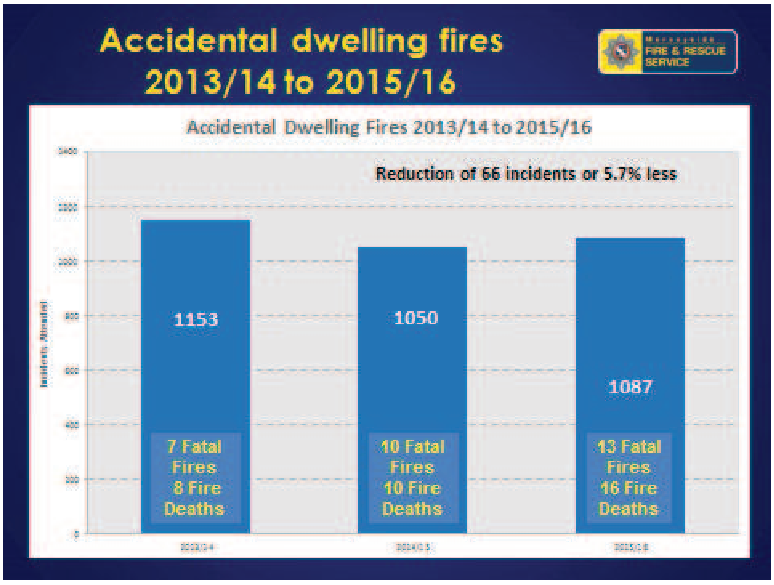
15. Part of the reason that such big front-line reductions have been possible without endangering the public is that risk (in terms of the number of incidents) has reduced considerably over the last ten years, even if the reductions over the last three years have been slighter – as the next two slides show.



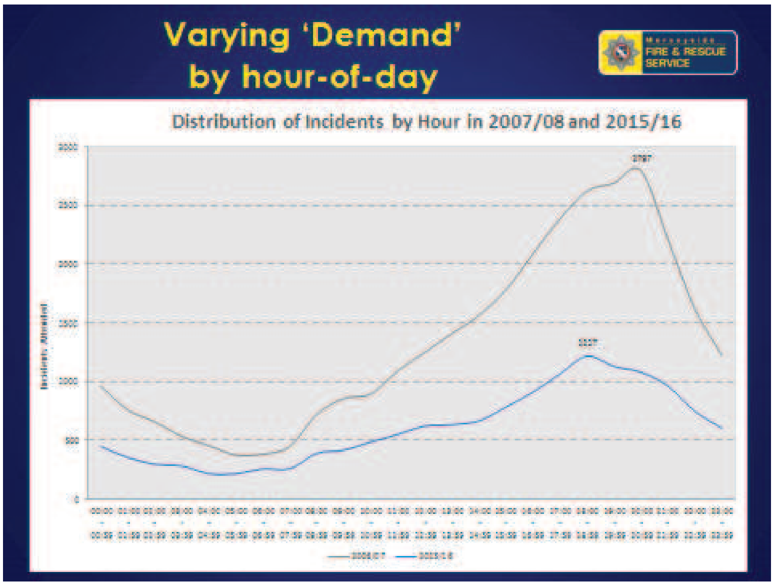


16. The next two slides show that the number of fatalities in accidental dwelling fires is low but fluctuates from year to year, reflecting the difficulties of identifying and accessing the most vulnerable people and improving their safety. It is noticeable that in 2015-16, the number of deaths increased sharply, though the increase in the number of fatal dwelling fires was less steep; over the last two years, deaths increased from 10 to 16, whereas fatal dwelling fires increased from 10 to 13. It is too soon to know, though, if an upward trend is emerging for increased fatalities.

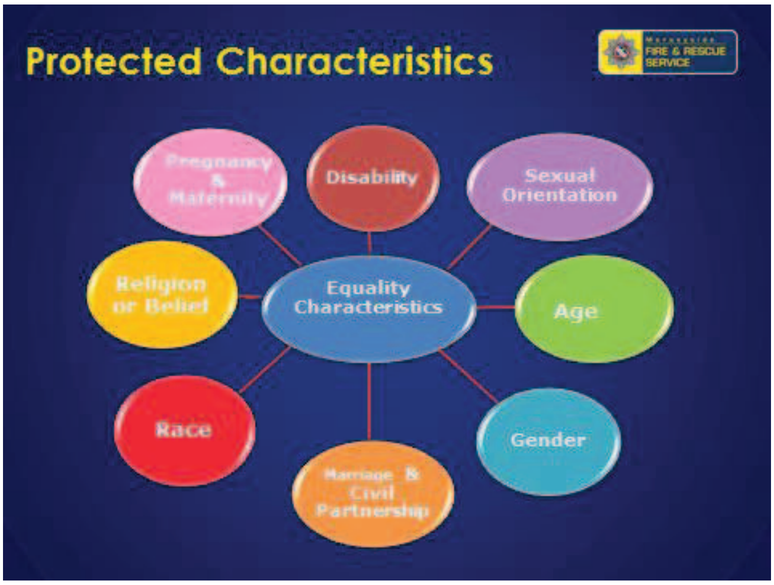




17. All of the above slides, and others, were used to set an informed context for the detailed consideration of MFRA's draft principles – and the following slide was also used to illustrate the potential importance of *Meeting demand.* Given that incidents (including critical or life-threatening ones) are not distributed 'evenly' throughout the day and night, demand for the fire and rescue service varies very considerably over each 24-hour period – as the next slide shows.



18. The various issues and principles were also considered in the context of equality and diversity considerations and the next slide was used to ask participants if the draft principles give sufficient protection to those with protected characteristics.



Report

19. This report concisely reviews the sentiments and judgements of participants about MFRA's draft principles: it is not a verbatim transcript of the five sessions, but an interpretative summary of the issues raised by participants in free-ranging round-table discussions.

Forum Findings

Introduction to the Principles

21. The five forums did not differ materially in their reactions to the principles (they were endorsed in each with relative enthusiasm), so this report combines the findings from all the meetings in a single account.

22. After the initial rankings, the principles were not just stated as simple formulas, but were explained by highlighting their various compound elements in the following ways:

> Focus on the community – means targeting those most at risk, particularly the frail and elderly living alone, and those with precarious lifestyle or high risk factors
>
> Response to emergencies – means maintaining fast response times, matching resources to varying risk, prioritising 10 key stations, having flexible working practices and duty systems, and excellent training
>
> Safety focused – means ensuring the safety of staff and the public, and being properly equipped, with the right number of trained staff, to resolve emergencies effectively
>
> Based in the community – means maintaining accessible local fire stations, where possible, while assessing the need for stations in the context of local risk levels, opening stations for community use, and promoting blue-light collaboration there
>
> Value for money – means recognising that cuts are a fact of life that have to be made, and ensuring policies are financially sustainable by promoting efficiency and productivity throughout
>
> Meeting demand – means ensuring the right level of resources are in the right place at the right time in order to maximise productivity and flexibility
>
> Continuous improvement and innovation – means collaborating with other fire and rescue services, widening the scope of home fire safety checks, and seeking more efficient firefighter shift patterns.

23. Although each of the principles was explained as a compound of ideas (as above), it became clear in the discussions that not all the various constituent elements of each one received equal attention from residents – that is, the participants tended to minimise some of the compound elements while stressing others.

Principles Endorsed

24. Before considering the extent to which the compound principles were 'simplified' by the participants focusing on some constituent elements at the expense of others, it is helpful to note that they were readily collectively endorsed.

25. The residents found them very convincing in covering well the important considerations for any planning process. Participants across all the groups felt that MFRA's draft principles were comprehensive and, while they made many comments and asked many questions, there were no suggestions of any completely different principles. Therefore, it is true to say that the five forums approved the principles and thought they could be potentially helpful in guiding the planning of service changes.

26. There was also a general feeling that they gave sufficient recognition and protection to groups with protected characteristics; indeed, it was felt that the principles of *Focused on the community, Meeting demand,* and *Continuous improvement and innovation,* in particular, would give protection to any vulnerable groups.

Clarity versus Ambiguity

27. Nonetheless, the forums thought that the principles could be clearer. While they were worthwhile, residents thought the principles either overlapped or were to some extent vague or ambiguous. For example:

Many could not easily differentiate *Response to emergencies* from *Safety focused* and *Meeting demand;* they thought that the definition of each of these principles could be more specific to reduce the impression of overlap

There was also some uncertainty about whether *Safety focused* referred primarily to the safety of the public or of MFRS staff – or both equally; if it was about staff, then it could be differentiated from *Response to emergencies;* but if it was about the public, then it was less clear how to distinguish it from responding to emergencies promptly

Many thought that *Continuous improvement and innovation* was not really a "distinct principle" in itself: they thought it was either implicit in the other six or would naturally emerge as a result of them being pursued

Many found *Based in the community* to be ambiguous – insofar as they did not know whether it meant primarily *Retaining as many local fire stations as possible* or *Providing for community access to fire station facilities*

Some people doubted that *Value for money* was an appropriate FRS principle since they thought the term refers to "businesses" rather than "public services"

There was also the ambiguity of whether *Value for money* means only that MFRS should *Accept the need, and plan, for budget reductions* (as a necessary evil) or that the Service should always *Plan to provide the most effective service at the lowest cost*

Meeting demand seemed to overlap with *Focus on the community* insofar as the explanation of the former related partly to *meeting the needs of diverse communities*

Overall, it was noticeable that most of the participants tended to interpret the principles as relating primarily to operational or emergency response services – so they did not spontaneously connect them with planning for prevention and protection. For example, *Focused on the community* and *Safety focused* and *Meeting demand* can actually be related not only to emergency response but also to prevention and protection programmes; but this was not so readily recognised

To the extent that it was recognised in terms of prevention, *Focused on the community* was understood and appreciated primarily in terms of *Identifying the risks and needs of the more vulnerable groups and areas* – rather than, for example, *Widening the scope of home fire safety checks to include security and well-being*

In general, *Response to emergencies* seemed not only the simplest and most obvious principle, but was taken to be the primary core function of MFRS.

Compound Elements

28. Beyond the initial presentation of the summary draft principles, after taking stock of MFRS, the principles were explained more fully – and, as paragraph 22 above shows, most of them are defined by MFRS in terms of compounds of distinct ideas that in some cases were thought by residents to compete with each other. For example, and to paraphrase:

Based in the community is explained as a compound of keeping local fire stations AND accessing the need for them in the context of local risk levels AND opening fire stations for community use AND promoting blue-light collaboration on stations.

29. The difficulty in the discussions was that residents were unsure of which of the four compound elements or ideas was the most important; so in practice some interpreted the principle to mean primarily “keeping local fire stations” while others focused on “community access”; and others focused on “assessing the need for stations” in the context of local risk.

30. Similarly, the principle of *Value for money* currently compounds recognising the inevitability of cuts AND planning for financially sustainable policies AND pursuing the most cost-effective use of resources. Once more, it was hard for residents to know which element was the core of the principle.

31. In the discussions, residents were sometimes unsure about the meaning of *Meeting demand* because the principle is presented as a compound of maximising productivity and efficiency AND meeting the needs of diverse communities AND matching resources to varying levels of risk. The importance eventually attached to this principle was probably a

result of the powerful data on how risk and demand for fire and rescue services vary so markedly over each 24-hour period.

32. Compared with the others, the most specific principle is *Focused on the community* since its explanation emphasises the single idea of targeting vulnerable people who are most at risk. In this sense, it was relatively well understood and not difficult for participants to connect it with the data about accidental dwelling fire deaths, albeit in the context of generally reducing risk.

33. All of these points about meaning, overlap, ambiguity and compound elements should be borne in mind when interpreting the relative priorities the residents gave to the different principles. However, they were certainly not meant as fundamental objections to the seven principles: rather they were matters for clarification and, where possible, future simplification.

Prioritising the Principles

34. Early in the meetings, the residents were asked during small round-table discussions to rank the summary version of the seven principles impressionistically, based on their initial feelings about their meaning and relative importance. Then, after a detailed presentation taking stock of MFRS's current position and reviewing the principles in more detail, and after full discussion on the round tables, the participants were asked to both score and rank the principles once more, to reflect their considered opinions.

35. Interestingly, their considered judgements on the draft principles at the end of the meeting did not differ markedly from their initial rankings at the start of the meetings, as the two tables below show.

	Initial Rank	**Final Rank**
Response to Emergencies	1	1
Safety	2	2
Meeting Demand	3	3
Focused on the Community	4	4
Continuous Improvement and Innovation	5	5
Value for Money	7	6
Based in the Community	6	7

36.

37. Not surprisingly in the context of the above rankings, when asked to prioritise the seven principles by allocating 105 points in proportion to their relative importance, the final scores across the five forums matched the final rankings very closely.

Response to Emergencies	27
Safety	18
Meeting Demand	17
Focused on the Community	14
Continuous Improvement and Innovation	11
Value for Money	9
Based in the Community	9

38. In one sense, it is encouraging that the residents' initial and considered or final judgements match so closely since it could mean that the principles were immediately clear enough for people to rank, despite any overlapping or ambiguities. But it may also mean that the detailed explanation and discussion of the potential importance of, for example, *Value for money* and *Based in the community* actually had little effect on the participants' thinking. If the latter possibility is true, then the lack of shift in rankings was probably due to the compound nature of most of the principles – insofar as people were able to seize on one of several compound ideas in each principle and be guided throughout by that simplified interpretation.

39. It is perhaps not surprising that members of the public prioritised responding quickly to emergencies as by far the most important principle (with 27 points out of 105) – since it is the simplest (least compound) principle and clearly matches residents' idea of the fire and rescue services' most core function.

40. Unsurprisingly, they also ranked safety highly; but it is interesting that meeting demand was only very slightly behind safety (with 17 points (compared with 18) out of 105). This ranking is probably due to the influence of the data about the demand curve for MFRS across 24 hours.

41. Focused on the community was exactly 'middling' in its ranking while the position of continuous improvement and innovation probably reflects the fact that many residents thought it is implicit in all the other principles.

42. Value for money came very low down in people's priorities, perhaps because residents were reluctant to think of the fire and rescue service in what they thought of as business terms.

43. Lowest of all, though (when both rankings and scores are taken into account) was *Based in the community* – which probably shows that none of its compound ideas exerted a lot of power on people's sentiments. In this context, the most interesting finding is that (of the compound elements) even retaining as many local fire stations as possible was ranked as

unimportant in comparison with the other principles. In other words, providing the other principles can be observed, the participants seemed prepared to consider the closure of some local fire stations as reasonable and acceptable.

44. However, it should be noted that all the principles, even those ranked lowest, achieved significant scores – implying that none are unworthy of being taken into account.

Summary Conclusions

45. This concise report does not need an elaborate conclusions section, but it is worth emphasising several key points:

- Currently, six of the seven principles contain compound elements and include various overlaps – so any revision might like to address these features by simplifying and highlighting the core meaning of each; this would perhaps differentiate them more clearly
- For many, pursuing improvement and innovation did not seem to be a distinct principle in its own right – so it could perhaps be omitted from a future list (providing the commitment to improvement was clearly implicit in those principles remaining)
- It is possible that the number of principles could be reduced from seven to say six or even five
- Responding quickly to emergencies was seen as by far the most important principle because it matches residents' ideas of the Service's core function
- Meeting demand was ranked third, very closely behind safety – which shows that people could accept the need for the rationalisation of resources
- The low ranking of value for money probably means that people are reluctant to think of the Service in what they see as business terms
- The lowest overall ranking was for based in the community – implying that none of its compound elements were rated highly and, in the context of financial constraint and rationalisation, the participants considered the potential closure of some local fire stations to be reasonable and acceptable
- However, it should be noted that all the principles, even those ranked lowest, achieved significant scores – implying that none are unworthy of being taken into account.

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	28 JULY 2016	REPORT NO:	CFO/065/16
PRESENTING OFFICER	CHIEF FIRE OFFICER		
RESPONSIBLE OFFICER:	JANET HENSHAW	REPORT AUTHOR:	SHARON MATTHEWS
OFFICERS CONSULTED:	KEVIN LONGSHAW – GROUP MANAGER, OPERATIONAL PREPAREDNESS STEWART MARTIN – COMMODITY MANAGER		
TITLE OF REPORT:	CONTRACT FOR TRAUMA CARE TRAINING		

APPENDICES:	NONE

Purpose of Report

1. To request that Members approve expenditure in excess of £250,000 under the contract for Trauma Care Training and extension of the contract to its maximum term of 5 years.

Recommendation

2. That Members;
   a. Approve the continued use of the current contract for Trauma Care Training for initial and refresher training with a total anticipated expenditure in excess of £250,000.
   b. Approve the extension of the contract for period 1st February 2018 – 31st January 2020.

Introduction and Background

3. On occasion Firefighters attend incidents prior to the Ambulance Service. A fundamental element of a Firefighters role is therefore to ‘save and preserve endangered life’. To ensure Firefighters are appropriately skilled to deliver this capability the Authority invests in high quality first aid training. The medical qualification attained by Firefighters on Merseyside is First Person on Scene which was chosen following advice and guidance from North West Ambulance Service (NWAS) as it is the qualification undertaken by their Community First Responders.

4. In 2014 the Authority underwent an EU compliant procurement process for Trauma Care Training services. The contract was awarded to PGI Group for the period 1st February 2015 to 31st January 2018 with an option to extend for a period of a further 2 years.

5. At the time of contract award it was estimated that potential expenditure for the initial 3 year contract term would be circa £220,000.

6. Since the contract was let in 2015 the Authority has commenced Emergency Medical Response (EMR) to cardiac arrest incidents under the auspices of the NJC trial which has had a significant impact on the Trauma Care Training services required.

7. At the request of the Fire Brigades Union (FBU) agreement was reached for all stations to partake in the EMR trial rather than 3 stations which was the initial proposal. The phasing of the training plan has been adjusted to reflect the EMR agreement so that all front line staff have undertaken initial Trauma Care Training (First Person on Scene) in Year 1 rather than split across Years 1, 2 and 3. Refresher training for these staff will now need to take place in Year 4 as the training needs to be accredited every 3 years.

   For reasons related to National issues the FBU have since taken a position that they wish the trial to be limited to 3 stations. Officers and the FBU are continuing discussion over extending the trial across all stations.

8. In the 16 months since the contract was let the Authority has spent circa £188,000 with PGI Group. Based on current forecasts the Authority will need to spend the following sums prior to contract expiry:

   - Continued provision of initial training - £12,000
   - Refresher training - £81,000

9. This would bring total expenditure under the contract to £281,000 during the full 5 year term. It is proposed to extend the contract to its maximum term as the incumbent will be best placed to undertake the refresher training. Feedback has indicated that the quality and service of the incumbent supplier to date has been excellent and regular contract management meetings are taking place to ensure this continues.

10. As potential total expenditure under the current contract is in excess of £250,000 Authority approval is required before further monies are committed and the contract is extended to its maximum term.

Equality and Diversity Implications

11. No equality and diversity implications are arising from this report. Equality and diversity issues were considered during the procurement process and formed part of the Suitability Assessment selection criteria.

Staff Implications

12. Operational staff require Trauma Care training to undertake their role within the Authority. Without the correct training and certification, operational staff will not be able to respond to the full range of incidents that they are required to.

Legal Implications

13. The procurement process for the provision of these services was completed via a full EU tender as required by law.

14. The contract can be compliantly extended to a 5 year term as there is provision to do this in the terms of the contract.

Financial Implications & Value for Money

15. Total expenditure under this contract would increase to circa £281,000 over a 5 year period. Officers have explored other options with regards to refresher training and this is the most effective solution.

Risk Management, Health & Safety, and Environmental Implications

16. Operational staff needs to be adequately trained to undertake their role. Without this training, there is a potential risk to our staff and the public with respect to Health & Safety.

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

17. These training services will contribute to ensuring that operational staff are Safe Effective Firefighters and will help to protect our communities by ensuring the appropriate assistance is offered when required.

BACKGROUND PAPERS

NONE

GLOSSARY OF TERMS

NONE

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