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

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.

Tel: 0151 296 4000
Extn: 4113 Kelly Kellaway

Your ref: Our ref HP/NP Date: 19 July 2017

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, 27TH JULY, 2017** in the Liverpool Suite at Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

Yours faithfully,

K Kellaway PP.

Clerk to the Authority

Encl.

This page is intentionally left blank

MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

27 JULY 2017

AGENDA

Members

Joe De'Asha, St Helens
Barbara Murray
Lesley Rennie
James Roberts
Les Byrom (Chair)
Jean Stapleton
Sharon Sullivan
Edna Finneran

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 - 10)

The Minutes of the previous meeting of the Policy and Resources Committee, held on 23rd March 2017, are submitted for approval as a correct record and for signature by the Chair.

3. Grant Thornton - Audit Findings 2016/17 (Pages 11 - 42)

To consider a presentation from the Authority's External Auditor – Grant Thornton, on the audit findings for 2016/17.

4. **TREASURY MANAGEMENT ANNUAL REPORT 2016/17** (Pages 43 - 52)

To consider Report CFO/044/17 of the Treasurer, concerning the activities of the Treasury Management operation and actual performance against the agreed Prudential Indicators in 2016/17. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

5. **THE ANNUAL GOVERNANCE STATEMENT 2016/2017** (Pages 53 - 80)

To consider Report CFO/045/17 of the Treasurer, concerning the Authority's Annual Governance Statement. 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.

6. **REVENUE & CAPITAL OUTTURN 2016/17** (Pages 81 - 102)

To consider Report CFO/049/17 of the Treasurer, concerning the Authority's year-end financial position for 2016/17.

7. **statement of accounts 2016/17 - authorisation for issue** (Pages 103 - 228)

To consider Report CFO/048/17 of the Treasurer, concerning the audited 2016/17 Statement of Accounts for approval and authorisation for issue.

8. **CORPORATE RISK REGISTER DEC-MAR 17** (Pages 229 - 254)

To consider Report CFO/050/17 of the Deputy Chief Fire Officer, concerning the current risks contained within the Corporate Risk Register, the status of the risks and associated control measures - including reference to any new risks introduced or any risks that no longer apply and can be removed.

9. **Review of Safeguarding Policy & Procedures** (Pages 255 - 286)

To consider Report CFO/051/17 of the Deputy Chief Fire Officer, concerning the review of Merseyside Fire and Rescue Authority's (MFRA) Safeguarding policies and procedures.

10. **Representation of the Police and Crime Commissioner for Merseyside on Merseyside Fire and Rescue Authority** (Pages 287 - 290)

To consider Report CFO/052/17 of the Clerk to the Authority, concerning the appointment of the Police and Crime Commissioner for Merseyside to Merseyside Fire and Rescue Authority.

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.

This page is intentionally left blank

MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

23 MARCH 2017

MINUTES

Present: **Cllr Leslie T. Byrom CBE (Chair)** Councillors Joe De'Asha, Veronica McNeill, Barbara Murray, Lesley Rennie, James Roberts, Jean Stapleton and Chris Meaden (In place of Sharon Sullivan)

Also Present: Dave Hanratty, Brian Kenny and Linda Maloney

Apologies of absence were received from:
Sharon Sullivan

6. CHAIR'S ANNOUNCEMENTS

At the start of the meeting, the Chair advised that the flag was being flown at half mast, in response to the recent tragedy in London; and requested that all present stand and observe a minutes silence as a mark of respect.

Information regarding general housekeeping was then 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.

Members 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) no items of business required 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

The Minutes of the previous meeting of the Policy and Resources Committee, held on 15th December 2016, were approved as a correct record and signed accordingly by the Chair.

3. Deputation

Members considered a Deputation from Mr John Brace and Mrs Leonora Brace, concerning: Data Protection Matters relating to MFRA audits.

The Monitoring Officer referred to the Constitution Standing Order number 11.5, and cited from it that once called upon by the Chair the deputation speaker has no more than 5 minutes to speak regarding the deputation topic only.

The speaker for the Deputation, addressed the Committee regarding a MFRA audit of invoices/contracts, in which names were visible on documents that had been requested. It was stated by the speaker for the Deputation that this had been brought to the attention of Members, so similar issues do not reoccur in future years and cause data protection issues.

Members noted the Deputation.

4. SERVICE DELIVERY PLAN 2017-18

Members considered Report CFO/019/17 of the Deputy Chief Fire Officer, concerning the Service Delivery Plan for 2017/18 and the contents of the station plans.

Members were provided with an overview of the report, which highlighted the Annual Service Delivery Plan for 2017/18. Members were informed that this plan includes an estimate of the year end Local Performance Indicator results, which will be updated in June 2017; and that performance indicators had been renumbered using the methodology of: context, owner, tier and code.

Members were advised that targets for station outputs have been set, which are relevant and specific to the station area. For example there will be a focus on Home Fire Safety in Heswall due to it being a predominately residential area; whilst for Liverpool City there will be an emphasis on Site Specific Risk Information, due to the number of commercial properties.
Members were also advised that MFRA use a technique called trend analysis to create statistically robust targets for the 2017/18 plan, by utilising the previous 5 years incident data.

A question was raised regarding a figure within section 1.5 – “Overview of the Districts of Merseyside”, which shows the number of businesses within Wirral as being the same as within Liverpool. This figure was queried as it appeared unlikely to be correct. The Chief Fire Officer advised that the figures would be checked and amended if required.

Members resolved that:

The attached Service Delivery Plan (Appendix 1), would be considered and approved, for 2017/18 prior to the publication on the website.

5. Code of Corporate Governance

Members considered Report CFO/020/17 of the Chief Fire Officer, concerning the revised Code of Corporate Governance and Service Instruction 0875, which sets out the Authority’s assurance and transparency arrangements.

Members were provided with an overview of the report, which highlighted the 3 key principles which underpin the Authority’s Code of Corporate Governance.

Members were advised that these high level principles are supported by detailed principles of good governance. The 2007 CIPFA/ SOLACE Framework has now been updated following the release of the 2016 version. The 2016 Framework has expanded the fundamental detailed principles from 6 in the 2007 Framework to 7.

Within the Authority’s proposed revised Code of Corporate Governance, the 3 key principles remain the same, however it does reflect the 7 detailed principles within the 2016 CIPFA/ SOLACE Framework.

The Chair commented on plans to bring back an inspectorate for the Fire & Rescue Service; and questions were raised regarding possible timeframes for implementation. The CFO confirmed that the Fire Minister had indicated that inspections would commence from September/October time. He also commented that as the Lead Authority for National Resilience, it is likely that the Inspectorate will wish to look at National Resilience arrangements specifically, to seek reassurances that they are sufficiently robust.

Members resolved that:

The revised Code of Corporate Governance attached at Appendix A, be approved.

Close

Date of next meeting Thursday, 27 July 2017

Signed:_____________________ Date:______________

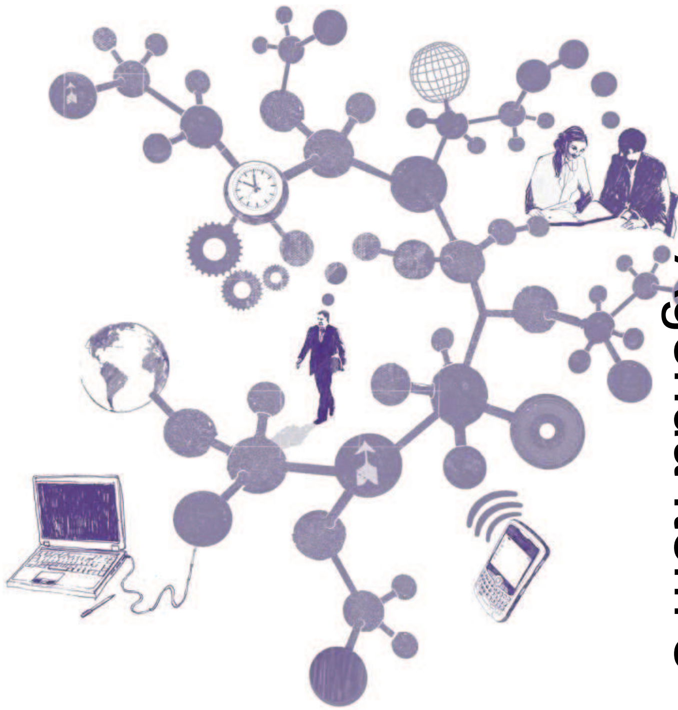
This page is intentionally left blank

Grant Thornton

The Audit Findings for Merseyside Fire and Rescue Authority

Year ended 31 March 2017

19 July 2017



Mike Thomas
Director
T 0161 214 6368
E mike.thomas@uk.gt.com

Perminder Sethi
Senior Manager
T 0113 200 2547
E Perminder.sethi@uk.gt.com

John Padfield
Executive
T 0161 214 6378
E john.padfield@uk.gt.com

Private and Confidential

Merseyside Fire and Rescue Authority
Policy and Resources Committee
Fire Service HQ,
Bridle Road
Bootle
Merseyside L30 4YD

Grant Thornton UK LLP
4th Floor
Royal Liver Buildings
Liverpool
L3 1PS

T 0161 214 6368
www.grant-thornton.co.uk

19 July 2017

Dear Members of the Policy and Resources Committee

Audit Findings for Merseyside Fire and Rescue Authority for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Merseyside Fire and Rescue Authority, the Policy and Resources Committee), to oversee the financial reporting process, 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 officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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 and giving a value for money conclusion. 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

Mike Thomas

Engagement lead

Chartered Accountants
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.
A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details..

Contents

Section 1: Executive summary

Page 14

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 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 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 (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Authority acquired in the course of performing our audit; or otherwise misleading.

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 year.

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 or change our audit approach, which we communicated to you in our Audit Plan dated 30 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- property, plant and equipment
- pensions
- investment confirmations
- review of 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
- Whole of Government Accounts.

We received the 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 identified no adjustments affecting the Authority's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded total comprehensive income and expenditure of £182,876k. Our audit work on the financial statements has not altered this position. We have recommended a number of minor adjustments to improve the presentation and disclosure of the financial statements.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

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 AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Authority's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

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 audit work identified a control issue in relation to the calculation of National Insurance Contributions by the payroll system. Our audit testing identified that in specific circumstances, the payroll system will understate both employer's and employees' NI contributions payable. This is a software weakness and Officers are working with the system provider to resolve this issue.

The Authority has completed a review of all payments where an understatement was possible and confirmed the additional liability to be some £31,000, Officers do not consider this to be significant from the perspective of the financial statements. Accordingly, this has been recorded as an unadjusted error.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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. We have not had to issue a Public interest report; make any written recommendations; apply to the court for a declaration that an item of account is contrary to law; issue an advisory notice or make an application for judicial review.

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, and recommendations discussed and agreed with the Treasurer and the finance team

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
19 July 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 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 £1,497k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

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 £75k. 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
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made (errors will also be assessed individually with due regard given to the nature of the error).	£5k
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made. (misstatements will also be evaluated by reference to how material they are to the other party).	£20k (Individual misstatements will also be evaluated with reference to how material they are to the other party).

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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.

Page 20

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Merseyside Fire and Rescue 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 • 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 Therefore we do not consider this to be a significant risk for the Authority.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have undertaken the following work in relation to this risk: • Review of journal entry process, including a walkthrough of controls • Review of accounting estimates, judgments and decisions made by management • Selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing 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.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the Authority. 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
Valuation of property, plant and equipment The Authority revalues its property assets every 5 years, the last revaluation being in 2014/15 The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	We have undertaken the following work in relation to this risk: • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Discussed with the valuer the basis on which the valuation is carried out and challenged key assumptions. • Reviewed and tested any significant ad-hoc revaluations made during the year, including, where relevant, review of the competence, expertise and objectivity of any management experts used • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.	Work on property plant and equipment conducted to date has not highlighted any issues that we would wish to bring to your attention.

Page 21

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of pension fund net liability The Authority's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.	We have undertaken the following work in relation to this risk: • Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. Assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. Gained an understanding of the basis on which the valuation is carried out • Procedures to confirm the reasonableness of the actuarial assumptions made • Reviewed the consistency of the pension fund asset and liability and disclosures in the notes to the financial statements with the actuarial report from your actuary.	Our audit work to date 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 2017.

© 2017 Grant Thornton UK LLP

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.

Risks identified in our plan	Work completed	Assurance gained & issues arising
Operating Expenses Non-pay expenditure represents a significant percentage of the Authority's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the risk requiring particular audit attention as: Year end creditors and accruals are understated or not recorded in the correct period. • Completeness – Operating expenses are understated or not recorded in the correct period. • Completeness – Creditors (payables) understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • Documentation of processes and controls • Evaluation and walkthrough of controls • Tested a sample of expenditure transactions for the year • Tested the year-end reconciliation of the accounts payable system to the general ledger • Reviewed post year end payments to identify any unrecorded liabilities • Reviewed management's process for identifying and processing accruals • Tested a sample of year end creditors and accruals • Reviewed in year and post year end payments to identify whether the transactions have been recorded in the correct financial year.	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration Payroll expenditure represents a significant percentage of the Authority's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: • Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • Documentation of the system and identification of controls and walkthrough test of the payroll system • Tested a sample of payroll transactions for the year • Substantive testing of significant year end payroll accruals • A trend analysis of pay by month to confirm there are no unusual fluctuations throughout the year • Testing of the reconciliation between the payroll system and the amounts recorded in the financial statements.	Our audit work has not identified any significant issues in relation to the risk identified. However, our detailed testing of payroll transactions identified the presence of a systematic error in the calculation of employer's and employees' National Insurance, affecting a small element of the population. This is considered in further detail in the 'Internal Controls' section. Officers are working with the software supplier to resolve this issue.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Page 23

Audit findings against other risks continued

Risks identified in our plan	Work completed	Assurance gained & issues arising
Fire Pensions Benefits Payable Benefits improperly computed / Claims liability understated.	We have undertaken the following work in relation to this risk: • Documented the processes and controls in place in the pensions benefits system • Walkthrough testing to confirm the operation of controls is in line with our understanding • Scanned and identified unusual items or unusual variations in the payments made • Compared the total pensioner payroll with comparative figures and rationalised by reference to the changes to the expected value (e.g. pension increases, new pensioners, deaths). • Substantive testing of pension benefit payments made in the year.	Our audit work has not identified any significant issues in relation to the risk identified.
Changes to the presentation of local authority financial statements CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have undertaken the following work in relation to this risk: • Documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements • Reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure • Reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • Tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • Tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • Tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • Reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	Our audit work has identified that the required presentational changes have generally been appropriately made. For fullest compliance with the Code, we requested that the new Expenditure and Funding Analysis be presented as a note to the accounts, rather than as a primary statement.

Page 24

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	• 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. • 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. • 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.	• The Authority's accounting policy is appropriate under IAS 18 Revenue and CIPFA's Code of Practice on Local Government Accounting 2016-17 • A significant amount of the Authority's revenue is predictable meaning that there is minimal judgement involved in identifying when to recognise income • We are satisfied that the Authority has recognised income in accordance with its accounting policies • Revenue recognition policies are appropriately disclosed.	● Green
Going concern	The Treasurer has 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 continue 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 2016/17 financial statements.	● Green

Page 25

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

© 2017 Grant Thornton UK LLP

Accounting policies, estimates and judgements continued

.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	Key estimates and judgements include: • Pension fund valuations and settlements • Asset revaluations, depreciation and impairments • Provisions and accruals, including business rate appeals and bad debt provisions • Fair value of financial instruments.	• The Authority's policies on estimates and judgements are reasonable and appropriately disclosed. • The Authority has appropriately relied on the work of experts for asset revaluations, pension fund valuations, insurance provisions, and financial instrument fair values.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice.	The Authority's accounting policies are appropriate and consistent with previous years.	● Green

Page 26

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, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Policy and Resources Committee and the work to address this. We have not been made aware of any incidents of fraud in the period and no other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Authority which is included in the Policy and Resources Committee papers.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests for bank balances, loans and investments. This permission was granted and the requests were sent to a number of institutions. We have now received all confirmations except in relation to investments from Newcastle Building Society (£1m), and Goldman Sachs (two amounts of £1m each) which are still awaited.
6.	**Disclosures**	• Our review found no material omissions in the financial statements. For fullest compliance with the Code of Practice, we requested that the new Expenditure and Funding Analysis be presented as a note to the accounts, rather than as a primary statement.

© 2017 Grant Thornton UK LLP

Other communication requirements continued

	Issue	Commentary
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas: • 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 • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Authority acquired in the course of performing our audit, or otherwise misleading.
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. • Note – this work is not required as the Authority does not exceed the threshold.

Internal controls

	Assessment	Issue and risk	Recommendations
1.	●	Our payroll testing identified that, under specific circumstances, the payroll system will allocate double the lower earnings limit in its National Insurance calculations resulting in underpayment of both employer's and employees' NI. Officers have ascertained, through system interrogation that the total underpayment of NI resulting in 2016/17 is £30,960 (none in previous years) and have contacted the system provider to resolve the issue. Given the amount involved is not significant, officers are not proposing to amend the financial statements.	Continue to work with the system provider to resolve this system issue, with a view to preventing miscalculation in future periods.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

"The purpose of an audit is for the auditor to express an opinion on the financial statements.
Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Adjusted misstatements

There have been no adjustments made to the draft accounts.

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Policy and Resources Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	In specific circumstances, the payroll system has understated both employers' and employees' NI contributions payable during 2016/17. This is a software weakness. Officers have ascertained, through system interrogation that the total underpayment of NI resulting in 2016/17 is £30,960 (none in previous years) and have contacted the system provider to resolve this issue.	31	(31)	The amount is not considered material to the Authority's financial statements.
	Overall impact	**£31**	**£(31)**	

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	Expenditure and Funding Analysis	A presentational change to show the Expenditure and Funding Analysis as a Note to the accounts in accordance with the Code.
2	Disclosure	N/A	N/A	Various minor disclosure changes.

Section 3: Value for Money

Page 32

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 Authority 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 Authority. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Authority 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 2016. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body takes properly informed decisions and deploys 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 in April 2017 based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Authority, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements
- the findings of other inspectorates and review agencies
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information
- any other evidence which we considered necessary to conclude on your arrangements.

We did not identify any significant risks from our initial risk assessment. We did however recognise that the Authority continues to face significant on-going financial challenges. Our assessment of risk is balanced by the fact that we consider the Authority has effective arrangements in place to manage its finances.

The Authority set a balanced budget for 2016/17 which formed the first year of the Medium Term Financial Strategy (MTFS) for the 4 year period to 2019/20.

The actual 2016/17 outturn position was an underspend of £2,349k against a revised budget of £61,507k, increasing the Authority's usable reserves to £31,858k at the year end. The Authority is keen to use any underspend to increase the firefighter recruitment reserve in light of the expected firefighter retirements over the next decade.

During the year, the Authority also spent £3,652k on capital (non current assets), with the main areas of spend relating to the build of a new fire station in Prescot, installation of smoke alarms, upgrades and replacement of ICT software and the purchase of new appliances and specialist vehicles.

The Authority continues to respond to meeting the challenges of Blue Light Collaboration. Consultants have recently undertaken a review exploring the potential synergies to be gained from a collaborative approach with Merseyside Police on integration of back office and professional services. Further to this, chief officers will now jointly undertake further work to consider practical options for a collaborative approach to the delivery of corporate services functions.

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

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

In arriving at our conclusion, our main considerations were:

- as in previous years, the Authority delivered an underspend position for 2016/17 with a year end outturn underspend of £2,349k. This was in line with the Authority's expectation for 2016/17 and represents 3.8% of turnover
- for 2017/18, the Authority approved its budget in March 2017. The Authority set a budget of £59,490k. The budget aims to deliver a year end break even position. The budget requires savings of £3,862k above those already delivered in 2016/17 and includes reductions in a number of areas including support service and management (£0.75m) and reductions in front line staffing (£1.0m)
- the Authority's Medium Term Financial Plan covering the period 2016/17 to 2019/20 which incorporates the comprehensive spending review and the future financial challenges faced by the Authority. The Authority needs to deliver some £11,000k in savings between 2016/17 and 2019/20. The Medium Term Financial Plan aims to achieve this through savings in technical and support services of £9,100k, and a further £1,900k from operational savings. Whilst the Authority consider these savings challenging, they believe they are achievable
- the Authority's committee structures which enable a clear focus on the Authority's policies and monitoring of performance. The Authority has an effective strategic and financial planning process which includes rigorous review and challenge by members
- the progress being made by the Authority working with Merseyside Police on Blue Light Collaboration with a view to help integrate back-office and professional services.

Overall conclusion

Based on the work we performed to address the risks identified, we concluded that Merseyside Fire Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

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: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of other and non-audit services.

Fees

	Proposed fee £	Final fee £
Authority audit	32,424	32,424
Total audit fees (excluding VAT)	**32,424**	**32,424**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Independence and ethics

Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

- 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 confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. We can confirm that no non-audit services were identified.

Section 5: Communication of audit matters

Communication to those charged with governance

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.

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

Respective responsibilities

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 Authority'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 Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authroity 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 Authroity 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, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Draft Audit Opinion

A: Draft Audit opinion

We anticipate we will provide Merseyside Fire and Rescue Authority with an unmodified audit report

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

We have audited the financial statements of Merseyside Fire and Rescue Authority (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in reserves Statement; the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to [x]. 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 2016/17.

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 Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Page 41

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

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of its resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

[Signature]

Michael Thomas
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4TH Floor
Royal Liver Building
Liverpool
L3 1PS

[Date]

© 2017 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	27TH JULY 2017	REPORT NO:	CFO/044/17
PRESENTING OFFICER	IAN CUMMINS, TREASURER		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IANCUMMINS
OFFICERS CONSULTED:			
TITLE OF REPORT:	TREASURY MANAGEMENT ANNUAL REPORT 2016/17		

APPENDICES:	APPENDIX A:	TREASURY MANANGEMENT 2016/17 ANNUAL REPORT

Purpose of Report

1. To advise Members of the activities of the Treasury Management operation and actual performance against the agreed Prudential Indicators in 2016/17. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Recommendation

2. That Members note the Treasury Management Annual Report 2016/17 (attached as Appendix A)

Introduction and Background

3. Treasury management is defined as:

   "The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

4. The CIPFA Code of Practice for Treasury Management in Local Authorities has been adopted by the Authority and a Treasury Policy Statement incorporated in Financial Regulations in accordance with the requirements of the Code. The arrangements for reporting Treasury management activities to Members are that a minimum of three reports are presented to members: -
   - An Annual Treasury Strategy Report before the start of a financial year.
   - An interim report during the second half of a financial year. Other interim reports will be prepared if necessary.

- An annual outturn report by 30th September following the financial year to which it relates.

Annual Treasury Management Strategy

5. The Authority determines before the start of each financial year an agreed treasury management strategy to set certain parameters and guidelines around which the treasury management function will operate. The 2016/2017 – 2019/2020 Budget and Financial Plan report, CFO/008/16, considered by Members at the Authority meeting on 25th February 2016, set the Authority's treasury management strategy for 2016/17:

   The strategy sets limits for the next three years on:-
   - overall Level of External Debt
   - operational Boundary for Debt
   - upper limits on fixed interest rate exposure
   - upper limits on variable rate exposure
   - limits on the maturity structure of debt
   - limits on investments for more than 364 days

   The strategy covers:
   - prospects for interest rates;
   - capital borrowing and the portfolio strategy;
   - annual investment strategy;
   - debt rescheduling;
   - external debt prudential indicators;

6. As short term interest rates were expected to be lower than long term borrowing rates the Authority, as part of its approved treasury management strategy, agreed to reduce investments and borrow for short periods when necessary. The interest rate market was monitored throughout the year for any changing circumstances requiring a review of the current strategy.

Interim Treasury Management report

7. The interim treasury management report, CFO/015/17, was considered by Members at the Audit Sub-Committee on 31st January, 2017. Treasury Management activity in 2016/17 has been carried out in compliance with the relevant Codes and Statutes and within the borrowing and treasury management limits set by the Authority under the prudential code.

Annual Outturn Treasury Management report

8. The Treasury Management Annual Report 2016/17 is as attached at Appendix A to this report and demonstrates that treasury management activity has been carried out in-line with the approved Treasury Management Strategy and therefore within the borrowing and treasury management limits set by the Authority throughout the year. Treasury Management practices have maintained full compliance with the relevant Codes and Statutes.

9. The Authority's Treasury Management function is carried out by Liverpool City Council via a service level agreement.

Equality and Diversity Implications

10. None arising from this report.

Staff Implications

11. None arising from this report.

Legal Implications

12. This report meets the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Authority is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Financial Implications & Value for Money

13. The cost of Treasury Management Services was £20,503 in 2016/17 and was provided by Liverpool City Council.

14. The Authority's overall debt outstanding during the year reduced from £41.1m to £39.1m:-

	For Periods ending (2016/17)													
	Opening Position	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	**Closing Position**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
PWLB	**41,100**		0	0	-1,000	0	0	-1,000	0	0	0	0	0	**39,100**
	41,100	0	0	0	-1,000	0	0	-1,000	0	0	0	0	0	**39,100**

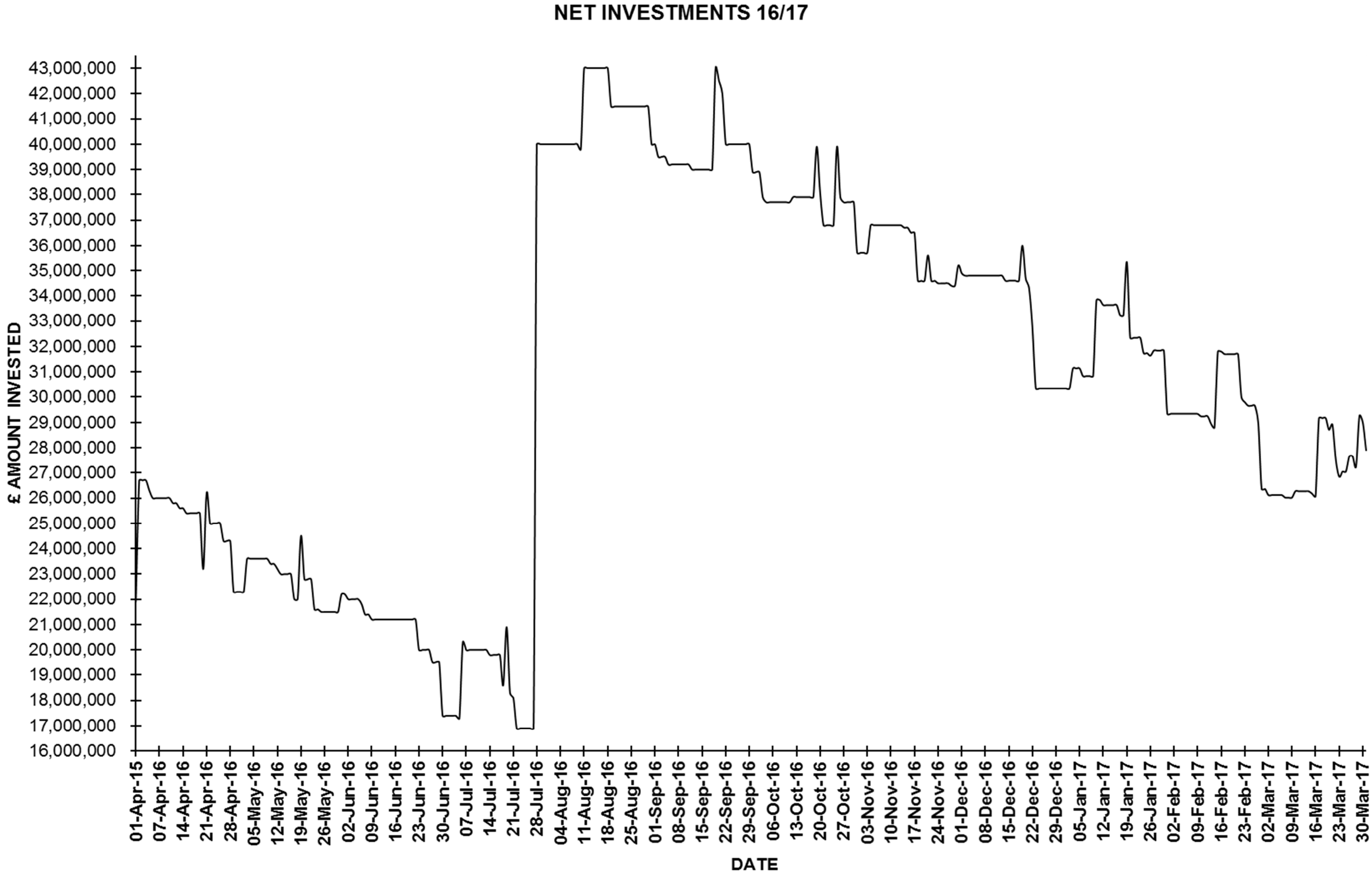
15. The reduction in debt of £2.0m was due to the repayment of two £1m loans that matured in the year.

16. The Authority paid total interest of £2.0m on all the debt during the year which was consistent with the budget. The reason for no new loans being taken out in the year (and as a consequence lower interest payments) is due to the current strategy of using available cash to fund capital investment rather than seek new loans while investment interest rates are so low.

17. The movement on the level of opening and closing investments is summarised below:

	£'m
01/04/16	21.9
31/03/17	27.9

Total investment levels moved during the year as outlined in the graph below:



18. The reason why the level of investments increased in the year is that the Authority receives significant grant income in advance of actual expenditure. For example the firefighter pension grant of £25.8m was paid in July but ~~the~~ actual pension payments are spread throughout the year.

19. A combination of the grants received in advance of expenditure and the cash available as a consequence of the current reserve strategy meant the Authority had £27.9m of investments at the year-end.

20. The investments are held in institutions that reflect the approved investment strategy. The table overleaf outlines the £27.9m of investments held as at 31st March 2017;

ANALYSIS OF INVESTMENTS END OF QUARTER 4 2016/17				
Institution	**Credit Rating**	**MM Fund***	**Bank / Other**	**Building Society**
		£	**£**	**£**
Aberdeen Liquidity Fund	AAA	200,000		
Blackrock	AAA	1,400,000		
Federated Investors UK	AAA	3,000,000		
Goldman Sachs	AAA	2,000,000		
LGIM (Legal & General)	AAA	3,000,000		
Morgan Stanley	AAA	300,000		
Standard Life Investors (Ignis)	AAA	3,000,000		
Handelsbanken Inst Access	AA		2,000,000	
HBOS 12 MTH FTD	A+		2,000,000	
HBOS 12 MTH FTD	A+		2,000,000	
Santander 365 day Notice Account	A		2,000,000	
Nationwide B Soc	A			2,000,000
Newcastle B Soc	Unrated			1,000,000
Nottingham B Soc	Unrated			1,000,000
Principality B Soc	Unrated			1,000,000
Skipton B Soc	A-			1,000,000
West Brom B Soc	Unrated			1,000,000
Totals		**12,900,000**	**8,000,000**	**7,000,000**
Total Current Investments				**27,900,000**

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

21. Income earned on investments was £0.187m which was £0.018m above the amount budgeted for, reflecting the increase in the value of investments held in the year.

Risk Management, Health & Safety, and Environmental Implications

22. Robust management of the Authority's cash, investments and loans reduces the risk of poor security of investments, the lack of availability of funds when required, and a poor return on investments.

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

23. A good Treasury Management Strategy ensures that funds are available to meet the approved financial plan and therefore the delivery of services required to achieve the Authority's mission.

BACKGROUND PAPERS

CFO/008/17 2015/2016-2019/2020 Budget and Financial Plan report, Authority 25th February, 2016

CFO/015/17 Interim Treasury Management report, Audit Sub-Committee 31st January, 2017.

GLOSSARY OF TERMS

APPENDIX A

TREASURY MANAGEMENT ANNUAL REPORT 2016/17

INTRODUCTION

1. The CIPFA Code of Practice for Treasury Management in Local Authorities has been adopted by the Authority. The Code requires that Treasury Management activities are subject to regular reports to Members. This report represents the final report on Treasury Management for 2016/17.

2. The strategy for the year was identified in the Treasury Management Strategy Statement 2016/17. The strategy covers the following areas:

   (a) prospects for interest rates;
   (b) capital borrowing and debt rescheduling;
   (c) annual investment strategy;
   (d) external debt prudential indicators;
   (e) treasury management prudential indicators.
   (f) performance indicators;
   (g) treasury management advisors

PROSPECTS FOR INTEREST RATES

3. The UK EU referendum in June 2016 and the outcome of the USA election in November 2016 had significant influence on financial markets in 2016/17. The prospects for a slowly rising base rate during the latter part of 2016/17 have now been pushed back until 2019, after the Brexit negotiations are expected to have been concluded. The Bank of England Monetary Policy Committee (MPC) cut the bank rate from 0.50% to 0.25% in August 2016 and the bank forecast economic growth to fall to almost zero in the second half of 2016. This forecast proved to be overly pessimistic as annual growth for 2016 compared to 2015 was 1.8%; almost the fastest rate of growth of any G7 country. Needless to say, this meant that the MPC did not cut the bank rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

4. During 2016/17 there was major volatility in Public Works Loans Board (PWLB) rates. Rates fell from April to June 2016 and gained fresh downward impetus after the referendum and the bank rate cut, before staging a partial recovery through to December and then falling slightly through to the end of March 2017. The overall movement during 2016/17 was that longer term PWLB rates fell by 0.61% from 3.15% at the start of the year to 2.54% at the end of the year.

5. The strategy indicated that the overall structure of interest rates whereby short term rates are lower than long term rates was expected to remain throughout 2016/17. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

CAPITAL BORROWINGS AND DEBT RESCHEDULING

6. The borrowing requirement comprises the expected movements in the Capital Financing Requirement and reserves plus any maturing debt which will need to be re-financed. The Authority did not envisage that any new long term borrowing would be required in 2016/17 and no new borrowing was arranged. Market conditions continued to be unfavourable for any debt rescheduling.

ANNUAL INVESTMENT STRATEGY

7. The investment strategy for 2016/17 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with central government regulations and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list and for a maximum of one-year duration.

8. Extreme caution was taken in placing investments to ensure security of funds rather than rate of return. The use of deposit accounts with high rated or nationalised banks and AAA rated money market funds has enabled reasonable returns in a low interest rate environment. The credit ratings and individual limits for each institution within the categories of investments used by the Authority in 2016/17 are as follows:

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

The average rate of return achieved on average principal available in 2016/17 was 0.57%. This compares with an average seven day deposit (7 day libid) rate of 0.20%.

9. The Investment Strategy specified that investments are only made with banks with a high credit rating. UK banks must have at least an “A” long term rating for inclusion on the Authority’s counterparty list. The money markets are continually monitored for information regarding the creditworthiness of financial institutions and notifications are received of any changes to credit ratings made by any of the rating agencies. An institution is immediately suspended from the Authority’s list of institutions should any doubt arise about its financial standing regardless of whether its credit rating is downgraded.

EXTERNAL DEBT PRUDENTIAL INDICATORS

10. The external debt indicators of prudence for 2016/17 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt:	£73 million
Operational boundary for external debt:	£61 million

Against these limits, the maximum amount of debt reached at any time in the financial year 2016/17 was £41.1 million.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS

11. The treasury management indicators of prudence for 2016/17 required by the Prudential Code were set in the strategy as follows:

a) Interest Rate Exposures

Upper limit on fixed interest rate exposures:	100%
Upper limit on variable interest rate exposures:	50%

The maximum that was reached in the financial year 2016/17 was as follows:

Upper limit on fixed interest rate exposures:	100%
Upper limit on variable interest rate exposures:	0%

b) Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowing were set and the maximum and minimum that was reached for each limit at any time in the financial year 2016/17 was as follows:

Maturity Period	Upper Limit	Lower Limit	Maximum Actual	Minimum Actual
Under 12 months	50%	0%	5%	3%
12 months and within 24 months	50%	0%	2%	0%
24 months and within 5 years	50%	0%	10%	3%
5 years and within 10 years	50%	0%	8%	0%
10 years and above	90%	0%	86%	82%

c) Total principal sums invested for periods longer than 364 days

The limit for investments of longer than 364 days was set at £2 million for 2016/17. No such investments were placed during 2016/17.

PERFORMANCE INDICATORS

12. The Code of Practice on Treasury Management requires the Authority to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking.

13. The indicators for the treasury function are:
    - Borrowing - Average rate of long term borrowing for the year compared to average available. No new long term borrowing was arranged in 2016/17.

    - Investments – Internal returns compared to the 7 day LIBID rate. The return in the financial year 2016/17 was 0.37% above the benchmark.

TREASURY MANAGEMENT ADVISORS

14. The treasury management service is provided to the Authority by Liverpool City Council. The terms of the service are set out in an agreed Service Level Agreement. The Council employs treasury management advisers appointed under a competitive procurement exercise who provide a range of services which include: -

- Technical support on treasury matters, capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service comprising the three main credit rating agencies.

15. Whilst Liverpool City Council and its advisers provide the treasury function, ultimate responsibility for any decision on treasury matters remains with the Authority.

CONCLUSION

16. Treasury Management activity in 2016/17 has been carried out in compliance with the relevant Codes and Statutes and within the borrowing and treasury management limits set by the Authority under the prudential code.

Agenda Item 5

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	27TH JULY 2017	REPORT NO:	CFO/045/17
PRESENTING OFFICER	IAN CUMMINS, TREASURER		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	THE ANNUAL GOVERNANCE STATEMENT 2016/2017		

APPENDICES:	APPENDIX A:	2016/17 ANNUAL GOVERNANCE STATEMENT
	APPENDIX B:	INFORMING THE AUDIT RISK ASSESSMENT FOR MFRA – GRANT THORNTON DOCUMENT

Purpose of Report

1. The purpose of this report is to present to Members the Authority's Annual Governance Statement. 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.

Recommendation

2. That Members approve the 2016/2017 Annual Governance Statement.

Introduction and Background

3. The Annual Governance Statement (AGS) is the formal statement that recognises, records and publishes a Council or Authority's governance arrangements. Attached as Appendix A to this report is the 2016/17 AGS for MFRA which explains the processes and procedures in place to enable the Authority to carry out its functions effectively. The AGS also links into the Annual Statement of Assurance by providing assurance about the Authority's governance framework.

4. The CIPFA/SOLACE – Delivering Good Governance in Local Government Framework is deemed to represent best practice in relation to internal control. This framework recommends that the review of the effectiveness of the system of internal control should be reported as part of the AGS. The annual review of the effectiveness of the Authority's internal control system has been undertaken and, in accordance with the CIPFA guidance, incorporated in the attached AGS. The AGS identifies the ways in which the Authority has ensured that its control mechanisms are adequate during the year, including internal and

external audit. The overall conclusion of the AGS is that the system of internal control is adequate (any control system can provide only reasonable assurance and not absolute assurance).

5. Under International Standards on Auditing (UK and Ireland) (ISA (UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. As part of their risk assessment procedures the Authority's external auditor (Grant Thornton) have sought an understanding of the management processes and the Audit Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern.

6. Grant Thornton have asked the Authority's management team and the Chair of the Audit & Scrutiny Sub-Committee to complete a questionnaire in relation to the above risks. The completed return is attached as Appendix B to this report for Members information.

Equality and Diversity Implications

7. Good governance and sound internal control includes having effective practices to manage equality and diversity issues.

Staff Implications

8. There are no staff implications arising from this report.

Legal Implications

9. Regulation 6(1) of the Accounts and Audit (England) Regulations 2015 requires that the relevant body must conduct a review at least once a year of the effectiveness of its system of internal control and to prepare a statement on internal control in accordance with proper practices. Regulation 6(2) require that the findings of a review of an organisation's system of internal control is to be considered by a Committee of the relevant body, or by members of the body meeting as a whole, once a year. The AGS fulfils that obligation.

Financial Implications & Value for Money

10. A sound system of internal control is essential for the overall control of the Authority's finances. There are, however, no direct financial implications arising from the Statement.

Risk Management, Health & Safety, and Environmental Implications

11. Good governance and sound internal control arrangements will ensure the Authority's policies, procedures and objectives are being fulfilled.

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

12. Good governance and sound internal control arrangements will ensure the Authority's mission is known by all and drives and directs the Service outcomes.

13. Merseyside communities are safer, stronger and the firefighters who serve the County are safer and more effective because the Authority has effective leadership and makes decisions that deliver strong financial management and efficient and effective service delivery. Robust and comprehensive governance arrangements are integral to this performance.

BACKGROUND PAPERS

CFO/020/17 Code of Corporate Governance, Policy and Resources Committee 23rd March, 2017.

Delivering Good Governance in Local Government – Guidance Notes for English Authorities, C.I.P.F.A. (2016)

Delivering Good Governance in Local Government – Framework, CIPFA/SOLACE (2016)

Account and Audit (England) Regulations 2015

GLOSSARY OF TERMS

SOLACE	Society of Local Authority Chief Executives and Senior Managers
CIPFA	Charted Institute of Public Finance and Accountancy
AGS	Annual Governance Statement

This page is intentionally left blank

2016-2017 MERSEYSIDE FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

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

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

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

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

2. These high level principles are supported by seven detailed principles of good governance which are:
    - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
    - Ensuring openness and comprehensive stakeholder engagement
    - Defining outcomes in terms of sustainable economic, social, and environmental benefits
    - Determining the interventions necessary to optimise the achievement of the intended outcomes
    - Developing MFRA capacity, including the capability of its leadership and the individuals within it
    - Managing risks and performance through robust internal control and strong public financial management
    - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

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

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

2.3 The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31st March 2017.

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 new IRMP, 2017/20, on 23rd February 2017. The IRMP established the service priorities for 2017/20.

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 Community Safety and Protection 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 can not 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 2016/17 and approved by the Authority at its meeting on 14th June 2016 (CFO/046/16), 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 it's 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 2015/16 Annual Audit Letter and Audit Findings Report;

"The Authority continues to respond effectively to meeting the challenges of ongoing reductions in central government funding. The Chief Fire Officer has maintained a focus on maintaining operational performance and is continuing to work with officers from Merseyside Police Service to identify areas for collaboration and savings"

"We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ending 31 March 2016"

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 14th June 2016 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 Joint Police & Fire Collaboration Committee – to act as a Strategic Board to oversee collaboration between Merseyside Police (MP) and the Authority. To consider any reports on proposals for collaboration and potential budget savings or working arrangements.

- The Audit and Scrutiny 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 monitor the effective development and operation of risk management. To determine allegations made under the Members Code of Conduct Procedure and refer sanctions proposed and any complaint allegation requiring further investigation to the full Authority. To act as Investigating and Disciplnary 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.

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

- The Appeals Committee – to consider whether to assent to applications for specific licences as may be referred to the Committee by the Health and Safety Executive or the Chief Fire Officer.

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 2016/17 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 Community Safety and Protection 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 2015/16 and it is anticipated this will be repeated in 2016/17. 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 2016/17, 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 Treasurer. Updated Internal Audit Plan reports were submitted to the Audit sub Committee that included summary findings of all completed audit reports and implementation of any agreed recommendations. 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 2017 accords with proper practice. The 2016/17 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 2016/17 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 seven 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 2016/17 statutory financial statements and make a VFM conclusion during the 2017/18 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 2016/17 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2015/16 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2015/16 financial statements.

SIGNIFICANT GOVERNANCE ISSUES

4.7 Following the announcement of the 2016/17 - 2019/20 Local Government Finance Settlement the Authority faces a significant reduction in the level of government grant support over this period. 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 2016/17 Budget meeting on 25th February 2016 and ratified the plan at the 2017/18 Budget meeting on 23rd February 2017.

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 22 wholetime and 4 retained appliances. It also has plans to merge a number of fire stations that will see the number of stations fall from 25 to 22. In order to deliver the required savings by 2019/20 the Authority will need to further reduce the number of firefighters and consider the most efficient and effective to maintain appliance and fire station availability. The Authority has and will continue to consult with the Merseyside community on any changes to its strategic plans to deliver the operational 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. The 2017 Police and Crime 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 Act 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 Act 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, who was elected 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.

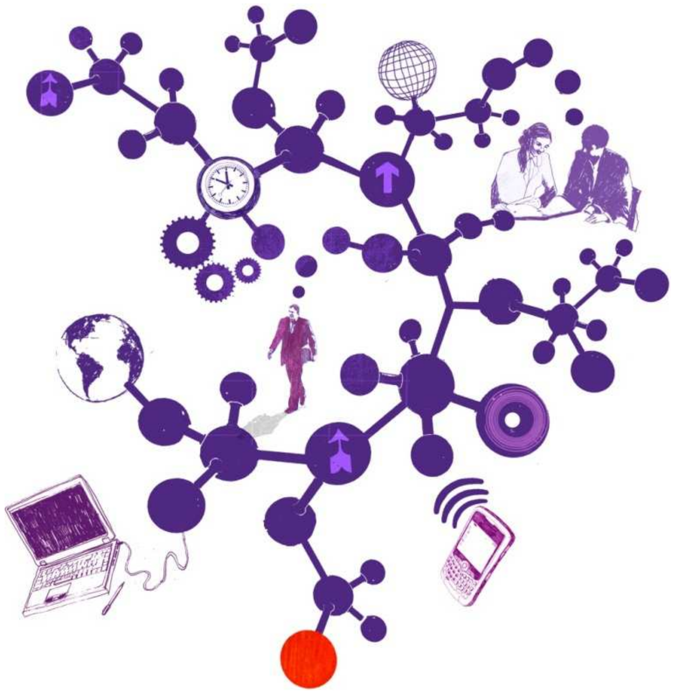
Signed……………………………………	Signed……………………………………
L.BYROM	D. STEPHENS
CHAIR of Policy and Resources Committee	CHIEF FIRE OFFICER

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

Informing the audit risk assessment for Merseyside Fire & Rescue Authority

Year ended 31 March 2017

May 2017



Mike Thomas
Engagement Lead
T 0161 214 6368
E mike.thomas@uk.gt.com

Perminder Sethi
Audit Manager
T 0113 200 2547
E perminder.sethi@uk.gt.com

John Padfield
Executive
T 0161 214 6378
E john.padfield@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

.

Contents

© 2016 Grant Thornton UK LLP

Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Authority as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of Management and the Authority under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Authority. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Authority and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Authority in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Authority , and supports the Authority in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority oversight of the following areas:

- fraud
- laws and regulations
- financial reporting and going concern.

This report includes a series of questions on each of these areas.

© 2016 Grant Thornton UK LLP

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Authority and management. Management, with the oversight of the Authority , needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Authority should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.
As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Authority regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Authority oversees the above processes. We are also required to make inquiries of both management and the Authority as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below.

© 2016 Grant Thornton UK LLP

Fraud risk assessment

<table>
<tr><th>Question</th><th>Management response / Those charged with governance additional comments</th></tr>
<tr><td>Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?

What are the results of this process?</td><td rowspan="5">The Authority has a zero-tolerance approach towards fraud and has a comprehensive counter-fraud culture, policies and procedures in place:

A code of corporate governance
Annually Financial Regulations, Standing Orders & Scheme of Delegation
Anti Fraud & Corruption Policy & Strategy
Fraud Response Plan
Confidential Reporting Policy
Procurement Strategy
New Recruit Control Checklist
New Recruit Probationary review procedure
Code of Conduct for staff (includes emphasis on fraud)
Bi-annual fraud awareness notification to all staff via payroll slip
Annual Governance Statement to members – a review of the governance framework that comprises the systems, processes, culture, values and system of internal control that manage the risks the Authority faces.
Internal Audit plan to review the internal control system.
The Authority does not have responsibility for Housing Benefit or other social & welfare payments, the Audit Commission's had identified these areas as having significant risk of fraud. Approximately 70% of the Authority's spend is employee related and 10% related to the servicing of capital debt and therefore the potential for fraud is more restricted within MFRA.
The Finance Department employ suitably qualified professionals to prepare the financial statements, and these staff on provided with substantive training to ensure any new standards are followed. This significantly reduces the risk of error in the financial statements. Comprehensive quarterly financial review reports are produced for Management & members, any variances to the approved financial plan will be reported.</td></tr>
<tr><td>What processes does the Authority have in place to identify and respond to risks of fraud?</td></tr>
<tr><td>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?

What have you determined to be the classes of accounts, transactions and disclosures in the financial statements that are most at risk of fraud?</td></tr>
<tr><td>Are internal controls, including segregation of duties, in place and operating effectively?

If not, where are the risk areas and what mitigating actions have been taken?</td></tr>
<tr><td>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</td></tr>
</table>

© 2016 Grant Thornton UK LLP

Fraud risk assessment

Question	Management response / Those charged with governance additional comments
How does the Authority exercise oversight of management's processes for identifying and responding to risks of fraud? What arrangements are in place to report fraud issues and risks to the Audit Committee?	The Audit Sub Committee receive copies of all internal audit reports and investigations. If any fraud was discovered the Audit Sub Committee would receive a comprehensive report and have an opportunity to discuss the matter.
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	Staff; Code of conduct – Value based appraisal process. Contractors; Procurement stipulate conditions within Standing Orders / Contract documentation
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported? Have any reports been made under the Bribery Act?	Bi-annual notification to staff of confidential / fraud awareness policy via a message on payslips. No reports have been been made under the Bribery Act.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No. In recent years the Legal Team provided specific training to senior staff on the acceptance of gifts and hospitality. The ACE and Director of Legal Services meet regularly to review the Gifts and Hospitality register.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority as a whole or within specific departments since 1 April 2016?	No. The Service has established a Professional Standards Team who deal with any potential fraud allegations.
Have any of the Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which could affect the financial statements?	No reports of fraud have been made.

© 2016 Grant Thornton UK LLP

Laws and regulations

Issue
Matters in relation to laws and regulations ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements. Management, with the oversight of the Authority, is responsible for ensuring that the Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements. As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Authority as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements. Risk assessment questions have been set out below.

© 2016 Grant Thornton UK LLP

Impact of Laws and regulations

Question	Management response / Those charged with governance additional comments
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	As well as the policies and procedures outlined in the Fraud section, the Authority employees a qualified solicitor who fulfils the statutory Monitoring Officer role, who is supported by an experienced legal team to ensure all decisions are legal and regulations are complied with. Counsel advice and support is sought as and when required.
How does management gain assurance that all relevant laws and regulations have been complied with?	Use of the Authority's solicitor and counsel advice as required.
How is the Authority provided with assurance that all relevant laws and regulations have been complied with?	See above and an Authority solicitor is present at all committee meetings
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016, or earlier with an on-going impact on the 2016/17 financial statements?	No instances of non-compliance or suspected non-compliance with law and regulation
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	Authority employees a qualified solicitor who is supported by an experienced legal team. Any liable claim is met from a specific insurance policy or internal fund. Legal work with Finance to ensure all claims are provided for.
Is there any actual or potential litigation or claims that would affect the financial statements?	No, see previous comment. At the end of each year all outstanding claims are reviewed and if necessary reserves or provisions established to cover any potential settlement.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No reports from other regulatory bodies that indicate non-compliance.

© 2016 Grant Thornton UK LLP

Financial Reporting and Going Concern

Issue
Matters in relation to financial reporting and going concern ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements. The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Authority is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Authority's financial resilience. Financial reporting and going concern considerations have been set out below.

© 2016 Grant Thornton UK LLP

Financial Reporting Considerations

Question	Management response/ Those charged with governance additional comments
What has the Authority identified as the key events or issues that will have a significant impact on the financial statements for 2016/17?	No material change from 2015/16 SORP therefore continue with same approach as previous years in terms of preparation of Statements. Although it has no impact on the Authority's true financial position any adjustments to the existing pension accounts as a consequence of the latest valuations will be reflected in the financial statements.
How do the Authority's risk management processes link to financial reporting?	Consider financial implications of identified risks in the risk register and if necessary create reserves to cover risk. If risk results in a permanent costs then re-align the budget.
Has the Authority considered the appropriateness of the accounting policies adopted? Have there been any events or transactions that may cause the Authority to change or adopt new accounting policies?	Accounting policies reflect best practice and guidelines. No events have arisen to require revision to current policies.
Have there been any changes to the Authority's regulatory environment that may have a significant impact on the financial statements?	No changes to the Authority's regulatory environment
Have there been any significant transactions outside the normal course of business?	No significant transactions outside the normal course of business.
Is the Authority aware of any changes in circumstances that would lead to impairment of non-current assets?	No changes in circumstances that would lead to impairment of non-current assets.
Is the Authority aware of any new transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No new transactions, events and conditions that require significant judgement.

© 2016 Grant Thornton UK LLP

Going Concern Considerations

Question	Management response/ Those charged with governance additional comments
Does the Authority have procedures in place to assess the Authority's ability to continue as a going concern?	The Authority maintains a rolling 5 year financial plan in order to ensure it has sufficient financial resources to continue for the foreseeable future, this includes the establishment of a level of reserves to provide a contingency in case of unforeseen events and provide sufficient time for the service to re-engineer itself in light of the anticipated financial challenge ahead. The service also prepares a 3 year IRMP plan to constantly assess and re-engineer its service priorities.
Is management aware of the existence of other events or conditions that may cast doubt on the Authority's ability to continue as a going concern?	No doubt on the Authority's ability to continue as a going concern.
Are arrangements in place to report the going concern assessment to the Authority?	Regular reviews of the financial plan & IRMP are carried out throughout the year and reported to the relevant committees.
Are the financial assumptions supporting the going concern assessment (i.e. future levels of income and expenditure) consistent with the Authority's Plans and the financial information provided to the Authority throughout the year?	Yes, the 5 year financial plan, annual budget, and IRMP are considered at the Budget Authority meeting.
Are the implications of statutory or policy changes appropriately reflected in the Authority's Plans, financial forecasts and report on going concern?	Yes, the main issue is how the service meets the financial challenge while maintaining its statutory responsibilities. See previous comment on 5 year plan
Have there been any significant issues raised with the Authority during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No significant issues raised with the Authority during the year which could cast doubts on the assumptions made.

© 2016 Grant Thornton UK LLP

Going Concern Considerations

Question	Management response/ Those charged with governance additional comments
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No negative cash flows
Does the Authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Authority's objectives? If not, what action is being taken to obtain those skills?	Yes there are appropriate skills in place.

© 2016 Grant Thornton UK LLP

Grant Thornton

© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	27 JULY 2017	REPORT NO:	CFO/049/17
PRESENTING OFFICER	IAN CUMMINS, TREASURER		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	REVENUE & CAPITAL OUTTURN 2016/17		

APPENDICES:	APPENDIX A1- A5:	2016/17 REVENUE BUDGET TO ACTUAL
	APPENDIX B:	2016/17 CAPITAL BUDGET TO ACTUAL

Purpose of Report

1. To report upon the Authority's year-end financial position for 2016/17.

Recommendation

2. That Members;
   a. note the actual financial performance against the approved budget and the achievement of a net revenue saving in 2016/17 of £2.349m, and

   b. approve the proposal to utilise the £2.349m saving to;
      i. fund the creation of £0.480m year-end earmarked reserves in order to finance approved 2016/17 spend that has been re-phased into 2017/18, and
      ii. fund an increase of £1.869m in the Capital Investment Reserve in order to increase the reserve contribution towards the planned refurbishment of the TDA.

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 from 2016/17 to 2019/20.

The approved revenue budget in 2016/17 was £61.507m. Having recognised the financial challenges facing the public sector, Members instructed Officers to try to 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 £2.349m saving has been delivered. This report proposes that this revenue saving be allocated to fund specific year-end reserves of £0.480m to cover initiatives or projects planned for 2016/17 which are now expected to occur in 2017/18. In addition the report recommends the balance of the saving, £1.869m, be used to increase the capital investment reserve in order to increase the contribution towards the planned refurbishment of the TDA.

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 £3.652m resulting in a variance of £7.943m against the £11.595m budget for 2016/17. The variance can be broken down into:

- A £7.897m re-phasing of planned spend from 2016/17 into 2017/18, requiring the carry forward of capital budget. £4.620m of the rephrasing relates to re-phased building works of which £2.271m is for the new Prescot Fire Station scheme.

- A net underspend and saving on capital projects of £0.046m.

Introduction and Background

3. This report sets out the actual financial performance of the Authority compared to the approved 2016/17 revenue (general fund) and capital budgets.

4. Elsewhere on today's agenda is a report containing the audited Statement of Accounts for 2016/17 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.

<u>2016/17 Budget – Background</u>

5. Following the announcement by the Government of the final settlement funding for 2016/17 and the indicative figures for 2017/18 – 2019/20 the Authority had a cut in its Revenue Support Grant (RSG) of over £7.7m or 41% compared to the 2015/16 grant. This is approximately a 50% cut in real terms once inflation is taken into account. In 2015/16 RSG provided over 30% of the Authority's revenue budget funding. This level of grant cut meant the Authority had to make tough choices over the level of its future service provisions. At the 2016/17 Budget Authority meeting on 25th February 2016 Members approved a financial plan that delivered the £11m savings required as a result of government cuts. The Authority planned prudently to minimise the impact on frontline services and in the 2016/17 plan had identified significant efficiency savings of £6.0m by reducing management and support services costs and benefitted from a known £1.0m increase in the council tax base. Despite these efficiencies the Authority was left with no choice but to find the balance from the operational front line, potentially requiring a saving as high as £4m if no additional alternative savings were found.

6. The approved medium term financial plan made a number of assumptions around future costs which included:-

- An assumption that there would be a pay-bill restraint for all staff and pay inflation would be no greater than 1%, delivering a saving of £0.500m p.a. up to £2019/20, totalling £2.0m.
- An assumption that the Authority would generate savings of £3.5m by 2019/20 from 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 £1.5m by 2018/19.
- A potential maximum reduction of approximately 100 front line Firefighter posts equal to a 10% reduction in wholetime Firefighter roles, saving £4.0m by 2019/20.
- Use of reserves to smooth out budget cuts.
- An assumed Council tax increase from 2016/17 to 2019/20 of 2%.

7. The delivery of the approved financial plan was monitored closely and all the savings options have been delivered as planned. The previous financial plan's £3.4m savings from the approved station merger programme is progressing and will deliver the structural changes required to realise the £3.4m savings assumed from operational response by 2017/18. In the meantime, firefighter retirements are delivering the required operational response savings in cash terms.

How the 2016/17 Budget changed during the year

8. The Authority Revenue Budget for 2016/17 was set at £61.507m.

9. The Authority also set a five year capital investment programme (2016/17 – 2020/21), of £38.156m, with a planned expenditure in 2016/17 of £20.600m.

10. The Authority adopted a reserves strategy, which maintains a general reserve of £2.000m and had anticipated £23.096m of earmarked reserves (rising to £26.248m after the 2015/16 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 savings 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/013/17, was approved by the Authority on 23rd February 2017 that reflect already approved policy decisions. These were;

Revenue:

- The net movement in reserves of £2.139m from the revenue budget, (of which £2.114m was due to the rephrasing of the use of the capital investment reserve for the new Prescot Community Fire station from 2016/17 to 2017/18);
- A number of self-balancing virements within the revenue account.

Capital:

- A small increase in the capital budget of £0.120m of which £0.112m was due to the increase in capitalised installation costs associated with smoke alarms and fire safety work.

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

REVENUE BUDGET MOVEMENTS IN 2016/17	Original Budget	Approved Qtr 3 Budget	Further Budget Amendments	Final Budget	Total Original to Final Budget Movements
	£'000	£'000	£'000	£'000	£'000
Net Expenditure					
Fire Service	64,618	61,802	-2,112	59,690	-4,928
Corporate	533	537	1	538	5
National Resilience Assurance	0	0	0	0	0
	65,151	62,339	-2,111	60,228	-4,923
Interest on Balances	-372	-172	0	-172	200
Inflation Provision	1,044	218	-28	190	-854
Contribution (from) to Reserves	-4,316	-878	2,139	1,261	5,577
Total Expenditure	61,507	61,507	0	61,507	0
Funded By					
Government Grant	-34,926	-34,926	0	-34,926	0
Precept	-26,581	-26,581	0	-26,581	0
	-61,507	-61,507	0	-61,507	

CAPITAL BUDGET MOVEMENTS IN 2016/17	Original Budget	Approved Qtr 3 Budget	Further Budget Amendments	Final Budget	Total Original to Final Budget Movements
	£'000	£'000	£'000	£'000	£'000
Total	20,600	11,475	120	11,595	-9,005
Funding:					
Specific	13,935	6,005	116	6,121	-7,814
Borrowing	6,665	5,470	4	5,474	-1,191
	20,600	11,475	120	11,595	-9,005

Financial Performance in the Year

13. **2016/17 Revenue Outturn Position**: The table below summarises the actual revenue position for 2016/17 compared to the final budget, (**Appendix A** provides a more detailed analysis):

Year-End Revenue Position

	FIRE SERVICE BUDGET	Fire Authority	National Resilience	TOTAL BUDGET	ACTUAL	VARI-ANCE	Year-End Earmarked Reserves	Post ER VARI-ANCE
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Expenditure								
Employee Costs	45.883	0.402	0.546	46.831	45.879	-0.952	0.240	-0.712
Premises Costs	2.509	0.000	0.000	2.509	2.346	-0.163	0.000	-0.163
Transport Costs	1.390	0.000	0.043	1.433	1.215	-0.218	0.000	-0.218
Supplies and Services	3.341	0.044	0.982	4.367	3.770	-0.597	0.088	-0.509
Agency Services	5.976	0.000	0.022	5.998	5.889	-0.109	0.030	-0.079
Central Support Services	0.435	0.092	0.075	0.602	0.561	-0.041	0.000	-0.041
Capital Financing	6.890	0.000	0.011	6.901	6.844	-0.057	0.000	-0.057
Income	-6.734	0.000	-1.679	-8.413	-8.420	-0.007	0.122	0.115
Net Expenditure	59.690	0.538	0.000	60.228	58.084	-2.144	**0.480**	**-1.664**
Contingency Pay&Prices	0.190			0.190	0.000	-0.190	0.000	-0.190
Interest on Balances	-0.172			-0.172	-0.187	-0.015	0.000	-0.015
	59.708	0.538		60.246	57.897	-2.349	**0.480**	**-1.869**
Movement on Reserves	1.261			1.261	1.261	0.000		
Overall Financial Position	60.969	0.538		61.507	59.158	**-2.349**		
Year-End Earmarked Reserves							**0.480**	
Increase in Capital Investment Res.								**1.869**
Year-End funded Reserves								**2.349**

14. Overall the Authority underspent on its revenue services budget by £2.349m. However, £0.480m was as a result of timing issues for projects and grant funded schemes. Specific earmarked reserves have been created to cover the rephasing of this expenditure. The remaining net underspend of £1.869m is approximately a 3% 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, £0.712m (1.5%) favourable variance. This was made up of a number of different variations –

Variation £'m	Explanation
-0.530	Effective Vacancy Management
-0.363	Employee Insurance costs
-0.059	Other minor variances
0.240	Year-end specific reserves - Various project reserves
-0.712	

Details of the major variances are provided below: –

- **Vacancy Management, -£0.530m**; After taking account of the dynamic staff saving target of £1.756m (basically the uniform staff saving yet to be formally implemented pending the implementation of the station merger initiatives) and spend on firefighter voluntary additional hours, uniform employee savings of £0.163m above what was expected were delivered in the year. Vacant green book posts have not been actively filled resulting in a £0.220m saving. Due to the re-phasing of National Resilience Assurance schemes spend on employee costs was lower than anticipated, £0.147m, however this was offset by grant monies being rephased into 2017/18.
- **Employee & Liability Insurance, -£0.363m**; an assessment of the potential liability of the Service's current outstanding claims indicated that if the Service was deemed negligent it would require a reduction in the current provision based on the latest estimates, resulting in a one-off credit back to revenue of £0.363m. The Authority's claims section and insurers continue to challenge any claims received where appropriate.
- **Other minor variances, -£0.059m**, an underspend on the training budget and other small variances has resulted in a small favourable variance.
- **Year-end reserves, £0.240m –** Material movements in the estimated value of potential employee and public uninsured claims (that can significantly change from one year to the next) and require an adjustment to the insurance provision via the revenue account, the report recommends using £0.200m of the identified employee saving to increase the insurance reserve. This reserve can then be used to cover any significant increase in the insurance provision in future years. A further £0.040m is required to be carried forward in specific reserves to fund projects that have now been rephased into future years.

Premises Costs, -£0.163m (6.5%) favourable variance –

- Lower gas unit rates resulted in a £0.096m saving on the energy budget. One-off relief from business rates for vacant dwellings resulted in a £0.051m saving.
- Small underspends on other premises costs made up the balance.

Transport Costs, -£0.218m (15.2%) favourable variance –

- A saving on diesel, £0.149m and car allowance payments arising from a reduction in the fleet and business mileage undertaken in the year.
- The balance is made up from small savings on lease car rentals and vehicle replacement parts.

Supplies and Services, -£0.509m (11.7%) 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 £0.369m.

Agency Services, -£0.079m (1.3%) favourable variance.
Small savings on the facilities management contract and the ending of the Fire Support Network contract have resulted in a saving of £0.079m.

Central Expenses -£0.041m (6.8%) 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, -£0.057m (0.8%) 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 debt servicing costs of £0.057m.

Income, £0.115m (1.3%) favourable variance.
Contributions from partners, fees and sales income are slightly higher than budgeted for resulting in the achievement of £0.145m of income above the budget.

Inflation Provision, -£0.190m 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 £0.190m.

16. **Qtr 4 Bad Debt Write-Offs.** Debtor accounts under £5,000 may be written off by the Treasurer. Four accounts totalling £2,664 have been written off in the year based on advice received from litigation services.

2016/17 Movement on Reserves.

17. This report identifies a net increase in earmarked reserves (opening balance £26.248m to closing balance £29.858m) of £3.610m. Approved increases in the firefighter recruitment reserve of £1.000m funded from one-off revenue savings reported to members during 2016/17, and the proposed year-end reserves outlined below of £2.349m account for the majority of the overall increase in reserves.

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 2016/17 £0.480m 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 £1.869m underspend (£2.349m saving less the £0.480m 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 capital programme includes a £1.089m scheme for the refurbishment of the TDA and £1.675m is held in the capital investment reserve. The current proposals being developed for the TDA refurbishment indicate the level of investment required will be potentially £3.5m to £4.5m significantly greater than the £2.764m funding currently available. Therefore Officers are recommending Members' approve an increase in Capital Investment Reserve / TDA of £1.869m 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 A5 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 £2.349m split between £0.480m for specific reserves and £1.869m increase in the capital investment reserve.

2016/17 Year-End Earmarked Reserves

Reserve	Request	Description
	£'000	
Earmarked Reserves		
Insurance	200	To cover future Employee & Public Liability claims
Capital	186	PFI annuity & specific investment projects started in 16/17
Other	22	Various small initiatives carried over from 2016/17
Ringfenced Reserves:		
New Dimensions	63	
Prince's Trust	-27	Externally Funded Schemes
Community Risk Mgt	36	
	480	
Capital Investment Reserve		
Yr-End Underspend	1,869	Use to fund TDA refurbishment
	2,349	

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

2016/2017 Capital Expenditure.

23. The Authority's **final** capital budget for 2016/17 was £11.595m. Actual spend in the year was £3.652m, a net variance of £7.943m. The variance can be broken down into:

- A £7.897m re-phasing of planned spend from 2016/17 into 2017/18, requiring the carry forward of capital budget. £4.620m of the rephasing relates to the new Prescot Fire Station scheme and other building works.
- A net saving on capital projects of £0.046m

A summarised capital programme outturn position statement is outlined below:

Programme	Final Budget	Actual Expenditure	Re-Phased from 2016/17 into 2017/18	Variance
	£'000	£'000	£'000	£'000
Expenditure				
Building/Land	6,620.1	2,000.5	4,620.0	-0.4
Fire Safety	877.1	829.9	0.0	47.2
ICT	1,116.2	360.5	776.3	-20.6
Operational Equip & Hydrants	1,320.0	362.2	938.0	19.8
Vehicles	1,661.3	98.7	1,562.6	0.0
TOTAL	**11,594.7**	**3,651.8**	**7,896.9**	**46.0**
Financing				
Capital Receipts	400.0	0.0	400.0	0.0
Revenue and Reserves	2,782.9	669.0	2,113.9	0.0
Grants	2,938.0	1,827.9	1,110.1	0.0
Unsupported Borrowing	5,473.8	1,154.9	4,272.9	46.0
TOTAL	**11,594.7**	**3,651.8**	**7,896.9**	**46.0**

24. The year-end re-phasing of capital schemes into 2017/18 is outlined in the table below:

Re-phasing £'m	Scheme	Explanation
2.271	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 delayed the start of the build stage of the project but construction has commenced and the build should be completed in 2017.
2.349	Building enhancement and refurbishment work	This reflects a number of smaller value building scheme re-phasing that has arisen as staff have prioritised work on the station merger schemes development and other major building schemes. Also delays in securing planning approval, (Saughall Massie) and discussions with other blue light services on sharing assets have delayed the start of works.
0.776	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.
0.938	Operational Equipment	The Authority acts as the lead authority for the Home Office for the procurement of national resilience assets. The Home Office are reviewing capability needs and £0.402m of the planned spend, funded via a government grant, has been rephased. 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., delivery is now expected in 2017.
1.563	Vehicles	Orders have been raised in 2017 for fire appliances, specialised and other vehicles and delivery is expected during 2017 and 2018.
7.897		

25. A full detailed breakdown of the 2016/17 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 approval this report recommends using the £2.349m revenue underspend to increase specific earmarked reserves of £0.480m to cover financial commitments re-phased into 2017/18. Officers recommend the remaining underspend of £1.869m~~,~~ be used to increase the Capital Investment Reserve to fund the required refurbishment at the TDA. The final revenue position can be summarised as:

2016/17 Revenue Year-End Position

	Budget	Actual	Variance
	£'m	£'m	£'m
Net Expenditure	61.507	59.158	-2.349
Year-End Earmarked Reserves		0.480	0.480
Utilisation of underspend to increase Capital Reserve / TDA		1.869	1.869
	61.507	61.507	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 £3.652m resulting in a variance of £7.943m against the £11.595m budget for 2016/17. The variance can be broken down into:

- A £7.897m re-phasing of planned spend from 2016/17 into 2017/18, requiring the carry forward of capital budget into 2017/18.

- A net underspend and saving on capital projects of £0.046m.

32. The General Fund Balance as at 31st March 2017 was as anticipated, £2.000m. Earmarked reserves as at 31st March 2017 stand at £29.858m.

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/008/16 "MFRA Budget and Financial Plan 2016/2017-2019/2020" Authority 25th February 2016.

"Financial Review 2016/17 April to June" Audit & Scrutiny Committee 15th

CFO/074/16	September 2016.
CFO/086/16	"Financial Review 2016/17 April to September" Policy & Resources Committee 15th December 2016.
CFO/013/17	"Financial Review 2016/17 – 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 the 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.

This page is intentionally left blank

2016/17 REVENUE OUTTURN SUMMARY

Actual 2015/16	SERVICE REQUIREMENTS	Base Budget 2016/17	Qtr 3 Budget 2016/17	Reserve Draw-down	Vire-ments	Final Budget 2016/17	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
59,617	Fire Service	66,374	63,558	-2,139	27	61,446	57,603	-3,843	480	-3,363
491	Corporate Management	533	537	0	1	538	481	-57		-57
0	NRAT MFRS Lead Authority	0	0	0	0	0	0	0		0
0	Dynamic Staff Saving	-1,756	-1,756	0	0	-1,756	0	1,756		1,756
60,108		65,151	62,339	-2,139	28	60,228	58,084	-2,144	480	-1,664
0	Contingency for Pay/Price Changes	1,044	218	0	-28	190	0	-190		-190
-203	Interest on Balances	-372	-172	0	0	-172	-187	-15		-15
59,905	NET OPERATING EXPENDITURE	65,823	62,385	-2,139	0	60,246	57,897	-2,349	480	-1,869
	Contribution to /(from) reserves									
	Emergency Related Reserves:									
0	Insurance Reserve	0	-370	0	0	-370	-370	0	200	
0	Catastrophe Reserve	0	-400	0	0	-400	-400	0		
	Modernisation Challenge:									
-372	Smoothing Reserve	977	658	0	0	658	658	0		
-256	Severance Reserve	0	-365	0	0	-365	-365	0		
-100	Ill Health Penalty Reserve	0	-400	0	0	-400	-400	0		
0	Recruitment Reserve	0	2,100	0	0	2,100	2,100	0		
	Capital Investment Reserve:									
2,400	Capital Investment Reserve	-5,292	-1,935	2,114	0	179	179	0	186	
-53	PFI Annuity Reserve	-49	-83	80	0	-3	-3	0		
-40	Firefighter Safety Investment	0	-760	0	0	-760	-760	0		
0	Invest To Save / Collaboration	0	1,000	0	0	1,000	1,000	0		
	Specific Projects:									
-2	Community Sponsorship Reserve	0	-2	0	0	-2	-2	0	2	
200	Equipment Reserve	0	-116	-25	0	-141	-141	0	20	
230	Training Reserve	0	220	0	0	220	220	0	0	
-74	Healthy Living / Olympic Legacy	0	36	-30	0	6	6	0		
150	Clothing / Boots Reserve	0	0	0	0	0	0	0		
17	Communications Reserve	0	-17	0	0	-17	-17	0		
0	CFOA Road Safety Reserve	0	-100	0	0	-100	-100	0		
	Ringfenced Reserves:									
-1	F.R.E.E. Reserve	0	-51	0	0	-51	-51	0		
0	Princes Trust Reserve	0	-250	0	0	-250	-250	0	-27	
0	Community Youth Team Reserve	0	-58	0	0	-58	-58	0		
0	Beacon Peer Project Reserve	0	-62	0	0	-62	-62	0		
2	Community Risk Management	0	111	0	0	111	111	0	36	
72	Energy Reserve	48	-24	0	0	-24	-24	0		
0	St Helens District Reserve	0	-10	0	0	-10	-10	0		
91	New Dimensions Reserve	0	0	0	0	0	0	0	63	
0	Appropriation to/From Rev Balances	0	0	0	0	0	0	0		
2,264	Movement on Reserves	-4,316	-878	2,139	0	1,261	1,261	0	480	0
	Capital Investment Reserve - use year-end net surplus to increase TDA reserve									1,869
62,169	BUDGET REQUIREMENT	61,507	61,507	0	0	61,507	59,158	-2,349	0	0
	Funding:									
-36,909	Settlement Funding Assessment	-34,926	-34,926	0	0	-34,926	-34,926	0		0
-778	Precept Collection Fund	-647	-647	0	0	-647	-647	0		0
-24,482	Precept Income	-25,934	-25,934	0	0	-25,934	-25,934	0		0
-62,169		-61,507	-61,507	0	0	-61,507	-61,507	0	0	0

Fire Service Outturn Position

Actual 2015/16	SERVICE REQUIREMENTS	Base Budget 2016/17	Qtr 3 Budget 2016/17	Reserve Draw-down	Vire-ments	Final Budget 2016/17	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EMPLOYEES									
	Uniformed									
31,183	Firefighters	31,700	32,218		281	32,499	29,751	-2,748		-2748
1,231	Control	1,239	1,277			1,277	1,160	-117		-117
1,755	Additional Hours	1,243	1,270		5	1,275	2,221	946	3	949
34,169	TOTAL UNIFORMED	34,182	34,765	0	286	35,051	33,132	-1,919	3	-1,916
	APT&C and Manual									
8,466	APT&C	9,269	8,971		-301	8,670	8,429	-241		-241
133	Handymen/Cleaning	102	108			108	91	-17		-17
111	Catering	134	152			152	126	-26		-26
544	Transport Maintenance	510	526			526	520	-6		-6
57	Other Manual	70	72			72	58	-14		-14
137	Casuals	0	5		9	14	104	90		90
9,448	TOTAL APT&C/MANUAL	10,085	9,834	0	-292	9,542	9,328	-214	0	-214
	Other Employee Expenses									
103	Allowances	61	100		-4	96	58	-38	34	-4
3	Removal Expenses	4	1			1	0	-1		-1
516	Training Expenses	525	528		34	562	529	-33	3	-30
302	Other Expenses	29	29			29	50	21		21
11	Staff Advertising	10	8		-5	3	2	-1		-1
52	Development Expenses	59	87		-6	81	92	11		11
475	Employee Insurance	143	465			465	102	-363	200	-163
50	Enhanced pensions	52	52			52	50	-2		-2
4	SSP & SMP Reimbursements	-16	-16			-16	4	20		20
132	Catering Expenditure	124	124			124	114	-10		-10
-443	HFRA Capitalisation Payroll	-450	-450	-105	-7	-562	-562	0		0
1,205	TOTAL OTHER EMPLOYEE EXPEND	541	928	-105	12	835	439	-396	237	-159
	Pensions									
1,790	Injury Pension	1,780	1,780			1,780	1,752	-28		-28
271	Ill Health Ret charges	174	337		94	431	431	0		0
15	Injury Gratuity	0	0			0	8	8		8
2,076	TOTAL PENSIONS	1,954	2,117	0	94	2,211	2,191	-20	0	-20
46,898	TOTAL EMPLOYEES	46,762	47,644	-105	100	47,639	45,090	-2,549	240	-2,309
	PREMISES									
108	Building Maintenance Repairs	128	138		-87	51	46	-5		-5
59	Site Maintenance Costs	10	18		-6	12	8	-4		-4
831	Energy	832	832		-13	819	723	-96		-96
14	Rent	80	80		-5	75	69	-6		-6
1,162	Rates	1,333	1,293		-20	1,273	1,222	-51		-51
195	Water	198	198		12	210	214	4		4
61	Fixtures	30	35		-17	18	18	0		0
35	Contract Cleaning	0	5			5	2	-3		-3
48	Insurance	51	46			46	44	-2		-2
2,513	TOTAL PREMISES	2,662	2,645	0	-136	2,509	2,346	-163	0	-163
	TRANSPORT									
331	Direct Transport	384	369		8	377	342	-35		-35
25	Tunnel / Toll Fees	25	19			19	11	-8		-8
138	Operating Lease	178	173			173	140	-33		-33
376	Other Transport Costs	478	479			479	370	-109		-109
122	Car Allowances	121	123		2	125	84	-41		-41
346	Insurance	355	217			217	228	11		11
1,338	TOTAL TRANSPORT	1,541	1,380	0	10	1,390	1,175	-215	0	-215

APPENDIX A2

Fire Service Outturn Position

Actual 2015/16	SERVICE REQUIREMENTS	Base Budget 2016/17	Qtr 3 Budget 2016/17	Reserve Draw-down	Vire-ments	Final Budget 2016/17	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	SUPPLIES & SERVICES									
25	Administrative Supplies	24	23		-5	18	14	-4		-4
275	Operational Supplies	275	274		-12	262	242	-20		-20
14	Hydrants	9	9			9	25	16		16
47	Consumables	36	38		1	39	32	-7		-7
132	Training Supplies	142	134		4	138	106	-32		-32
98	Fire Prevention Supplies	96	104		2	106	60	-46		-46
36	Catering Supplies	24	34		3	37	36	-1		-1
297	Uniforms	290	301		6	307	278	-29	11	-18
146	Printing & Stationery	152	152		-8	144	144	0		0
1	Operating Leases	2	1			1	1	0		0
447	Professional Fees/Service	453	596	55	14	665	514	-151	47	-104
721	Communications	684	653		1	654	652	-2		-2
14	Postage	29	29		-11	18	8	-10		-10
6	Command/Control	6	8			8	11	3		3
244	Computing	264	310		-1	309	202	-107	30	-77
197	Medicals	274	256		-7	249	219	-30		-30
81	Travel & Subsistence	77	91		3	94	70	-24		-24
89	Grants/Subscriptions	81	90		39	129	123	-6		-6
7	Advertising	7	10			10	8	-2		-2
60	Furniture	24	24		-9	15	18	3		3
82	Laundry	81	82			82	75	-7		-7
14	Insurances	35	36			36	35	-1		-1
6	Hospitality	5	5			5	5	0		0
0	Seconded Officers In	0	0		6	6	6	0		0
3,039	**TOTAL SUPPLIES & SERVICES**	**3,070**	**3,260**	**55**	**26**	**3,341**	**2,884**	**-457**	**88**	**-369**
	AGENCY SERVICES									
108	Super Fund Admin	100	103			103	107	4		4
1,485	ICT Service Provider	1,421	1,399		-1	1,398	1,395	-3		-3
195	Third Party Payments (FSN)	195	195		-20	175	134	-41		-41
399	ICT Managed Suppliers	338	423		1	424	412	-12		-12
2,647	PFI Unitary Charges	2,663	2,697			2,697	2,663	-34	30	-4
792	Estates Service Provider	1025	1,025		154	1,179	1,156	-23		-23
5,626	**TOTAL AGENCY SERVICES**	**5,742**	**5,842**	**0**	**134**	**5,976**	**5,867**	**-109**	**30**	**-79**
	CENTRAL EXPENSES									
413	**R01** Finance & Computing	432	434		1	435	408	-27		-27
0	**R03** Central Expenses	0	0			0	1	1		1
413	**TOTAL CENTRAL EXPENSES**	**432**	**434**	**0**	**1**	**435**	**409**	**-26**	**0**	**-26**
	CAPITAL FINANCING									
5,869	PWLB Debt Charges	6,356	6,156			6,156	6,115	-41		-41
66	MRB Debt Charges	76	76			76	60	-16		-16
987	Revenue Contribution to Capital	5,743	2,667	-2,009	0	658	658	0		0
6,922	**TOTAL CAPITAL FINANCING**	**12,175**	**8,899**	**-2,009**	**0**	**6,890**	**6,833**	**-57**	**0**	**-57**
66,749	**TOTAL EXPENDITURE**	**72,384**	**70,104**	**-2,059**	**135**	**68,180**	**64,604**	**-3,576**	**358**	**-3,218**
	INCOME									
3,898	Specific Grants	3,648	3,793		32	3,825	3,841	16	-27	-11
29	Sales	0	0			0	51	51		51
1,468	Fees & Charges	850	1,209	80	67	1,356	1,435	79	-18	61
10	Reinforcing moves	5	5			5	9	4		4
777	Rents etc	767	770		2	772	770	-2		-2
573	Recharges Secondments	456	476			476	473	-3		-3
240	Contributions	170	175			175	201	26		26
108	Recharges Internal	108	108		6	114	190	76	-77	-1
29	Other Income	6	10		1	11	31	20		20
7,132	**TOTAL INCOME**	**6,010**	**6,546**	**80**	**108**	**6,734**	**7,001**	**267**	**-122**	**145**
59,617	**NET EXPENDITURE**	**66,374**	**63,558**	**-2,139**	**27**	**61,446**	**57,603**	**-3,843**	**480**	**-3,363**

APPENDIX A3

Authority (Corporate) Service Outturn Position

Actual 2015/16	SERVICE REQUIREMENTS	Base Budget 2016/17	Qtr 3 Budget 2016/17	Reserve Draw-down	Vire-ments	Final Budget 2016/17	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE									
	Finance & Legal costs									
79	Finance Officer	79	79			79	79	0		0
93	Legal Officer	102	106		1	107	101	-6		-6
	Democratic Rep (1020)							0		
11	- Travel & Subsistence	30	34			34	15	-19		-19
2	- Conference fees	10	7			7	2	-5		-5
224	- Members Allowances	216	216			216	210	-6		-6
0	- Telephones	1	1			1	0	-1		-1
1	- Training	1	1			1	0	-1		-1
0	- Hospitality	2	1			1	0	-1		-1
	Central Expenses (1030)									
16	Bank charges	17	17			17	13	-4		-4
32	District Audit Fees	43	43			43	33	-10		-10
33	Subscriptions	32	32			32	28	-4		-4
491	**TOTAL EXPENDITURE**	**533**	**537**	**0**	**1**	**538**	**481**	**-57**	**0**	**-57**

APPENDIX A4

LEAD for National Assurance & Resilience (USAR / ISAR)

Actual 2015/16	SERVICE REQUIREMENTS	Base Budget 2016/17	Qtr 3 Budget 2016/17	Reserve Draw-down	Vire-ments	Final Budget 2016/17	Actual	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE									
0	Employee Costs	0	585		-39	546	399	-147		-147
0	Premises Costs	0	0			0	0	0		0
0	Transport Costs	0	37		6	43	40	-3		-3
0	Supplies and Services	0	951		31	982	869	-113		-113
0	Agency Costs	0	22			22	22	0		0
0	Central Expenditure	0	75			75	78	3		3
0	Capital Financing Costs	0	0		11	11	11	0		0
0	**TOTAL EXPENDITURE**	**0**	**1,670**	**0**	**9**	**1,679**	**1,419**	**-260**	**0**	**-260**
0	Income	0	1,670		9	1,679	1,419	-260		-260
0	**TOTAL INCOME**	**0**	**1,670**	**0**	**9**	**1,679**	**1,419**	**-260**	**0**	**-260**
0	**NET EXPENDITURE**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

APPENDIX A5

Movement on Reserves 2016/17

	Opening Balance	Original Budget Planned Use	Qtr 1 Draw-down & changes	Qtr 2 Draw-down & changes	Qtr 3 Draw-down & changes	Qtr 4 Draw-down & changes		Year-End Request	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Emergency Related Reserves									
Bellwin Reserve	147								147
Insurance Reserve	870		-181		-189			200	700
Emergency Planning Reserve	75								75
Catastrophe Reserve	500				-400				100
									0
Modernisation Challenge									0
Smoothing Reserve	1,323	977		250	-569				1,981
Severance Reserve	365				-365				0
Ill Health Penalty Reserve	900			-163	-237				500
Recruitment Reserve	1,000			550	1,550				3,100
Invest To Save / Collaboration					1,000				1,000
									0
Capital Investment Reserve									0
PFI Reserve	20							30	50
TDA Refurbishment Reserve	19		-10					96	105
Asset/Capital Investment Reserve	14,400	-5,228	-2161	3,388	2,090	2,114		60	14,663
Capital Investment Reserve		-14							-14
Capital Reserve									0
Capital Investment Reserve	14,439	-5,242	-2171	3,388	2,090	2,114		186	14,804
PFI Annuity Reserve	2,172	-49	-34			80			2,169
Equality / DDA Investment Reserve	285								285
Firefighter Safety Investment Reser	760				-760				0
Specific Projects									0
Community Sponsorship	2				-2			2	2
Equipment Reserve	422			-16	-100	-25		20	301
Contestable Research Fund	25								25
Training Reserve	230				220				450
Healthy Living / Olympic Legacy	34		-30	66		-30			40
Inflation Reserve	500								500
Clothing / Boots Reserve	166								166
Communications Reserve	17				-17				0
CFOA Road Safety Reserve	100				-100				0
									0
Ringfenced Reserves									0
F.R.E.E. Reserve	51			-51				0	0
Princes Trust Reserve	368			-250				-27	91
Community Youth Team	58			-58				0	0
Beacon Peer Project Reserve	62			-62				0	0
Community Risk Management	173			111				36	320
Energy Reserve	156	48			-72			0	132
St Helens District Reserve	10			-10				0	0
New Dimensions Reserve	1,038							63	1,101
									0
Earmarked Reserves	26,248	-4,266	-2,416	3,755	2,049	2,139		480	27,989
Capital Investment Reserve - use year-end net surplus to increase TDA reserve								1,869	1,869
Total Earmarked Reserves	26,248	-4,266	-2,416	3,755	2,049	2,139	0	2,349	29,858
General Revenue Reserve	2,000								2,000
Total Reserves	28,248	-4,266	-2,416	3,755	2,049	2,139	0	2,349	31,858

This page is intentionally left blank

Capital Programme 2016/17

		Approved Budget	Qtr 1 Budget	Qtr 2 Current Budget	Qtr 3 Current Budget	Qtr 4 Amend-ment	Qtr 4 Vire-ments	Qtr 4 Budget	2016/17 Actual	Year-End Re-Phasing into	Year-End Variance
		£	£	£	£	£	£	£	£	£	£
BUILDING & LAND PROGRAMME											
BLD001	Roofs & Canopy Replacements	40,000	74,000	74,000	74,000		-3,000	71,000	46,740	24,300	-40
BLD004	Concrete Yard Repairs	20,000	34,000	34,000	34,000			34,000	9,400	24,600	0
BLD005	Tower Improvements	18,000	37,500	37,500	37,500			37,500	30,677	6,800	23
BLD007	L.E.V. Sys In App Rooms	5,000	5,000	5,000	5,000		3,000	8,000	1,281	6,700	19
BLD013	Appliance Room Floors	40,000	68,000	43,000	23,000			23,000	0	23,000	0
BLD014	Boiler Replacements	15,000	30,000	30,000	30,000			30,000	8,493	21,500	7
BLD016	Community Station Investment	25,000	26,200	36,200	36,200		-4,000	32,200	30,531	1,700	-31
BLD018	Conference Facilities H/Q	10,000	10,000	10,000	10,000			10,000	0	10,000	0
BLD020	5 Year Electrical Test	30,000	75,500	50,500	30,500			30,500	4,320	26,200	-20
BLD026	Corporate Signage	5,000	10,000	10,000	10,000			10,000	3,458	6,500	42
BLD031	Diesel Tanks	130,000	150,000	150,000	150,000			150,000	0	150,000	0
BLD032	Power Strategy (Generators)	20,000	20,000	20,000	20,000			20,000	0	20,000	0
BLD033	Sanitary Accommodation Refurb	30,000	78,000	68,000	68,000		-44,000	24,000	0	24,000	0
BLD034	Office Accommodation	25,000	36,200	36,200	36,200		20,000	56,200	13,096	43,100	4
BLD036	L.L.A.R. Accommodation Formby	310,000	310,000	310,000	310,000			310,000	15,438	294,600	-38
BLD039	F.S. Refurbishment Heswall	350,000	350,000	100,000	50,000			50,000	0	50,000	0
BLD041	F.S. Refurbishment Aintree	0	15,000	15,000	15,000		24,000	39,000	5,920	33,100	-20
BLD042	St Helens Conversion	0	10,000	10,000	10,000		4,000	14,000	11,292	2,700	8
BLD044	Asbestos Surveys	25,000	42,000	17,000	17,000		-10,000	7,000	0	7,000	0
BLD045	City Centre Community Facility	0	300	300	300			300	265	0	35
BLD050	LLAR Accommodation Belle Vale	25,000	25,000	0	0			0	0	0	0
BLD058	H.V.A.C. Heating, Vent & Air Con	30,000	60,000	60,000	60,000		6,000	66,000	20,574	45,400	26
BLD060	D.D.A. Compliance Work	100,000	164,000	64,000	34,000			34,000	3,553	30,400	47
BLD061	Lighting Conductors Surge Protectors	10,000	20,000	20,000	20,000			20,000	1,784	18,200	16
BLD062	Emergency Lighting	5,000	20,000	20,000	20,000		10,000	30,000	11,729	18,300	-29
BLD063	F.S. Refurbishment Kirby	350,000	375,000	75,000	25,000			25,000	0	25,000	0
BLD067	Gym Equipment Replacement	40,000	44,500	44,500	44,500			44,500	12,420	32,100	-20
BLD070	Workshop Enhancement	100,000	248,000	248,000	248,000			248,000	6,520	241,500	-20
BLD071	Station Refresh	25,000	32,000	32,000	32,000			32,000	25,509	6,500	-9
BLD073	SHQ Museum	191,000	191,000	191,000	41,000			41,000	0	41,000	0
BLD075	Llar Accommodation Newton Le Willows	310,000	310,000	310,000	310,000			310,000	14,850	295,100	50
BLD076	F.S. Refurbishment Huyton	0	25,000	0	0			0	0	0	0
BLD080	Prescot Fire Station Build	4,350,000	6,502,500	6,884,500	3,884,400			3,884,400	1,613,801	2,270,600	-1
BLD082	Saughall Massie Fire Station Build	3,000,000	3,068,000	318,000	318,000			318,000	16,285	301,700	15
BLD083	St Helens Fire Station Build	4,250,000	4,250,000	250,000	250,000			250,000	0	250,000	0
BLD084	F.S. Refurbishment Croxteth	150,000	150,000	0	0			0	0	0	0
BLD085	F.S. Refurbishment Speke/Garston	50,000	50,000	50,000	25,000			25,000	0	25,000	0
BLD086	F.S. Refurbishment Old Swan	50,000	50,000	50,000	25,000			25,000	0	25,000	0
BLD087	F.S. Refurbishment City Centre	150,000	150,000	150,000	150,000			150,000	2,585	147,400	15
BLD088	F.S. Refurbishment Kensington	40,000	40,000	40,000	20,000			20,000	0	20,000	0
BLD090	F.S. Refurbishment Wallasey	25,000	25,000	0	0			0	0	0	0
BLD091	Refurbishment TDA	0	89,000	0	0	4,000		4,000	4,000	0	0
BLD092	Service HQ. Offices	200,000	200,000	0	0			0	0	0	0
CON001	Energy Conservation Non-Salix	25,000	77,000	77,000	27,000			27,000	0	27,000	0
CON002	Energy Conservation Salix	0	5,000	5,000	77,000			77,000	77,450	0	-450
EQU002	Fridge/Freezer Rep Prog	10,000	14,500	14,500	14,500			14,500	8,525	6,000	-25
EQU003	Furniture Replacement Prog	10,500	18,000	18,000	18,000			18,000	0	18,000	0
TDA001	Fire House Refurbishment	30,000	30,000	30,000	0			0	0	0	0
	Total	**14,624,500**	**17,615,200**	**10,008,200**	**6,610,100**	**4,000**	**6,000**	**6,620,100**	**2,000,496**	**4,620,000**	**-396**
FIRE SAFETY											
FIR002	Smoke Alarms (H.F.R.A.)	300,000	300,000	300,000	280,000		-9,900	270,100	223,893	0	46,207
FIR005	Installation Costs (H.F.R.A.)	450,000	450,000	450,000	450,000		112,000	562,000	562,000	0	0
FIR006	Deaf Alarms (H.F.R.A.)	25,000	25,000	25,000	45,000			45,000	44,000	0	1,000
FIR009	Risk Management Residential Blocks	200,000	200,000	200,000	0			0	0	0	0
	Total	**975,000**	**975,000**	**975,000**	**775,000**	**0**	**102,100**	**877,100**	**829,893**	**0**	**47,207**

Capital Programme 2016/17

		Approved Budget	Qtr 1 Budget	Qtr 2 Current Budget	Qtr 3 Current Budget	Qtr 4 Amend-ment	Qtr 4 Vire-ments	Qtr 4 Budget	2016/17 Actual	Year-End Re-Phasing into	Year-End Variance
		£	£	£	£	£	£	£	£	£	£
ICT											
FIN001	F.M.I.S. Replacement	0	76,000	76,000	76,000			76,000	6,218	69,800	-18
IT002	I.C.T. Software	142,000	150,000	150,000	150,000			150,000	140,577	9,400	23
IT003	I.C.T. Hardware	131,000	171,800	174,600	271,700		14,000	285,700	77,352	208,300	48
IT005	I.C.T. Servers	180,000	185,000	185,000	95,000			95,000	46,641	48,400	-41
IT018	I.C.T. Network	209,000	244,500	244,500	244,500			244,500	0	244,500	0
IT019	Website Development	0	0	0	42,600			42,600	0	42,600	0
IT026	I.C.T. Operational Equipment	62,000	62,000	62,000	62,000		-6,000	56,000	0	56,000	0
IT027	I.C.T. Security	2,000	4,000	4,000	4,000		-300	3,700	3,661	0	39
IT028	System Development Portal	18,000	50,500	50,500	50,500			50,500	14,406	36,100	-6
IT030	I.C.T. Projects / Upgrades	5,000	5,000	5,000	5,000			5,000	1,688	3,300	12
IT040	Analytical Tool CFS Work	14,000	14,000	14,000	1,400			1,400	1,375	0	25
IT046	TRM System	0	0	0	0		11,700	11,700	32,498	0	-20,798
IT050	Community Protection System	0	30,000	30,000	0			0	0	0	0
IT051	JCC Airwave Solution	0	22,000	22,000	22,000		-300	21,700	16,470	5,200	30
IT053	JCC Backup MACC	0	39,500	39,500	39,500			39,500	0	39,500	0
IT055	C3i C&C Comms and Info system	15,000	17,500	17,500	17,500		-10,400	7,100	7,025	0	75
IT056	PFI Access Door System	0	18,000	18,000	18,000			18,000	9,367	8,600	33
IT057	Fleet Management System	0	8,500	8,500	8,500		-700	7,800	3,200	4,600	0
	Total	**778,000**	**1,098,300**	**1,101,100**	**1,108,200**	**0**	**8,000**	**1,116,200**	**360,478**	**776,300**	**-20,578**
OPERATIONAL EQUIP. & HYDRANTS											
OPS001	Gas Tight Suits Other Ppe	0	32,000	32,000	32,000			32,000	0	32,000	0
OPS003	Hydraulic Rescue Equipment	0	10,500	10,500	44,500			44,500	43,266	0	1,234
OPS005	Resuscitation Equipment	0	15,500	15,500	15,500			15,500	0	15,500	0
OPS009	Pod Equipment	75,000	112,500	112,500	112,500			112,500	0	112,500	0
OPS011	Thermal Imaging Cameras	0	11,500	11,500	11,500			11,500	0	11,500	0
OPS022	Improvements To Fleet	20,000	23,000	23,000	23,000			23,000	2,780	20,200	20
OPS023	Water Rescue Equipment	90,000	96,000	96,000	96,000			96,000	9,488	86,500	12
OPS024	BA equipment / Comms	130,000	157,500	157,500	112,500	15,000		127,500	58,937	68,600	-37
OPS026	Rope Replacement	0	30,000	30,000	30,000			30,000	3,366	26,600	34
OPS027	Light Portable Pumps	20,000	20,000	20,000	20,000			20,000	0	20,000	0
OPS031	Cctv Equipment/Drone	0	21,000	21,000	21,000			21,000	0	21,000	0
OPS034	Operational Ladders	16,000	16,000	16,000	16,000			16,000	15,417	0	583
OPS036	Radiation Detection Equipment	45,000	45,000	45,000	15,000	-15,000		0	0	0	0
OPS038	Water Delivery System	52,000	52,000	52,000	52,000			52,000	0	52,000	0
OPS039	Water Delivery Hoses	0	17,500	17,500	17,500			17,500	12,104	5,400	-4
OPS049	Bulk Foam Attack Equipment	48,000	48,000	48,000	48,000			48,000	0	48,000	0
OPS052	DEFRA FRNE Water Rescue Grant	0	16,000	16,000	16,000			16,000	0	16,000	0
OPS055	NRAT National Asset Refresh	0	0	600,000	600,000			600,000	197,775	402,200	25
HYD001	Hydrants (New Installations)	18,500	18,500	18,500	18,500			18,500	937	0	17,563
HYD002	Hydrants (Rep Installations)	18,500	18,500	18,500	18,500			18,500	18,154	0	346
	Total	**533,000**	**761,000**	**1,361,000**	**1,320,000**	**0**	**0**	**1,320,000**	**362,225**	**938,000**	**19,775**
VEHICLES											
VEH001	Wtl'S Purchased	730,000	731,500	731,500	731,500			731,500	0	731,500	0
VEH002	Ancillary Vehicles	495,900	604,400	604,400	604,400			604,400	0	604,400	0
VEH003	Vehicle Equipment (Pods & Trailers)	0	0	0	0			0	0	0	0
VEH004	Special Vehicles	2,447,100	2,578,100	2,578,100	181,000			181,000	56,008	125,000	-8
VEH005	Vehicles water Strategy	16,400	16,400	16,400	16,400			16,400	0	16,400	0
VEH010	Marine Rescue Vessels	0	0	0	65,000			65,000	39,963	25,000	37
WOR001	Workshop Equipment	0	63,000	63,000	63,000			63,000	2,697	60,300	3
	Total	**3,689,400**	**3,993,400**	**3,993,400**	**1,661,300**	**0**	**0**	**1,661,300**	**98,668**	**1,562,600**	**32**
	Grand Total	**20,599,900**	**24,442,900**	**17,438,700**	**11,474,600**	**4,000**	**116,100**	**11,594,700**	**3,651,760**	**7,896,900**	**46,040**

Capital Programme 2016/17

	Approved Budget	Qtr 1 Budget	Qtr 2 Current Budget	Qtr 3 Current Budget	Qtr 4 Amend-ment	Qtr 4 Vire-ments	Qtr 4 Budget	2016/17 Actual	Year-End Re-Phasing into	Year-End Variance
	£	£	£	£	£	£	£	£	£	£
Financing Available:										
Capital Receipts										
Sale of Formby LLAR House	0	350,000	350,000	0	0	0	0	0		0
Sale of Newton 2 LLAR House	0	275,000	0	0	0	0	0	0		0
Sale of Huyton FS	250,000	250,000	0	0	0	0	0	0		0
Sale of Whiston FS	250,000	250,000	0	0	0	0	0	0		0
Sale of Upton FS	350,000	350,000	0	0	0	0	0	0		0
Sale of West Kirby FS	200,000	200,000	0	0	0	0	0	0		0
Sale of West Kirby LLAR House	400,000	400,000	0	0	0	0	0	0		0
Sale of Allerton FS	400,000	400,000	400,000	400,000	0	0	400,000	0	400,000	0
R.C.C.O. / Reserves										
Capitalisation of Sals HFRA (FIR005)	450,000	450,000	450,000	450,000	0	112,000	562,000	562,000		0
Museum Internal walls Cap Inv Res	0	1,200	1,200	1,200	0	0	1,200	1,200		0
It Equipment (IT003)	0	4,800	7,600	14,700	0	14,000	28,700	28,700		0
Salix Energy Conservation (CON002)	0	0	0	72,000	0	0	72,000	72,000		0
FSN Charge for Alarms (FIR002)	15,000	15,000	15,000	15,000	0	-9,900	5,100	5,100		0
Prescott FS New Build Cap Inv Res	1,550,000	3,582,000	3,922,000	2,113,900	0	0	2,113,900	0	2,113,900	0
Saughall FS New Build Cap Inv Res	1,564,000	1,564,000	0	0	0	0	0	0		0
St Helens FS New Build Cap Inv Res	2,164,000	2,164,000	0	0	0	0	0	0		0
Grants										
Police Grant (Prescott)	600,000	650,000	650,000	0	0	0	0	0		0
Knowsley BC (Prescott)	0	0	42,000	0	0	0	0	0		0
Prescot Fire Station Build Grant	1,770,000	1,770,000	1,770,000	1,770,000	0	0	1,770,000	1,613,801	156,200	-1
Suaghill FS Transformation Grant	1,290,000	1,358,000	318,000	318,000	0	0	318,000	16,285	301,700	15
St Helens FS TransformationGrant	1,490,000	1,490,000	250,000	250,000	0	0	250,000	0	250,000	0
Balance of Transformation Grant	1,192,000	1,192,000	0	0	0	0	0	0	0	0
NRAT National Resilience Grant	0	0	600,000	600,000	0	0	600,000	197,775	402,200	25
Total Non Borrowing	**13,935,000**	**16,716,000**	**8,775,800**	**6,004,800**	**0**	**116,100**	**6,120,900**	**2,496,862**	**3,624,000**	**38**
Unsupported Borrowing	**6,664,900**	**7,726,900**	**8,662,900**	**5,469,800**	**4,000**	**0**	**5,473,800**	**1,154,899**	**4,272,900**	**46,001**
Total Funding	**20,599,900**	**24,442,900**	**17,438,700**	**11,474,600**	**4,000**	**116,100**	**11,594,700**	**3,651,760**	**7,896,900**	**46,040**

This page is intentionally left blank

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	27TH JULY 2016	REPORT NO:	CFO/048/17
PRESENTING OFFICER	AUTHORITY TREASURER: IAN CUMMINS		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS TREASURER
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	STATEMENT OF ACCOUNTS 2016/17 - AUTHORISATION FOR ISSUE		

APPENDICES:	APPENDIX A:	STATEMENT OF ACCOUNTS 2016/17
	APPENDIX B:	LETTER OF REPRESENTATION

Purpose of Report

1. To present to members the audited 2016/17 Statement of Accounts for approval and request that they be authorised for issue.

Recommendation

2. That Members
   a. approve the audited Statement of Accounts 2016/17, attached as Appendix A to this report, and
   b. approve that the Statement of Accounts 2016/17 may be authorised for issue, and
   c. approve the letter of representation in relation to the 2016/17 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 2016/17 year-end outturn position and movement on reserves within report CFO/049/17. That report identified net revenue expenditure in the year of £59.158m against a budget of £61.507, resulting in a favourable variance of £2.349m before any adjustments for year-end reserves. The report identified that of this variance £0.480m was required to be carried forward as earmarked reserves, leaving an actual saving in 2016/17 of £1.869m. Members approved the allocation of this one-off saving 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/049/17 as outlined above, has not changed**.

Statement of Accounts;

6. The Statement of Accounts is a record of the Authority's financial activities for 2016/17 with comparative figures for 2015/16. 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 2016/17 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;

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

   And the "**Expenditure and Funding Analysis**" which reconciles the in the CIES back to the internal reporting and general fund reported outturn position.

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 2016/17 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 2016/17 and the Expenditure and Funding Analysis :-

a 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 2016/17 (after taking into account the creation of reserves) this becomes net expenditure of £182.876m on the CIES because of additional accounting transactions relating mainly to pensions but also depreciation and some other technical adjustments. The table below outlines the reconciliation between the General Fund position and that in the CIES:

	Detailed Asjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
Net General Fund 2016/17 year-end position:	0	0	0
1 Net Creation of Earmarked Reserves (1)	-		**(3,610)**
2 Asset Valuation / Charges and Capital Funding Adjustments			
Depreciation, Impairment and Revaluation adjustment	5,938	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1,028	-	-
Asset Disposal / Write-offs / Revaluation losses	4,531	-	-
MRP / Interest adjustment	(4,487)	-	-
Capital Expenditure Funded from the Revenue Account (CERA)	(669)	-	-
Capital Grants Income	(600)	**5,741**	-
3 Pension related adjustments			
Pension Contributions payable to pension fund	(7,534)		
Pension Current Service Costs	10,163		
Pension Past Service Costs	460		
Net Interest on the Defined Benefit Liability Scheme	32,748	**35,837**	
4 Other technical accounting adjustments			
Timing Differences for Premiums and Discounts	50		
Timing Differences for Council Tax / NNDR	704		
Timing Differences for Compensated Absences	(199)	**555**	
Total Adjustments			**42,133**
(Surplus) Deficit on Provision of Services			**38,523**
Remeasurement of the Net Defined Benefit Liability (firefighter pension fund – actuarial losses in the year)			**144,353**
Total Comprehensive Income & Expenditure			**182,876**

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.

b. 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 £3.610m. The year-end report, CFO/xxx/17, identified an overall net increase in reserves of £3.610m in 2016/17 compared to a planned increase of £1.261m, a variance of +£2.349m. The increase in reserves compared to that anticipated reflects the favourable 2016/17 year-end revenue position on the general fund and the proposal to utilise this to create additional year-end earmarked reserves of £2.349m, see analysis below:

	Opening Balance	Anticipated Closing Balance	Anticipated Movement in Reserves	Actual Closing Balance	Actual Movement 01.04.16 - 31.03.17	Variation to that Anticipated		
						Variance to anticipated movement (*+£1,261k to Actual +£3,610k*) =£2,349k	Explained By:	
							Year-End Earmarked Reserves	Net Underspend Increase in Capital Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Earmarked Reserves	26,248	27,509	1,261	29,858	3,610	2,349	480	1,869

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 £185.258m. 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, £180.190m, is down to changes in the liability of the pension schemes in 2016/17.

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 £7.845m. This was mainly due to the disposal of Toxteth Firefit Hub, -£4.531m, to Liverpool Mutual Homes; revaluation and impairment charges of -£5.937m; and additions in the year of +£2.623m.

- **Current Assets** – increased by £6.040m. 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, £0.985m, and an increase in Cash & Cash Equivalents, £5.945m. The remaining changes reflect a small reduction in short term debtors and inventory values.

- **Current Liabilities –** increased by £2.646m. A planned repayment of PWLB loans in 2016/17 resulted in a reduction in short term borrowing of -£1.000m. The remaining balance reflects grants and other income received in advance of expenditure of +£3.646m (for example: National Resilience Assurance and International Search & Rescue Team monies).

- **Long Term Liabilities** – increased by £178.425m;
  - Other long-term Creditors – A reduction of £0.335m. The reduction reflects contractual payments to the PFI contract for its 25 year life until 2038.
  - Provisions – A net decrease of £0.389m. The injury compensation provision (personal injuries sustained where the Authority is alleged to be at fault) is re-assessed at the end of each financial year. The provision for new or amended claims received in the year was reduced to £0.086m and the value of claims settled was £0.303m, a net decrease in the provision of £0.389m
  - Long-term borrowing reduced by £1.000m reflecting the fact that a loan of £1.000m will be repaid in the coming year.
  - Other long-term liabilities increase of £180.149m. Of this £0.041m is due to the reduction in the Authority's share of Merseyside County Council residual debt. The balance, £180.190m 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 £108.190m. 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 £2.382m – this is the net movement in reserves in the year; An increase in earmarked reserves of £3.610m as a consequence of reserves created at the year-end, and a reduction of £1.228m 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 £185.258m. 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 increase in the Pension Reserve of £180.190m to reflect changes in the liability of the pension schemes accounts for most of this increase. The other movements relate to the Capital Adjustment Account, £3.195m, (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 £1.318m due to the Land and Building revaluation and difference between fair value depreciation and historical cost depreciation. The balance relates to small movements on other accounts.

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 £15.526m to £21.471m. 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. As per Note 17 in the Statement of Accounts, £8.622m of the closing balance 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 £0.070m as at the 31st March 2017 before taking account of this debtor.

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 2016/17 the Authority has up to 30th September of the relevant current year to approve and sign-off for publication the Statement of Accounts.

Financial Implications & Value for Money

16. The report confirms the 2016/17 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/049/17 "Revenue and Capital Outturn 2016-2017" Policy & Resources 27th July 2017.

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 Authority

DRAFT 2016/17 Statement of Accounts

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2016 – 2017

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 2017, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2016/17 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 provides information about Merseyside Fire and Rescue Authority (the Authority), including the key issues affecting the Authority in 2016/17 and the future. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

- Background to the Authority & Key Information
- The Authority 2016/17 Non-Financial Performance
- The 2016/17 Revenue Budget and Financial Challenge
- 2016/17 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2016/17 to 2020/21
- Treasury Management
- Balance Sheet Financial Position at 31st March 2017
- Future Financial Challenge / Corporate Risks 2017/18 – 2020/21

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2016/17.

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 2015 Office of National Statistics (ONS) estimated figures showed that Merseyside has a population total of 1,398,030 which is a 1.2% increase on the 2011 Census figures. The population is split 48.2% male and 51.8% female, with 16.7% of the population being children (0-15), 64.8% being of working age (16-64) and 18.5% 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 2016/17 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, Procurement and Democratic Services (Monitoring Officer)
- Treasurer (Section 151 Officer)
- Director of People and Organisational Development
- Area Manager for Operational Preparedness
- Area Manager for Operational Response
- Director of Strategy and Performance
- Area Manager for Strategic Change and Resources
- Area Manager for Community Risk Management

Integrated Risk Management Plan

In line with the requirements of the Fire and Rescue Service National Framework 2010 MFRA publish an Integrated Risk Management Plan (IRMP). The IRMP requires us to identify all foreseeable risks and develop plans to manage those risks which may affect the community of Merseyside, cross border, multi-authority and nationally. A new IRMP 2017-20 was approved by the Fire Authority and published on 23rd February 2017. This IRMP continues to affirm the Authority's commitment to maintain operational response times despite continuing reductions in Government financial support. The IRMP aims to match resources to demand by having more fire engines available during the day to attend emergency incidents, deliver home and business safety advice, with numbers decreasing as demand decreases during the evening. The IRMP updates stakeholders on progress against key performance indicators along with Equality and Diversity objectives for 2017-20. The IRMP 2017-20 can be found on the Authority's website at http://www.merseyfire.gov.uk/aspx/pages/IRMP/IRMP2017-20/IRMP2017.html.

Mission & Aims
The Authority's Mission and Aims are outlined below. The approved 2016/17 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

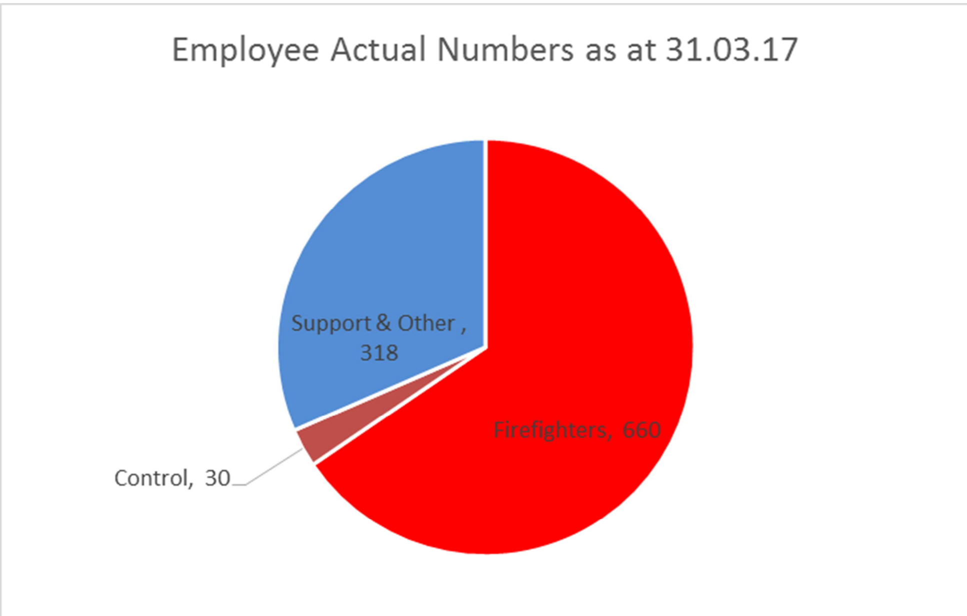
Our Aims;
Excellent Operational Preparedness
We will provide our firefighters with the training, information, procedures and equipment to ensure they can safely and effectively resolve all emergency incidents.

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 1,008 Full Time Equivalents at the end of March 2017 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.

In 2006/07 the Authority employed over 1,200 firefighters. At the end of 2016/17 the number was 660, a 45% reduction. Over the same period support and other staff have reduced from 431 to 288 Full Time Equivalents a 33% reduction. The loss of support and other posts has an impact on the front line as some of these post reductions carried out fire preventative work within the Merseyside community.

In 2016/17 the Authority moved to an operational response model that had 26 fire appliances; 22 of which were Wholetime or Low Level Activity & Risk (LLAR) duty system, and these appliances were immediately available. There were also 2 Day Crewing Wholetime Retained appliances (immediately available during the day and available on 30 minute recall overnight), and a further 2 fully Wholetime Retained appliances which are available on 30 minute recall. Ten years ago it had 42 appliances, which were crewed on 24 hour immediate response.

Prior to 2015 the Authority had 26 permanently crewed community fire stations. Following the closure of Allerton community fire station in 2015 this number fell to 25. The Authority has plans to merge some fire stations that will reduce the number of fire stations from 25 to 22 once the programme has been fully implemented and the 22 stations will incorporate a variety of duty systems. These stations act as hubs for providing services to our communities. In addition to the community fire stations, the Authority has a Water Rescue Unit, a Training and Development Academy, a headquarters and an operational workshop/stores.

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 2016/17 Non-Financial Performance

The Authority monitors its performance and delivery of its objectives through a comprehensive performance management framework. The IRMP and other service projects are incorporated into one document – the Service Delivery Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Delivery Plan via regular reports to the Community Safety and Protection Committee and the Strategic Management Group. Station Community Safety Plans have also been developed to give details of the activities taking place in each fire station area. The reporting process applies traffic light status to each action point in the Service Delivery Plan and attention is drawn to the progress achieved and matters to be addressed. Copies of the Service Delivery Plan can be found on the Authority's website. The 2016/17 Authority's performance against the key performance indicators (KPI) is summarised in the table below:

BENCHMARK KEY PERFORMANCE INDICATORS		Performance 2015/16	Target 2016/17	Performance 2016/17	Status
TO00	Total number of emergency calls received	21,685	Quality Assurance	22,465	
TC01	Total number of incidents attended	14,072	14,225	15,438	
TC02	Total number of fires in Merseyside	7,169	7,184	7,346	
TC03	Total number of primary fires attended	2,618	2,525	2,597	
TC04	Total number of secondary fires attended	4,413	4,659	4,749	
TC05	Total number of special services attended	2,638	2,561	3,071	
TC06	Total number of false alarms attended	4,636	4,480	5,021	
TC11	Total number of false alarms attended, discounting false alarm good intent	3,017	3,020	3,330	
TC07	Total number of non-emergency interventions	83	Quality Assurance	71	
TR08	Attendance standard – first attendance of an appliance at a life risk incidents in 10 minutes	95.9%	90%	96%	
TD09	The % of available shifts lost to sickness absence, all personnel		4%	2.82%	
TE10	Total carbon output of all MFRS buildings	89.5	112.6	86.7	
DWELLING FIRES					
DC11	Number of accidental fires in dwellings	1,086	1,072	991	
DC12	Number of fatalities in accidental dwelling fires	16	8	7	
DC13	Number of injuries in accidental dwelling fires attended	112	118	93	
DC14	Number of deliberate dwelling fires in occupied properties	171	167	170	
DC15	Number of deliberate dwelling fires in unoccupied properties	48	48	39	
DC16	Number of deaths in deliberate dwelling fires	0	1	1	
DC17	Number of injuries in deliberate dwelling fires	17	23	19	

BENCHMARK KEY PERFORMANCE INDICATORS		Performance 2015/16	Target 2016/17	Performance 2016/17	Status
NON DOMESTIC PROPERTY					
NC11	Number of deliberate fires in non-domestic premises	92	91	115	
NC12	Number of accidental fires in non-domestic premises	206	200	205	
ANTI SOCIAL BEHAVIOUR					
AC11	Number of deliberate vehicle fires attended	516	495	615	
AC12	Number of accidental vehicle fires attended	213	197	207	
AC13	Number of deliberate anti-social behaviour fires (small)	4,035	4,181	4,154	
AC14	Number of accidental small fires attended	490	478	595	
AC15	Number of 'other' primary fires attended	260	255	251	
ROAD TRAFFIC COLLISIONS					
RC11	Number of road traffic collisions (RTC)	550	529	605	
RC12	Number of injuries in road traffic collisions attended	364	382	372	
RC13	Number of fatalities in RTC's	7	8	5	
SPECIAL SERVICE					
SR11	Number of calls to cardiac and respiratory related incidents from NWAS	34	Quality Assurance	217	
FALSE ALARMS					
FC11	The number of false alarm calls due to automatic fire alarm equipment in Non Domestic properties	593	571	615	
FC12	The number of false alarm calls due to automatic fire alarm equipment in Domestic properties	2,237	2,267	2,521	
STAFF WELFARE, RISKS & COMPETENCY RELATED INDICATORS					
WD11	% of available shifts lost to sickness/absence per wholetime equivalent GREY book (operational) personnel	3.90%	4%	3.18%	
WD12	% of available shifts lost to sickness/absence per wholetime equivalent GREEN & RED book (non uniformed) personnel	2.20%	4%	2.21%	
WR13	Total number of operational staff injuries	54	53	43	

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

There are areas where the number of incidents have decreased such as deliberate anti-social behaviour small fires, deliberate property fires, accidental dwelling fires and resultant injuries and deaths, which is a reflection of the hard work staff put into targeting those most at risk of either setting fires or being a victim of fire. The Authority has continued to meet its Attendance Standard of the first appliance being in attendance at all life risk incidents within 10 minutes.

For areas where the Authority has not achieved its target the Authority along with its partners plans to continue to work with businesses and the community in order to improve the situation over the short to medium term.

The 2016/17 Revenue Budget and Financial Challenge

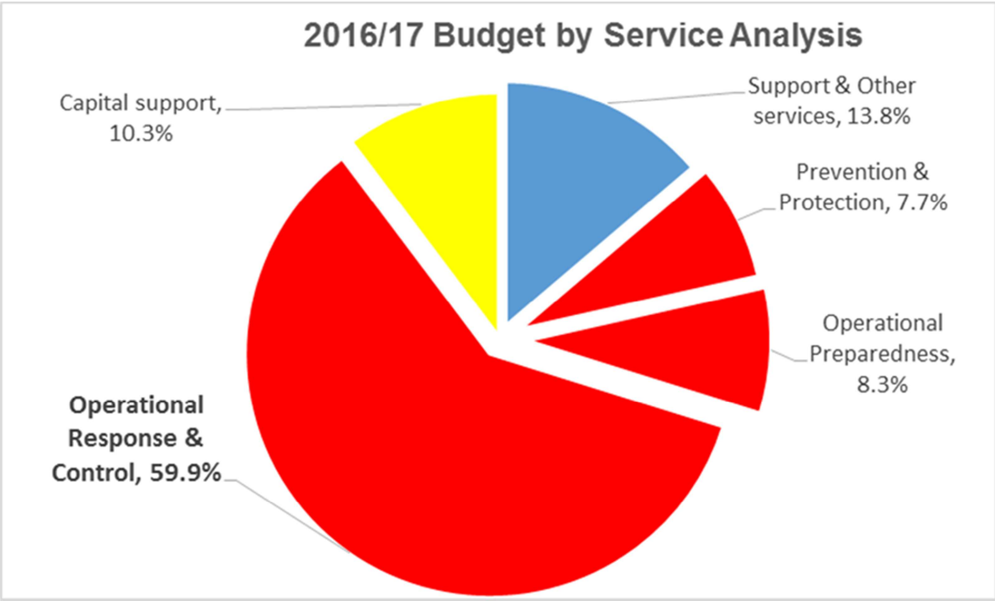
The Authority determines its budget requirement by assessing the service commitments that are financed through its General Fund. The General Fund is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council tax payers. The 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. The Authority had planned prudently to deal with all known reductions in Government funding up to 2015/16 and in total had identified £25.6m of savings over the 2011/12 – 2015/16 period.

The Government announced the final settlement funding for 2016/17 and the indicative figures for 2017/18 – 2019/20, and by 2019/20 the Authority is facing a cut in the Revenue Support Grant (RSG) it receives from the Government of over £7.7m or 41% compared to the 2015/16 grant. This is approximately a 50% cut in real terms once inflation is taken into account. RSG currently provides over 30% of the Authority's revenue budget funding, so this level of cut could not be contained without a significant reduction in the current level of services.

After taking into account the 2016/17 Government grant settlement and the original financial plan assumptions the Authority is facing an £11.0m financial challenge by 2019/20. The Authority Budget meeting on 25th February 2016 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 2016/17 at £61.507m 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 76% of the budget directly funds activities related to fire response or prevention work:



The Authority adopted a reserves strategy that maintained a General Reserve of £2.000m and Earmarked Reserves as at 01.04.16 of £26.248m to cater for specific risks, projects and one-off initiatives and in particular to help it manage effectively the financial pressures.

2016/17 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 £61.507 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 £1.869m million by the year end after taking into account £0.480 million of year-end earmarked reserves required to cover expenditure re-phased from 2016/17 into future years:

Programme	Fire Service Budget £'000	Fire Authority £'000	National Resilience £'000	Total Budget £'000	Actual £'000	Variance £'000	Year-End Earmarked Reserves £'000	Post-ER Variance £'000
Expenditure								
Employee Costs	45.883	0.402	0.546	46.831	45.879	(0.952)	0.240	(0.712)
Premises Costs	2.509	0.000	0.000	2.509	2.346	(0.163)	0.000	(0.163)
Transport Costs	1.390	0.000	0.043	1.433	1.215	(0.218)	0.000	(0.218)
Supplies and Services	3.341	0.044	0.982	4.367	3.770	(0.597)	0.088	(0.509)
Agency Services	5.976	0.000	0.022	5.998	5.889	(0.109)	0.030	(0.079)
Central Support Services	0.435	0.092	0.075	0.602	0.561	(0.041)	0.000	(0.041)
Capital Financing	6.890	0.000	0.011	6.901	6.844	(0.057)	0.000	(0.057)
Income	(6.734)	0.000	(1.679)	(8.413)	(8.420)	(0.007)	0.122	0.115
Net Expenditure	**59.690**	**0.538**	**0.000**	**60.228**	**58.084**	**(2.144)**	**0.480**	**(1.664)**
Contingency Pay & Prices	0.190			0.190	0.000	(0.190)	0.000	(0.190)
Interest on Balances	(0.172)			(0.172)	(0.187)	(0.015)	0.000	(0.015)
	59.708	**0.538**		**60.246**	**57.897**	**(2.349)**	**0.480**	**(1.869)**
Movement on Reserves	1.261			1.261	1.261	0.000		
Overall Financial Position	**60.969**	**0.538**		**61.507**	**59.158**	**(2.349)**		
Year-End Earmarked Reserves							**0.480**	
Increase in Capital Investment Reserve								**1.869**
Year-End Funded Reserves								**2.349**

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 £2.349m were identified, the key areas of under spending were;

- Vacancy management within the employee establishment and lower employee insurance costs resulted in a saving of £0.8m
- Successful management of utility, energy and rates costs saved £0.2m on the Authority premises costs
- 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 £0.5m
- Utilising internal cash and effective treasury management resulted in a £0.1m saving on debt servicing and interest payments
- Increased fees, charges, interest and secondment income of £0.3m
- 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 net spend of £38,523m for the year. The CIES is prepared on a different basis to the General Revenue Fund, the CIES shows the accounting cost in the year in accordance with the relevant generally accepted accounting principles**,** rather than the amount funded from taxation (General Fund). The CIES includes such expenses as depreciation and amounts to reflect pension costs which are not charged to council tax and are excluded from the General Fund statement. The CIES represents the amount by which the Authority's overall net worth has moved over the year as shown in the Balance Sheet. The table below reconciles the General Fund to the CIES "*Deficit on Provision of Services*" statement:

	Detailed Asjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
Net General Fund 2016/17 year-end position:	0	0	0
1 Net Creation of Earmarked Reserves (1)	-		**(3,610)**
2 Asset Valuation / Charges and Capital Funding Adjustments			
Depreciation, Impairment and Revaluation adjustment	5,938	-	**-**
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1,028	-	**-**
Asset Disposal / Write-offs / Revaluation losses	4,531	-	**-**
MRP / Interest adjustment	(4,487)	-	**-**
Capital Expenditure Funded from the Revenue Account (CERA)	(669)	-	**-**
Capital Grants Income	(600)	**5,741**	**-**
3 Pension related adjustments			
Pension Contributions payable to pension fund	(7,534)		
Pension Current Service Costs	10,163		
Pension Past Service Costs	460		
Net Interest on the Defined Benefit Liability Scheme	32,748	**35,837**	
4 Other technical accounting adjustments			
Timing Differences for Premiums and Discounts	50		
Timing Differences for Council Tax / NNDR	704		
Timing Differences for Compensated Absences	(199)	**555**	
Total Adjustments			**42,133**
Total Comprehensive Income and Expenditure Statement			**38,523**

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 reflects the notional consumption of assets during the year and the reduction in the valuation of assets during the year.*

3. *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.*

4. *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.*

5. *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).*

6. *Statute requires that certain expenses are charged to the General Fund that are not considered to be proper accounting charges in accordance with the Code. These are therefore not shown in the CIES. The unitary charge payments associated with the PFI contract are shown as fully charged to revenue in the General Fund but in the CIES they are broken up into the relevant revenue, capital and interest notional elements. The removal of capital financing charges relates to costs associated with; interest payments on loans and the Minimum Revenue Provision (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA).*

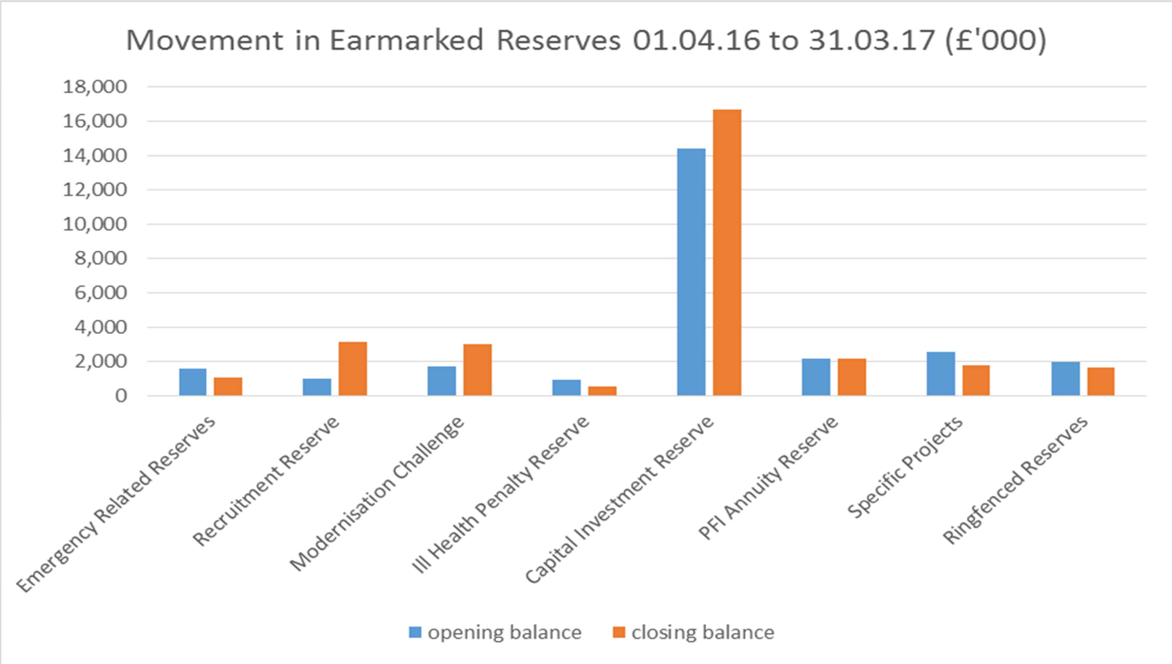
Whilst the CIES shows the true accounting position for the year, it is the General Fund position which more directly reflects the impact on Merseyside residents as it records only those expenses which statute allows to be charged against the Authority's annual budget, the amounts to be set aside as reserves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

Reserves

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 2016/17 the Authority's earmarked reserves were £29.858m, a net increase of £3.610m 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 £0.480m in order to carry forward 2016/17 funds into 2017/18 to meet projects now re-phased. In addition the £1.869m net underspend on the General Fund in 2016/17, after taking into account the year-end earmarked reserves (£0.480m), has been allocated to the Capital Investment Reserve to contribute towards the future TDA refurbishment. The balance, £1.261m, relates to other approved adjustments to reserves agreed during 2016/17, mainly due to re-phasing of reserve drawdowns from 2016/17 into future years. 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 overleaf 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.

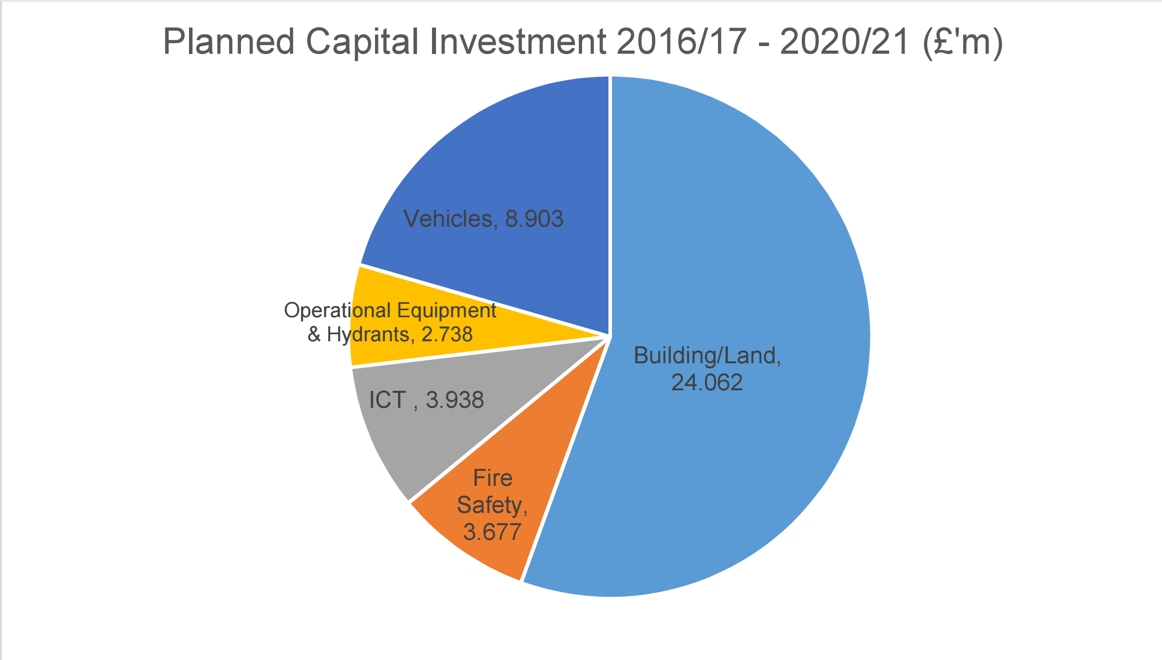


Capital Strategy and Capital Programme 2016/17 to 2020/21

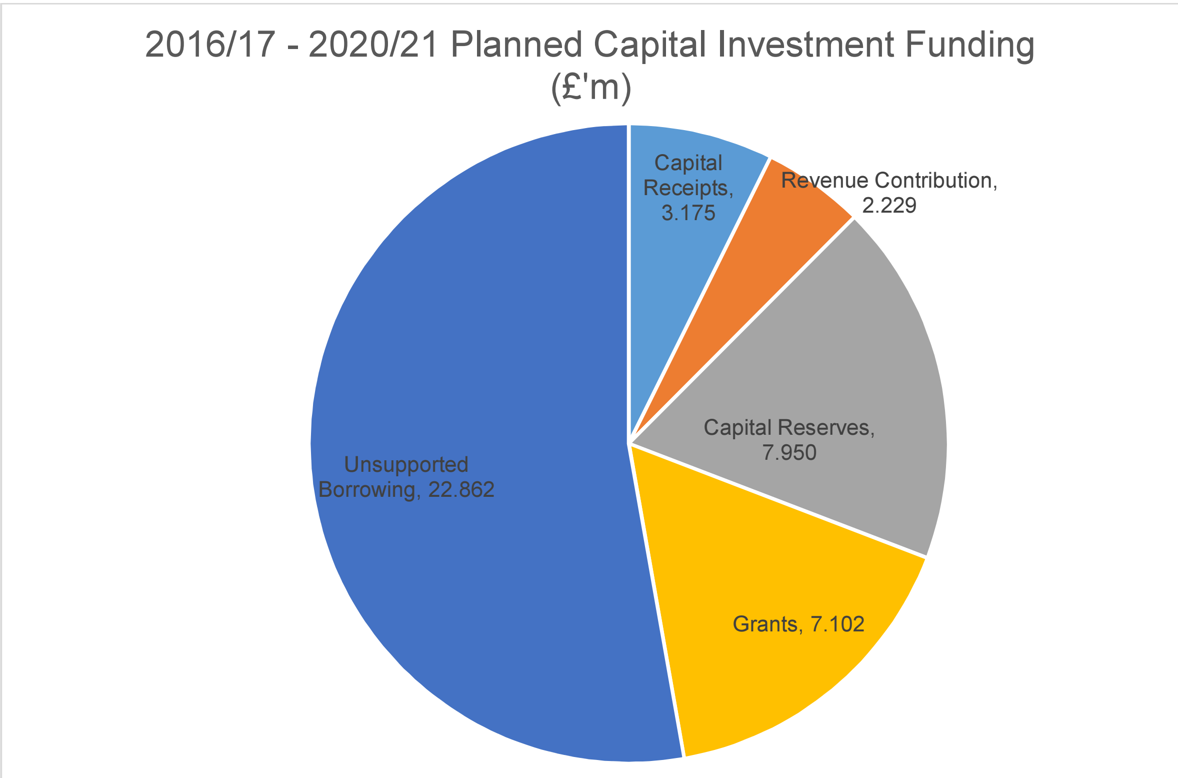
Each financial year the Authority produces a capital programme to manage major capital schemes. Owing to the nature of capital expenditure a large number of schemes span more than one financial year so the programme is a rolling programme covering five financial years.

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 overleaf summarises the 2016/17 – 2020/21 capital budget of £43.318m over its planned investments which are mainly in the Authority's property, vehicles, fire safety (household smoke alarms) and ICT assets:



This capital programme has a borrowing requirement of £22.862m 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:



The 2016/17 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 2016/17 into 2017/18 £'000	Variance £'000
Expenditure				
Building/Land	6,620.1	2,000.5	4,620.0	(0.4)
Fire Safety	877.1	829.9	0.0	47.2
ICT	1,116.2	360.5	776.3	(20.6)
Operational Equip & Hydrants	1,320.0	362.2	938.0	19.8
Vehicles	1,661.3	98.7	1,562.6	0.0
TOTAL	**11,594.7**	**3,651.8**	**7,896.9**	**46.0**
Financing				
Capital Receipts	400.0	0.0	400.0	0.0
Revenue and Reserves	2,782.9	669.0	2,113.9	0.0
Grants	2,938.0	1,827.9	1,110.1	0.0
Unsupported Borrowing	5,473.8	1,154.9	4,272.9	46.0
TOTAL	**11,594.7**	**3,651.8**	**7,896.9**	**46.0**

The most significant items of capital expenditure have been:

- The commencement of the build of a new fire station at Prescot
- Installation of smoke alarms
- Upgrades and replacement of ICT software and hardware
- The purchase of National Assurance assets on behalf of all English fire authorities
- 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 2016/17
- The External Debt and Treasury Management Prudential Indicators and Limits for 2016/17 to 2018/19
- The Investment Strategy 2016/17
- 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) Code 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 £41.1m at the start of the year to £39.1m at the end following the repayment of £2.0m 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 2017

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 decreased by £182.876m over the year, and as a consequence the current net liability on total reserves has increased from (£897.465m) to (£1,080.341m). 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 £1,115.085m 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 2017/18 – 2020/21

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 – 2019/20 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 25th February 2016 (2016/17 Budget) and ratified its decision at the Budget meeting on 23rd February 2017 (2017/18 Budget).

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 22 plus 4 retained pumps, which equates to 38% overall reduction in appliance availability since 2010. In addition the number of firefighters has fallen from over 1,200 firefighters to 660, a 45% reduction in firefighters over the same period and this number will fall to 620 by 2018. 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.

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. The 2017 Police and Crime 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 Act 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 Act 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, who was elected 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 Comprehensive Income and Expenditure Statement
The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (and rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Movement in Reserves Statement (MiRS)
The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in the year of the Authority are broken down between gains and losses incurred with generally accepted accounting practices and the statutory adjustments required to return the amount chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the Statutory General Fund Balance movements in the year following those adjustments.

The Balance Sheet
The Balance Sheet shows the value as at the 31 March 2017 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 2016/17 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

Ian Cummins. B.A. (Hons), CIPFA.
Treasurer
Fire Service HQ
Bridle Road
Bootle
Liverpool
L30 4YD

Ian Cummins can also be contacted on: -
Tel: 0151 - 296 4244
E-mail: iancummins@merseyfire.gov.uk

The Financial Statements

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (and rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may differ from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 Restated				Notes	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
69,992	(7,132)	62,860	Fire Service Operations		64,223	(7,001)	57,222
974	-	974	Corporate and Democratic Core		1,177	-	1,177
-	-	-	National Resilience / International Search and Rescue		1,606	(1,419)	187
10	-	10	Non-Distributed Costs	40	460	-	460
70,976	**(7,132)**	**63,844**	**Cost Of Services**		**67,466**	**(8,420)**	**59,046**
10	-	10	Other Operating Expenditure	9	4,531	-	4,531
39,649	(2,214)	37,435	Financing and Investment Income and Expenditure	10	38,730	(2,381)	36,349
-	(66,344)	(66,344)	Taxation and Non-Specific Grant Income	11	-	(61,403)	(61,403)
		34,945	**(Surplus) or Deficit on Provision of Services**	27			**38,523**
		1,158	(Surplus) or Deficit on Revaluation of Fixed Assets				-
		(140,160)	Remeasurement of the Net Defined Benefit Liability				144,353
		(139,002)	**Other Comprehensive Income and Expenditure**				**144,353**
		(104,057)	**Total Comprehensive Income and Expenditure**				**182,876**

1. The 2015/16 figures have been restated to include Firefighting and Rescue Operations with Community Fire Safety to give a total for Fire Service Operations. This has been completed in order to give a clearer presentation of the movement from the internal management accounts to the year-end accounts which can be seen through the new explanatory note called the Expenditure & Funding Analysis on Note 27.

2. Merseyside Fire and Rescue Authority also took over the responsibility for National Resilience on 1st July 2016. The Authority now accounts for the costs on a separate line from 2016/17.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in the year of the Authority are broken down between gains and losses incurred with generally accepted accounting practices and the statutory adjustments required to return the amount chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the Statutory General Fund Balance movements in the year following those adjustments.

	Notes	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015		**(25,985)**	**-**	**(1,770)**	**(27,755)**	**1,029,277**	**1,001,522**
<u>Movement in reserves during 2015/16</u>							
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	**-**
Increase or Decrease in 2015/16		**(2,263)**	-	**(4,039)**	**(6,302)**	**(97,755)**	**(104,057)**
Balance at 31 March 2016 carried forward		**(28,248)**	-	**(5,809)**	**(34,057)**	**931,522**	**897,465**

	Notes	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016		**(28,248)**	**-**	**(5,809)**	**(34,057)**	**931,522**	**897,465**
<u>Movement in reserves during 2016/17</u>							
Total Comprehensive Income and Expenditure		38,523	-	-	**38,523**	144,353	182,876
Adjustments between accounting basis & funding basis under regulations	7	(42,133)	-	1,228	**(40,905)**	40,905	-
Increase or Decrease in 2016/17		**(3,610)**	**-**	**1,228**	**(2,382)**	**185,258**	**182,876**
Balance at 31 March 2017 carried forward		**(31,858)**	**-**	**(4,581)**	**(36,439)**	**1,116,780**	**1,080,341**

Balance Sheet

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

31 March 2016 £000		Notes	31 March 2017 £000
71,400	Property, Plant & Equipment	12	63,584
169	Intangible Assets	13	140
-	Assets Held for Sale	18	-
-	Long Term Investments	14	-
-	Long Term Debtors	14	-
71,569	**Long Term Assets**		**63,724**
-	Current Intangible Assets		-
14,058	Short Term Investments	14	15,043
400	Assets Held for Sale	18	400
461	Inventories	15	456
5,247	Short Term Debtors	16	4,362
15,526	Cash and Cash Equivalents	14 & 17	21,471
35,692	**Current Assets**		**41,732**
(2,760)	Short Term Borrowing	14	(1,774)
(7,202)	Short Term Creditors	19	(10,834)
(9,962)	**Current Liabilities**		**(12,608)**
(18,845)	Long Term Creditors	14	(18,510)
(1,559)	Provisions	20	(1,170)
(39,100)	Long Term Borrowing	14	(38,100)
(935,260)	Other Long Term Liabilities	14 & 40	(1,115,409)
(994,764)	**Long Term Liabilities**		**(1,173,189)**
(897,465)	**Net Liabilities**		**(1,080,341)**
(34,057)	Usable Reserves	21	(36,439)
931,522	Unusable Reserves	22	1,116,780
897,465	**Total Reserves**		**1,080,341**

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.

2015/16 £000		Notes	2016/17 £000
34,945	Net (surplus) or deficit on the provision of services		38,523
(46,634)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(51,473)
1,065	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(2,956)
(10,624)	**Net cash flows from Operating Activities**		**(15,906)**
321	Investing Activities	25	3,810
5,177	Financing Activities	26	6,151
(5,126)	**Net increase or decrease in cash and cash equivalents**		**(5,945)**
(10,400)	Cash and cash equivalents at the beginning of the reporting period		(15,526)
(15,526)	**Cash and cash equivalents at the end of the reporting period**	17	**(21,471)**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2016, 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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 accrual for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

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 restructure.

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 that are earned by employees.

<u>Discretionary Benefits</u>

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 2016/17 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- National Resilience / International Search and Rescue – costs not apportioned.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These 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 of:

- 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:

- 25 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. 1 Community fire station is treated as an asset held for sale and valued at fair value less costs to sell.
- 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 are measured at the 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 2 – 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 a North West PFI project to replace 16 fire stations across Merseyside, Lancashire and Cumbria. Merseyside Fire & Rescue 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 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 2017. 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 Authority does not consider any changes to have a significant impact on the 2016/17 Statement of Accounts.

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 2017 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 £1,068,000 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 valuers 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 an 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 £11.1m.
Arrears	At 31st March 2017, the Authority had a balance of sundry debtors of £500,000. A review of significant balances suggested that an impairment for doubtful debts of 19.13% (£95,700) 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 £95,700 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 £44,000 in the provision.

5. Material Items of Income and Expense

The following services have been outsourced to an external provider.

	2016/17 £000	2015/16 £000
IT & Communications	1,808	1,884
Estates	1,156	792

2015/16 Estates costs only relate to 3 quarters of a year for comparative purposes.

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 2016/17

2016/17	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
- Pensions costs (transferred to (or from) the Pensions Reserve)	(35,837)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	(50)	-	-
- Council Tax and NDR (transferred to the Financial Instruments Adjustments Account)	(704)	-	-
- Holiday pay (transferred to the Accumulated Absences Reserve)	199	-	-
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(10,897)	-	(600)
Total Adjustments to Revenue Resources	**(47,289)**	**-**	**(600)**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Reserve	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,487	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	669	-	-
Total Adjustments between Revenue and Capital Resources	**5,156**	**-**	**-**
Adjustments to Capital Resources	-	-	
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	
Application of capital grants to finance capital expenditure	-	-	1,828
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	**-**	**-**	**1,828**
Total Adjustments	**(42,133)**	**-**	**1,228**

Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16

2015/16	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
- Pensions costs (transferred to (or from) the Pensions Reserve)	(40,684)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	(50)	-	-
- Council Tax and NDR (transferred to the Financial Instruments Adjustments Account)	(76)	-	-
- Holiday pay (transferred to the Accumulated Absences Reserve)	(57)	-	-
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(1,938)	-	(4,251)
Total Adjustments to Revenue Resources	**(42,805)**	**-**	**(4,251)**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Reserve	430	(430)	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,180	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	987	-	-
Total Adjustments between Revenue and Capital Resources	**5,597**	**(430)**	**-**
Adjustments to Capital Resources	-	-	
Use of the Capital Receipts Reserve to finance capital expenditure	-	430	
Application of capital grants to finance capital expenditure	-	-	212
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	**-**	**430**	**212**
Total Adjustments	**(37,208)**	**-**	**(4,039)**

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 2016/17.

	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Emergency Related Reserves:							
Bellwin Reserve	**147**	-	-	**147**	-	-	**147**
Insurance Reserve	**870**	-	-	**870**	(370)	200	**700**
Emergency Planning Reserve	**75**	-	-	**75**	-	-	**75**
Catastrophe Reserve	**500**	-	-	**500**	(400)	-	**100**
Modernisation Challenge:							
Smoothing Reserve	**1,695**	(372)	-	**1,323**	(569)	1,227	**1,981**
Severance Reserve	**621**	(256)	-	**365**	(365)	-	**-**
Pensions Reserve	**1,000**	(100)	-	**900**	(400)	-	**500**
Recruitment Reserve	**1,000**	-	-	**1,000**	-	2,100	**3,100**
Invest To Save Reserve	**-**	-	-	**-**	-	1,000	**1,000**
Capital Investment:							
Capital Investment Reserve	**12,039**	(655)	3,055	**14,439**	(3,295)	5,469	**16,613**
Emerging Technologies Reserve	**-**	-	-	**-**	-	60	**60**
PFI Annuity Reserve	**2,226**	(2,151)	2,097	**2,172**	(2,180)	2,177	**2,169**
Equality/DDA Investment Reserve	**285**	-	-	**285**	-	-	**285**
Firefighter Safety Investment Reserve	**800**	(40)	-	**760**	(760)	-	**-**
Specific Projects:							
Community Sponsorship Reserve	**4**	(4)	2	**2**	(2)	2	**2**
Equipment Reserve	**222**	(65)	265	**422**	(141)	20	**301**
Contestable Research Fund Reserve	**25**	-	-	**25**	(1)	-	**24**
Clothing Reserve	**16**	-	150	**166**	-	-	**166**
CFOA Road Safety Reserve	**100**	-	-	**100**	(100)	-	**-**
Healthy Living / Olympic Legacy Reserve	**108**	(85)	11	**34**	(64)	70	**40**
Training Reserve	**-**	-	230	**230**	(137)	357	**450**
Communications Reserve	**-**	-	17	**17**	(17)	-	**-**
Inflation:							
Inflation Reserve	**500**	-	-	**500**	-	-	**500**
Total	**22,233**	**(3,728)**	**5,827**	**24,332**	**(8,801)**	**12,682**	**28,213**
Ringfenced Reserves							
F.R.E.E Reserve	**52**	(1)	-	**51**	(51)	-	**-**
Princes Trust Reserve	**368**	-	-	**368**	(276)	-	**92**
Community Youth Team Reserve	**58**	-	-	**58**	(58)	-	**-**
Beacon Peer Project Reserve	**62**	-	-	**62**	(62)	-	**-**
Innovation Fund Reserve	**171**	(5)	7	**173**	(176)	323	**320**
Energy Reserve	**84**	-	72	**156**	(72)	48	**132**
St Helens District Reserve	**10**	(4)	4	**10**	(10)	-	**-**
New Dimensions Reserve	**947**	-	91	**1,038**	-	63	**1,101**

	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Total	**1,752**	**(10)**	**174**	**1,916**	**(705)**	**434**	**1,645**
Total Earmarked Reserves	**23,985**	**(3,738)**	**6,001**	**26,248**	**(9,506)**	**13,116**	**29,858**

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. This has been realigned into the Invest To Save Reserve.

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 £3.1m has been created to support staff recruitment to manage effective succession planning.

Invest To Save Reserve

Some reserves were realigned in the year to create a more generic reserve for schemes to invest in up front in order to establish long-term savings.

Capital Investment Reserve

This reserve was created to contribute towards unforeseeable costs associated with large strategic capital schemes and to provide a resource for future station merger schemes and the refurbishment of the Training and Development Academy.

Emerging Technologies Reserve

This reserve has been created to invest in Information Technology within the Fire Service.

PFI Annuity Reserve

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

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. This has been realigned into the Invest To Save Reserve.

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 was created for investment in road safety initiatives. This reserve has now been realigned to the Invest to Save Reserve.

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.

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

2015/16 £000		2016/17 £000
10	(Gains)/losses on the disposal of non-current assets	4,531
10	**Total**	**4,531**

10. Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
3,846	Interest payable and similar charges	3,788
35,803	Pensions interest cost	34,942
(2,011)	Expected return on pensions assets	(2,194)
(203)	Interest receivable and similar income	(187)
-	Other investment income	-
37,435	**Total**	**36,349**

11. Taxation and Non Specific Grant Income

2015/16 £000		2016/17 £000
(25,429)	Council tax income	(26,152)
(3,887)	National non domestic rates (Local share)	(3,963)
-	National non domestic rates pool	-
(14,048)	National non domestic rates top up grant	(14,165)
(18,729)	Revenue support grant	(16,523)

(4,251)	Capital grants and contributions	(600)
(66,344)	**Total**	**(61,403)**

12. Property, Plant and Equipment Movements on Balances

Movements in 2016/17:

	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 2016	**62,061**	**646**	**21,418**	**84,125**	**18,825**
Additions	349	1,630	504	2,483	-
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	(4,720)	-	-	(4,720)	-
Derecognition – Other	-	-	(2,223)	(2,223)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Other movements in Cost or Valuation	(349)	-	-	(349)	-
At 31 March 2017	**57,341**	**2,276**	**19,699**	**79,316**	**18,825**
Accumulated Depreciation and Impairment					
At 1 April 2016	**(2,033)**	**-**	**(10,692)**	**(12,725)**	**(475)**
Depreciation Charge	(3,214)	-	(2,205)	(5,419)	(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	189	-	-	189	-
Derecognition – Other	-	-	2,223	2,223	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-
At 31 March 2017	**(5,058)**	**-**	**(10,674)**	**(15,732)**	**(950)**
Net Book Value					
At 31 March 2017	**52,283**	**2,276**	**9,025**	**63,584**	**17,875**
At 31 March 2016	**60,028**	**646**	**10,726**	**71,400**	**18,350**
Nature of Asset Holding					
Owned	32,776	2,276	9,025	44,077	-
Finance Lease	1,632	-	-	1,632	-
PFI	17,875	-	-	17,875	17,875
Total	**52,283**	**2,276**	**9,025**	**63,584**	**17,875**

Property, Plant and Equipment Movements on Balances

Comparative 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**

Depreciation

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

- Buildings – straight line allocation over the remaining life of the property as estimated by the valuer. The remaining life of the buildings range from 2 – 50 years. This is due to the station merger programme. Fire stations are being depreciated over the remaining useful life in line with the forecast openings of new fire stations.

- 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 2016/17

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	5,420	(5,420)	(5,420)	-	-	-
Intangible Assets	169	(169)	-	(169)	-	-
Total	**5,589**	**(5,589)**	**(5,420)**	**(169)**	**-**	**-**
Impairments						
Loss on Asset Sales	-	-	-	-	-	-
General Impairments (L&B)	349	(349)	(349)	-	-	-
Revaluation Losses	-	-	-	-	-	-
Total	**349**	**(349)**	**(349)**	**-**	**-**	**-**
Reversal of Prior Year						
Impairments	-	-	-	-	-	-
Revaluation Losses	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total	**5,938**	**(5,938)**	**(5,769)**	**(169)**	**-**	**-**
Revaluation Gain	-	-	-	-	-	-
Reversal of PY Impairments	-	-	-	-	-	-
Reversal of PY Revaluation Gain	-	-	-	-	-	-
Net Gain	**-**	**-**	**-**	**-**	**-**	**-**

Capital Commitments

At 31st March 2017, 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 2017/18 and future years is £7.0m. Similar commitments at 31st March 2016 were £0.7m. The commitments can be analysed as follows:

- Building Schemes £5.6m
- Equipment and ICT Schemes £0.3m
- Vehicles £1.1m

£7.0m

Effects of Changes in Estimates

Allerton 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). We are now awaiting the capital receipt.

The Toxteth Hub Youth Facility was transferred to ComMutual Homes on 1st February 2017.

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	-	2,276	19,699	**21,975**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2015	43,701	-	-	**43,701**
Values at fair value as at:				
31 March 2015	13,640	-	-	**13,640**
Total Cost or Valuation	**57,341**	**2,276**	**19,699**	**79,316**

13. Intangible Assets

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

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

	2016/17 Software Licenses £000	2015/16 Software Licenses £000
Balance at start of year:		
▪ Gross carrying amounts	688	519
▪ Accumulated amortisation	(519)	(340)
Net carrying amount at start of year	**169**	**179**
Net carrying amount at start of year	169	179
Additions:		
▪ Internal Development	-	-
▪ Purchases	140	169
▪ Acquired through business combinations	-	-
Assets reclassified as held for sale	-	-
Other disposals	-	
Revaluations increases or decreases	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-
Amortisation for the period	(169)	(179)
Other changes	-	-
Net carrying amount at end of year	**140**	**169**
Comprising:		
Gross carrying amounts	140	688
Accumulated amortisation	-	(519)
Total	**140**	**169**

14. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£000	£000	£000	£000
Investments				
Loans and receivables – Investments	-	-	15,043	14,058
– Cash & Bank	-	-	21,471	15,526
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	**-**	**-**	**36,514**	**29,584**
Debtors				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	-	-
Total included in Debtors	**-**	**-**	**-**	**-**
Borrowings				
Financial liabilities at amortised cost (PWLB)	(38,100)	(39,100)	(1,000)	(2,000)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	**(38,100)**	**(39,100)**	**(1,000)**	**(2,000)**
Other Long Term Liabilities				
Finance lease liabilities	-	-	-	-
PFI liabilities	(18,510)	(18,845)	(335)	(307)
Merseyside Residual Debt	(325)	(365)	(41)	(41)
Total other long term liabilities	**(18,835)**	**(19,210)**	**(376)**	**(348)**
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	-	-
PWLB interest carried at contract amount	-	-	(398)	(412)
Total creditors	**-**	**-**	**(398)**	**(412)**
Total borrowing	**(56,935)**	**(58,310)**	**(1,774)**	**(2,760)**

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:

	2016/17					2015/16				
	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	3,788	-	-	-	**3,788**	3,846	-	-	-	**3,846**
Losses on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Reductions in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Impairment losses	-	-	-	-	**-**	-	-	-	-	**-**
Fee expense	-	-	-	-	**-**	-	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**3,788**	**-**	**-**	**-**	**3,788**	**3,846**	**-**	**-**	**-**	**3,846**
Interest income	-	(187)	-	-	**(187)**	-	(203)	-	-	**(203)**
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	**-**	**(187)**	**-**	**-**	**(187)**	**-**	**(203)**	**-**	**-**	**(203)**
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	**3,788**	**(187)**	**-**	**-**	**3,601**	**3,846**	**(203)**	**-**	**-**	**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 2017 of 2.82% to 11.125% for loans from the Public Works Loan Board (PWLB)
- no early repayment or impairment is recognised
- where an instrument will mature in the next twelve months, carrying amount is assumed to 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 2017		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & Long term loans	39,100	58,958	41,100	55,812

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 2017) 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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	353	354	108	112	461	466
Purchases	328	358	701	699	1,029	1,057
Recognised as an expense in the year	(329)	(359)	(705)	(703)	(1,034)	(1,062)
Written off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**352**	**353**	**104**	**108**	**456**	**461**

16. Debtors

	31 March 2017 £000	31 March 2016 £000
Central Government bodies	494	202
Other local authorities	3,103	3,943
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	765	1,102
Total	**4,362**	**5,247**

17. Cash and Cash Equivalents

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

31 March 2016 £000		31 March 2017 £000
7	Cash held by the Authority	11
7,616	Bank current accounts	8,552
7,903	Short-term deposits with building societies	12,908
15,526	**Total Cash and Cash Equivalents**	**21,471**

The bank current account includes the pension fund debtor of £8.622m as at the 31st March 2017 and £7.711m as at the 31st March 2016. 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 £0.070m as at the 31st March 2017 and £0.095m as at 31st March 2016 before taking account of this debtor.

18. Assets Held for Sale

	Current		Non-Current	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Balance outstanding at start of year	**400**	**440**	**-**	**-**
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	-	-	835
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	-	(435)
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)	-	-
Transfers from non-current to current	-	400	-	(400)
Other movements	-	-	-	-
Balance outstanding at year-end	**400**	**400**	**-**	**-**

19. Creditors

	31 March 2017	31 March 2016
	£000	£000
Central Government bodies	(4,407)	(1,541)
Other local authorities	(3,088)	(3,217)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(3,339)	(2,444)
Total	**(10,834)**	**(7,202)**

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 2016	**-**	**(984)**	**(575)**	**(1,559)**
Additional provisions made in 2016/17	-	241	(155)	**86**
Amounts used in 2016/17	-	303	-	**303**
Unused amounts reversed in 2016/17	-	-	-	**-**
Unwinding of discounting in 2016/17	-	-	-	**-**
Balance at 31 March 2017	**-**	**(440)**	**(730)**	**(1,170)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31st March 2017. 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 2017 from the five precepting authorities.

21. Usable Reserves

31 March 2016 £000		31 March 2017 £000
-	Usable Capital Receipts Reserve	-
(5,809)	Usable Capital Grants Unapplied	(4,581)
(2,000)	General Fund Balance	(2,000)
(26,248)	Earmarked Reserves **(Note 8)**	(29,858)
(34,057)	**Total Usable Reserves**	**(36,439)**

22. Unusable Reserves

31 March 2016 £000		31 March 2017 £000
(10,123)	Revaluation Reserve	(8,805)
6,270	Capital Adjustment Account	9,465
(79)	Financial Instruments Adjustment Account	(29)
934,895	Pensions Reserve	1,115,085
(710)	Collection Fund Adjustment Account	(6)
1,269	Accumulating Compensated Absences Adjustment Account	1,070
931,522	**Total Unusable Reserves**	**1,116,780**

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.

2015/16 £000		2016/17 £000	2016/17 £000
(11,897)	**Balance at 1 April**		**(10,123)**
-	Upward revaluation of assets	-	
1,158	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
1,158	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**-**
567	Difference between fair value depreciation and historical cost depreciation	1,248	
49	Accumulated gains on assets sold or scrapped	70	
616	Amount written off to the Capital Adjustment Account		**1,318**
(10,123)	**Balance at 31 March**		**(8,805)**

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 2017.

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.

2015/16 £000		2016/17 £000	
6,507	**Balance at 1 April**		**6,270**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
4,553	• Charges for depreciation and impairment of non-current assets	5,769	
284	• Revaluation losses on Property, Plant and Equipment	-	
179	• Amortisation of intangible assets	169	
733	• Revenue expenditure funded from capital under statute	1,028	
440	• 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	4,531	
6,189			11,497
(617)	Adjusting amounts written out of the Revaluation Reserve		(1,318)
5,572	Net written out amount of the cost of non-current assets consumed in the year		**10,179**
	Capital financing applied in the year:		
(430)	• Use of the Capital Receipts Reserve to finance new capital expenditure	-	
-	• Use of the Major Repairs Reserve to finance new capital expenditure	-	
(80)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(198)	
(132)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(1,630)	
(4,180)	• Statutory provision for the financing of capital investment charged against the General Fund	(4,487)	
(987)	• Capital expenditure charged against the General Fund	(669)	
(5,809)			**(6,984)**
-	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		-
6,270	**Balance at 31 March**		**9,465**

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 2017 will be charged to the General Fund over the next 2 years.

2015/16 £000		2016/17 £000
(130)	**Balance at 1 April**	**(79)**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
51	Proportion of discounts received in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	50
51	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
(79)	**Balance at 31 March**	**(29)**

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.

2015/16 £000		2016/17 £000
1,034,371	Balance at 1 April	934,895
(140,160)	Remeasurements of the net defined benefit liability/(asset)	144,353
48,509	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	43,371
(7,825)	Employer's pensions contributions and direct payments to pensioners payable in the year	(7,534)
934,895	**Balance at 31 March**	**1,115,085**

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.

2015/16 £000		2016/17 £000
(786)	Balance at 1 April	(710)
76	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	704
(710)	**Balance at 31 March**	**(6)**

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.

2015/16 £000		2016/17 £000	
1,212	Balance at 1 April		1,269
(621)	Settlement or cancellation of accrual made at the end of the preceding year	(739)	
678	Amounts accrued at the end of the current year	540	
57	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		(199)
1,269	**Balance at 31 March**		**1,070**

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

2015/16 £000		2016/17 £000
(4,553)	Depreciation and impairment of non-current assets	(5,769)
(284)	Revaluation losses on property plant and equipment	-
(179)	Amortisation of intangible assets	(169)
(733)	Revenue expenditure treated as capital under statute	(1,028)
-	Movement in the Donated Assets Account	-
(40,684)	Movement in Pension Liability	(35,837)
(440)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognized	(4,531)
(1,248)	(Increase)/Decrease in Creditors	(3,632)
1,255	Increase/(Decrease) in Debtors	(1,045)
(5)	Increase/(Decrease) in Stocks	(5)
237	(Increase)/Decrease in Provisions	543
(46,634)		**(51,473)**

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

2015/16 £000		2016/17 £000
203	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	187
457	Proceeds from the sales of property plant and equipment, investment property and intangible assets	45
(3,846)	Loan interest	(3,788)
4,251	Capital grants	600
1,065		**(2,956)**

25. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
4,766	Purchase of property, plant and equipment, investment property and intangible assets	3,652
1,000	Purchase of short-term and long-term investments	1,000
-	Other payments for investing activities	-
(457)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(45)
-	Proceeds from short-term and long-term investments	-
(4,988)	Other receipts from investing activities	(797)
321	**Net cash flows from investing activities**	**3,810**

26. Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
282	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	307
1,041	Repayments of short term and long term borrowing	2,041
3,854	Other payments for financing activities	3,803
5,177	**Net cash flows from financing activities**	**6,151**

27. Expenditure and Funding Analysis

The "**Expenditure and Funding Analysis**" below outlines in more detail the reconciliation of the General Fund and CIES statements. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				Notes	2016/17		
Net Expenditure Chargeable to General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Account £000			Net Expenditure Chargeable to General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Account £000
59,617	3,243	62,860	Fire Service Operations		57,603	(381)	57,222
491	483	974	Corporate and Democratic Core		481	696	1,177
-	-	-	National Resilience / International Search and Rescue		-	187	187
-	10	10	Non-Distributed Costs		-	460	460
60,108	**3,736**	**63,844**	**Net Cost Services**		**58,084**	**962**	**59,046**
(62,371)	33,472	(28,899)	Other Income and Expenditure		(61,694)	41,171	(20,523)
(2,263)	**37,208**	**34,945**	**Surplus or Deficit**	**27**	**(3,610)**	**42,133**	**38,523**
(25,985)	-	-	Opening General Fund Balance		(28,248)	-	-
(2,263)	-	-	Less/Plus (Surplus) or Deficit on General Fund		(3,610)	-	-
(28,248)	**-**	**-**	**Closing General Fund Balance**		**(31,858)**	**-**	**-**

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2015/16			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Fire Service Operations	(3,640)	6,777	106	**3,243**
Corporate and Democratic Core	377	105	1	**483**
National Resilience / International Search and Rescue	-	-	-	**-**
Non-Distributed Costs	-	10	-	**10**
Exceptional Items	-	-	-	**-**
Net Cost Services	**(3,263)**	**6,892**	**107**	**3,736**
Other Income and Expenditure from the Expenditure and Funding Analysis	(396)	33,792	76	**33,472**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(3,659)**	**40,684**	**183**	**37,208**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2016/17			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Fire Service Operations	(2,811)	2,576	(147)	**(382)**
Corporate and Democratic Core	646	53	(2)	**697**
National Resilience / International Search and Rescue	187	-	-	**187**
Non-Distributed Costs	-	460	-	**460**
Exceptional Items	-	-	-	**-**
Net Cost Services	**(1,978)**	**3,089**	**(149)**	**962**
Other Income and Expenditure from the Expenditure and Funding Analysis	7,719	32,748	704	**41,171**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**5,741**	**35,837**	**555**	**42,133**

1. Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

3. Other Differences

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognized under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- The **Accumulated Absences Account** absorbs the differences that would otherwise arise on the General Fund Balance from accruing for Compensated Absences earned but not taken in the year.

Segmental Income

Income received on a segmental basis is analysed below:

Services	2016/17 Income from Services £000	2015/16 Income from Services £000
Fire Service Operations	(7,001)	(7,132)
Corporate and Democratic Core	-	-
National Resilience / International Search and Rescue	(1,419)	-
Non-Distributed Costs	-	-
Exceptional Items	-	-
Net Cost Services	**(8,420)**	**(7,132)**

Expenditure and Income Analysed By Nature

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

Expenditure/Income	2016/17 £000	2015/16 £000
Expenditure		
Employee Benefits Expenses	48,379	53,847
Other Services Expenses	11,712	10,967
Support Service Recharges	409	413
Depreciation, Amortisation, Impairment.	6,966	5,749
Interest Payments	38,730	39,649
(Gain)/Loss on Disposal of Assets	4,531	10
Total Expenditure	**110,727**	**110,635**
Income		
Fees, charges and other service income	(8,420)	(7,132)
Interest and investment income	(2,381)	(2,214)
Income from council tax, non-domestic rates, district rate income	(60,803)	(62,093)
Government Grants and Contributions	(600)	(4,251)
Total Income	**(72,204)**	**(75,690)**
Surplus or (Deficit) on the Provision of Services	**38,523**	**34,945**

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:

	2016/17 £000	2015/16 £000
Allowances	210	224
Expenses	17	14
Total	**227**	**238**

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	**2016/17**	170,000	-	-	-	-	32,680	**202,680**
	2015/16	170,000	-	-	-	913	32,420	**203,333**
Deputy Chief Fire Officer	**2016/17**	144,500	-	-	-	-	30,465	**174,965**
	2015/16	144,500	-	-	-	975	31,356	**176,831**
Deputy Chief Executive	**2016/17**	-	-	-	-	-	-	**-**
Note 1	**2015/16**	56,226	-	-	144,500	2,807	6,920	**210,453**
Area Manager 3rd Officer Operational Preparedness	**2016/17**	92,200	-	-	-	-	13,185	**105,385**
	2015/16	92,035	-	-	-	2,430	18,231	**112,696**
Area Manager 3rd Officer Operational Response	**2016/17**	92,200	-	-	-	-	13,185	**105,385**
	2015/16	92,035	-	-	-	925	13,090	**106,050**
Director of Legal, Procurement & Democratic Services	**2016/17**	93,429	-	-	-	-	12,538	**105,967**
	2015/16	91,499	-	-	-	35	12,231	**103,765**
Treasurer Note 2	**2016/17**	86,641	-	-	-	-	11,676	**98,317**
	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 2015 as part of the Management Team restructure.

Note 2
The Treasurer post was appointed on the 1st August 2015 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	2016/17 Number of Employees	2015/16 Number of Employees
£50,000 - £54,999	46	28
£55,000 - £59,999	15	15
£60,000 - £64,999	7	4
£65,000 - £69,999	6	9
£70,000 - £74,999	3	2
£75,000 - £79,999	1	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	1	-
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
Total	**79**	**60**

Note a – In 2016/1 71 of the 79 staff receiving over £50,000 are firefighting staff (in 2015/16 this was 50 of the 60), 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.

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	-	-	1	3	1	3	10,088	10,903
£20,001 - £40,000	-	-	3	1	3	1	78,016	20,330
£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**	**4**	**6**	**4**	**278,374**	**31,233**

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:

	2016/17 £000	2015/16 £000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	32	32
Fees payable in respect of other services	1	-
Total	**33**	**32**

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income		
Council tax income/Local share non domestic rates	(30,115)	(29,316)
Non domestic rates	(14,165)	(14,048)
Non-ring fenced Government grants:		
Revenue Support Grant	(16,523)	(18,729)
Capital Grants and Contributions:		
National Resilience Grant	(600)	-
Fire Transformation Grant (DCLG)	-	(4,171)
Merger Grant Recovery Costs (North West Ambulance Service)	-	(80)
Total	**(61,403)**	**(66,344)**
Credited to Services		
National Resilience / International Search and Rescue Grant	(1,419)	-
New Dimensions Grant (Department for Communities and Local Government)	(899)	(899)
Fire Control Implementation Grant (Department for Communities and Local Government)	(255)	(246)
PFI Credits (Department for Communities and Local Government)	(2,097)	(2,097)
Other Grants (Department for Communities and Local Government)	(590)	(656)
Total	**(5,260)**	**(3,898)**

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

33. Related Parties

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

2015/16		Related Party Transactions	2016/17	
Receipts	Payments		Receipts	Payments
		Central Government		
14,048	-	Redistributed National Non-Domestic Rates	14,165	-
18,729	-	Revenue Support Grant	16,523	-
212	-	Capital Grants	1,828	-
	2,781	Employers National Insurance Contributions		3,528
		Local Authority Precept (Council Tax & Business Rates)		
2,658	-	Knowsley	2,749	-
9,003	-	Liverpool	9,192	-
3,953	-	St Helens	4,111	-
6,465	-	Sefton	6,629	-
7,237	-	Wirral	7,434	-
		Pensions		
-	1,151	Merseyside Superannuation Fund Employers Contributions	-	1,141
32,662	38,083	Pension Fund (DCLG)	28,428	35,159

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 2016/17 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 2016/17, 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 2016/17.

Entities Controlled or Significantly Influenced by the Authority

Community Risk Intervention Service

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 Authority. 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 2016/17 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. This SLA was rescinded in December 2016 due to the charity being wound up. These services are now provided by MFRS and have been integrated into the Community Risk Management departments.

Joint Control Centre

Merseyside Fire and Rescue Authority and Merseyside Police Authorities had entered into a contract to develop and build a joint Merseyside Command and Control Centre. The proposed design solution included a new two-storey building extension attached to the rear of the current Fire 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.

	2016/17 £000	2015/16 £000
Opening Capital Financing Requirement	**(68,116)**	**(69,710)**
Capital Investment		
Property, Plant and Equipment	(2,483)	(3,864)
Investment Properties	-	-
Intangible Assets	(141)	(169)
Revenue Expenditure Funded from Capital under Statute	(1,028)	(733)
Sources of Finance		
Capital receipts	-	430
Government grants and other contributions	1,828	763
Sums set aside from revenue:		
• Direct revenue contributions	669	987
• [MRP/loans fund principal]	4,487	4,180
Closing Capital Financing Requirement	**(64,784)**	**(68,116)**
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)	(3,332)	(1,594)
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase/(decrease) in Capital Financing Requirement	**(3,332)**	**(1,594)**

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 2017 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 2017 £000	31 March 2016 £000
Other Land and Buildings	1,632	6,292
Vehicles, Plant, Furniture and Equipment	-	-
Total	**1,632**	**6,292**

The Authority had 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 has now been transferred to Liverpool Mutual Homes' charitable arm, ComMutual, during the year.

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 2017 £000	31 March 2016 £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 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £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 2017 £000	31 March 2016 £000
Not later than one year	119	51
Later than one year and not later than five years	82	44
Later than five years	-	-
Total	**201**	**95**

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 2017 £000	31 March 2016 £000
Finance lease debtor	-	-
Proportion of build costs	-	5,351
Paid	-	(5,351)
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 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Not later than one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total	**-**	**-**	**-**	**-**

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 Limited and the building programme for Merseyside started in April 2011. The first station for Merseyside was completed in April 2012 and the last station was completed in July 2013.

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

Property, Plant and Equipment

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

Movement in Value of Assets (7 Fire Stations)	Land £000	Buildings £000	Total £000
Value at 31st March 2016	**1,025**	**17,325**	**18,350**
Revaluation losses	-	-	**-**
Depreciation/Impairment	-	(475)	**(475)**
Value at 31st March 2017	**1,025**	**16,850**	**17,875**

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 2016/17 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2017/18	669	335	1,726	**2,730**
Payable within 2 to 5 years	2,872	1,653	6,659	**11,184**
Payable within 6 to 10 years	4,088	3,010	7,530	**14,628**
Payable within 11 to 15 years	4,731	4,587	6,119	**15,437**
Payable within 16 to 20 years	5,480	7,027	3,846	**16,353**
Payable within 21 to 25 years	1,641	2,233	407	**4,281**
Total	**19,481**	**18,845**	**26,287**	**64,613**
Paid in 2016/17	647	307	1,743	**2,697**
Grand Total	**20,128**	**19,152**	**28,030**	**67,310**

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 2017 £000	31 March 2016 £000
Balance outstanding at start of year	(19,152)	(19,434)
Payments during the year	307	282
Capital expenditure incurred in the year	-	-
Other movements	-	-
Total	**(18,845)**	**(19,152)**

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 £349,000 in 2016/17 and £291,000 in 2015/16 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.

38. Capitalisation of Borrowing Costs

The Authority has not capitalised any borrowing costs in 2016/17.

39. Termination Benefits

The Authority terminated the contracts of 4 employees in 2016/17, incurring liabilities of £31,000 (£278,000 in 2015/16) – 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

2015/16				2016/17		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
2,064	-	**2,064**	• current service cost	1,891	-	**1,891**
-	-	**-**	• past service costs	-	-	**-**
-	-	**-**	• settlements and curtailments	-	-	**-**
43	-	**43**	▪ administration expenses	42	-	**42**
			Financing and Investment Income and Expenditure			
852	30	**882**	• Net interest expense	867	31	**898**
2,959	**30**	**2,989**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**2,800**	**31**	**2,831**
			Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement			
			Remeasurement of the net defined benefit liability Comprising:			
1,640	-	**1,640**	• Return on scheme assets (excluding the amount included in the net interest expense)	(10,426)	-	**(10,426)**
-	-	**-**	• Actuarial gains and losses arising on changes in demographic assumptions	(4,971)	(67)	**(5,038)**
(5,166)	(31)	**(5,197)**	• Actuarial gains and losses arising on changes in financial assumptions	23,789	146	**23,935**
-	-	**-**	• Other experiences (gain)/loss on liabilities	(1,205)	(17)	**(1,222)**
(567)	**(1)**	**(568)**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**9,987**	**93**	**10,080**
			Movement in Reserves Statement			
(2,959)	(30)	**(2,989)**	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,800)	(31)	**(2,831)**
			Actual amount charged against the General Fund Balance for pensions in the year:			
1,158	-	**1,158**	• Employers' contributions payable to scheme	1,140	-	**1,140**
-	50	**50**	• Retirement benefits payable to pensioners	-	50	**50**

Firefighters Pension Scheme

2015/16						2016/17				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
					Comprehensive Income and Expenditure Statement					
					Cost of Services					
9,470	510	10	2,610	**12,600**	• current service cost	5,840	220	10	2,160	**8,230**
-	10	-	-	**10**	• past service costs	450	10	-	-	**460**
-	-	-	-	**-**	• settlements and curtailments	-	-	-	-	**-**
					Financing and Investment Income and Expenditure					
31,360	1,190	300	60	**32,910**	• Net interest expense	30,390	1,040	260	160	**31,850**
40,830	**1,710**	**310**	**2,670**	**45,520**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**36,680**	**1,270**	**270**	**2,320**	**40,540**
					Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement					
					Remeasurement of the net defined benefit liability Comprising:					
(27,556)	-	5	1,868	**(25,683)**	• Return on scheme assets (excluding the amount included in the net interest expense)	(29,185)	-	4	2,145	**(27,036)**
(14,010)	(440)	(110)	(40)	**(14,600)**	• Actuarial gains and losses arising on changes in demographic assumptions	(11,890)	1,440	10	-	**(10,440)**
(68,800)	(1,180)	(2,190)	(260)	**(72,430)**	• Actuarial gains and losses arising on changes in financial assumptions	166,640	4,520	3,920	2,510	**177,590**
(18,830)	(4,970)	200	(290)	**(23,890)**	• Other experiences (gain)/loss on liabilities	(4,310)	120	1,600	(420)	**(3,010)**
(88,366)	**(4,880)**	**(1,785)**	**3,948**	**(91,083)**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**157,935**	**7,350**	**5,804**	**6,555**	**177,644**
					Movement in Reserves Statement					
(40,830)	(1,710)	(310)	(2,670)	**(45,520)**	• Reversal of net charges made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(36,680)	(1,270)	(270)	(2,320)	**(40,540)**
					Actual amount charged against the General Fund Balance for pensions in the year:					
3,754	-	5	1,058	**4,817**	• Employers' contributions payable to scheme	3,335	-	4	1,245	**4,584**
-	1,800	-	-	**1,800**	• Retirement benefits payable to pensioners	-	1,760	-	-	**1,760**

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2017 is a deficit of £144.353m and to the 31 March 2016 is a surplus of £140,160m.
- 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

2015/16				2016/17		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(85,635)	(887)	**(86,522)**	Present value of the defined benefit obligation	(106,950)	(930)	**(107,880)**
60,987	-	**60,987**	Fair value of scheme assets	73,455	-	**73,455**
(24,648)	**(887)**	**(25,535)**	***Net liability arising from defined benefit obligation***	**(33,495)**	**(930)**	**(34,425)**

Firefighters Pension Scheme

2015/16						2016/17				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
(868,930)	(30,130)	(7,410)	(2,890)	**(909,360)**	Present value of the defined benefit obligation	(1,023,530)	(35,720)	(13,210)	(8,200)	**(1,080,660)**
-	-	-	-	**-**	Fair value of scheme assets	-	-	-	-	**-**
(868,930)	**(30,130)**	**(7,410)**	**(2,890)**	**(909,360)**	***Net liability arising from defined benefit obligation***	**(1,023,530)**	**(35,720)**	**(13,210)**	**(8,200)**	**(1,080,660)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme

2015/16				2016/17		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
61,223	-	**61,223**	Opening fair value of scheme assets	60,987	-	**60,987**
2,011	-	**2,011**	Interest income	2,194	-	**2,194**
			Re-measurement gain/(loss):			
(1,640)	-	**(1,640)**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	10,426	-	**10,426**
(43)	-	**(43)**	▪ Administration expenses	(42)	-	**(42)**
1,158	50	**1,208**	Contributions from employer	1,140	50	**1,190**
578	-	**578**	Contributions from employees into the scheme	560	-	**560**
(2,300)	(50)	**(2,350)**	Benefits paid	(1,810)	(50)	**(1,860)**
60,987	**-**	**60,987**	***Net liability arising from defined benefit obligation***	**73,455**	**-**	**73,455**

Firefighters Pension Scheme

2015/16						2016/17				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
-	-	-	-	-	Opening fair value of scheme assets	-	-	-	-	-
					Re-measurement gain/(loss):					
27,556	-	(5)	(1,868)	**25,683**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	29,185	-	(4)	(2,145)	**27,036**
3,754	1,800	5	1,058	**6,617**	Contributions from employer	3,335	1,760	4	1,245	**6,344**
2,370	-	-	880	**3,250**	Contributions from employees into the scheme	1,830	-	-	960	**2,790**
(33,680)	(1,800)	-	(70)	**(35,550)**	Benefits paid	(34,350)	(1,760)	-	(60)	**(36,170)**
-	**-**	**-**	**-**	**-**	***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

2015/16				2016/17		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(87,596)	(938)	(88,534)	Opening balance at 1 April	(85,635)	(887)	(86,522)
(2,064)	-	(2,064)	Current service cost	(1,891)	-	(1,891)
(2,863)	(30)	(2,893)	Interest cost	(3,061)	(31)	(3,092)
(578)	-	(578)	Contributions by scheme participants	(560)	-	(560)
			Re-measurement (gains) and losses:			
-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	4,971	67	5,038
5,166	31	5,197	• Actuarial gains/losses arising from changes in financial assumptions	(23,789)	(146)	(23,935)
-	-	-	• Other experience gains and losses	1,205	17	1,222
-	-	-	Past service cost		-	-
-	-	-	Settlements and curtailments	-	-	-
2,300	50	2,350	Benefits paid	1,810	50	1,860
(85,635)	**(887)**	**(86,522)**	**Closing balance at 31 March**	**(106,950)**	**(930)**	**(107,880)**

Firefighters Pension Scheme

2015/16						2016/17				
FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000		FPS 1992 £000	Injury Awards £000	FPS 2006 £000	FPS 2015 £000	Total £000
(961,050)	(36,810)	(9,200)	-	(1,007,060)	Opening balance at 1 April	(868,930)	(30,130)	(7,410)	(2,890)	(909,360)
(9,470)	(510)	(10)	(2,610)	(12,600)	Current service cost	(5,840)	(220)	(10)	(2,160)	(8,230)
(31,360)	(1,190)	(300)	(60)	(32,910)	Interest cost	(30,390)	(1,040)	(260)	(160)	(31,850)
(2,370)	-	-	(880)	(3,250)	Contributions by scheme participants	(1,830)	-	-	(960)	(2,790)
					Re-measurement (gains) and losses:					
14,010	440	110	40	14,600	• Actuarial gains/losses arising from changes in demographic assumptions	11,890	(1,440)	(10)	-	10,440
68,800	1,180	2,190	260	72,430	• Actuarial gains/losses arising from changes in financial assumptions	(166,640)	(4,520)	(3,920)	(2,510)	(177,590)
18,830	4,970	(200)	290	23,890	• Other experience gains and losses	4,310	(120)	(1,600)	420	3,010
-	(10)	-	-	(10)	Past service cost	(450)	(10)	-	-	(460)
-	-	-	-	-	Settlements and curtailments	-	-	-	-	-
33,680	1,800	-	70	35,550	Benefits paid	34,350	1,760	-	60	36,170
(868,930)	**(30,130)**	**(7,410)**	**(2,890)**	**(909,360)**	**Closing balance at 31 March**	**(1,023,530)**	**(35,720)**	**(13,210)**	**(8,200)**	**(1,080,660)**

Local Government Pension Scheme assets comprised:

2015/16 Quoted Prices in Active Markets	2015/16 Quoted Prices not in Active Markets	2015/16 Total		2016/17 Quoted Prices in Active Markets	2016/17 Quoted Prices not in Active Markets	2016/17 Total
2,096	-	2,096	**Cash & Cash Equivalents**	2,497	-	2,497
			Equity Instruments:			
13,190	-	13,190	• UK	15,295	-	15,295
18,398	-	18,398	• Overseas	24,104	-	24,104
31,588	**-**	**31,588**	**Sub-total equity instruments**	**39,399**	**-**	**39,399**
			Bonds:			
1,477	-	1,477	• UK Corporate	1,836	-	1,836
2,798	-	2,798	• UK Government	2,938	-	2,938
5,412	-	5,412	• UK Index Linked	6,537	-	6,537
9,687	**-**	**9,687**	**Sub-total bonds**	**11,311**	**-**	**11,311**
			Property:			
-	3,495	3,495	• UK Direct Property	-	3,452	3,452
250	968	1,218	• UK Property Managed	220	881	1,101
-	719	719	• Overseas Property Managed	-	1,175	1,175
250	**5,182**	**5,432**	**Sub-total property**	**220**	**5,508**	**5,728**
			Private Equity:			
12	2,240	2,252	• UK	7	2,497	2,504
-	1,962	1,962	• Overseas	-	2,571	2,571
12	**4,202**	**4,214**	**Sub-total private equity**	**7**	**5,068**	**5,075**
			Other Investment Funds:			
154	330	484	• Hedge Funds UK	-	536	536
-	1,647	1,647	• Hedge Funds Overseas	-	1,792	1,792
-	1,225	1,225	• Infrastructure UK	73	1,462	1,535
246	786	1,032	• Infrastructure Overseas	22	1,447	1,469
1,056	1,740	2,796	• Opportunities UK	1,168	1,814	2,982
82	704	786	• Opportunities Overseas	257	874	1,131
1,538	**6,432**	**7,970**	**Sub-total other investment funds**	**1,520**	**7,925**	**9,445**
45,171	**15,816**	**60,987**	**Total assets**	**54,954**	**18,501**	**73,455**

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	
	2016/17	2015/16	2016/17	2015/16
Long-term expected rate of return on assets in the scheme:				
Equity Investments	-	-	-	-
Government Bonds	-	-	-	-
Other Bonds	-	-	-	-
Property	-	-	-	-
Cash Liquidity	-	-	-	-
Other	-	-	-	-
Interest on Plan	2.5%	3.6%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	21.9	22.5	22.4	22.3
Women	24.7	25.4	22.4	22.3
Longevity at 65 for future pensioners:				
Men	24.9	24.9	24.7	24.6
Women	27.7	28.2	24.7	24.6
Rate of CPI inflation	2.3%	2.0%	2.4%	2.2%
Rate of increase in salaries	3.8%	3.5%	4.4%	4.2%
Rate of increase in pensions	2.3%	2.0%	2.4%	2.2%
Rate for discounting scheme liabilities	2.5%	3.6%	2.7%	3.6%
Take-up of option to convert annual pension into retirement lump sum	25%	50%	-	-

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis overleaf 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)	2,109	(2,109)
Rate of inflation (increase or decrease by 0.1%)	2,020	(2,020)
Rate of increase in salaries (increase or decrease by 0.1%)	469	(469)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,982)	1,982

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 2019.

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 £1.190m contributions to the scheme in 2017/18. This forecast excludes the £2,869m fixed payment element of the deficit to be paid in 2017/18 for the 3 years 2017/18 – 2019/20. 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 £2,869m was made in April 2017 in relation to the pension fund historic deficit, all of which was chargeable to the General Fund in 2017/18 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)	30,700	(30.700)
Rate of increase in salaries (increase or decrease by 0.1%)	1,180	(1,180)
Rate of increase in pensions (increase or decrease by 0.1%)	17,900	(17,900)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(18,060)	18,060

Impact on the Authority's Cash Flows

The Authority anticipates paying £4.621m contributions to the scheme in 2017/2018.

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 2016/17 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 Department of Communities & Local Government (DCLG) 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 £15m 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 2017 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 2017 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability at 31 March 2017 £000	Estimated maximum exposure at 31 March 2016 £000
	A	B	C	(A X C)	
Investments	15,043	-	-	-	-
Customers	500	2.23	19.13	96	9
				96	**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 £0.165m of the £0.500m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017 £000	31 March 2016 £000
Less than three months	6	51
Three months to one year	63	17
More than one year	96	9
Total	**165**	**77**

Liquidity Risk

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

Number of Years	Public Works Loan Board (PWLB)		Merseyside Residual Debt (MRD)	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Less than one	1,000	2,000	41	41
Between one and two	500	1,000	41	41
Between two and five	3,715	1,215	123	123
Between five and ten	165	3,165	160	201
Between ten and fifteen	-	-	-	-
Between fifteen and twenty	-	-	-	-
Between twenty and twenty five	2,000	2,000	-	-
Between twenty five and thirty	2,500	-	-	-
Between thirty and thirty five	5,000	6,000	-	-
Between thirty five and forty	19,275	17,750	-	-
Between forty and forty five	4,945	7,970	-	-
More than forty five	-	-	-	-
Total	**39,100**	**41,100**	**365**	**406**

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 31st March 2017, 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	(327)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	**(323)**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**(323)**
Increase in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) (See Note 14)	3,147

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 maintains an insurance reserve to cover any further fluctuations in the levy.

Firefighters Pension Fund Accounts

Fund Account

2015/16 £000			2016/17 £000
	Contributions receivable:		
	Fire Authority:		
(4,546)	• Contributions in relation to pensionable pay	(4,153)	
(271)	• Early retirements	(431)	
(4,368)	• Grant Revised Commutation Factor (GAD v Milne)	-	
-	• Pension Holiday grant	(466)	
(3,253)	Firefighters contributions	(3,019)	
(12,438)			**(8,069)**
-	**Transfers in from other authorities**		**(5)**
	Benefits payable:		
27,089	• Pensions	27,788	
6,403	• Commutation and lump sum retirement benefits	6,876	
-	• Lump sum death benefits	-	
4,339	• Revised Commutation Factor (GAD v Milne)	50	
-	• Pension Holiday grant	445	
37,831			**35,159**
	Payments to and on account of leavers:		
252	• Transfers out to other authorities	-	
-	• Refunds of contributions	-	
252			**-**
25,645	**Net amount payable for the year**		**27,085**
(25,645)	Top – up grant payable by the Government		(27,085)
-			**-**

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 majority of the recalculations were paid in 2015-16 and the figures are shown directly on the Pension Fund Account.

Pension Holiday Grant

This relates to Firefighters who exceed the maximum 30 years' service before the age of 50. The regulations came into force on 30th September 2016 with retrospective effect to 1st December 2006. The calculations were paid in 2016/17 and the figures are shown directly on the Pension Fund Account.

Net Assets Statement

2015/16 £000		2016/17 £000
	Current assets	
-	Contributions due from the Fire Authority	-
-	Recoverable overpayments of pensions	-
7,711	Debtors	9,112
(7,711)	Cash	(8,622)
	Current liabilities	
-	Creditors	(490)
-	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 - £15,300	11.0%	8.5%	£0 - £27,270	10.0%
£15,301 - £21,421	12.2%	9.4%	£27,271 - £50,500	12.5%
£21,422 - £30,602	14.2%	10.4%	£50,501 - £142,500	13.5%
£30,603 - £40,803	14.7%	10.9%	£142,501 >	14.5%
£40,804 - £51,004	15.2%	11.2%		
£51,005 - £61,205	15.5%	11.3%		
£61,206 - £102,009	16.0%	11.7%		
£102,010 - £122,411	16.5%	12.1%		
£122,412 >	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.

Department for Communities and Local Government (DCLG) Grant

There are no investment assets and the fund is balanced to zero each year by receipt of a top up grant from the DCLG, 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 2017 £000	31 March 2016 £000
Central Government bodies	6,731	5,421
Other local authorities	-	-
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	2,381	2,290
Total	**9,112**	**7,711**

Creditors

	31 March 2017 £000	31 March 2016 £000
Central Government bodies (HM Customs & Excise)	(490)	(-)
Total	**(490)**	**(-)**

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 2017 and of its expenditure and income for the year ended 31st March 2017.

Ian Cummins
Treasurer
12th June 2017

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 Treasurer.
- 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 Approval for the Statement of Accounts is to be signed by the chair of the Authority meeting at which the Authority approves the Statement of Accounts. This is normally given after the audit of the Statement of Accounts which is due to take place in June and July.

AUDITORS REPORT TO FOLLOW

Glossary of terms used in the Statement of Accounts

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

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

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

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

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

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

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

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

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

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

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.

DRAFT 2016-2017 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,

1.2 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.

1.3 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.

1.4 Corporate Governance is a phrase used to describe how organisations direct and control what they do. For Fire and Rescue Authorities this also includes how an Authority relates to the communities that it serves. The Authority has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE framework "*Delivering Good Governance in Local Government*" (2016). The key principles of the Authority's Code of Corporate Governance are outlined below;

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

2. These high level principles are supported by seven detailed principles of good governance which are:
   - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
   - Ensuring openness and comprehensive stakeholder engagement
   - Defining outcomes in terms of sustainable economic, social, and environmental benefits
   - Determining the interventions necessary to optimise the achievement of the intended outcomes
   - Developing MFRA capacity, including the capability of its leadership and the individuals within it
   - Managing risks and performance through robust internal control and strong public financial management
   - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

1.5 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 2017.

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 new IRMP, 2017/20, on 23rd February 2017. The IRMP established the service priorities for 2017/20.

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 Community Safety and Protection 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 can not 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 2016/17 and approved by the Authority at its meeting on 14th June 2016 (CFO/046/16), 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 2015/16 Annual Audit Letter and Audit Findings Report;

"The Authority continues to respond effectively to meeting the challenges of ongoing reductions in central government funding. The Chief Fire Officer has maintained a focus on maintaining operational performance and is continuing to work with officers from Merseyside Police Service to identify areas for collaboration and savings"

"We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ending 31 March 2016"

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 14th June 2016 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 Joint Police & Fire Collaboration Committee – to act as a Strategic Board to oversee collaboration between Merseyside Police (MP) and the Authority. To consider any reports on proposals for collaboration and potential budget savings or working arrangements.

- The Audit and Scrutiny 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 monitor the effective development and operation of risk management. To determine allegations made under the Members Code of Conduct Procedure and refer sanctions proposed and any complaint allegation requiring further investigation to the full Authority. To act as Investigating and Disciplnary 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.

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

- The Appeals Committee – to consider 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 2016/17 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 Community Safety and Protection 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 2015/16 and it is anticipated this will be repeated in 2016/17. 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 2016/17, 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 Treasurer. Updated Internal Audit Plan reports were submitted to the Audit sub Committee that included summary findings of all completed audit reports and implementation of any agreed recommendations. 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 2017 accords with proper practice. The 2016/17 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 2016/17 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 seven 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 2016/17 statutory financial statements and make a VFM conclusion during the 2017/18 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 2016/17 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2015/16 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2015/16 financial statements.

SIGNIFICANT GOVERNANCE ISSUES

4.7 Following the announcement of the 2016/17 - 2019/20 Local Government Finance Settlement the Authority faces a significant reduction in the level of government grant support over this period. 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 2016/17 Budget meeting on 25th February 2016 and ratified the plan at the 2017/18 Budget meeting on 23rd February 2017.

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 22 wholetime and 4 retained appliances. It also has plans to merge a number of fire stations that will see the number of stations fall from 25 to 22. In order to deliver the required savings by 2019/20 the Authority will need to further reduce the number of firefighters and consider the most efficient and effective to maintain appliance and fire station availability. The Authority has and will continue to consult with the Merseyside community on any changes to its strategic plans to deliver the operational 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. The 2017 Police and Crime 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 Act 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 Act 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, who was elected 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……………………………………
L.BYROM	D. STEPHENS
CHAIR of Policy and Resources Committee	CHIEF FIRE OFFICER

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

This page is intentionally left blank

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: 27th July, 2017

Dear Sirs

Merseyside Fire and Rescue Authority – Financial Statements for the year ended 31 March 2017

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 2017 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 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain 2016/17 ("the Code") which 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

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

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 the Code.

x. All events subsequent to the date of the financial statements and for 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 the Code.

xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassification and disclosure changes and are free of material misstatements, including omissions.

xiii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are **[either]** immaterial to the results of the Authority and its financial position at the year-end **[or]** for the reasons noted on the schedule **[or]** for the reasons noted below. The financial statements are free of material misstatements, including omissions.

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

xv. 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.

Narrative report

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

Approval

The approval of this letter of representation was minuted by the Authority's Policy and Resources Committee at its meeting on 27th July 2017.

Signed on behalf of Merseyside Fire and Rescue Authority

Signed on behalf of the Authority

Signature: ______________________________
Ian Cummins

Position: Treasurer

Date: 27th July 2017

Signature: ______________________________
Cllr Les Byrom

Position: Chair of Policy & Resources Committee

Date: 27th July 2017

This page is intentionally left blank

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	27 JULY 2017	REPORT NO:	CFO/050/17
PRESENTING OFFICER	DEPUTY CHIEF FIRE OFFICER		
RESPONSIBLE OFFICER:	DEB APPLETON	REPORT AUTHOR:	JACKIE SUTTON
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT GROUP		
TITLE OF REPORT:	CORPORATE RISK REGISTER DEC-MAR 17		

APPENDICES:	APPENDIX A:	CORPORATE RISK REGISTER

Purpose of Report

1. To inform Members of the current risks contained within the Corporate Risk Register, the status of the risks and associated control measures - including reference to any new risks introduced or any risks that no longer apply and can be removed

Recommendation

2. That Members approve the updated Corporate Risk Register for the period December 2016 to March 2017.

Introduction and Background

3. It is good practice to regularly review the internal and external risks to the on-going delivery of service by the Authority.

4. To that end, a Corporate Risk Register has been produced which focusses on the Mission and Aims of the Authority and aligns each risk to a specific aim. The resultant risks have been scored against the original risk and re-scored following mitigation. The purpose of this report is to ask Members to review the updated register attached at Appendix A to consider any implications for the Authority.

March 2017 Update

5. As per best practice guidance risk owners were asked to assess if risks assigned to them are still relevant and current, if the mitigation put in place is still adequate and if risk scores are still appropriate.

6. Members are asked to note that while this report is for the period December 2016 to March 2017 the attached update report also includes more recent information relating to employee pay offers and Members may be interested to know that the Corporate Risk Register for 2017/18 will include a new risk reflecting recent events at Grenfell Towers in London. These events have required an increased focus on fire safety in high rise buildings and further information will be provided in the next update report.

7. MFRA approach at this time (and subject to continuous review) has been to commence a programme of fire safety audits underpinned by a series of community reassurance campaigns for each of the 43 high rise buildings identified as having cladding on the exterior. This approach is being undertaken in conjunction with local authority partners and the identified responsible persons for each premise.

8. Officers monitor communications from Government; the National Fire Chief's Council, housing and other stakeholders and engage proactively to mitigate risks where possible.

Internal audit of risk management

9. The Strategic Management Group (SMG) has previously considered the outcomes from an Internal Audit report from April 2017 that looked at the Authority's approach to Risk Management. Overall compliance was found to be "Good", with some "Substantial" elements. The report also contained the following required actions:

10. The Risk Management Policy should be amended to include details of how risk appetite is calculated across the authority and what an acceptable risk tolerance level is. Work is currently on-going to establish how this might best be achieved in MFRS.

11. Consideration should be given when there is no movement on a risk to entering a narrative such as *"no change this period"* to evidence that the risk has at least been reviewed. Also, the risk / mitigated risk score should be reviewed and, where appropriate be revised to reflect the updated situation. Contributors have been asked to ensure that all risks are updated during the quarterly reviews and that no blanks are left.

12. A process should be developed to ensure that both best practice and potential failures are captured and shared throughout the organisation. Consideration is being given to how best to achieve this.

13. In relation to the in-progress actions, it is proposed to hold a single status SMG meeting to review the approach to risk management and current and potential risks, potentially using an external facilitator.

Equality and Diversity Implications

14. There are no equality and diversity implications arising from this report.

Staff Implications

15. There are no specific staff implications arising from this report

Legal Implications

16. Management of corporate risk and the application of suitable mitigation strategies, affords the Authority security that should a risk become an issue then suitable remedies are in place to mitigate any impact.

Financial Implications & Value for Money

17. The assessment and mitigation of risk is essential in ensuring a safe working environment for all MFRA employees and its agents and consideration of its actions on the environment is paramount.

Risk Management, Health & Safety, and Environmental Implications

18. The assessment and mitigation of risk is essential in ensuring a safe working environment for all MFRA employees and its agents and consideration of its actions on the environment is paramount.

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

19. Knowledge of and response to a risk occurring is an essential component of ensuring that the Authority continues to deliver an effective and efficient service to the communities of Merseyside.

BACKGROUND PAPERS

CFO/065/15 Corporate Risk Register April – June 2016 update

GLOSSARY OF TERMS

This page is intentionally left blank

CORPORATE RISK REGISTER 2016/17

December 2016 to

March 2017

Aims:- 1) Excellent Operational Preparedness 2) Excellent Operational Response 3) Excellent Prevention & Protection 4) Excellent People

CORPORATE RISK REGISTER 2016/17 - December 2016 – March 2017 UPDATE

Mission :- Safer Stronger Communities: Safe Effective Fire-fighters

RISK	STRATEGIC CORPORATE RISK	RISK No.	SPECIFIC CORPORATE RISKS	SUB RISK No.	AIMS AFFECTED	IMPACT	RISK SCORE	MITIGATION	MITIGATED SCORE	RISK/ACTION OWNER
1.	**Budget /Financial Risks**	**1.1**	Insufficient staff to maintain current levels of operational planning, training and management of intelligence	**1.1.1**	**1,2,3,4**	Increased risk to all MFRS staff safety - increased numbers of injuries.	**15**	Resilience exists within departments to task staff with priority work steams in the event of insufficient staffing becoming an issue. Business Continuity Plans in place.	**12**	**AM Operational Preparedness**
				1.1.2	**1,2,3,4**	increased risk of property loss	**12**		**10**	
				1.1.3	**1,2,3,4**	Reducing ability to respond or maintain competent workforce.	**15**	All staff needs are identified through the appraisal process and Gateway process, planned and delivered in a timely way to ensure a competent workforce.	**10**	**Director of POD**
				1.1.4	**1,2,3,4**	Reduced ability to maintain FF safety	**15**	Safe Person Assessments and Learn pro modules continue to be completed by operational crews as part of their work routine. Confirmation of knowledge and understanding is achieved through station audit processes.	**10**	**AM Operational Response/ Preparedness**
		1.2	Insufficient staff to maintain current prevention and protection work. Inability to maintain performance (e.g. Care Act)	**1.2.1**	**1,2,3,4**	Increased fires, deaths and injuries	**15**	At present within current spending plans there is no risk to staff, we have already seen a restructure within CRM (Prevention) due to the cessation of CRIS, this restructure has seen new ways of working implemented for advocates and FSD	**10**	**AM Community Risk Management**

1.	**Budget/Financial Risks**							to increase performance, better utilisation of data to improve targeting and campaigns to target risk (economic, housing, thematic and Equality & Diversity).		
		1.3	Insufficient FF's to maintain current levels of response and current number of fire stations	**1.3.1**	**1,2,3,4**	Increased risk of property loss in the community	**15**	End of year attendance standard at 96% improved upon last year. Confining fire to room of origin at 92.8% performance was better than target	**10**	**AM Operational Response**
				1.3.2	**1,2,3,4**	Increased fires, deaths and injuries	**15**	Accidental Dwelling Fire deaths totalled 7 this year down from 16 last year and Injuries in ADF's are at 93 down from118 last year	**10**	**AM Operational Response**
		1.4	Pay increases-impact on ability to maintain a balanced budget	**1.4.1**	**1,2,3,4**	1% increase in pay equates to approximately £1M of extra budget requirement.	**25**	**June 2017 update – added to provide Members with the latest information** Non-uniform pay award for 17/18 settled at 1%. Significant risk exists over the firefighter award as a **2017/18** 2% offer with a possible further 3% in April 2018 has been made. This also puts at risk the assumption over **future pay settlements** being above the 1% assumed in 2018/19, 2019/20 and 2% thereafter in the current financial plan. For 2017/18 financial year the inflation reserve, £0.5m, can cover short term funding of the 2017/18	**20**	**Treasurer**

								firefighter pay offer, 2%. However, for future years the 2018/19 budget making process must identify permanent savings to cover any 2017/18 increase above the 1% in the plan (potentially £0.3m to £1.2m depending on if the actual increase is 2% or 5% and whether any additional Government support is forthcoming). The required permanent saving target may increase further if the 2018/19 budget process identifies a need to increase the financial plan pay assumption from 1% to 2% (or higher?) for 2018/19 – 2019/20 {note the current Plan assumes a 2% pay increase for future years). This may require additional savings of £2m by 2019/20 if the 2018/19 & 2019/20 budgets exceed the 1% assumed and the 2017/18 firefighter pay award is 5% with no additional funding coming from the Government. Little scope exists in the non-employee lines budgets to cover this so it may have a significant adverse impact on the operational establishment.		
		1.5	Insufficient support staff to maintain services to front line and maintain good governance.	**1.5.1**	**1,2,3,4**	Reduced ability to maintain fleet, PPE, pay FF's and maintain the buildings.	**15**	Performance reports do not indicate that any of the potential impacts are occurring. The Service continues to explore opportunities for collaboration with	**10**	**SMG**

								Merseyside Police and other partners where this has the potential to improve efficiency and effectiveness.		
		1.6	Inability to achieve station mergers as planned	**1.6.1**	**1,2,3,4**	Requirement to close fire stations at West Kirby, Whiston and Eccleston outright. No new merged stations.	**15**	Prescot fire station is now under construction. Revised planning application has been submitted for Saughall Massie, due for determination on 20th July 2017. Land has been identified at St. Helens. Site investigation being undertaken.	**12**	**Regional Project Director**
Aims: 1) Excellent Operational Preparedness. 2) Excellent Operational Response. 3) Excellent Prevention & Protection. 4) Excellent People										
2.	**Legal & Legislative Risks**	**2.1**	National Framework	**2.1.1**	**1,2,3**	Damage to MFRS reputation. Impact on public and partner goodwill.	**15**	MFRS continues to maintain a positive reputation.	**8**	**SMG**
				2.1.2	**1,2,3**	Inability to respond to major national resilience incidents	**15**	MFRS continues to provide emergency response as required and now coordinates the National Resilience response.	**8**	**SMG**
				2.1.3	**1,2,3**	Increased fires, deaths and injuries	**15**	Dwelling fires and fatalities have reduced significantly against the previous year's performance.	**12**	**SMG**
		2.2	Corporate Manslaughter Act	**2.2.1**	**1,2,3,4**	Sanctions, fines and or arrests resulting from death of Personnel	**25**	None received during this period	**12**	**SMG**
		2.3	Changes introduced by the Localism Act 2011	**2.3.1**	**1,2,3,4**	Judicial Review – other legal challenges	**15**	No Judicial Review or other challenges received via the Localism Act 2011	**8**	**Director of Legal, Procurement & Democratic Services**

2.	**Legal & Legislative Risks**	**2.4**	Single Equality Act not maintaining compliance with the Public Sector Equality Duty	**2.4.1**	**4**	Potential impact on reputation	**15**	The Service continues to perform well in relation to its Equality, Diversity and Inclusion agenda. It's Equality and Diversity Annual Reports and workforce data and analysis show good practice and positive outcomes and an understanding of where it needs to take action to improve.	**8**	**Director of Strategy & Performance**
		2.6	Police Crime Commissioner	**2.6.1**	**2,3**	Potential impact if MFRA does not build on relationship with PCC on Prevention and Protection working and partnerships	**15**	MFRS will develop a business case for all areas where it is recognised that value for money will be realised, and/or effectiveness and efficiencies are gained, through collaboration with Merseyside Police to improve the safety of the public.	**12**	**AM Community Risk Management**
		2.7	Increased Litigation costs	**2.7.1**	**4**	Staff shortages resulting in dissatisfaction of staff and customers, causing increases in claims.	**15**	Claims overall have reduced but this is likely in part to be due to the changes in relation to how claimants can fund litigation.	**12**	**Director of Legal, Procurement & Democratic Services**
				2.7.2	**4**	Increasing insurance and settlement cost provision	**12**	Insurance premiums have risen due to the impact of the discount rate.	**6**	**Director of Legal, Procurement & Democratic Services**
				2.7.3	**2,4**	Increased incidents/costs/ injuries whilst travelling to incidents under blue lights/speeding	**12**	There were 26% more RTCs where the vehicle was travelling under blue lights.	**6**	**Director of Legal, Procurement & Democratic Services**

2.	**Legal & Legislative Risks**			**2.7.4**	**2,4**	Potential for increased litigation arising from shared premises with partners.	**12**	There have been no claims to date from the shared use of premises although there have been a number of accidents so claims may follow.	**6**	**Director of Legal, Procurement & Democratic Services.**
		2.8	Policing and Crime Bill	**2.8.1**	**2,3**	Authority may lose autonomy post mayoral election - Possible merged at national or regional level or with other Blue Light Services.	**15**	Following the outcome of the City Region mayoral election, local governance structures are still to be determined. On the National level there are a number of business cases being developed for Police and Crime Commissioners to take on the responsibility for Fire & Rescue Services.	**12**	**AM Strategic Change and Resources**
				2.8.2	**1,2,3,4**	Inability to achieve collaboration across Blue Light services in line with Policing and Crime Act	**12**	The collaboration team continue to engage with internal and external stakeholders to provide support for the Collaboration programme and investigate future opportunities for joint working.	**8**	**AM Strategic Change and Resources**
		2.9	Failure to comply with Government Transparency agenda	**2.9.1**	**1,2,3**	Damage to reputation of MFRS by not publishing policies and data as required	**12**	The Service publishes all the required information.	**8**	**SMG**
Aims: 1) Excellent Operational Preparedness. 2) Excellent Operational Response. 3) Excellent Prevention & Protection. 4) Excellent People										
3.	**Loss of Strategic sites/Assets**	**3.1**	Loss of strategic sites/assets and inability to provide services to Merseyside	**3.1.1**	**1,2,3,4**	Inability to respond to major local and national resilience incidents	**20**	Secondary Fire Control is available at Training and Development Academy for relocation. Fall back arrangements with in place	**8**	**Head of Technology, Treasurer, AM Operational**

CORPORATE RISK REGISTER 2016/17 - December 2016 – March 2017 UPDATE

		3.2	Loss of FSHQ, FIRE CONTROL, TADA and fire stations	**3.2.1**	**1,2,4**	Inability to respond, delay in providing core services	**20**	with Surrey Fire and Rescue Service. Retained and recall provisions for specialist officers and teams. Further assistance is available through National Co-ordination and Advisory Framework for England (NCAF) and 13/16 arrangements. Business continuity plans are in place. Elements of training can be relocated depending on areas affected - *AM Ops Preparedness -*	**8**	**Preparedness**
		3.3	Black Start causes loss of power at strategic sites	**3.3.1**	**1,2,3,4**	Inability to provide core services temporarily whilst fall-back site is brought online	**20**		**8**	**Head of Technology, Treasurer, AM Operational Preparedness**
		3.4	Protective security-potential risks resulting from non-compliance with FRS Protective Security Strategy.	**3.4.1**	**1,2,3,4**	Potential security risk in relation to all FRS assets, particularly in relation to Personnel, information and premises risk.	**20**	Protective Security remains a priority matter with a coordinating group ensuring that procedures and processes are in place to maintain physical, personnel and information security. Consideration is being given to an audit of current arrangements.	**12**	**Director of Strategy & Performance**
		3.5	Station Change Programme. Mergers and closures of Merseyside stations in light of cuts.	**3.5.1**	**1,2,3,4**	Programme management direction and led by PO's.	**20**	The Strategic Change and Resources Directorate has developed and is implementing a 5 year Asset Strategy for the estate. Estates carry out condition surveys and life cycle cost analysis across the Estate.	**6**	**AM Strategic Change and Resources**
		3.6	Potential elevated target risk for terrorist action in regards to cyber crimes	**8.1.1**	**1,2,3,4**	Loss of Fire Control ICT services and information assets	**25**	See 6.2 and 6.9. Cyber security is also increased by having the Fire Control Infrastructure on its own firewalled network with limited access in and out. However, ICT at this point in	**6**	**Head of Technology**

								time would increase the risk level from 6 to 12 in line with other cyber risks (6.2 and 6.9). – *Head of Technology*		
Aims: 1) Excellent Operational Preparedness. 2) Excellent Operational Response. 3) Excellent Prevention & Protection. 4) Excellent People										
4.	**Environmental And Political**	**4.1**	Increase in Environmental incidents resulting in the inability to respond	**4.1.1**	**1,4**	HSE and legislative impacts from illegal discharges (impact from fire-fighting activity)	**15**	2nd fire at EMR Scrap with significant plume and water run off incident dealt with effectively through multi agency working (JESIP Principles) with partners including the Health and Safety Executive, no legislative impacts upon the Service.	**10**	**AM Operational Response**
		4.2	Insufficient water pressure resulting in the inability to fight fires effectively.	**4.2.1**	**1,2**	Potential for major consequences, FF injuries	**25**	High volume pumps (HVP's) and hose layer units available to support water supplies. Additional HVP's available via NCAF arrangements. Availability of mapping for water mains to be accessible on the command support unit. Currently awaiting sign off of a Data Licence agreement with United Utilities to share "Safe Dig" Software	**4**	**AM Operational Preparedness**
		4.3	Tackling inequalities and changes to society	**4.3.1**	**1,2,3**	Increased economic costs from increases in arson	**15**	Increased economic costs from increases in arson – The arson reduction strategy focuses multi-agency community safety campaigns in high demand wards in order to support and community cohesion, develop community resilience and reduce the tolerance of ASB, Domestic Abuse and Serious	**12**	**AM Community Risk Management**
				4.3.2	**1,2,3**	Increased economic costs from increases in fraud.	**15**		**12**	
				4.3.3	**1,2,3**	Increased road traffic collisions (RTC).	**15**		**12**	

Page 242

								Organised Crime.		
				4.3.4	1,2,3	Increased antisocial behaviour (ASB)	15	Increased economic costs from increases in fraud – The newly funded communications and media post will raise awareness of community safety priorities, coordinating media messages and campaigns across a digital platform. Increased road traffic collisions (RTC) – There will be a new communications and media post (as above) but part funded by the Merseyside Road Safety Partnership. Increased antisocial behaviour (ASB) – The arson reduction strategy focuses multi-agency community safety campaigns in high demand wards in order to support and community cohesion, develop community resilience and reduce the tolerance of ASB, Domestic Abuse and Serious Organised Crime..	12	
4.	**Environmental And Political**	4.4	Changing demographics in Merseyside brings about a changing in vulnerability profile and higher unemployment	4.4.1	2,3,4	Vulnerable areas may increase and move compromising community safety work.	15	At present CRM strategies focus on vulnerable areas (selective housing and targeted wards), these campaigns are supported by partners to maximise outputs and improve outcomes.	12	**AM Community Risk Management**
		4.5	Reputation	4.5.1	1,2,3,4	Negative changes to the Community		Community and media engagement through a number of channels		**Director of**

						perception of MFRS may be detrimental to Prevention, protection and partnership activities.	15	continues to inform and educate stakeholders in relation to MFRS activities and deal promptly with questions and challenges.	12	**Strategy and Performance**
		4.6	Increased flood risk	**4.6.1**	**1,2**	Ability to respond to major flooding incidents from spate conditions.	15	All front line crews are trained and equipped for still water response. Swift water trained personnel available for deployment, including boats, to support major flooding events. Further resilience available through retained personnel. Further assistance available through NCAF arrangements. Fire control have increased activity level procedures to respond to appliance availability	10	**AM Operational Preparedness & Operational Response**
		4.7	Extreme Weather	**4.7.1**	**1,2**	Spate conditions will impact on ability to respond	15		10	**AM Operational Preparedness & Opera tional Response**
		4.8	Civil Unrest	**4.8.1**	**1,2,3**	Inability to respond effectively to civil unrest	15	Multi agency exercising with Merseyside Police for Operational and Tactical Commanders as part of Police maintenance of competencies for Public Order Officers. Learn pro module for completion by all operational personnel. Community Tension Monitoring procedure Service Instruction 0879 is in consultation.	10	**AM Operational Preparedness & Operational Response**
		4.9	Health & Safety audits, failures and investigations	**4.9.1**	**1,2**	H&S audits, failures and investigations from HSE resulting in	15	MFRS continues to prioritise Health & Safety on the Fire ground particularly post incident lessons	10	**AM Operational Preparedness & Operational**

						sanctions and or fines		learnt through operational assurance and debrief		**Response**
Aims: 1) Excellent Operational Preparedness. 2) Excellent Operational Response. 3) Excellent Prevention & Protection. 4) Excellent People										
5.	**Loss of Key staff**	**5.1**	Sudden Mass Absenteeism Pandemic, Strike, CBRNE incident	**5.1.1**	**1,2,3,4**	Loss of Key staff, Inability to provide core services	**15**	Business Continuity Plans in place, retained contracts, resilience contracts and recall to duty available. Mutual aid provisions from other fire and rescue services. NCAF arrangements for National Resilience assets.	**10**	**AM Operational Preparedness & Operational Response**
		5.2	Industrial Action resulting in the Inability to provide suitable response	**5.2.1**	**1,2,3,4**	Inability to attend incidents, provide core services		Resilience contracts in place to maintain appropriate levels of fire cover during periods of industrial action.	**12**	**All AM's, Director of POD**
		5.3	Change resulting in loss of Key staff and increasing workloads to set strategy and deliver services	**5.3.1**	**1,2,3,4**	Loss of key skills, lack of momentum going forward, reduced ability to respond to changes.	**15**	A full Recruitment Strategy has been developed to ensure timely recruitment, ensuring a fully trained, competent staff are in place when required and to ensure organisational continuity.	**12**	**POD**
		5.4	Reduction in size of Corporate Communications/media handling staff down to 2 members of staff.	**5.4.1**	**1,2,3,4**	Reducing promotion of safety messages and service/brand reputation protection.	**15**	It has been challenging to manage the volume of work given the capacity of this very small team, but a focus on dealing with priority and higher risk communications activities has been effective. This, however, is not sustainable in the longer term and recruitment of new media posts has been made possible through a collaboration with the Merseyside	**12**	**Director of Strategy & Performance**

								Road Safety Partnership.		
Aims: 1) Excellent Operational Preparedness. 2) Excellent Operational Response. 3) Excellent Prevention & Protection. 4) Excellent People										
6.	**Technology Risks**	**6.1**	Management of 3rd Party Technology Suppliers Software & Applications Training requirements.	**6.1.1**	**1,2,3,4**	Loss or reduction in the quality of services provided	**12**	telent manages all supplier performance to the required Service Levels and ensures they are appropriate to support the needs of MFRA, both across the ICT Infrastructure and the Commodity & Fire Control Applications used by the Authority. This ensures the Suppliers deliver continuous service improvement, show best value and are fit for purpose to meet the business needs. – *Head of Technology* MFRS introduced new governance arrangements for the procurement and development of software applications during 2016. This establishes a common framework for dealing with this area of the organisation – *Director of S&P*	**6**	**Head of Technology** **Director of Strategy & Performance** **FMIS Manager**
6.	**Technology Risks**	**6.2**	Infrastructure sharing with partners. Security from Virus and hacking, loss of data (Laptops, CD etc.).	**6.2.1**	**1,3,4**	Data compromised, loss of data, complaints, legal action, fines	**15**	MF&RS deploys a number of security measures to protect our networks and information. Measures to protect from external attacks include: applying updates and patches to applications, software and operating systems; deploying firewalls; filtering traffic; deploying access control solutions; using anti-malware solutions to block malicious	**12**	**Head of Technology** **Director of Strategy & Performance**

								code (including viruses, trojans, worms, spyware, ransomware, adware, etc); network segregation solutions; and e-mail filtering solutions. As you will appreciate, the volume of malware traversing the internet as well as those with malicious intent looking for vulnerabilities to exploit, is extensive. ICT staff frequently attend cybersecurity-related conferences to learn of the latest approaches (and threats) to information storage and cybersecurity. Our policy is to lock every one of our public IP address and only open ports to organisations we know and only if they provide a valid IP address. In August 2016, as part of the requirement to prepare for connection to the Emergency Services Network (ESN), MFRS undertook an IT Health check engaging 3rd Party Security consultants CNS to undertake the CHECK IT Health check (ITHC). Firewall rules are continually reviewed and assessed, and a full audit took place as part of the ITHC. Websense rules are continually		

								reviewed and assessed, and a full penetration test took place as part of the ITHC. The findings of the ITHC test are being remedied as part of the preparation for ESN over the course of 2017. Any urgent issues were identified and remedied immediately as appropriate. – *Head of Technology* The Director of S&P works closely with the Head of Technology to ensure that cyber security and related information security matters are considered and action taken to mitigate risks. *Director of S&P*		
		6.3	The inability to keep pace with technology changes.	**6.3.1**	**1,2,3,4**	Loss or reduction in the quality of services provided	**15**	The ICT Strategic Framework as proposed in the telent Managed Services Contract negotiations has been implemented. Four meetings are planned in each year. For Year 1 of the contract 2016/2017, the first meeting "Innovation and Technology Forum (1)" took place on 27th July 2016 and further meetings have followed as per below. 06/10/2016: ICT Strategy and Delivery Alignment Review 17/01/2016: Efficiency and Value for Money Review 06/06/2017: Innovation and	**12**	**Head of Technology**

								Technology Forum (2) (Due to availability of key people and resource required on other key actions, this was delayed from original planned date of 23/03/2017) Staff regularly attend conferences which discuss the cutting edge of technology and bring ideas back with them to MFRS. - *Head of Technology*		
		6.4	Poor data/information management resulting in loss of data, legal redress from Information Commissioner.	**6.4.1**	**1,2,3,4**	Data compromised, loss of data, complaints, legal action, fines	**15**	There continues to be a focus on information security and governance with an online training package in development and Information Asset Owners working with the Senior Information Risk Owner to address and mitigate information related risks. A small team is working across the organisation to implement the EU General Data Protection Regulation which will replace other Data Protection legislation in May 2018.	**12**	**Director of Strategy & Performance**
		6.5	The Emergency Services Mobile Communication Programme (ESMCP) and transition to the emergency services network	**6.5.1**	**1,2,3**	Radio voice services cannot be guaranteed for the Transition	**16**	We have little control over any programme decisions at this stage. A watching brief is in place and any opportunities to influence the ESMCP project will be taken. Risks include:	**9**	**Head of Technology**

								The Mobile Network Operators are unable to meet their commitment to deliver 4G to 98% of the population by Mid-2018. The programme is proposing to go live June 2018 with the North West region going first. This is a tight time scale. Risk mitigation is that the Airwave contract has been extended and Motorola has now bought Airwave as a company. The Home Office will work closely with FRS & Airwave to ensure that our current voice communication network remains in place and effective. ESMCP will replace the communication service delivered by Airwave with a national mobile communication service for all 3 emergency services. ICT staff regularly attend ESMCP updates at Fire Control North West to gain the latest information on the progress of the project. - *Head of Technology*		

		6.7	Withdrawal and transition arrangements from SOPHTLOGIC to new MIS for Community Fire Protection.	**6.7.1**	**1,2,3,4**	Robust transitional arrangements are required to ensure the Authority can carry out its statutory duty as the Enforcing Authority under the RRO (Fire Safety) 2005.	**15**	The Protection Team is still using Sophtlogic and a new application will be developed to replace it during 2018/19	**12**	**Director of Strategy & Performance**
		6.8	Potential for Claims against critical suppliers for poor performance. Possibly terminate the Contract leaving the Authority short of vital resource	**6.8.1**	**1,2,3,4**	This is possible rather than probable. From a financial and reputational perspective, it would not be in supplier's interest to terminate but it would have a major impact.	6	Initial significant issues now resolved. Some ongoing issues of a low risk level. Reduce risk score to score 6 and amber.	**4**	**Treasurer**
		6.9	Increase potential for Cyber Attack as we move to the Cloud			Loss or reduction in the quality of services provided	**15**	ICT deploys a number of security measures to protect our networks and information See 6.2. In addition to these, members of ICT have joined the Cybersecurity information Sharing Partnership (CiSP), which is a joint industry and government forum for cybersecurity practitioners to share advice and warnings. Cybersecurity warnings are also received by ICT from the National	**12**	**Head of Technology**

Page 250

								Local Authority Warning, Advice and Reporting Point (NLAWARP) email service, which allows for quick sharing of cyber alerts with the organisation. As part of the DevOps process it is planned to have ICT Security Experts attend key Development Sprints Monthly information security report is produced by the ICT Dept. The Protective Security Group as a reference will review this report and escalate to the ICT and Information Management Strategy Forum. Regular e-mails advising all staff of the risks on various types of Cyber Attack are communicated by the SIRO. Staff at our ICT Service Provision Partner (telent) are making efforts to become more familiar with the complex workings of Azure, which is the Microsoft version of the Cloud. In August 2016, as part of the requirement to prepare for connection to the Emergency Services Network (ESN), MFRS undertook an IT Health check engaging 3rd Party Security consultants CNS to undertake the CHECK IT Health check (ITHC).		

								Firewall rules are continually reviewed and assessed, and a full audit took place as part of the ITHC. Websense rules are continually reviewed and assessed, and a full penetration test took place as part of the ITHC. The findings of the ITHC test are being remedied as part of the preparation for ESN over the course of 2017. Any urgent issues were identified and remedied immediately as appropriate. – *Head of Technology*		
Aims: 1) Excellent Operational Preparedness. 2) Excellent Operational Response. 3) Excellent Prevention & Protection. 4) Excellent People										
7.	**Procurement**	**7.2**	Poorly Managed contracts/Partnerships the Financial impacts, onerous T&Cs	**7.2.1**	**1,2,3,4**	Negative impact on service delivery, legal issues, poor quality Partnerships undertaken	**12**	Regular, documented contract management in place for key contracts with priorities agreed between the Authority and the supplier.	**8**	**Director of Legal, Procurement & Democratic Services**
		7.3	Key suppliers of goods and services ceasing to trade	**7.3.1**	**1,2,3,4**	Immediate impact on availability of goods and services required to operate efficiently, legal issues, alternative sources of supply needed.	**15**	Use of Creditsafe alerts to identify and financial changes to contracted suppliers.	**12**	**Director of Legal, Procurement & Democratic Services**

MFRA RISK MATRIX

Increasing Impact B		Increasing Likelihood A				
		1	2	3	4	5
		Remote	Unlikely	Possible	Likely	Frequent
1	Slight	Manage for continuous improvement	Manage for continuous improvement	Manage for continuous improvement	Manage for continuous improvement	Manage for continuous improvement
2	Minor					Develop Reduction measures
3	Significant			Develop Reduction measures	Compulsory Risk reduction	
4	Major		Develop Reduction measures	Compulsory Risk reduction		
5	Massive	Develop Reduction measures	Compulsory Risk reduction			

Mission

MERSEYSIDE FIRE & RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	27 JULY 2017	REPORT NO.	CFO/051/17
PRESENTING OFFICER	DEPUTY CHIEF FIRE OFFICER		
RESPONSIBLE OFFICER:	GUY KEEN TEL: 4615	REPORT AUTHOR:	KEVIN JOHNSON
OFFICERS CONSULTED:	DEB APPLETON (STRATEGY AND PERFORMANCE) RIA GROVES (LEGAL SERVICES) PHILOMENA DWYER (PROFESSIONAL STANDARDS)		
TITLE OF REPORT:	REVIEW OF SAFEGUARDING POLICY & PROCEDURES		

APPENDICES:	APPENDIX A:	SI 0713 SAFEGUARDING ADULTS AND CHILDREN
	APPENDIX B:	PERPOL09
	APPENDIX C:	WORKFORCE DEVELOPMENT STRATEGY 2017 – 2020
	APPENDIX D:	EQUALITY IMPACT ASSESSMENT

Purpose of Report

1. To request that Members approve the recommendations of this report relating to the refresh of the Merseyside Fire and Rescue Authority (MFRA) Safeguarding policy and associated procedure(s).

Recommendation

2. That Members;
   a. Approve the consolidation of Service Instruction (SI) 0712, 0713 and 0714 into a new single Service Instruction;
   b. Approve the draft revision of PROPOL09 Safeguarding Policy; and
   c. Approve the implementation of a Workforce Development Strategy for Safeguarding.

Introduction and Background

3. The Children Act (2004) Section 11 places a statutory obligation on agencies to safeguard and promote the welfare of children and young people whilst carrying

out their normal functions. The Care Act 2014 places the same statutory duty on the local authority and public sector to safeguard adults at risk.

4. MFRA has a statutory duty to comply with paragraph 3.

5. In line with the MFRA's high level of commitment to Safeguarding a task and finish group was established in February 2017 to review the Service's policies and procedures in respect of Safeguarding in line with national best practice.

6. The task and finish group chaired by the Area Manager Community Risk Management (CRM), included senior managers from CRM, Strategy and Performance, People and Organisational Development and the Legal team.

7. The review group have produced a new single Service Instruction (SI) (Appendix A), a revised Policy (Appendix B) and a Safeguarding Workforce Development Strategy (Appendix C).

8. The new SI amalgamates the following previous instructions

   a. SI 0712 (Safeguarding Designated Officers),
   b. SI 0713 (Safeguarding Adults) and
   c. SI 0714 (Safeguarding Children and Young People)

9. The aim of rationalising the instructions into a single SI is to provide greater clarity and consistency whilst removing bureaucracy and the potential for duplication and contradiction.

10. The SI sets out MFRA's commitment to ensuring it has appropriate procedures in place to deal with the safeguarding of Adults at Risk and Children.

11. Significant improvements to the procedure include the identification of designated officers (Section 9), and a simplified yet more robust reporting procedure (Section 6) which addresses previous issues including:

    a. Overly complex reporting procedure which contributed to confusion and errors in reporting; and
    b. Gaps where the reporting mechanism was over-reliant on individual named officers (a potential point of failure).

12. The Policy and the Procedure sets out MFRA's commitment to ensuring all members of staff receive appropriate training and competencies that are suitable and relevant to the individual's role and responsibilities within the organisation.

13. The mechanism for the provision of training and development to achieve these competencies is set out in the Safeguarding Workforce Development Strategy 2017-2020 (Appendix C).

Equality and Diversity Implications

14. Equality Impact Assessment submitted via portal on 30/05/2017.

Staff Implications

15. It is recommended that all MFRA employees (including Elected Members and volunteers) should receive training that is relevant to their role within the organisation.

Legal Implications

16. Legal Services formed part of a Task and Finish Group that considered all legal aspects of the Service Instructions and PROPOL09 policy.

17. It is very important that the Children Act and the Care Act are complied with and that all agencies coming into contact with vulnerable people understand the vital need for safeguarding policies and procedures to implemented and reviewed on an annual basis and in the light of ongoing issues.

Financial Implications & Value for Money

18. Whilst the majority of training can be delivered via an online awareness session, there will be advanced training required for senior officer and frontline MFRA staff.

19. Safeguarding is an organisational responsibility which will result in an overarching financial cost for training.

20. Costs of training are expected to be absorbed from within existing Training budgets and where necessary complemented by funding from CRM budget lines.

Risk Management, Health & Safety, and Environmental Implications

21. Safeguarding concerns are reported to Fire Control whilst MFRA staff are on scene supported by a Safeguarding Adult Concern form being completed on the portal.

22. A Duty Group Manager is informed of any immediate significant risk of harm safeguarding issues to for instant response.

23. No immediate risk of harm safeguarding responses are dealt with by Safeguarding Officers during office hours. All risks are reduced to lowest possible level.

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

24. MFRA is committed to helping the most vulnerable in our communities by reporting safeguarding concerns and working with partners in a multi-agency approach. By doing so we are able to reduce or eliminate the risk and allow individuals to live safely in their own homes in the communities of Merseyside.

BACKGROUND PAPERS

SI 0712	Safeguarding Designated Officers
SI 0713	Safeguarding Adults
SI 0714	Safeguarding Children and Young People
	The Care Act 2014
	Children Act 2004
	Children and Families Act 2014

GLOSSARY OF TERMS

CRM	The Community Risk Management Directorate of MFRA
MFRA	Merseyside Fire and Rescue Authority
SI	Service Instruction

Merseyside FIRE & RESCUE SERVICE

Service Instruction 0713
Safeguarding Adults and Children

Document Control

Description and Purpose

This document is intended to give guidance on the background and general procedure for the safeguarding of adults.

Active date	Review date	Author	Editor	Publisher
07/07/11	18.03.16	Karen Metcalf	Karen Metcalf	Sue Coker
		Kevin Johnson	Guy Keen	Sue Coker
Permanent	X	Temporary		If temporary, review date must be 3 months or less.

Amendment History

Version	Date	Reasons for Change	Amended by
1.1	26/10/11	Change of Role names	Emma Dodd
1.2	20/11/12	E-Reporting Form Introduction	Mark Jones
1.3	14/05/13	Amends to contacts within Appendix 1	WM Mark Jones
1.4	05/09/13	Amends to contacts within Appendix 1 and merge SI 0628 Serious Case Review Requests LSCB and SGAB, Personal Information Requests	WM Mark Jones
1.5	13/02/15	Contact detail amends	Karen Metcalf
1.6	08/05/17	Safeguarding Review: Amalgamation of SI0712, SI0713 & SI0714	Kevin Johnson

Risk Assessment (if applicable)

Date Completed	Review Date	Assessed by	Document location	Verified by(H&S)

Equalities Impact Assessment

Initial	Full	Date	Reviewed by	Document location
	X	25.01.11	Ustar Miah	E&D Portal/EIA forms/Prevention & Protection
	X	30.05.17	Kevin Johnson	E&D Portal/EIA forms/

Civil Contingencies Impact Assessment (if applicable)

Date	Assessed by	Document location

Related Documents

Doc. Type	Ref. No.	Title	Document location
Procedure		MFRS Disciplinary Procedure	Portal Document Library
Policy	STRPOL06	MFRS Data Protection Policy	Portal Document Library
Policy	PERPOL 09	Safeguarding Policy	Portal Document Library
Strategy		Prevent Strategy - HM Government	www.homeoffice.gov.uk/www.official-documents.gov.uk

Contact

Department	Email	Telephone ext.
CRM	kevin.johnson@merseyfire.gov.uk	0151 296 4424

Target audience

All MFRS	X	Ops Crews		Fire Protection		Fire Prevention	
Principal officers		Senior officers		Non uniformed		Designated Officers	

DRAFT

Relevant legislation (if any

Care Act 2014 http://www.legislation.gov.uk/ukpga/2014/23/contents/enacted/data.htm **Children Act 2004** http://www.legislation.gov.uk.ukpga/1989/41.contents.htm **Children and Families Act 2014** http://www.legislation.gov.uk/ukpga/2014/6/contents/enacted

DRAFT

SAFEGUARDING CHILDREN AND ADULTS AT RISK

1. BACKGROUND

This document sets out Merseyside Fire and Rescue Authority's (MF&RA) commitment to ensuring that it has appropriate procedures in place to deal with the safeguarding of adults and children at risk.

This service instruction will ensure that where MF&RA staff come into contact or engage with adults or children at risk, they will guarantee that the principle of 'no decision about me, without me' is adopted and that the adult, their families and carers are working together with agencies to find the right solutions to keep the person safe, whilst supporting them in making informed choices.

The Children Act (2004) Section 11 places a statutory obligation on agencies to safeguard and promote the welfare of children and young people whilst carrying out their normal functions. The Care Act 2014 places the same statutory duty on the local authority and public sector to safeguard adults at risk.

Making Safeguarding Personal (MSP) is a key aspect of the Care Act 2014 and as such MF&RA will respond to safeguarding concerns in a way that will enhance an individual's involvement, their choice and control and MF&RA will look to improve their quality of life, wellbeing and safety.

MF&RA recognise that the protection of and safety of adults, young people and children is 'everyone's responsibility' and as such the contents of this Service Instruction relate specifically to the roles and responsibilities of MF&RA staff in the protection of adults and children at risk from abuse or neglect.

Safeguarding is everybody's business and therefore all MF&RA staff, either in a paid or voluntary capacity have a role to play in safeguarding adults and children and preventing the abuse of those who may be vulnerable. Staff who have contact with vulnerable adults and children, in any capacity, **must** act on any suspected or potential safeguarding concerns immediately using the reporting process at Appendix 1.

This document has amalgamated all previous safeguarding procedures into a single Service Instruction.

2. KEY OBJECTIVES

The key objective of this service instruction is to ensure that the relevant MF&RA staff have the training to recognise safeguarding issues and sufficient knowledge of procedures to refer appropriately to Local Authorities. This Service Instruction will ensure that MF&RA:

- Safeguards children in accordance with the principles of the Working Together to Safeguard Children 2015;
- Safeguards adults at risk of abuse in accordance with the principles of the Care Act 2014;
- Provides guidance, information and training to MF&RA staff; and
- Work in partnership with Local Safeguarding Adult and Children's Boards.

DRAFT

3. KEY DEFINITIONS

2.1 Safeguarding Adults at Risk

An adult at risk is a person aged 18 or over who is in need of care and support regardless of whether they are receiving them and because those needs are unable to protect themselves against abuse or neglect.

2.2 Safeguarding Children at Risk

A child at risk for the purposes of child protection is “anyone who has not reached their 18th birthday (Children Act 2004). Child protection procedures also apply to an unborn baby.

4. TYPES OF ADULT ABUSE AND NEGLECT

4.1 Physical Abuse

Includes hitting, slapping, pushing, kicking, and misuse of medication, restraint or inappropriate sanctions.

4.2 Sexual Abuse

Includes rape and sexual assault, sexual acts to which the person has not consented, could not consent or was pressured into consenting.

4.3 Financial or Material Abuse

Includes theft, fraud, exploitation, pressure in connection with wills, property, inheritance or financial transactions, or the misuse or misappropriation of property, possessions or benefits.

4.4 Neglect & Acts of Omission

Includes ignoring medical or physical care needs, failure to provide access to appropriate health, social care or educational services, the withholding of the necessities of life, such as medication, adequate nutrition and heating.

4.5 Organisational Abuse

Includes poor care practice with an institution or specific care setting, like a hospital or care home. This may range from isolated incidents to continuing ill-treatment.

4.6 Sexual Exploitation

Involves exploitative situations and relationships where people receive ‘something’ (e.g. accommodation, alcohol, affection, money) as a result of them performing, or others performing on them sexual activities.

4.7 Discriminatory Abuse

Includes abuse based on a person’s race, sex, disability, faith, sexual orientation, or age; other forms of harassment, slurs or similar treatment or hate crime/hate incident.

4.8 Domestic Abuse

An incident or pattern of incidents of controlling coercive or threatening behaviour, violence or abuse by someone who is, or has been an intimate partner or family member regardless of gender or sexuality. It can include: psychological, physical, sexual, financial, emotional abuse; ‘honour’ based violence, Female Genital Mutilation; enforced marriage.

DRAFT

4.9 Modern Slavery
Encompasses slavery, human trafficking, forced labour and domestic servitude. Traffickers and slave masters use whatever means they have at their disposal to coerce, deceive and force individuals into a life of abuse, servitude and inhumane treatment.

4.10 Self-Neglect
Covers a wide range of behaviour; neglecting to care for one's personal hygiene, health or surrounding and includes behaviours such as hoarding.

This is not an exhaustive list; there can be other types of abuse which may include:

Radicalisation is comparable to other forms of exploitation such as grooming and Child Sexual Exploitation. The aim of radicalisation is to attract people to their reasoning, inspire new recruits and embed their extreme views and persuade vulnerable individuals of the legitimacy of their cause. This may be direct through a relationship, or through social media.

Prevent is part of the Government's counter-terrorism strategy CONTEST and aims to provide support and re-direction to vulnerable adults at risk of being groomed into terrorist activity before any crimes are committed. **The Counter-Terrorism and Security Act 2015** required specified authorities, in the exercise of their function to have due regard to the need to prevent people being drawn into terrorism. The support available for individuals at risk of being radicalised is called **Channel**.

DRAFT

5. TYPES OF CHILD ABUSE AND NEGLECT

5.1 Physical Abuse
Physical abuse is deliberately hurting a child causing injuries such as bruises, broken bones, burns or cuts.

5.2 Sexual Abuse
A child is sexually abused when they are forced or persuaded to take part in sexual activities. This doesn't have to be physical contact, and it can happen online.

5.3 Domestic Abuse
Witnessing domestic abuse is child abuse, and teenagers can suffer domestic abuse in their relationships.

5.4 Neglect
Neglect is the ongoing failure to meet a child's basic needs. It's dangerous and children can suffer serious and long-term harm.

5.5 Online Abuse
Online abuse is any type of abuse that happens on the web, whether through social networks, playing online games or using mobile phones.

5.6 Emotional Abuse
Children who are emotionally abused suffer emotional maltreatment or neglect. It's sometimes called psychological abuse and can cause children serious harm.

5.7 Child Sexual Exploitation
Child sexual exploitation is a type of sexual abuse in which children are sexually exploited for money, power or status.

5.8 Female Genital Mutilation

Female genital mutilation (FGM) is the partial or total removal of external female genitalia for non-medical reasons.

5.9 Bully and Cyber Bullying

Bullying can happen anywhere – at school, at home or online. It's usually repeated over a long period of time and can hurt a child both physically and emotionally.

5.10 Child Trafficking

Child trafficking is a type of abuse where children are recruited, moved or transported and then exploited, forced to work or sold.

5.11 Grooming

Children and young people can be groomed online or in the real world, by a stranger or by someone they know - for example a family member, friend or professional.

5.12 Harmful Sexual Behaviour

Children and young people who develop harmful sexual behaviour harm themselves and others.

6. REPORTING A SAFEGUARDING CONCERN

Safeguarding is everybody's business and as such, MF&RA staff have a duty of care to our service users, colleagues and members of the community. A safeguarding concern is defined as the first contact between a person concerned about the abuse or neglect of an adult or child and the Local Authority. Staff should consider the following when encountering a potential safeguarding situation:

- Assess the situation (is there an immediate risk of harm?);
- Ensure the safety and wellbeing of the individual (do they have food and drink? Are they warm and safe?);
- Establish what the individual's views and wishes are about the safeguarding issue and procedures (Making Safeguarding Personal);
- Remain calm and try not to show shock or be judgemental;
- Always try to obtain consent to share information where possible;
- Inform the person that you are required to share the information, explaining what information will be shared and why;
- Make a written record of what the person has told you, using their words, what you have seen and your actions, be factual, do not assume.

If staff are made aware of, or identify a potential safeguarding concern, the following process should be initiated **whilst on scene**:

- A classified message sent via Fire Control stating a Safeguarding concern and full details of incident;
- Where possible, obtain the person's name and date of birth (this assists the identification of individuals when referring to Social Care);
- You must advise whether in your opinion, there is an **immediate** significant risk of harm to the individual or other people involved (e.g. partner, children etc.);
- Fire Control will inform the relevant Group Manager.

If there is an **immediate significant risk of harm** identified, the Group Manager informed of the incident will, where appropriate, liaise with an available Station Manager to make further enquiries with the relevant Local Authority Social Care Team.

DRAFT

At the earliest opportunity, and in any event the same day, a Safeguarding Referral form should be completed and submitted via the portal.

The form can be found by following the link http://intranetportal/sites/cs/safeguarding/default.aspx and clicking on Safeguarding Reporting Form in the top right hand corner.

If there is **no** immediate significant risk of harm identified, the safeguarding form will be processed the next working day by one of the Safeguarding Officers listed on the portal page http://intranetportal/sites/cs/safeguarding/default.aspx **(available Monday – Friday 09:00 – 17:00 only)**, for out of hours procedure, please see appendix 1.

If there are any concerns over immediate significant risk of harm then advice must be sought from the duty social worker to inform further actions (Fire Control maintain the list of contact telephone numbers).

Merseyside Fire and Rescue Authorities Designated and Strategic Safeguarding Officers can be found at http://intranetportal/sites/cs/safeguarding/default.aspx.

7. SAFEGUARDING TRAINING

All MF&RA staff will receive a level of Safeguarding awareness or training appropriate to their role and responsibility within the organisation (for further information and identification of relevant staff, please refer to the MF&RA Safeguarding Workforce Development Competency Framework).

6.1 STAFF GROUP A: SAFEGUARDING ADULTS AND CHILDREN ALERTER

Members of this group have a responsibility to contribute to Safeguarding, but do not have specific MF&RA responsibility or statutory duty to intervene. (On line training).

6.2 STAFF GROUP B: SAFEGUARDING PRINCIPLES AND PRACTICE

Members of this group have organisational responsibility for Safeguarding and have to be able to act on concerns and contribute appropriately. This group will also have the competency to potentially work within a multi-agency context. (One Day External Training).

6.3 STAFF GROUP C: SAFEGUARDING ADULTS MANAGERS RESPONSE

Members of this group are responsible for ensuring the management and delivery of Safeguarding is effective and efficient. In addition they will have oversight of the development of systems, policies and procedures within MFRA to facilitate partnerships with key agencies to ensure consistency in approach and quality of service delivery’

6.4 STAFF GROUP D: SAFEGUARDING ADULTS ENQUIRES, INCIDENT MANAGING CHAIRING & CONVENING STRATEGIC SAFEGUARDING MEETINGS

Members of this group are responsible for ensuring MFRA is, at all levels, fully committed to Safeguarding and has appropriate systems and resources to support work in a multi-agency context.

DRAFT

8. CONFIDENTIAL REPORTING OR WHISTLE BLOWING

The purpose of the Public Interest Disclosure Act 1988 is to protect employees from victimisation if they raise concerns in the interest of the public, in good faith and in a specified way. The act directs workers to raise the matter internally in the first place for more information please refer to Service Policy LEGPOL03 (Whistleblowing/Confidential Reporting).

9. LOCAL CONTACT DETAILS FOR DESIGNATED OFFICERS

Contact numbers for Safeguarding Advice and Out of Hours Emergency Duty Teams can be found on the portal at http://intranetportal/sites/cs/safeguarding/default.aspx

Safeguarding Position	**Role holding the Position**
Designated Safeguarding Officer	Deputy Chief Fire Officer
Strategic Safeguarding Lead Officer	Director of Community Risk Management
Strategic Safeguarding Manager	Safeguarding Manager
Safeguarding Officers	Officers nominated by the Safeguarding Manager

10. SAFEGUARDING ADULT REVIEWS

Section 44 of the Care Act 2014 requires Local Safeguarding Boards to arrange a Safeguarding Adult Review (SAR), when an adult in its area dies as a result of abuse or neglect, whether known or suspected, and there is a concern that partner agencies could have worked more effectively to protect the person at risk. It places a duty on all Safeguarding Adult Board members to contribute in the undertaking of the review, sharing information and applying any lessons learnt. The purpose of the safeguarding adult review is not to hold any individual or organisation to account. There are other processes that exist for accountability and they include criminal proceedings, disciplinary procedures employment law and systems of service and professional regulations, such as Care Quality Commission (CQC), Nursing and Midwifery Council, Health and Care Professionals Council and the General Medical Council.

11. SAFEGUARDING CHILDREN REVIEWS

Safeguarding Children Reviews (SCR) are conducted by the Local Safeguarding Children Boards (LSCB) when a child has died and abuse or neglect is known or suspected to be a factor in the death of the child.

Additionally, the LSCB may decide to hold a SCR if a child has been seriously harmed in the following situations:

- A child sustains a potentially life threatening injury or serious and permanent impairment of physical and mental health development through abuse or neglect;

- A child has been seriously harmed as a result of being subjected to sexual abuse;
- A parent has been murdered and a domestic homicide review is being initiated under the Domestic Violence Act 2004; or
- A child has been seriously harmed following a violent assault perpetrated by another child or adult.

12. SAFEGUARDING ENQUIRIES - REQUESTS FOR INFORMATION

This section refers to any enquiries made or instigated by the relevant Local Authority after receiving a safeguarding concern. MF&RA are required by law to carry out safeguarding enquiries for these individuals

If MF&RA staff receives a request for information in relation to a Safeguarding Review from an external partner, this should be directed to the Corporate Information Sharing Officer (Strategy and Performance) who will process the data required.

Any requests to Corporate Information Sharing Officer (CISO) will be dealt with as follows:

1. MF&RA Safeguarding Officer will request information from the CISO on behalf of the appropriate Safeguarding Board;
2. The CISO will conduct a search under Data Protection Legislation, Subject Access Request and log the request accordingly. The results will be provided to the Safeguarding Officer to send via secure email to the requesting Safeguarding Board. Because of the urgency of this type of request the information should be provided as soon as possible.

For further information or advice, please contact one of the Corporate Information Sharing Officers, Strategy and Performance on the portal at:
http://intranetportal-test.merseyfire.gov.uk/sites/kim/InformationGovernance/default.aspx.

DRAFT

Appendix 1

Safeguarding Concern Process Map

LEVEL 1 CONCERN
IMMEDIATE RESPONSE TO PROTECT REQUIRED

1. Send classified message to Fire Control (as per SI 0584, Paragraph 3.8.5) stating an immediate response to Safeguarding incident required.

2. Where appropriate, gather individuals name, address, telephone number, date of birth and details of incident.

3. Advise MFRS staff to remain with individual until instructed otherwise by Fire Control or relieved by Senior Manager, Police, Ambulance or Social Services etc.

LEVEL 2 CONCERN
NO IMMEDIATE RISK OF HARM, BUT CONCERNS OF ABUSE OR NEGLECT REMAIN

1. Send classified message to Fire Control (as per SI 0584, Paragraph 3.8.5) stating safeguarding concern identified, but no immediate risk of harm.

2. Where appropriate, gather individuals name, address, telephone number, date of birth and details of incident.

3. Ensure that any fire risk has been reduced to the lowest possible level where appropriate by conducting a Home Fire Safety Check or through the provision of smoke alarms and fire safety advice.

1. Fire Control to inform a Cover Group Manager who takes the following action:
   a. Assess the level of risk, if there are signs of immediate significant risk of harm then contact the duty social worker via Fire Control.
   b. Ensures that the Incident Commander submits the safeguarding form via the portal before the end of that duty shift.
   c. Email safeguarding@merseyfire.gov.uk to provide an update on the actions taken and any outstanding issues to be addressed.

2. Safeguarding Manager to review and quality assure safeguarding concern and liaise with internal MF&RA staff or key external partners to ensure risk has been minimised to an acceptable level.

Notes

The Safeguarding Manager (or Deputy) is only available during office hours and where availability allows can be contacted via mobile phone for further advice (Fire Control maintain the contact details).

Service Policy Safeguarding PROPOL09

This is an unpublished work, the Copyright in which vests in Merseyside Fire & Rescue Service. All rights reserved. The information contained herein is the property of Merseyside Fire & Rescue Service, and is supplied without liability for errors or omissions. No part may be reproduced or used except as authorised by Contract or other written permission. The Copyright and the foregoing restriction on reproduction and use extend to all media in which information may be embodied ©

Document Control

Active date	Review date	Author	Editor	Publisher
April 2014	April 2016	S.Chapman E.Dodd	Karen Metcalf	Jackie Sutton

Amendment History

Version	Date	Author	Reasons for Change
2.0	10.2.10	S. Chapman	Introduction of new policy incorporating adult safeguarding.
2.1	25/05/11	E Dodd	Revised template
2.2	25/10/11	E Dodd	Revised Role Names
2.3	04/12/12	Mark Jones	Revised Role Names
2.4	01/04/14	Karen Metcalf	New format
2.5	01/04/15	Karen Metcalf	Revised Role Names
2.6	28/04/2017	Kevin Johnson	Revised MFRS Safeguarding Policy

Equalities Impact Assessment

Initial	Full	Date	Reviewed by	Comments
	X	14.5.2011	U.Miah	
	X	30.05.17	K. Johnson	

Civil Contingencies Impact Assessment

Date	Reviewed by	Comments

Related Documents

Doc. Type	Ref No.	Title	Location
	SI 0474	Hate Crime Incident Report	
	SI 0713 Strategy CFO/069/11	Safeguarding Adults and Children Prevent Strategy Employee Code of Conduct	

Distribution List

Name	Position	I/R
All MFRS		

Sign-Off List

Name	Position
SMG	All members

Target audience

All MFRS	X	Ops Crews		Fire safety		Community FS		Support Staff	
Principal off.		Senior off.		etc		etc		etc	

Ownership

FOI exemption required?	Yes		URL	
	No		Reason	

Legislation

Title		**N/A**

Contact

Department	Email	Telephone ext.
Kevin Johnson	kevinjohnson@merseyfire.gou.uk	0151 296 4424

Policy

Safeguarding Policy

1. Policy Introduction and Background

Safeguarding is a term used in the United Kingdom and Ireland to denote measures to protect the health, well-being and human rights of individuals, which allow people — especially children, young people and vulnerable adults — to live free from abuse, harm and neglect.

The Care Act 2014 signified a shift from existing duties on Local Authorities to provide particular services to the concept of 'meeting needs'. Chapter 14 of the Act introduces a new statutory framework for Adult Safeguarding which replaces the previous 'No Secrets Guidance' issued in 2000.The definition of an 'Adult at Risk' is a person who is aged 18 years old or over who is in need of care and support regardless of whether they are receiving them and because of those needs are unable to protect themselves against abuse or neglect.

The definition of a 'Child at Risk; for the purposes of child protection is "anyone who has not reached their 18th birthday (Children Act 2004). Child protection procedures also apply to an unborn baby.

The aims of Safeguarding Adults are:

- To prevent harm and reduce the risk of abuse or neglect to adults with care and support needs;
- To safeguard individuals in a way that supports them in making choices and having control in how they choose to live their lives (Making safeguarding personal);
- Top promote an outcomes approach in safeguarding that works for people resulting in the best experiences possible; and
- To raise public awareness so that professionals, other staff and communities as a whole play their part in preventing, identifying and responding to abuse and neglect.

The aims of Safeguarding Children are:

- To protect from abuse and maltreatment;
- To prevent harm to children's health or development;
- To ensure children grow up with the provision of safe and effective care; and
- To take action to enable all children and young people to have the best outcomes.

In order to achieve these aims, Merseyside Fire and Rescue Authority (MF&RA) will commit to:

- Ensuring that the roles and responsibilities of individuals and the organisation are clearly laid out;
- Create a strong multi-agency framework for safeguarding;
- Enable access to mainstream community safety measures; and
- Clarify the interface between safeguarding and the quality of service provision by MFRS.

This policy is based on **The Six Principles of Safeguarding** that underpin all adult safeguarding work.

Empowerment	People being supported and encouraged to make their own decisions and give informed consent
Prevention	It is better to take action before harm occurs
Proportionality	Proportionate and the least intrusive response appropriate to the risk presented
Protection	Support and representation for those in greatest need
Partnerships	Local solutions through services working with their communities – communities have a part to play in preventing, detecting and reporting neglect and abuse
Accountability	Accountability and transparency in safeguarding practice

2. Policy Explanation

Anyone who has experienced abuse and or neglect or has fears about exploitation or radicalisation will be able to raise the issue with a member of staff at MFRA in the knowledge that the matter will be treated seriously and sympathetically in accordance with this policy.

MFRA is committed to working in partnership with all relevant stakeholders to provide a safe and supportive environment free from the risk of abuse and neglect for any adult or child at risk with whom MFRA engages.

Safeguarding

Everyone working within MFRA, either in a paid or voluntary capacity, has a role to play in safeguarding children and adults and preventing the abuse of those who may be vulnerable. Staff may have contact with vulnerable adults and children can be a very important link in identifying cases where a vulnerable adult or child requires safeguarding.

Staff must always act on any suspected or potential case of abuse by reporting directly and without delay.

Allegations of Abuse made against Members of Staff

Any allegations of abuse made against members of staff will be dealt with using MF&RA internal procedures.

Confidentiality

Managers or officers cannot provide an absolute guarantee of confidentiality in all circumstances where 'vulnerable adult or child at risk' issues are raised. In these circumstances, the manager or Officer should inform the person that she/he would be referring the matter to a Designated Officer within the Service for further guidance.

MFRA will support anyone who, in good faith, reports his or her concerns that an adult, young person or child is being abused or is at risk of abuse, even if those concerns prove to be unfounded. See MFRA data sharing policy.

3. Policy Implementation

SI 0713 Safeguarding Adults and Children
SI 0474 Hate Crime Incident Report

Policy

This page is intentionally left blank

SAFEGUARDING WORKFORCE DEVELOPMENT STRATEGY

2017 - 2020

DRAFT

Introduction

This Safeguarding Workforce Development Strategy sets out Merseyside Fire and Rescue Authority's (MF&RA) commitment to ensuring all staff receive appropriate training and competencies that are appropriate and relevant to the individual's role and responsibilities within the organisation.

The framework within this strategy is aligned with nationally recognised competencies, specifically the Bournemouth University National Competence Framework for Safeguarding Adults published in May 2012 and the Children's Competency Framework published in June 2011.

The framework provides a baseline for all MF&RA staff and levels of competency that can be expected from individual's receiving a service from our organisation.

All employees (including volunteers) should receive training that is relevant to their role within the organisation, however as a minimum, all staff will be expected to be able to identify abuse and neglect and know how to report a safeguarding concern.

This strategy should be delivered in conjunction with SI 0713 (Safeguarding Adults and Children) and PROPOL09 (Safeguarding Policy).

Training and Development Needs

MF&RA Safeguarding Review Group will review the training and development provision on an annual basis.

All new starters to MF&RA, as part of their induction, will receive a safeguarding basic awareness presentation that will enable them to identify areas of abuse and neglect and understand how to report this concerns using MF&RS policies and procedures.

DRAFT

Identifying Staff Groups

The table below identifies staffing roles within MF&RA and the expected competencies required to undertake their role. Refresher training at all levels will be required every two years.

Staff Group A (Level 1) – Safeguarding Adults and Children Alerts (On Line) Members of this group are required to have a basic awareness to understand types of abuse and neglect, how to identify individuals at risk and how to report this using MF&RS processes, policies and procedures.	
• All Grey Book Staff • All Green Book Staff • Authority Members • Apprentices • Volunteers	1. Understand what safeguarding is and their role in safeguarding adults and children; 2. Recognise an adult or child potentially in need of safeguarding and take appropriate action; 3. Understand their responsibilities for raising a safeguarding concern using MF&RA procedures, taking into account the individuals wishes; 4. Understand dignity and respect when working with individuals; 5. Have a knowledge of MF&RA policies and procedures that support safeguarding activity; and 6. Understand and be able to adhere to basic principles of information sharing.
Staff Group B (Level 2) – Safeguarding Principles and Practice (1 Day Training) Members of this group will be able to act on concerns and contribute appropriately to local and national policies, legislation and procedures. This group will need to be able to work within a multi-agency context.	
• Group Managers • Station Managers • Hub Managers • Protection Officers	**As above <u>plus:</u>** 7. Demonstrate skills and knowledge to contribute effectively to the safeguarding process; 8. Have an awareness and application of a range of local and national policies and procedural frameworks when undertaking safeguarding activity; 9. Ensure adults at risk and their representatives are supported appropriately to understand the safeguarding process and that the wishes of the individual are central to MF&RA response; 10. Understand the need to preserve evidence; 11. Understand when to involve other emergency services; 12. Understand the importance of maintaining accurate, complete and relevant notes; 13. Develop the required level of skills and knowledge to contribute to a safeguarding enquiries; and 14. An understanding of Early Help, CAF/TAF processes, Child in Need, Child Protection, Child Sexual Exploitation, Female Genital Mutilation and the associated thresholds.

Staff Group C (Level 3 & 4) – Safeguarding Adults Managers Response (1 Day Training) & Safeguarding Enquiries (2 Day Training) : Members of this group will be able to act on concerns and contribute appropriately to local and national policies, legislation and procedures. This group will need to be able to work within a multi-agency context.	
• Safeguarding Officers	**As above plus:** 15. Actively engage in supporting a positive multi-agency approach to safeguarding; 16. Support the development of robust internal systems to provide consistent, high quality safeguarding services; 17. Ensure recording systems are robust and fit for purpose; 18. Appropriately manager any concern raised by a member of MF&RA staff, or anyone at risk of abuse and neglect; 19. Appropriately support MF&RA staff and service users who report concerns; 20. Demonstrate an awareness of the need to promote working practices which minimise the risk of abuse (prevention); 21. Contribute effectively to strategy discussions and meetings; and 22. Carry out effective risk assessments and any other tasks allocated at the strategy meetings. **Level 4** 23. Actively engage in supporting a positive multi-agency approach to safeguarding; 24. Demonstrate and ability to carry out effective joint enquiries with relevant partner agencies; 25. Communicate effectively with partner agencies to share information appropriately to ensure the immediate safety of individuals; 26. Undertake robust risk assessments; 27. Develop a comprehensive knowledge of safeguarding adults and children legislation, human rights legislation and safeguarding policy; and 28. Good knowledge of Making Safeguarding Personal; and 29. Relevant skills in having difficult conversations with adults at risk and their representatives to ensure that the wishes of the person are central to the safeguarding enquiry and the safeguarding plan where appropriate.

DRAFT

Staff Group D (Level 5) – Incident Management – Chairing and Convening Safeguarding Meetings (2 Day Training) : Members of this group will be responsible for ensuring that there is a robust multi-agency response to safeguarding alerts and ensure plans are in place to protect individuals when required. These staff are fully committed to safeguarding adults and have in place appropriate systems and resourced to support this work in a intra and inter agency context.	
• Designated Safeguarding Officer • Strategic Safeguarding Lead Officer These responsibilities will be discharged via: • Strategic Safeguarding Manager (Adults) • Strategic Safeguarding Manager (Children)	**As above <u>plus:</u>** 30. Co-ordinate effective joint enquiries in consultation with relevant partner agencies; 31. Co-ordinate effective joint enquiries in consultation with the person at risk and/or their representative; 32. Chair safeguarding meetings; 33. Support the development of robust internal systems to provide consistent, high quality, safeguarding services; 34. Direct professionals (where appropriate) to undertake safeguarding enquiries, giving clear rationale for decisions taken; 35. Co-ordinate clear strategies for the immediate protection of people at risk in consultation with them and their representatives; 36. Provide clear closing strategies for incidents and ensure that appropriate safeguarding plans are in place with arrangements for review; 37. Have an awareness of national and local policy development and learning from national and local case reviews.

DRAFT

This page is intentionally left blank

Equality Impact Assessment (EIA) Reporting Form

For any advice, support or guidance about completing this form please contact the DiversityTeam@merseyfire.gov.uk or on 0151 296 4236

Section 1: EIA Details

1.1) Author	Johnson, Kevin
1.2) Responsible Officer	Keen, Guy
1.3) Function	Prevention and Protection
1.4) Department	Prevention
1.5) What is the status of this EIA? If "Revision" is selected, please ensure "1.7) Date of EIA" is revised and "1.5.1) Which sections have been revised?" is completed.	Revision
1.5.1) Which sections have been revised?	☑ Section 1 ☑ Section 2 ☑ Section 3 ☑ Section 4 ☑ Section 5 ☐ Section 6 ☐ Section 7
1.6) Title of EIA	Safeguarding Policy
1.7) Date of EIA	30/05/2017
1.8) What does the EIA relate to?	SMG/Authority Report
1.9) Title reference of SI/policy/report/event/project	Review of Safeguarding Policy and Procedures
1.10) SI Policy Number of SI/policy/report/event/project	SI 0712, 0713 & 0714 PROPOL09

Section 2: Initial Assessment

2.1) What are the legitimate aims or purposes of the SI/policy/report/event/project?

You created this PDF from an application that is not licensed to print to novaPDF printer (http://www.novapdf.com)

The aim of the policy is to ensure that Merseyside Fire and Rescue Authority (MFRA) achieves its purpose of 'Safer Stronger Communities - Safe Effective Firefighters' through its contact with Adults, Children and Young People throughout Merseyside.

The policy sets out MFRA's commitment to ensuring that it has appropriate procedures in place to deal with the safeguarding of adults and children at risk.

MFRA will ensure that it adheres to the following legislation:
Fire and Rescue Services Act 2004
Care Act 2014
Children Act 2004
Working Together to Safeguard Children 2015

This policy covers safeguarding issues that are identified through community engagement and activities, operational incidents and any internal related safeguarding concerns in relation to staff, volunteers and youth/adult engagement programmes.

2.2) Who will be affected? All MF&RS Staff

2.3) Which of the protected groups below does this impact on for an initial assessment?

Protected Characteristics	Positive Impact	Negative Impact	Neutral
Age	●	○	○
Sex	●	○	○
Race	○	○	●
Disability	●	○	○
Religion & Belief	○	○	●
Gender Reassignment	○	○	●
Marriage & Civil Partnership	○	○	●
Pregnancy and Maternity	●	○	○
Sexual Orientation	○	○	●
Socio-Economic Disadvantage	●	○	○

2.4) Has there been any positive or negative impact identified as part of the Initial Assessment for this SI/Policy/report/event/project? ● **Yes** ○ **No**

2.5) Please supply supporting comments as to why you feel there is no positive/negative impact caused as part of the Initial Assessment for this SI/Policy/report/event/project?

There will be no differential impact on any protected group, any action taken by MFRA will solely be based on vulnerability. However, we are aware from evidence and anecdotal information that this policy will positively support vulnerable groups who fall into the protected groups identified at 2.3.

Section 3: Monitoring

You created this PDF from an application that is not licensed to print to novaPDF printer (http://www.novapdf.com)

Summarise the findings of any monitoring data you have considered regarding this SI/policy/report/event/project. This could include data which shows whether it is having the desired outcomes and also its impact on members of different equality groups.

3.1) What monitoring data have you considered?

The last 12 months of data has identified the following (see attached):

There is no disproportionate delivery of safeguarding interventions around gender as it is an equal split of reporting against male and female. 81% of referrals related to adults at risk and 19% were children and young people.

79% of referrals were White British and 14% of referrals the ethnicity was not stated. 7% were from BME backgrounds, which compares to the 8% average for Merseyside BME population, this figure is not disproportionate.

Disability shows an approximate 50/50 split.

3.2) What did it show in relation to Equality Impacts?

There were a larger percentage of adults referrals, which is in line with the Home Safety Strategy and the targeted individuals of over 65's who are at most risk of fire in the home.

3.3) What future monitoring of effects/outcomes will be recorded?

TBC with Diversity Manager

3.4) Supporting Document

Safeguarding Reporting Form Statistics.xlsx
24.16 KB

Section 4: Research

Summarise the findings of any research you have considered regarding this SI/policy/report/event/project. This could include quantitative data and qualitative information; anything you have obtained from other sources e.g. CFOA/CLG guidance, other FRSs, etc.

4.1) What research have you considered?

Introduction of Care Act 2014 is significant piece of research which underpins our policy, service instruction and further training around best practice was undertaken through CFOA with an introduction to widening the strategy around young adults.

4.2) What did it show in relation to Equality Impact?

It has identified gaps in Safeguarding Awareness/Training, which will be addressed through the implementation of a Workforce Development Strategy that will ensure all staff are trained to the appropriate level commensurate with their role within the organisation.

4.3) What did the exercise tell in relation to Equality Impact?

The exercise has identified that we need to raise awareness with our staff the importance of accurately recording the Equality and Diversity information when engaging with our communities to ensure our service delivery and policies reflect the individuals that live within it.

4.4) Supporting Document

Click here to attach a file

You created this PDF from an application that is not licensed to print to novaPDF printer (http://www.novapdf.com)

Section 5: Consultation

Summarise the opinions of any consultation. Who was consulted and how? (This should include reference to people and organisations identified in 3.2). Outline any plans to inform consultees of the results of the consultation.

5.1) What Consultation have you undertaken to help identify any further equality issues?

The policy and SI have been reviewed and updated to reflect the changes in respect of Safeguarding within the organisation.

5.2) What did it say?

It identified leadership at a Principal and Senior Officer level and reflected changes in MFRS processes in line with the Care Act 2014.

5.3) Which Groups/persons?

The initial review involved MFRS staff, however it is the intention of the Service to share the policy with the Combined Safeguarding Board and other key partners for constructive feedback on our policy and procedures.

5.4) Supporting Document

Click here to attach a file

Section 6: Conclusions

Taking into account the results of the monitoring, research and consultation, set out how the SI/policy/report/event/project could impact on people from the following protected groups? (Include positive and/or negative impacts)

(a) Age

Age equality and the way a policy, practice, service or function affects people of different ages, especially younger people and older people. It remains lawful to target services at people of different ages or to have age rules governing access to services or training.

The Home Safety Strategy focuses on individuals aged over 65 due to this age group being more prevalent in the incidents of fire fatalities and serious injury in the home. Additionally, other age groups will be identified through other Home Fire Safety Checks and partner referrals. This policy will ensure the most vulnerable individuals in Merseyside receive, where appropriate a holistic approach to their health and wellbeing.

(b) Disability (including mental, physical and sensory conditions)

Disability equality and the effects on different disabled people, deaf people, people with a long-term limiting illness and people associated with disabled people, such as carers, parents of disabled children.

Individuals with a disability and additional adult social care needs will be identified through normal service delivery and referrals from key partners. Where appropriate, MFRS staff will be aware of Safeguarding procedures and thresholds and report a concern via internal procedures.

(c) Race (include: nationality, national or ethnic origin and/or colour)

Race equality and the effects on ethnic and racial minority staff, customers and communities. Race includes colour, ethic or national origin, nationality or caste.

The potential of hate crime due to race can fluctuate dependant upon national and local climate. Statistics show that the majority of concerns are attributed to White British/not stated, however a review of the reporting forms and procedures will hopefully return a truer reflection of engagement.

You created this PDF from an application that is not licensed to print to novaPDF printer (http://www.novapdf.com)

(d) Religion or Belief

Religion and Belief based equality and the way in which policies, practices, services of functions affect people from different religious or belief based groups. This includes observance of religious and cultural requirements/practices of staff and customs and it also covers non-belief.

The potential of hate crime due to race can fluctuate dependant upon national and local climate. Statistics show that the majority of concerns are attributed to 'Not Stated', however a review of the reporting forms and procedures will hopefully return a truer reflection of engagement.

(e) Sex (include gender reassignment, marriage or civil partnership and pregnancy or maternity)

Sex equality and the effects on men and women, boys and girls. For example, the experiences of lone parents, working women, women from BME communities, victims of domestic violence, boys and young men, fathers etc.

A child at risk for the purposes of child protection is "anyone who has not reached their 18th birthday (Children Act 2004)". Child protection procedure also apply to an unborn baby. Through service delivery, MFRS are in a position to identify holistic family issues and/or pregnant women.

(f) Sexual Orientation

Sexual Orientation equality and whether services are delivered fairly and respectfully to lesbians, gay men, bi-sexual and heterosexual people. This will mean ensuring that services or policies recognise the needs of lesbian, gay, bisexual and heterosexual customers and respect their family structures and relationships.

The potential of hate crime due to race can fluctuate dependant upon national and local climate. Statistics show that the majority of concerns are attributed to 'Not Stated', however a review of the reporting forms and procedures will hopefully return a truer reflection of engagement.

(g) Socio-economic disadvantage

Socio-economic Disadvantage: Although not one of the 9 protected groups M&RS recognise that Socio-economic disadvantage affects many deprived communities within Merseyside.

The majority of Home Fire Safety Check activity is delivered in the more disadvantaged areas of Merseyside. Statistically, the majority of identifiable safeguarding areas of abuse occur in these areas. Whilst the HFSC will make the occupants safer from the risk of fire, this policy will allow the sharing of data with partners to improved the living conditions and health and well-being of individuals.

Section 7: Decisions

If the SI/policy/report/event/project will have a negative impact on members of one or more of the protected groups, explain how it will change or why it is to continue in the same way. If no changes are proposed, the SI/policy/report/event/project needs to be objectively justified as being an appropriate and necessary means of achieving the legitimate aim set out in 3.1

You created this PDF from an application that is not licensed to print to novaPDF printer (http://www.novapdf.com)

- In order to monitor the full impacts of our safeguarding interventions, a number of recommendations will be taken forward, including:
1. Better recording of early interventions (E-HAT) with the family unit (including young people and children).
2. Safeguarding Workforce Development/Training Plan, which will include the need to be clear about the protected characteristics groups where required.
3. Quality assurance of all safeguarding concerns received from MFRS staff via SharePoint will include an equality review to ensure impacts in relation to the protected groups above in 2.3 are fully understood and supported in the process.

Section 8: Actions (Admin Use Only)

8.1) Actioned Required ◉ Yes ○ No

8.2) Details of Action Required

Points raised in 8.1,2 and 3 should be progressed and reviewed with Diversity and Consultation Manager where adverse trends arise

8.3) DAG Consultation Required ○ Yes ◉ No

8.4) Approved ◉ Yes ○ No

8.5) Responsibility Of Johnson, Kevin

8.6) Completed By 30/05/2017

8.7) Review Date 30/05/2018

Submit Form

You created this PDF from an application that is not licensed to print to novaPDF printer (http://www.novapdf.com)

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	27 JULY 2017	REPORT NO:	CFO/052/17
PRESENTING OFFICER	JANET HENSHAW		
RESPONSIBLE OFFICER:	JANET HENSHAW	REPORT AUTHOR:	JANET HENSHAW
OFFICERS CONSULTED:	CHIEF FIRE OFFICER, DEMOCRATIC SERVICES MANAGER		
TITLE OF REPORT:	REPRESENTATION OF THE POLICE AND CRIME COMMISSIONER FOR MERSEYSIDE ON MERSEYSIDE FIRE AND RESCUE AUTHORITY		

APPENDICES:	

Purpose of Report

1. To request that Members approve the appointment of the Police and Crime Commissioner for Merseyside to Merseyside Fire and Rescue Authority.

Recommendation

2. That Members;
    a. Approve the appointment of the Police and Crime Commissioner for Merseyside (The PCC) to Merseyside Fire and Rescue Authority (MFRA) and
    b. Instruct the Monitoring Officer to amend the Constitution and make all other legal and practical arrangements to ensure that the appointment takes place without delay.

Introduction and Background

3. As Members are aware the Policing and Crime Act 2017 (“The Act”) requires both the Police service and Fire and Rescue Authorities to keep opportunities for collaboration under review in the interests of efficiency and effectiveness.

4. The PCC currently sits on the joint Fire and Police Committee which was established well before the Act gained Royal Assent, in order to try to progress collaboration opportunities between the two organisations in advance of any statutory obligation to do so. However although this has been a successful endeavour, the Committee does not hold any decision making powers.

5. The Act provides for a PCC to become a full voting and speaking member of the Fire and Rescue Authority. This is known as the “Representation” model

and can be achieved by the PCC making a request to be appointed to the Authority.

6. As part of the considerations in relation to the proposed reform of MFRA, the Chair extended a formal invitation to the PCC to make such a request on 23rd June 2017 which would give more involvement in decision making. This can only enhance working relationships, improve collaboration and benefit the communities of Merseyside.

7. The PCC has now met this request by letter accepting the Chair's invitation subject to approval by the Authority. Members are therefore asked to approve the appointment of the PCC for Merseyside to MFRA and instruct the Monitoring Officer to amend the Constitution accordingly.

8. When the Appointment is made the Monitoring Officer will inform the PCC in writing and will discuss the arrangements directly with the PCC so that a warm welcome to MFRA is extended and all legal and practical issues are resolved.

Equality and Diversity Implications

9. There are no direct equality or diversity implications contained within this report

Staff Implications

10. There are no direct staff implications contained within this report

Legal Implications

11. The Policing and Crime Act 2017, section 7 provides for the Representation model for collaboration. The Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Act 2000 and the Localism Act 2011 have been amended accordingly.

Financial Implications & Value for Money

12. The PCC would have access to the Members Allowance Scheme if she wishes and all other protocols will apply as to any other Member of the Authority.

Risk Management, Health & Safety, and Environmental Implications

13. There are no direct risk, health and safety or environmental implications contained within this report

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

14. The representation model can only benefit the communities of Merseyside as it will enable closer working between police and fire and rescue services.

BACKGROUND PAPERS

GLOSSARY OF TERMS

This page is intentionally left blank