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: 18 July 2018

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, 26TH JULY, 2018** in the Liverpool Suite at Merseyside Fire and Rescue Service Headquarters, Bridle Road, Bootle.

Yours faithfully,

K Kellaway pp

Clerk to the Authority

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MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

26 JULY 2018

AGENDA

Members

Sharon Sullivan
Sharon Connor, Liverpool City Council
Joe De'Asha, St Helens
James Roberts
Sharon Sullivan
Andrew Makinson
Chris Meaden, Wirral
Steff O'Keeffe
Les Byrom
Jean Stapleton

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 5 - 8)

The Minutes of the previous meeting of the Policy and Resources Committee, held on 22nd March 2018, are submitted for approval as a correct record and for signature by the Chair.

3. Grant Thornton - Audit Findings 2017/18 (Pages 9 - 30)

To consider a presentation from the Authority's External Auditor – Grant Thornton, on the audit findings for 2017/18.

4. **STATEMENT OF ACCOUNTS 2017/18 - AUTHORISATION FOR ISSUE** (Pages 31 - 152)

To consider report CFO/049/18 of the Treasurer, presenting to members the audited 2017/18 Statement of Accounts for approval and request that they be authorised for issue.

5. **REVENUE & CAPITAL OUTTURN 2017/18** (Pages 153 - 176)

To consider report CFO/048/18 of the Treasurer, reporting upon the Authority's year-end financial position for 2017/18.

6. **AWARDING OF THE REGIONAL CONTRACT FOR STRUCTURAL FIREFIGHTING KIT** (Pages 177 - 186)

To consider report CFO/051/18 of the Deputy Chief Fire Officer, informing Merseyside Fire and Rescue Authority of the completion of the North West tender process for the replacement of the North West Fire Structural Fire kit framework agreement, and request approval to award contract to the preferred bidder.

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.

MERSEYSIDE FIRE AND RESCUE AUTHORITY

POLICY AND RESOURCES COMMITTEE

22 MARCH 2018

MINUTES

Present: **Cllr Leslie T. Byrom CBE (Chair)** Councillors Joe De'Asha, Barbara Murray, Lesley Rennie, James Roberts, Sharon Sullivan, Sharon Connor and Edna Finneran

Also Present:

Apologies of absence were received from: N/A

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 27th July 2017, were approved as a correct record and signed accordingly by the Chair.

3. Local Government Association Subscription 2018/19

Members considered report CFO/020/18 of the Monitoring Officer, requesting that Members consider continuing Authority membership of the Local Government Association (LGA).

Members were given a brief overview of the report and it was mentioned that this is the 6th year that the discount has been awarded. The freeze on subscription, sees value for money and the subscription can be met from existing budgets.

Members resolved that:

a. the continuation of the LGA membership be considered;

b. the freeze of the LGA subscription fee for a further year and the 2.5% loyalty discount to all Fire and Rescue Authorities not on notice, alongside the 2.5% prompt payment discount to Authorities who pay the annual subscription in full by 30th June 2018, be noted and;

c. if, after consideration, the Authority wish to take up the offer of the discounted subscription for 2018/19, of £10,460 plus VAT, the Democratic Services Manager be instructed to raise a purchase order and make subscription payment in full before 30th June 2018.

4. IRMP 2017 Update - consultation report

Members considered report CFO/018/18 of the Deputy Chief Fire Officer, informing Members of the outcomes from the public consultation undertaken in relation to the Integrated Risk Management Plan (IRMP) 2017/20 Update Report.

Members were reminded that this IRMP 2017/20 Update Report is 12 months further on from when it was first created. A brief overview was given about the IRMP and Members were informed that the IRMP covers at least a 3 year time span. It is easily accessible and publicly available to view.

The public were asked how they feel progress is going and an online survey was conducted, which received 43 responses. The response to the online survey was small, but the respondents have provided valuable insight into what people think about Merseyside Fire & Rescue Service.

In addition, consultation took place with Representative Bodies and links were sent to Local Authorities and Fire and Rescue Services. The written responses received from the Fire Brigades Union (FBU) and Fire Officers Association (FOA) were considered by officers and responses were provided. Merseyside Fire and Rescue Authority (MFRA) has difficult decisions to make in the face of serious financial constraints and it was important to state that all the representative bodies understood this, but not all agreed with the objectives within the IRMP.

Members were told that Prescot Fire Station is now complete and that Prescot is a joint Fire and Police Station.

Members resolved that:

the responses to consultation on the IRMP 2017/10 Update Report, be noted and any implications, be considered.

5. SERVICE DELIVERY PLAN 2018-19

Members considered report CFO/019/18 of the Deputy Chief Fire Officer, requesting that Members consider and approve the Service Delivery Plan for 2018/19, attached at Appendix 1 and note the contents of the Community Fire and Rescue Station plans (Station Plans) attached at Appendix 3.

Members were given a brief overview of the report including Merseyside Fire and Rescue Authority's (MFRAs) mission and aims. Our mission is to achieve "safe stronger communities – safe effective firefighters".

Members were told that MFRA has to set a financial plan that delivers the required savings needed as a result of Government cuts up to 2019/20 and that the Key Performance Indicators are reviewed annually to ensure that they are still relevant for organisational needs.

Members thanked staff for a wonderfully put together report.

Members resolved that:

the attached Service Delivery Plan (Appendix 1) for 2018/19 prior to publication on the Authority website, be considered and approved.

Close

Date of next meeting Thursday, 26 July 2018

Signed:_____________________ Date:______________

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Audit Findings

Year ending 31 March 2018

Merseyside Fire & Rescue Authority

17 July 2018

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Your key Grant Thornton team members are:

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

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Merseyside Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	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 have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting; • other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), are consistent with the financial statements	Our audit work was completed on site during June an July. Our findings are summarised on pages 5 to 12. We have identified no adjustments to the financial statements that have changed the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix B. We have identified one aspect of the accounting polices that does not align fully with the Code however this does not result in a material error and no change is required to the financial statements. We have identified one omission from the disclosure requirements in respect of P F I contracts. We have raised recommendations for management as a result of our audit work in Appendix A. Subject to outstanding matters being resolved, we anticipate issuing an unqualified audit opinion following the Policy and Resources Committee meeting on 25 July 2018, as detailed in Appendix D . These outstanding items include: - completing work in progress at the time of drafting this report - receipt of management representation letter; and - review of the final set of financial statements. We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report are consistent our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Merseyside Fire and Rescue Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 13-15.

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Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Merseyside Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2018 for those charged with governance.

Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit	We have not exercised any of our additional statutory powers or duties We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Policy and Resources Committee meeting on 25 July 2018, as detailed in Appendix D . These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Merseyside Fire and Rescue Authority.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	Planned £1.35m Final £1.49m	Planned material was based on the previous financial performance of the Authority. We have updated this to reflect the increase in expenditure, in part reflecting a full year of managing the UK National Resilience (NR), International Search and Rescue projects on behalf of Central Government.
Performance materiality	Planned £1.01m Final £1.12m	Previous quality of the working papers and response to audit process. Quality of financial systems and processes and the nature of the Authority's expenditure and income streams.
Trivial matters	£0.056m	A minimum level at which items need to be reported to the Policy and Resources Committee
Materiality for specific transactions, balances or disclosures	£20k or 5% of value the of individual transaction totals.	We design our procedures to detect errors in specific accounts at a lower level of precision - for Senior Officer Remuneration and Related Party transactions our level of materiality will be £20k. Although we consider the materiality of the transactions reviewed to each party.

Significant audit risks

Risks identified in our Audit Plan	Commentary
❶ **Improper revenue recognition** Under ISA 240 (UK) 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.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • 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 Merseyside Fire and Rescue Authority.
❷ **Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. .The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** **Our work covered;** – reviewing accounting estimates, judgements and decisions made by management – testing of journal entries – reviewing unusual significant transactions – reviewing significant related party transactions outside the normal course of business. Our audit work has not identified any issues in respect of management override of controls.

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Significant audit risks

Risks identified in our Audit Plan	Commentary
3 **Valuation of property, plant and equipment** The Authority revalues its land and buildings on an quinqennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.	**Auditor commentary** Our work included: • Reviewing management's processes and assumptions for the calculation of the estimate. • Reviewing the competence, expertise and objectivity of any management experts used. • Reviewing the instructions issued to valuation experts and the scope of their work • Discussions with the Authority's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Reviewing and challenging the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Authority's asset register • Evaluating the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. • Substantively tested 19 transactions classified as additions in the year to source documentanion. **Our audit work has not identified any issues in respect of valuation of property, plant and equipment.**
4 **Valuation of pension fund net liability** The Authority's LGPS pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. The Firefighters pension fund liability as reflected in its balance sheet represent a significant estimate in the financial statements. These estimates by their nature are subject to significant estimation uncertainty, being sensitive to small adjustments in the assumptions used. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	**Auditor commentary** Our work included • Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. • Reviewing the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewing the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. **Our audit work has not identified any issues in respect of the valuation of the LGPS pension fund net liability**.

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Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
6	**Employee remuneration** Payroll expenditure represents a significant percentage 73% of the Authority's operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention	**Auditor commentary** We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • obtained payroll reconciliations and agree to the ledger and payroll reports, and investigate any significant adjustments. • agreed year end payroll accruals to supporting documentation • performed substantive analytical review disaggregated by month. **Our audit work has not identified any issues in respect of employee remuneration.**
7	**Operating expenses** Non-pay expenses on other goods and services also represents a significant percentage 27% of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non- pay expenses as a risk requiring particular audit attention:	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the Authority's accounting policy for recognition of non-pay expenditure for appropriateness; • gained an understanding of the Authority's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • Obtained a listing of non-pay expenditure and removed costs relating to depreciation, impairments and audit fees and agreed large and unusual items to supporting documentation. • Substantively tested a sample of 68 transactions to source documentation **Our audit work has not identified any issues in respect of employee remuneration.**
8	**Firefighters pension scheme** The Authority administers the firefighters pension schemes, with the Firefighters Pension Fund Account being included in the financial statements. We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the Authority's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls; and • Substantively tested a samples of 25 transactions for contributions and commutation calculation. **Our audit work has not identified any issues in respect of the firefighters pension scheme**

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Fees, charges and rents due from customers are accounted for as income at the date the relevant goods or services are provided Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due when there is reasonable assurance of: - compliance with the conditions attached to the payments, and - the grants or contributions will be received. Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied	We are satisfied from our testing of revenue recognition policies that: - The policies are appropriate under the relevant accounting framework; - The Authority has adequate controls in place and has applied reasonable judgements to ensure revenue is appropriately recorded The policies are adequately disclosed in the financial statements 17 transactions were substantively tested to source documentation and the accounting was consistent with the stated policy.	●
Judgements and estimates	Key judgements and estimates are set out in the to the accounts and include: • Provisions • Pensions liability valuations; and • PPE valuations.	We have reviewed the judgements and estimates against the requirements of the CIPFA Code of Practice. Where the Authority has made judgements or estimates these have been supported with robust and clear explanation of the assumptions applied. PPE valuations and pension liability valuations are consistent with previous years. Our work includes review of the work undertaken by external experts. There are no issues in relation to the judgements and estimates made that we need to bring to your attention. The estimates and judgements disclosed are consistent with other Fire and Rescue Bodies.	●

Assessment
- ● Marginal accounting policy which could potentially be open to challenge by regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

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Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Other critical policies	We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice.	Note 1- xvi depreciation, states that no depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal. Code paragraphs 4.1.2.41 and 4.1.2.42, require assets to be depreciated from when they become available for use and to be depreciated when in use except when its residual value is greater than its carrying value. The current policy is not compliant with the Code. Based on depreciable additions in the year of £3.81m and taking the average useful lives of depreciable assets there is a potential understatement of the depreciation charge of £263k. This is not material but is above our triviality level. A material error in the depreciation charge because it would require the recognition of assets on 1 April with a value that is many times materiality. Management has confirmed that from 2018/19 depreciation will apply to all new asset purchases from when first brought into use and until taken out of use by transfer to another category or disposal. We noted a small number of minor typographical and drafting errors which management has corrected and we identified a number of surplus disclosures that management may omit to streamline the financial statements. In all other respects, the Authority's accounting policies are appropriate and consistent with previous years.	●

Assessment
- ● Marginal accounting policy which could potentially be open to challenge by 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 Audit and Policy and Resources Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or 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 to thirteen banks and deposit takers. This permission was granted and the requests were sent. At the time this report was drafted two requests were returned with positive confirmation therefore we adopted alternative audit procedures including agreeing statements contemporaneous to the year-end and confirmation from Liverpool City Council in its role as Treasury manager.
6	**Disclosures**	• The Authority has not included a fair value for its PFI liability. This is on the basis that the actual borrowing lies with the PFI provider and not the Authority. An alternative view is that a fair value could be derived by considering the amount that could be could borrowed based on the committed cash flow over the remaining life of the arrangement. As an example, based on the PLWB new loan rates for loans of a similar duration and payment profile, the fair value could be in the region of £33 million.

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
7	**Significant difficulties**	• We did not encounter any significant difficulties with the accounts closedown process or procedures. The Authority produced a good set of account supported by detailed working papers in line with the required timetable.
8	**Work in progress**	At the time of drafting this report the following work was in progress. • Documenting the results of our testing of high risk and high value journal adjustments. • Gathering supporting evidence for payroll accruals • Adding to our files the supporting documents for our work on Grants, Council tax and NNDR • Documenting our work on the pensions liability and completing our sample testing of pension benefits. Our work to date has not identified any issues we wish to report to you or that might have an impact on our opinion; we will confirm completion of this work at the meeting on the 25 July.
9	**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 Group/Authority acquired in the course of performing our audit, or otherwise misleading.
10	**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 that work is not required as the Authority does not exceed the threshold;

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Value for Money

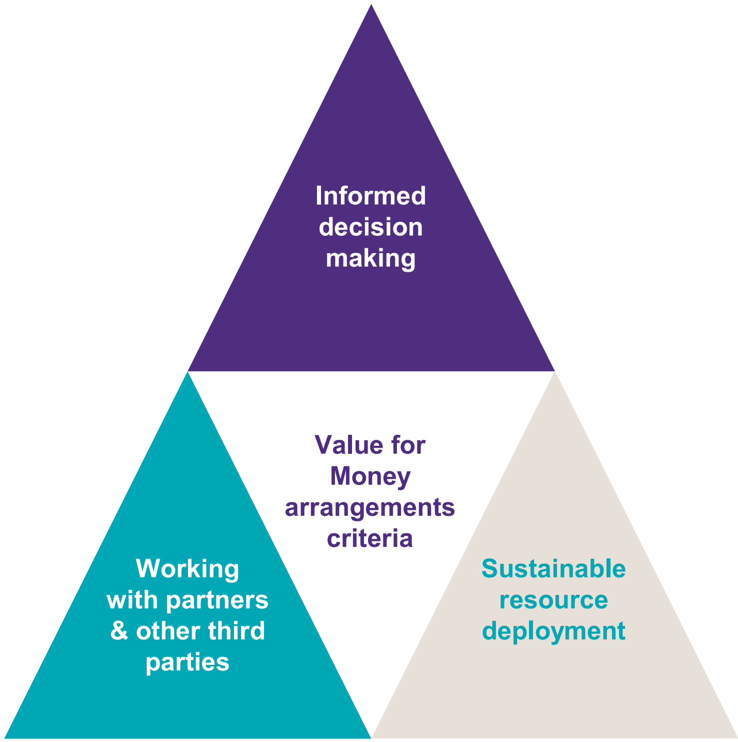
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance 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."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 25 January 2018.

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.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

Financial sustainability and estates strategy

The Authority is operating against a background of :

- Funding reductions
- Changes in the legislative and policy requirements
- Changes to the regulatory bodies and frameworks

The Authority has a significant capital programme, £43m over five years, which is fully funded from internal resources and is key to planned service development. As pressures on revenue budgets continue it will be important for the Authority to protect and manage this programme.

We updated our understanding of the Authority's arrangements for managing and reporting to Members the risks associated with and progress of the capital programme.

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on page 15

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

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.

Key findings

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

	Significant risk	Findings	Conclusion
1	**Financial sustainability and estates strategy** The Authority is operating against a background of • Funding reductions • Changes in the legislative and policy requirements • Changes to the regulatory bodies and frameworks The Authority has a significant capital programme, £43m over five years, which is fully funded from internal resources and is key to planned service development. As pressures on revenue budgets continue it will be important for the Authority to protect and manage this programme. .	We carried out a programme of work in order to update our understanding of the Authority's arrangements for managing and reporting to Members the risks associated with and progress of the capital programme. We reviewed budgeting and financial monitoring as reported to members through out the year. We compared actual performance to budgeted and examined the explanations provided. We cross checked in-year activity with strategic plans such as the IRMP and reviewed significant events and decisions. We looked at the planning process for 2018/19, reviewed the assumptions used, compared them to previous assumptions. We found that overall the capital programme for 2017/18 had increased slightly during the year but with no extra borrowing. This has been achieved in part by revenue contributions reflecting revenue savings achieved, in part from specific additional resources, for example Home Office grant to update Communications equipment, and use of the Clothing reserves to support specific elements of the capital programme. There has been re-phasing of specific building projects but despite this the Authority has been able to press ahead with ICT, Operatrional Equipment and Vehicle Replacement programmes These compliment the station renewal program and are reflected in the IRMP and MTFP.	**Auditor view** • The authority revenue budget was set at £59.49m and the out-turn figures was £57.087. An additional £442k was transferred to earmarked reserves, leaving a positive budget variance of £1.961m. • This positive result and the continued progress of the capital programme demonstrate the Authority has adequate arrangements in place.

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Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. We can confirm that we have not undertaken any non-audit services for Merseyside Fire and Rescue Authority during 2017/18.

Action plan

We have identified 1 recommendation for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. 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.

	Assessment	Issue and risk	Recommendations
1	●	No fair value has been disclosed for the PFI liability. The purpose of this disclosure is to proved more information to stakeholders to assist them in making judgements about the degree and nature of the financial risks the Authority is managing.	• Consider whether alternative values for the PFI liability can be included to improve the understanding of stakeholders. **Management response** • For 2018/19 and future Statement of Accounts the Authority will reflect the fair value of the liability by reference to the capital sum of the loan that could be obtained for the same cash flow, on similar terms, over the remaining life of the agreement.

Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We confirm that there have been no non-trivial misstatements identified as part of work on the Authority's financial statements.

Impact of unadjusted misstatements

We confirm there are no unadjusted misstatement within the financial statements

Impact of unadjusted disclosure issues

The table below provides details of disclosure identified during the audit which have not been made in the final set of financial statements.

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Disclosure issue	Detail	Auditor recommendations
Fair value of the PFI Liability	The authority has not included a fair value for its PFI liability. This is on the basis that the actual borrowing lies with the PFI provider and not the Authority	• A fair value could be derived by considering the amount that could be could borrowed based on the committed cash flow over the remaining life of the arrangement. Management should consider whether alternative values for the PFI liability can be included to improve the understanding of stakeholders. **Management response**

Fees

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

INote 31 of the financial statements discloses the cost to the Authority as £28,000. This reflects a distribution of surplus funds from PSAA Ltd unrelated to this year's audit fee.

Audit 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).

No non audit or audit related services fees have been undertaken for the Authority.

Audit opinion

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Merseyside Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 3 to 18, and in the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:
•we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
•we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities set out on page 94 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. 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 2017/18, which give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Policy and Resource Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority
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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate
We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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

Royal Liver Building
Liverpool
L3 1PS

[Date]

grantthornton.co.uk

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	**POLICY AND RESOURCES COMMITTEE**		
DATE:	**26TH JULY 2018**	**REPORT NO:**	**CFO/049/18**
PRESENTING OFFICER	**AUTHORITY TREASURER: IAN CUMMINS**		
RESPONSIBLE OFFICER:	**IAN CUMMINS**	**REPORT AUTHOR:**	**IAN CUMMINS TREASURER**
OFFICERS CONSULTED:	**STRATEGIC LEADERSHIP TEAM**		
TITLE OF REPORT:	**STATEMENT OF ACCOUNTS 2017/18 - AUTHORISATION FOR ISSUE**		

APPENDICES:	**APPENDIX A:** **APPENDIX B:**	**STATEMENT OF ACCOUNTS 2017/18** **LETTER OF REPRESENTATION**

Purpose of Report

1. To present to members the audited 2017/18 Statement of Accounts for approval and request that they be authorised for issue.

Recommendation

2. That Members
    a. approve the audited Statement of Accounts 2017/18, attached as Appendix A to this report, and
    b. approve that the Statement of Accounts 2017/18 may be authorised for issue, and
    c. approve the letter of representation in relation to the 2017/18 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 31st July of the following year.

4. Members have already considered the 2017/18 year-end outturn position and movement on reserves within report CFO/048/18. That report identified net revenue expenditure in the year of £57.087m against a budget of £59.490, resulting in a favourable variance of £2.403m before any adjustments for year-end reserves. The report identified that of this variance £0.442m was required to be carried forward as earmarked reserves, leaving an actual saving in 2017/18 of £1.961m. Members approved the allocation of this one-off saving to increase the Capital Investment, Recruitment, and Inflation reserves in light of the planned future spend against these reserves.

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/048/18 as outlined above, has not changed**.

Statement of Accounts;

6. The Statement of Accounts is a record of the Authority's financial activities for 2017/18 with comparative figures for 2016/17. 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 2017/18 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**

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 2017/18 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 2017/18:-

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 2017/18 (after taking into account the creation of reserves) this becomes net expenditure of £34.424m on the CIES because of additional accounting transactions relating mainly to pensions but also depreciation and some other technical adjustments. The table below outlines the reconciliation between the General Fund position and that in the CIES:

			Detailed Adjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
Net General Fund 2017/18 year-end position:		**Note**	0	0	0
1	**Net Creation of Earmarked Reserves**	(a)	-		**4,143**
2	**Asset Valuation / Charges and Capital Funding Adjustments**				
	Depreciation, Impairment and Revaluation adjustment	(b)	5,378	-	-
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	658	-	-
	Asset Disposal / Write-offs / Revaluation losses		50	-	-
	MRP / Interest adjustment	(f)	(4,513)	-	-
	Capital Expenditure Funded from the Revenue Account (CERA)		(4,830)	-	-
	Capital Grants Income		(1,402)	**(4,659)**	-
3	**Pension related adjustments**	(d)			
	Pension Contributions payable to pension fund		(8,232)		
	Pension Current Service Costs		13,751		
	Pension Past Service Costs		720		
	Net Interest on the Defined Benefit Liability Scheme		29,131	**35,370**	
4	**Other technical accounting adjustments**	(e)			
	Timing Differences for Premiums and Discounts		16		
	Timing Differences for Council Tax / NNDR		(338)		
	Timing Differences for Compensated Absences		(108)	**(430)**	
	Total Adjustments				**30,281**
Total Comprehensive Income and Expenditure Statement					**34,424**

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).

The year-end report, CFO/048/18, identified an overall net reduction in reserves of £4.143m in 2017/18 from £31.858m to £27.715m. This includes the General Fund balance that remained unchanged at £2.000m and reflects the perceived levels of risk within the current financial plan. The MiRS figures are consistent with these figure but also include the funds held in the capital grants unapplied account that are funds received from Government towards the station merger initiative but remain unapplied until the schemes are complete. If these capital grants are not applied the grant must be paid back to Government and are therefore excluded from the available reserves reported in the general fund outturn report.

A reduction in unusable reserves of £8.994m - unusable reserves are not available to fund spend and in reality simply reflect technical adjustments required in the accounting statements to adhere to the Code. The main entries relate to charges for notional depreciation and changes to pension liabilities and assets. Most of the reduction is down to changes in the liability of the pension schemes in 2017/18.

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** – increased by £3.441m. This was mainly due to the completion of the new Prescot community fire station £7.400m and other additions less depreciation in year of £4.829m resulting in a net increase of £3.441m.

- **Current Assets** – increased by £1.432m. 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, £7.015m, and a reduction in Cash & Cash Equivalents, £6.337m. The remaining changes reflect a small increase in short term debtors, inventory values, and assets held for sale.

- **Current Liabilities** – increased by £5.052m. The balance mainly reflects grants and other income received in advance of expenditure, such as the Grant for National Resilience Assurance for 2018-19 was received in March 2017-18.

- **Long Term Liabilities** – reduced by £5.494m;
  - Other long-term Creditors – A reduction of £0.363m. This reduction relates to PFI contract payments to be paid in coming year.
  - Provisions – A net reduction of £0.222m. 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 by £0.221m. The Business Rates Appeals provision was reduced by £0.001m (see note 20 in Statement of Accounts).
  - Long-term borrowing relates to Public Works Loan Board (PWLB) and has reduced by £0.500m reflecting the fact that a loan of £0.500m will be repaid in the coming year.
  - Other long-term liabilities reduction of £4.409m. Of this £0.041m is due to the reduction in the Authority's share of Merseyside County Council residual debt. The balance, £4.368m 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 £4.368m. These accounts balance each other out and allow the inclusion of the pension liability in the balance sheet and Unusable Reserves (see Note 22 in the Statement of Accounts).

- **Usable Reserve** reduction of £3.679m – this is the net movement in reserves in the year; A reduction in earmarked reserves of £4.143m as a consequence of reserves utilised in the year, and an increase of £0.464m 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** reduction of £8.994m. As mentioned previously unusable reserves have been created to allow the technical aspects of accounting required by the Code to be reflected in the Statement of Accounts. Unusable reserves are not generally available to fund spend. The decrease in the Pension Reserve of £4.369m 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, £5.334m, (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 increased by £1.140m 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 of £0.431m.

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 of Accounts). Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing, see note 26 in the Statement for details) to the Authority.

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 decreased from £21.471m to £15.134m. This in part is due to the use of reserves to fund the new merger building strategy and the completion of Prescot Fire Station. As per Note 17 in the Statement of Accounts, £6.574m 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 £0.852m as at the 31st March 2018 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.

Financial Implications & Value for Money

16. The report confirms the 2017/18 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/048/18 "Revenue and Capital Outturn 2017-2018" Policy & Resources 26th July 2018.

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

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Merseyside Fire & Rescue Authority

2017/18
Statement of Accounts

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2017 – 2018

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 2018, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2017/18 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.

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 2017/18 and the future. It also provides a summary of the financial position at 31st March 2018 and is structured as below:

- Background to the Authority & Key Information
- The Authority 2017/18 Non-Financial Performance
- The 2017/18 Revenue Budget and Financial Challenge
- 2017/18 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2017/18 to 2021/22
- Treasury Management
- Balance Sheet Financial Position at 31st March 2018
- Future Financial Challenge / Corporate Risks 2018/19 – 2019/20

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2017/18.

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.

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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 2017/18 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 appliances available during the day to attend emergency incidents and deliver home and business safety advice, with numbers decreasing as demand decreases during the evening. 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 2017/18 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

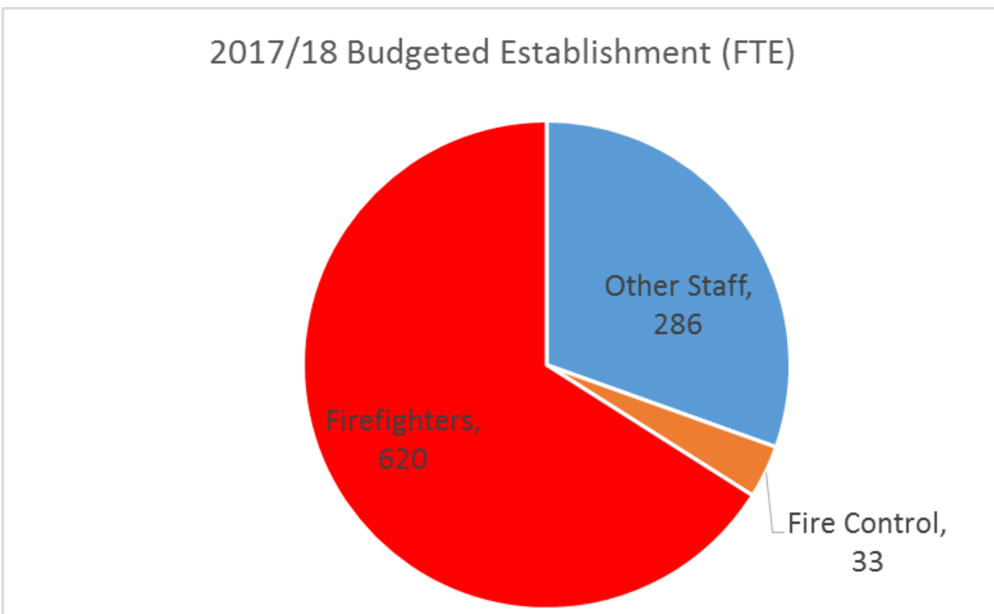
We will work with our partners and our community to protect the most vulnerable.

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 939 full time equivalent employees at the end of March 2018 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 2010/11 the budgeted establishment for firefighters was approximately 1,000 firefighters. The current approved establishment is 620, a reduction of -380 or -38%. Over the same period fire control and support staff have reduced from 467 to 319 a reduction of -148 or -32%. The loss of support and other posts has an impact on the front line as some of these post reductions carried out fire prevention work within the Merseyside community.

By the end of 2017/18 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 2017/18 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 2017/18 Authority's performance against the key performance indicators (KPI) is summarised in the table below:

BENCHMARK KEY PERFORMANCE INDICATORS		**Performance 2016/17**	**Target 2017/18**	**Performance 2017/18**	**Status**
TO00	Total number of emergency calls received	22,465	Quality Assurance	22,980	
TC01	Total number of incidents attended	15,438	14,600	15,862	
TC02	Total number of fires in Merseyside	7,346	7,200	7,266	
TC03	Total number of primary fires attended	2,597	2,509	2,475	
TC04	Total number of secondary fires attended	4,749	4,691	4,791	
TC05	Total number of special services attended	3,071	2,633	3,124	
TC06	Total number of false alarms attended	5,021	4,767	5,472	
TC11	Total number of false alarms attended, discounting false alarm good intent	3,330	3,243	3,612	
TC07	Total number of non-emergency interventions	71	Quality Assurance	80	
TR08	Attendance standard – first attendance of an appliance at a life risk incidents in 10 minutes	96%	90%	95.5%	
TD09	The % of available shifts lost to sickness absence, all personnel	2.89%	4%	3.90%	
TE10	Total carbon output of all MFRS buildings	86.7	88.0	87.6	
DWELLING FIRES					
DC11	Number of accidental fires in dwellings	991	1,046	918	
DC12	Number of fatalities in accidental dwelling fires	7	8	4	
DC13	Number of injuries in accidental dwelling fires attended	93	114	89	
DC14	Number of deliberate dwelling fires in occupied properties	170	163	179	
DC15	Number of deliberate dwelling fires in unoccupied properties	39	41	36	
DC16	Number of deaths in deliberate dwelling fires	1	0	0	
DC17	Number of injuries in deliberate dwelling fires	19	22	10	

BENCHMARK KEY PERFORMANCE INDICATORS		Performance 2016/17	Target 2017/18	Performance 2017/18	Status
NON DOMESTIC PROPERTY					
NC11	Number of deliberate fires in non-domestic premises	115	93	90	
NC12	Number of accidental fires in non-domestic premises	205	200	202	
ANTI SOCIAL BEHAVIOUR					
AC11	Number of deliberate vehicle fires attended	615	525	639	
AC12	Number of accidental vehicle fires attended	207	199	195	
AC13	Number of deliberate anti-social behaviour fires (small)	4,154	4,193	4,195	
AC14	Number of accidental small fires attended	595	498	596	
AC15	Number of 'other' primary fires attended	251	242	210	
ROAD TRAFFIC COLLISIONS					
RC11	Number of road traffic collisions (RTC)	605	557	553	
RC12	Number of injuries in road traffic collisions attended	372	390	298	
RC13	Number of fatalities in RTC's	5	0	10	
SPECIAL SERVICE					
SR11	Number of calls to cardiac and respiratory related incidents from NWAS	217	Quality Assurance	35 Suspended Aug 2017	
FALSE ALARMS					
FC11	The number of false alarm calls due to automatic fire alarm equipment in Non Domestic properties	615	616	592	
FC12	The number of false alarm calls due to automatic fire alarm equipment in Domestic properties	2,521	2,443	2,789	
STAFF WELFARE, RISKS & COMPETENCY RELATED INDICATORS					
WD11	% of available shifts lost to sickness/absence per wholetime equivalent GREY book (operational) personnel	3.46%	4%	4.29%	
WD12	% of available shifts lost to sickness/absence per wholetime equivalent GREEN & RED book (non uniformed) personnel	1.96%	4%	3.90%	
WR13	Total number of operational staff injuries	43	48	40	

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

There are areas where the number of incidents have decreased such as primary fires, road traffic collisions and deaths and injuries in accidental dwelling fires, 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, including false alarms attended, 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 2017/18 Revenue Budget and Financial Challenge

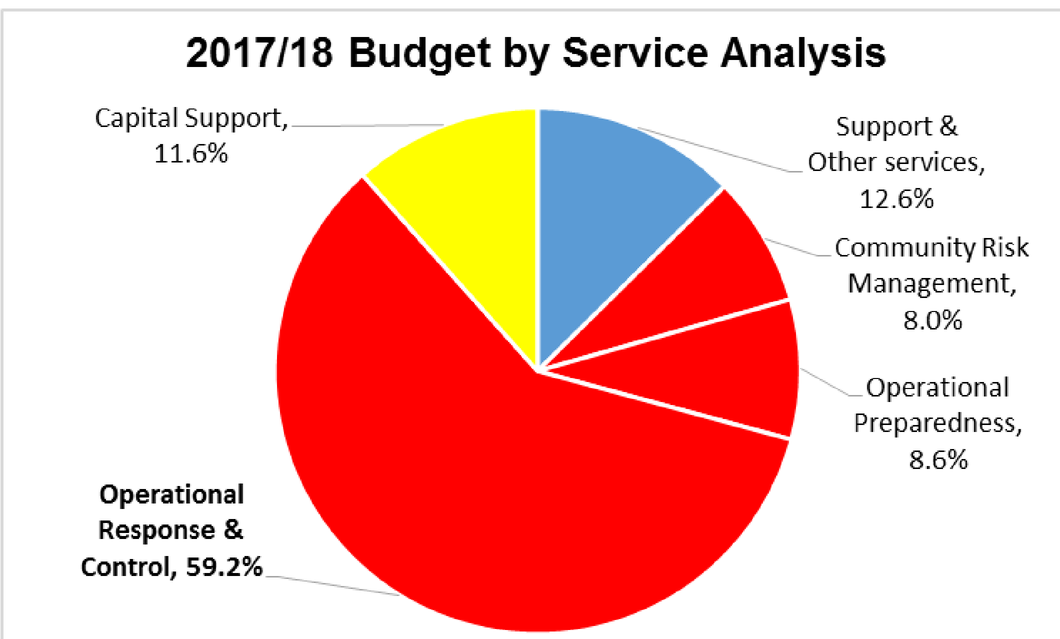
The Authority determines its budget requirement by assessing the service commitments that are financed through its General Fund. The General Fund is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council tax payers. The 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.

In February 2016 the Government announced the settlement funding for the Authority for a four year period, 2016/17 to 2019/20. 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 its 2015/16 grant. This is approximately a 50% cut in real terms once inflation is taken into account. In 2015/16 RSG contributed to 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 financial plan assumptions, particularly over future pay bill increases, the Authority is facing an £11m financial challenge by 2019/20. The Authority approved a robust financial plan to meet the deficit. The plan included significant efficiency savings, a cut in management costs and a reduction in support services, unfortunately however there in order to balance the plan it includes an unavoidable reduction in frontline services. The impact of the savings on staffing, fire appliances & fire stations has already been outlined.

The Authority set its General Fund budget for 2017/18 at £59.490m 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 anticipated (based on the estimate forecast when the 2017/18 budget was approved) Earmarked Reserves as at 01.04.17 of £25.371m to cater for specific risks, projects and one-off initiatives and in particular to help it manage effectively the financial pressures.

The 2017/18 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 £59.490 million. The table below summarises the **general revenue fund position** at year-end and compares it to that budget. Overall, the Authority was ahead of target in delivering its savings by £1.961m million by year end after taking into account £0.442 million of year-end earmarked reserves required to cover expenditure re-phased from 2017/18 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	48,413	404	1,746	50,563	48,804	(1,759)	55	(1,704)
Premises Costs	2,626	-	-	2,626	2,542	(84)	-	(84)
Transport Costs	1,638	-	1,031	2,669	2,497	(172)	-	(172)
Supplies and Services	3,236	35	1,337	4,608	3,893	(715)	98	(617)
Agency Services	5,905	-	440	6,345	6,148	(197)	42	(155)
Central Support Services	437	92	220	749	711	(38)	-	(38)
Capital Financing	10,997	-	6	11,003	11,001	(2)	-	(2)
Income	(7,774)	-	(4,780)	(12,554)	(11,786)	768	247	1,015
Net Expenditure	**65,478**	**531**	**-**	**66,009**	**63,810**	**(2,199)**	**442**	**(1,757)**
Contingency Pay & Prices	198			198	-	(198)	-	(198)
Interest on Balances	(172)			(172)	(177)	(5)	-	(5)
	65,504	**531**		**66,035**	**63,633**	**(2,402)**	**442**	**(1,960)**
Movement on Reserves	(6,545)			(6,545)	(6,546)	(1)		(1)
Overall Financial Position	**58,959**	**531**		**59,490**	**57,087**	**(2,403)**	**442**	**(1,961)**
Use of Year-End Favourable Variance to:-								
Increase Inflation Res.								**200**
Increase Firefighter Recruitment Res.								**744**
Increase Capital/LGPS Deficit Res.								**1,017**
Year-End Funded Reserves								**1,961**

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.

The key areas of underspending were;

- Vacancy management within the employee establishment and lower employee insurance costs resulted in a saving of £1.1m.
- The Authority manages the UK National Resilience (NR), International Search and Rescue (ISAR) and Department for the Environment and Rural Affairs (DEFRA) projects on behalf of the Government. The 2017/18 budget was £4.8m and was fully funded by the Home Office. Significant variances materialised in the year as planned spend was re-phased to mirror the delivery of projects, exercises and training. Approximately £1m of anticipated 2017/18 spend will now be incurred in 2018/19. This has resulted in variances on the expenditure budget (£0.6m employee training costs, £0.2m supplies and services, other £0.2m) and an offsetting reduction in call-down of grant income of £1m
- Successful management of utility, energy and rates costs saved £0.1m 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
- Savings from efficiencies in the outsourced facilities management contract and PFI payments resulted in a £0.1m saving.
- 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 £34.424m 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 Adjustments £'000	Total Adjustments per Expenditure and Funding Analysis £'000	Total Adjustments per Comprehensive Income and Expenditure Statement £'000
	Net General Fund 2017/18 year-end position:	**Note**	0	0	0
1	**Net Creation of Earmarked Reserves**	(a)	-		**4,143**
2	**Asset Valuation / Charges and Capital Funding Adjustments**				
	Depreciation, Impairment and Revaluation adjustment	(b)	5,378	-	**-**
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	658	-	**-**
	Asset Disposal / Write-offs / Revaluation losses		50	-	**-**
	MRP / Interest adjustment	(f)	(4,513)	-	**-**
	Capital Expenditure Funded from the Revenue Account (CERA)		(4,830)	-	**-**
	Capital Grants Income		(1,402)	**(4,659)**	**-**
3	**Pension related adjustments**	(d)			
	Pension Contributions payable to pension fund		(8,232)		
	Pension Current Service Costs		13,751		
	Pension Past Service Costs		720		
	Net Interest on the Defined Benefit Liability Scheme		29,131	**35,370**	
4	**Other technical accounting adjustments**	(e)			
	Timing Differences for Premiums and Discounts		16		
	Timing Differences for Council Tax / NNDR		(338)		
	Timing Differences for Compensated Absences		(108)	**(430)**	
	Total Adjustments				**30,281**
	Total Comprehensive Income and Expenditure Statement				**34,424**

Notes to the table:

a) *Although the creation of earmarked reserves does not form part of the CIES they are included to ensure that the General Fund expenditure reconciles back to the CIES.*

b) *The depreciation and impairment charge reflects the notional consumption of assets during the year and the reduction in the valuation of assets during the year.*

c) *REFCUS relates to the installation of free smoke alarms to households in Merseyside that under proper accounting practice should be defined as revenue but which statute allows the Authority to fund from capital.*

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

e) *The other technical accounting adjustment incorporates the adjustments made in relation to council tax indebtedness between the billing authorities and the Authority, and, the value of employee benefits accrued in the year but not taken (leave carried forward).*

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

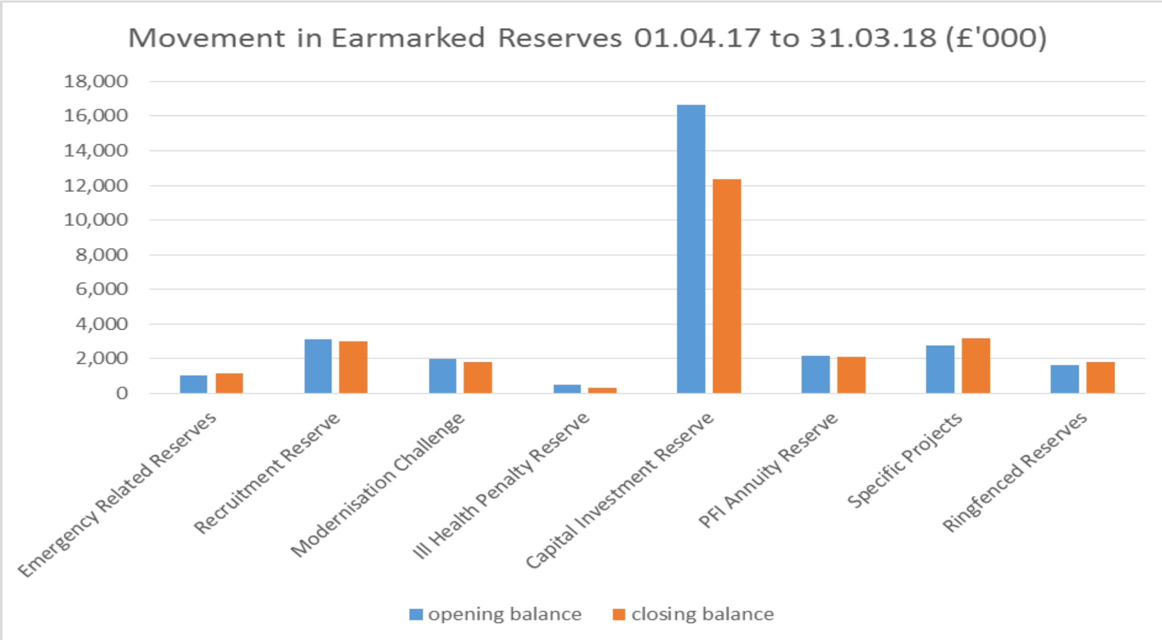
Whilst the CIES shows the true accounting position for the year, it is the General Fund position which more directly reflects the impact on Merseyside residents as it records only those expenses which statute allows to be charged against the Authority's annual budget, the amounts to be set aside as reserves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

Reserves

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 2017/18 the Authority's earmarked reserves were £25.715m, a net reduction of £4.143m on the value at the start of the year. These earmarked reserves are required in order to carry forward 2017/18 funds into 2018/19 to meet projects now re-phased or to offset identified potential risks to the Authority's financial plan such as higher than anticipated pay awards. 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 Academy.

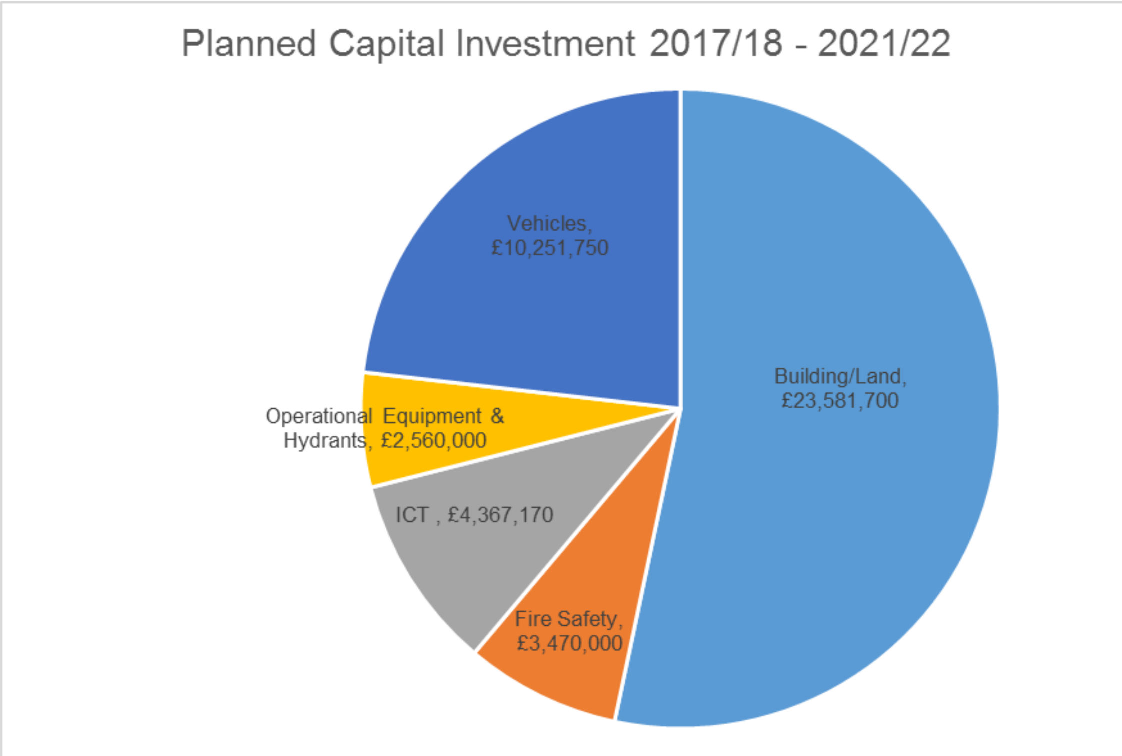


Capital Strategy and Capital Programme 2017/18 to 2021/22

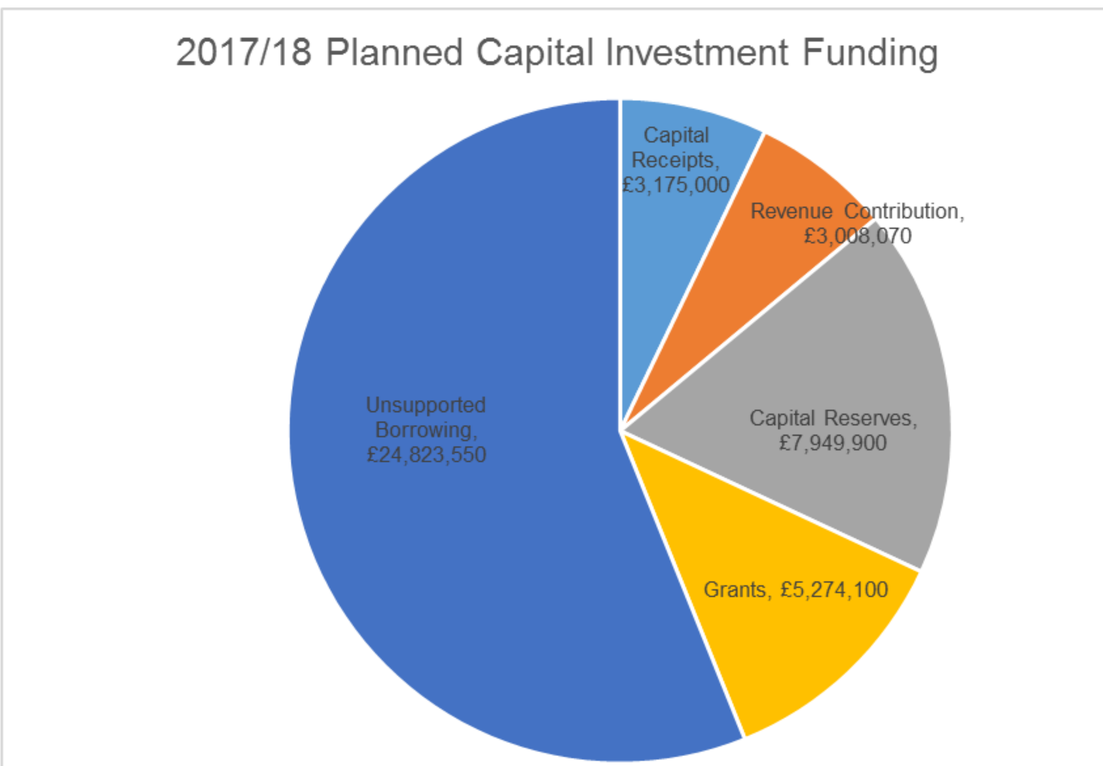
Each financial year the Authority produces a capital programme to manage major capital schemes. Owing to the nature of capital expenditure, a large number of schemes span more than one financial year, therefore the programme is a rolling programme covering five financial years.

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 2017/18 – 2021/22 capital budget of £44.231m 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 £24.824m 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 new 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 2017/18 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 2017/18 into 2018/19 £'000	Variance £'000
Expenditure				
Building/Land	10,204.2	6,055.6	4,148.9	0.3
Fire Safety	930.0	624.9	200.0	(105.1)
ICT	1,730.3	903.5	838.0	11.2
Operational Equip & Hydrants	796.5	284.6	480.0	(31.9)
Vehicles	4,196.2	2,290.9	1,905.4	0.1
TOTAL	**17,857.2**	**10,159.5**	**7,572.3**	**(125.4)**
Financing				
Capital Receipts	900.0	392.7	650.0	(142.7)
Revenue and Reserves	4,830.0	4,830.0	0.0	0.0
Grants	2,552.1	927.7	1,623.9	0.5
Unsupported Borrowing	9,575.1	4,009.1	5,298.4	267.6
TOTAL	**17,857.2**	**10,159.5**	**7,572.3**	**125.4**

The most significant items of capital expenditure have been:

- The completion 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 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 2017/18
- The External Debt and Treasury Management Prudential Indicators and Limits for 2017/18 to 2019/20
- The Investment Strategy 2017/18
- The Minimum Revenue Provision (MRP) Statement which sets out the Authority's policy on MRP.

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

The External Debt and Treasury Management Prudential Indicators and Limits 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 Ministry of Housing, Communities and Local Government (MHCLG) 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 year 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 £39.1m at the start of the year to £38.1m at the end following the repayment of £1.0m of loans in the year. Interest paid during the year on existing long term borrowing totalled £2.0m.

Balance Sheet Financial Position at 31st March 2018

The net worth (total reserves) of the Authority is shown in the Balance Sheet. From the CIES it can be seen that the Authority's net worth has increased by £5.315m over the year, and as a consequence the current net liability on total reserves has decreased from (£1,080.341m) to (£1,075.026m). 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 £1,110.716m reflecting underlying commitments that the Authority has with regards to retirement benefits. However arrangements are in place for funding the pension liability:

- the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary,
- any shortfall on the Firefighter Pension Schemes is met by grant funding from Central Government and the Authority is only required to cover discretionary benefits when the pensions are actually paid.

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

Future Financial Challenge and Corporate Risks 2018/19 – 2019/20

The Authority continues to face significant financial challenges over the next few years as the Government seeks to balance public spending as a whole. Between 2011/12 and 2015/16 the Authority had already identified savings of over £25m to meet the challenge from cuts in Government grants over that period. Following the announcement of the 2016/17 – 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 £11m financial challenge, assuming all budget assumptions remain valid. The Authority approved a financial plan to meet this challenge at the budget meeting on 23rd February 2017 (2017/18 Budget) and ratified its decision at the Budget meeting on 22rd February 2018 (2018/19 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 1,000 firefighters in 2010 to 620 by 2018. The Authority will see the number of community fire stations reduce from 26 wholetime stations in 2010 to 22 with a variety of duty systems by 2019. These stations act as hubs for providing services to our communities.

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 Act places a statutory duty on the three emergency services (Ambulance, Fire and Police) to keep collaboration opportunities under review and to collaborate where this would improve efficiency and effectiveness. The Authority 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 invited the Merseyside Police Crime Commissioner to become a member of the Authority which she accepted.

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 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 31st March 2018 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 2017/18 Code has built upon the changes introduced by IFRS and has made some small changes to accounting policies and disclosure requirements, none of which are of any significance or have any material impact.

FURTHER INFORMATION

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The Financial Statements

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.

2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000		Notes	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
64,223	(7,001)	57,222	Fire Service Operations		69,014	(7,983)	61,031
1,177	-	1,177	Corporate and Democratic Core		1,129	-	1,129
1,606	(1,419)	187	National Resilience / International Search and Rescue		3,830	(3,802)	28
460	-	460	Non-Distributed Costs	40	732	-	732
67,466	**(8,420)**	**59,046**	**Cost Of Services**		**74,705**	**(11,785)**	**62,920**
4,531	-	4,531	Other Operating Expenditure	9	51	-	51
38,730	(2,381)	36,349	Financing and Investment Income and Expenditure	10	34,766	(2,083)	32,683
-	(61,403)	(61,403)	Taxation and Non-Specific Grant Income	11	-	(61,230)	(61,230)
		38,523	**(Surplus) or Deficit on Provision of Services**	27			**34,424**
		-	(Surplus) or Deficit on Revaluation of Fixed Assets				-
		144,353	Remeasurement of the Net Defined Benefit Liability				(39,739)
		144,353	**Other Comprehensive Income and Expenditure**				**(39,739)**
		182,876	**Total Comprehensive Income and Expenditure**				**(5,315)**

1. Merseyside Fire and Rescue Authority also took over the responsibility for National Resilience / International Search and Rescue 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 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**

	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 2017		**(31,858)**	**-**	**(4,581)**	**(36,439)**	**1,116,780**	**1,080,341**
<u>Movement in reserves during 2017/18</u>							
Total Comprehensive Income and Expenditure		34,424	-	-	**34,424**	(39,739)	(5,315)
Adjustments between accounting basis & funding basis under regulations	7	(30,281)	-	(464)	**(30,745)**	30,745	-
Increase or Decrease in 2017/18		**4,143**	**-**	**(464)**	**3,679**	**(8,994)**	**(5,315)**
Balance at 31 March 2018 carried forward		**(27,715)**	**-**	**(5,045)**	**(32,760)**	**1,107,786**	**1,075,026**

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 2017 £000		Notes	31 March 2018 £000
63,584	Property, Plant & Equipment	12	66,791
140	Intangible Assets	13	374
-	Assets Held for Sale	18	-
-	Long Term Investments	14	-
-	Long Term Debtors	14	-
63,724	**Long Term Assets**		**67,165**
-	Current Intangible Assets		
15,043	Short Term Investments	14	22,058
400	Assets Held for Sale	18	650
456	Inventories	15	527
4,362	Short Term Debtors	16	4,795
21,471	Cash and Cash Equivalents	14 & 17	15,134
41,732	**Current Assets**		**43,164**
(1,774)	Short Term Borrowing	14	(1,996)
(10,834)	Short Term Creditors	19	(15,664)
(12,608)	**Current Liabilities**		**(17,660)**
(18,510)	Long Term Creditors	14	(18,147)
(1,170)	Provisions	20	(948)
(38,100)	Long Term Borrowing	14	(37,600)
(1,115,409)	Other Long Term Liabilities	14 & 40	(1,111,000)
(1,173,189)	**Long Term Liabilities**		**(1,167,695)**
(1,080,341)	**Net Liabilities**		**(1,075,026)**
(36,439)	Usable Reserves	21	(32,760)
1,116,780	Unusable Reserves	22	1,107,786
1,080,341	**Total Reserves**		**1,075,026**

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.

2016/17 £000		Notes	2017/18 £000
38,523	Net (surplus) or deficit on the provision of services		34,424
(51,473)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(45,939)
(2,956)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(1,768)
(15,906)	**Net cash flows from Operating Activities**		**(13,283)**
3,810	Investing Activities	25	14,508
6,151	Financing Activities	26	5,112
(5,945)	**Net increase or decrease in cash and cash equivalents**		**6,337**
(15,526)	Cash and cash equivalents at the beginning of the reporting period		(21,471)
(21,471)	**Cash and cash equivalents at the end of the reporting period**	17	**(15,134)**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, 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 no more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period; no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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, 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 Schemes for uniformed employees, administered by LPP - Your Pension Service (LPP Your Pension Service, PO Box 1382, Preston, Lancashire, PR2 0WQ).
- The Local Government Pensions Scheme for civilian employees, administered by Wirral Borough Council through Merseyside Pension Fund (Merseyside Pension Fund, 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 the Home Office where income to the the fund is less than its expenditure.
- Debiting an amount payable to the Home Office where the expenditure of the fund is less than its income.

Firefighters' Injury Schemes

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

The Local Government Pension Scheme

- The Local Government 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 present 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.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii. Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

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

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

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

ix. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March. 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 2017/18 (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 current 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 a current value basis as buildings could be used for alternative purposes
- assets under construction are valued on depreciated historical cost basis
- all other assets are measured at the current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently and regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property as estimated by the valuer. The remaining life of the buildings range from 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 Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) has introduced several changes in the accounting policies which will be required from 1st April 2018. 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 2017/18 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 2017/18.

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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	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 £691,000 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 £641,000.
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 2018, the Authority had a balance of sundry debtors of £858,000. A review of significant balances suggested that an impairment for doubtful debts of 23.42% (£200,900) 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 £200,900 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 £22,000 in the provision.

5. Material Items of Income and Expense

The following services have been outsourced to an external provider.

	2017/18 £000	2016/17 £000
IT & Communications	**1,844**	**1,808**
Estates	**1,133**	**1,156**

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 2017/18

2017/18	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)	(35,370)	-	-
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	(15)	-	-
- Council Tax and NDR (transferred to the Collection Fund Adjustments Account)	338	-	-
- Holiday pay (transferred to the Accumulated Absences Reserve)	108	-	-
- 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):	(5,067)	-	(700)
Total Adjustments to Revenue Resources	**(40,006)**		**(700)**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Reserve	382	(382)	-
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)	4,513	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,830	-	-
Total Adjustments between Revenue and Capital Resources	**9,725**	**(382)**	**-**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	382	-
Application of capital grants to finance capital expenditure	-	-	236
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	**-**	**382**	**236**
Total Adjustments	**(30,281)**	**-**	**(464)**

Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17

2016/17	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves 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 Collection Fund 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**

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 2017/18.

	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Emergency Related Reserves:							
Bellwin Reserve	**147**	-	-	**147**	-	-	**147**
Insurance Reserve	**870**	(370)	200	**700**	-	159	**859**
Emergency Planning Reserve	**75**	-	-	**75**	-	-	**75**
Catastrophe Reserve	**500**	(400)	-	**100**	-	-	**100**
Modernisation Challenge:							
Smoothing Reserve	**1,323**	(569)	1,227	**1,981**	(175)	-	**1,806**
Severance Reserve	**365**	(365)	-	**-**	-	-	**-**
Pensions Reserve	**900**	(400)	-	**500**	(178)	-	**322**
Recruitment Reserve	**1,000**	-	2,100	**3,100**	(845)	745	**3,000**
Invest To Save Reserve	**-**	-	1,000	**1,000**	-	-	**1,000**
Capital Investment:							
Capital Investment Reserve	**14,439**	(3,295)	5,469	**16,613**	(5,884)	1,592	**12,321**
Emerging Technologies Reserve	**-**	-	60	**60**	(2)	-	**58**
PFI Annuity Reserve	**2,172**	(2,180)	2,177	**2,169**	(77)	-	**2,092**
Equality/DDA Investment Reserve	**285**	-	-	**285**	-	-	**285**
Firefighter Safety Investment Reserve	**760**	(760)	-	**-**	-	-	**-**
Specific Projects:							
Community Sponsorship Reserve	**2**	(2)	2	**2**	-	4	**6**
Equipment Reserve	**422**	(141)	20	**301**	(33)	79	**347**
Contestable Research Fund Reserve	**25**	(1)	-	**24**	-	-	**24**
Clothing Reserve	**166**	-	-	**166**	(108)	250	**308**
CFOA Road Safety Reserve	**100**	(100)	-	**-**	-	-	**-**
Healthy Living / Olympic Legacy Reserve	**34**	(64)	70	**40**	(6)	1	**35**
Training Reserve	**230**	(137)	357	**450**	-	-	**450**
Communications Reserve	**17**	(17)	-	**-**	-	-	**-**
Inflation:							
Inflation Reserve	**500**	-	-	**500**	-	200	**700**
Total	**24,332**	**(8,801)**	**12,682**	**28,213**	**(7,308)**	**3,030**	**23,935**
Ringfenced Reserves							
F.R.E.E Reserve	**51**	(51)	-	**-**	-	-	**-**
Princes Trust Reserve	**368**	(276)	-	**92**	-	29	**121**
Community Youth Team Reserve	**58**	(58)	-	**-**	-	-	**-**
Beacon Peer Project Reserve	**62**	(62)	-	**-**	-	-	**-**
Innovation Fund Reserve	**173**	(176)	323	**320**	-	5	**325**
Energy Reserve	**156**	(72)	48	**132**	-	9	**141**
St Helens District Reserve	**10**	(10)	-	**-**	-	-	**-**
New Dimensions Reserve	**1,038**	-	63	**1,101**	(2)	94	**1,193**
Total	**1,916**	**(705)**	**434**	**1,645**	**(2)**	**137**	**1,780**
Total Earmarked Reserves	**26,248**	**(9,506)**	**13,116**	**29,858**	**(7,310)**	**3,167**	**25,715**

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 any risk to the Authority and the need for resources to cope with any major or protracted incidents.

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 £3m 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

2016/17 £000		2017/18 £000
4,531	(Gains)/losses on the disposal of non-current assets	51
4,531	**Total**	**51**

10. Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
3,788	Interest payable and similar charges	3,730
34,942	Pensions interest cost	31,036
(2,194)	Expected return on pensions assets	(1,905)
(187)	Interest receivable and similar income	(178)
-	Other investment income	-
36,349	**Total**	**32,683**

11. Taxation and Non-Specific Grant Income

2016/17 £000		2017/18 £000
(26,152)	Council tax income	(27,049)
(3,963)	National non domestic rates (Local share)	(4,360)
-	National non domestic rates pool	-
(14,165)	National non domestic rates top up grant	(14,755)
(16,523)	Revenue support grant	(13,664)
(600)	Capital grants and contributions	(1,402)
(61,403)	**Total**	**(61,230)**

12. Property, Plant and Equipment

Movements in 2017/18:

	Land & Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property Plant and Equipment £000
Cost or Valuation					
At 1 April 2017	**57,341**	**2,276**	**19,699**	**79,316**	**18,825**
Additions	704	5,317	3,106	9,127	-
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Derecognition – Disposals	-	-	(470)	(470)	-
Derecognition – Other			(2,555)	(2,555)	-
Assets reclassified (to)/from Held for Sale	(1,000)	-	-	(1,000)	-
Other movements in Cost or Valuation	6,889	(7,400)	-	(511)	-
At 31 March 2018	**63,934**	**193**	**19,780**	**83,907**	**18,825**
Accumulated Depreciation and Impairment					
At 1 April 2017	**(5,058)**	**-**	**(10,674)**	**(15,732)**	**(950)**
Depreciation Charge	(2,742)	-	(1,946)	(4,688)	(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	-	-	287	287	-
Derecognition – Other	-	-	2,555	2,555	-
Assets reclassified (to)/from Held for Sale	462	-	-	462	-
Other movements in Depreciation and Impairment	-	-	-	-	-
At 31 March 2018	**(7,338)**	**-**	**(9,778)**	**(17,116)**	**(1,425)**
Net Book Value					
At 31 March 2018	**56,596**	**193**	**10,002**	**66,791**	**17,400**
At 31 March 2017	**52,283**	**2,276**	**9,025**	**63,584**	**17,875**
Nature of Asset Holding					
Owned	37,598	193	10,002	47,793	-
Finance Lease	1,598	-	-	1,598	-
PFI	17,400	-	-	17,400	17,400
Total	**56,596**	**193**	**10,002**	**66,791**	**17,400**

Property, Plant and Equipment

Comparative Movements in 2016/17:

	Land & Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property Plant and Equipment £000
Cost or Valuation					
At 1 April 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**

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 2017/18

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

	I&E Account £000	MIRS Reversal £000	Fixed Assets £000	Intangible Assets £000	AHFS £000	Revaluation Reserve £000
Depreciation						
Fixed Assets	4,688	(4,688)	(4,688)	-	-	-
Intangible Assets	141	(141)	-	(141)	-	-
Total	**4,829**	**(4,829)**	**(4,688)**	**(141)**	**-**	**-**
Impairments						
Loss on Asset Sales	-	-	-	-	-	-
General Impairments (L&B)	511	(511)	(511)	-	-	-
Revaluation Losses	38	(38)	(38)	-	-	-
Total	**549**	**(549)**	**(549)**	**-**	**-**	**-**
Reversal of Prior Year						
Impairments	-	-	-	-	-	-
Revaluation Losses	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total	**5,378**	**(5,378)**	**(5,237)**	**(141)**	**-**	**-**
Revaluation Gain						
Reversal of PY Impairments	-	-	-	-	-	-
Reversal of PY Revaluation Gain	-	-	-	-	-	-
Net Gain	**-**	**-**	**-**	**-**	**-**	**-**

Capital Commitments

At 31st March 2018, 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 2018/19 and future years is £1.5m. Similar commitments at 31st March 2017 were £7.0m. The commitments can be analysed as follows:

- Building Schemes £0.6m
- Equipment and ICT Schemes £0.5m
- Vehicles £0.4m

£1.5m

Effects of Changes in Estimates

Three fire stations were put up for sale in 2017/18 and transferred to Assets Held For Sale.

- Allerton Fire Station £400,000
- Huyton Fire Station £250,000
- Whiston Fire Station £250,000

Huyton Fire Station was sold for £335,000 in 2017/18 and Allerton and Whiston are due to be sold in 2018/19.

Revaluations

The Authority carries out a programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All properties were valued by an external valuer (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 became 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 current 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	-	193	19,780	**19,973**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2015	50,161	-	-	**50,161**
Values at current value as at:				
31 March 2015	13,773	-	-	**13,773**
Total Cost or Valuation	**63,934**	**193**	**19,780**	**83,907**

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:

	2017/18 Software Licenses £000	2016/17 Software Licenses £000
Balance at start of year:		
▪ Gross carrying amounts	140	688
▪ Accumulated amortisation	-	(519)
Net carrying amount at start of year	**140**	**169**
Net carrying amount at start of year	140	169
Additions:		
▪ Internal Development	-	-
▪ Purchases	374	140
▪ 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	(140)	(169)
Other changes		-
Net carrying amount at end of year	**374**	**140**
Comprising:		
Gross carrying amounts	374	140
Accumulated amortisation	-	-
Total	**374**	**140**

14. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£000	£000	£000	£000
Investments				
Loans and receivables – Investments	-	-	22,058	15,043
– Cash & Bank	-	-	15,134	21,471
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	**-**	**-**	**37,192**	**36,514**

Debtors				
Loans and receivables	-	-	-	-
Financial assets carried at contract amounts	-	-	4,795	4,362
Total Included in Debtors	**-**	**-**	**4,795**	**4,362**

Borrowings				
Financial liabilities at amortised cost (PWLB)	(37,600)	(38,100)	(500)	(1,000)
Financial liabilities at fair value through profit and loss	-	-	(700)	-
Total borrowings	**(37,600)**	**(38,100)**	**(1,200)**	**(1,000)**
Other Long Term Liabilities				
Finance lease liabilities	-	-	-	-
PFI liabilities	(18,147)	(18,510)	(363)	(335)
Merseyside Residual Debt	(284)	(325)	(41)	(41)
Total other long term liabilities	**(18,431)**	**(18,835)**	**(404)**	**(376)**
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	(15,664)	(10,834)
PWLB interest carried at contract amount	-	-	(392)	(398)
Total creditors	**-**	**-**	**(16,056)**	**(11,232)**
Total borrowing	**(56,031)**	**(56,935)**	**(17,660)**	**(12,608)**

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:

	2017/18					2016/17				
	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	3,730	-	-	-	**3,730**	3,788	-	-	-	**3,788**
Losses on derecognition	-	-	-	-	**-**	-	-	-	-	**-**
Reductions in fair value	-	-	-	-	**-**	-	-	-	-	**-**
Impairment losses	-	-	-	-	**-**	-	-	-	-	**-**
Fee expense	-	-	-	-	**-**	-	-	-	-	**-**
Total expense in Surplus or Deficit on the Provision of Services	**3,730**	**-**	**-**	**-**	**3,730**	**3,788**	**-**	**-**	**-**	**3,788**
Interest income	-	(177)	-	-	**(177)**	-	(187)	-	-	**(187)**
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	**-**	**(177)**	**-**	**-**	**(177)**	**-**	**(187)**	**-**	**-**	**(187)**
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	**3,730**	**(177)**	**-**	**-**	**3,553**	**3,788**	**(187)**	**-**	**-**	**3,601**

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 2018 of 4.25% 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 2018		31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & Long term loans	38,100	57,443	39,100	58,958

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 2018) 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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	352	353	104	108	456	461
Purchases	474	328	726	701	1,200	1,029
Recognised as an expense in the year	(410)	(329)	(719)	(705)	(1,129)	(1,034)
Written off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**416**	**352**	**111**	**104**	**527**	**456**

16. Debtors

	31 March 2018 £000	31 March 2017 £000
Central Government bodies	687	494
Other local authorities	3,116	3,103
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	992	765
Total	**4,795**	**4,362**

17. Cash and Cash Equivalents

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

31 March 2017 £000		31 March 2018 £000
11	Cash held by the Authority	9
8,552	Bank current accounts	5,722
12,908	Short-term deposits with building societies	9,403
21,471	**Total Cash and Cash Equivalents**	**15,134**

The bank current account includes the pension fund debtor of £6.574m as at the 31st March 2018 and £8.622m as at the 31st March 2017. 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 £0.852m as at the 31st March 2018 and £0.070m as at 31st March 2017 before taking account of this debtor.

18. Assets Held for Sale

	Current		Non-Current	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Balance outstanding at start of year	**400**	**400**	**-**	**-**
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	-	538	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	(38)	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:	-		-	-
Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(250)	-	-	-
Transfers from non-current to current	500	-	(500)	-
Other movements	-	-	-	-
Balance outstanding at year-end	**650**	**400**	**-**	**-**

19. Creditors

	31 March 2018	31 March 2017
	£000	£000
Central Government bodies	(9,820)	(4,407)
Other local authorities	(2,835)	(3,088)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(3,009)	(3,339)
Total	**(15,664)**	**(10,834)**

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 2017	**-**	**(440)**	**(730)**	**(1,170)**
Additional provisions made in 2017/18	-	195	1	**196**
Amounts used in 2017/18	-	26	-	**26**
Unused amounts reversed in 2017/18	-	-	-	**-**
Unwinding of discounting in 2017/18	-	-	-	**-**
Balance at 31 March 2018	**-**	**(219)**	**(729)**	**(948)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31st March 2018. 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 2018 from the five precepting authorities.

21. Usable Reserves

31 March 2017 £000		31 March 2018 £000
-	Usable Capital Receipts Reserve	-
(4,581)	Usable Capital Grants Unapplied	(5,045)
(2,000)	General Fund Balance	(2,000)
(29,858)	Earmarked Reserves **(Note 8)**	(25,715)
(36,439)	**Total Usable Reserves**	**(32,760)**

22. Unusable Reserves

31 March 2017 £000		31 March 2018 £000
(8,805)	Revaluation Reserve	(7,665)
9,465	Capital Adjustment Account	4,131
(29)	Financial Instruments Adjustment Account	(14)
1,115,085	Pensions Reserve	1,110,716
(6)	Collection Fund Adjustment Account	(344)
1,070	Accumulating Compensated Absences Adjustment Account	962
1,116,780	**Total Unusable Reserves**	**1,107,786**

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.

2016/17 £000		2017/18 £000	
(10,123)	**Balance at 1 April**		**(8,805)**
-	Upward revaluation of assets	-	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
-	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-	
1,248	Difference between fair value depreciation and historical cost depreciation	975	
70	Accumulated gains on assets sold or scrapped	165	
1,318	Amount written off to the Capital Adjustment Account		**1,140**
(8,805)	**Balance at 31 March**		**(7,665)**

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 31st March 2018.

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.

2016/17 £000			2017/18 £000
6,270	**Balance at 1 April**		**9,465**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
5,769	• Charges for depreciation and impairment of non-current assets	5,237	
-	• Revaluation losses on Property, Plant and Equipment	-	
169	• Amortisation of intangible assets	141	
1,028	• Revenue expenditure funded from capital under statute	658	
4,531	• 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	433	
11,497			6,469
(1,318)	Adjusting amounts written out of the Revaluation Reserve		(1,140)
10,179	Net written out amount of the cost of non-current assets consumed in the year		**5,329**
	Capital financing applied in the year:		
-	• Use of the Capital Receipts Reserve to finance new capital expenditure	(382)	
-	• Use of the Major Repairs Reserve to finance new capital expenditure	-	
(198)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(702)	
(1,630)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(236)	
(4,487)	• Statutory provision for the financing of capital investment charged against the General Fund	(4,513)	
(669)	• Capital expenditure charged against the General Fund	(4,830)	
(6,984)			**(10,663)**
-	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		
9,465	**Balance at 31 March**		**4,131**

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 31st March 2018 will be charged to the General Fund over the next 2 years.

2016/17 £000		2017/18 £000	
(79)	**Balance at 1 April**		**(29)**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
50	Proportion of discounts received in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	15	
50	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		15
(29)	**Balance at 31 March**		**(14)**

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.

2016/17 £000		2017/18 £000
934,895	**Balance at 1 April**	**1,115,085**
144,353	Remeasurements of the net defined benefit liability/(asset)	(39,739)
43,371	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	43,602
(7,534)	Employer's pensions contributions and direct payments to pensioners payable in the year	(8,232)
1,115,085	**Balance at 31 March**	**1,110,716**

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.

2016/17 £000		2017/18 £000
(710)	**Balance at 1 April**	**(6)**
704	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	(338)
(6)	**Balance at 31 March**	**(344)**

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2016/17 £000		2017/18 £000
1,269	Balance at 1 April	1,070
(739)	Settlement or cancellation of accrual made at the end of the preceding year	(575)
540	Amounts accrued at the end of the current year	467
(199)	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	(108)
1,070	**Balance at 31 March**	**962**

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

2016/17 £000		2017/18 £000
(5,769)	Depreciation and impairment of non-current assets	(5,237)
-	Revaluation losses on property plant and equipment	-
(169)	Amortisation of intangible assets	(141)
(1,028)	Revenue expenditure treated as capital under statute	(658)
-	Movement in the Donated Assets Account	-
(35,837)	Movement in Pension Liability	(35,370)
(4,531)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(433)
(3,632)	(Increase)/Decrease in Creditors	(4,831)
(1,045)	Increase/(Decrease) in Debtors	438
(5)	Increase/(Decrease) in Stocks	71
543	(Increase)/Decrease in Provisions	222
(51,473)		**(45,939)**

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

2016/17 £000		2017/18 £000
187	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	177
45	Proceeds from the sales of property plant and equipment, investment property and intangible assets	383
(3,788)	Loan interest	(3,730)
600	Capital grants	1,402
(2,956)		**(1,768)**

25. Cash Flow Statement – Investing Activities

2016/17 £000		2017/18 £000
3,652	Purchase of property, plant and equipment, investment property and intangible assets	10,160
1,000	Purchase of short-term and long-term investments	7,000
-	Other payments for investing activities	(700)
(45)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(383)
-	Proceeds from short-term and long-term investments	-
(797)	Other receipts from investing activities	(1,569)
3,810	**Net cash flows from investing activities**	**14,508**

26. Cash Flow Statement – Financing Activities

2016/17 £000		2017/18 £000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	-
307	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	335
2,041	Repayments of short term and long term borrowing	1,041
3,803	Other payments for financing activities	3,736
6,151	**Net cash flows from financing activities**	**5,112**

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.

2016/17				Notes	2017/18		
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
57,603	(381)	57,222	Fire Service Operations		63,330	(2,299)	61,031
481	696	1,177	Corporate and Democratic Core		480	649	1,129
-	187	187	National Resilience / International Search and Rescue		-	28	28
-	460	460	Non-Distributed Costs		-	732	732
58,084	**962**	**59,046**	**Net Cost Services**		**63,810**	**(890)**	**62,920**
(61,694)	41,171	(20,523)	Other Income and Expenditure		(59,667)	31,171	(28,496)
(3,610)	**42,133**	**38,523**	**Surplus or Deficit**	**27**	**4,143**	**30,281**	**34,424**
(28,248)	-	-	Opening General Fund Balance		(31,858)	-	-
(3,610)	-	-	Less/Plus (Surplus) or Deficit on General Fund		4,143	-	-
(31,858)	**-**	**-**	**Closing General Fund Balance**		**(27,715)**	**-**	**-**

Adjustments between Funding and Accounting Basis

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**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2017/18			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Fire Service Operations	(7,615)	5,407	(91)	**(2,299)**
Corporate and Democratic Core	550	100	(1)	**649**
National Resilience / International Search and Rescue	28	-	-	**28**
Non-Distributed Costs	-	732	-	**732**
Exceptional Items	-	-	-	**-**
Net Cost Services	**(7,037)**	**6,239**	**(92)**	**(890)**
Other Income and Expenditure from the Expenditure and Funding Analysis	2,378	29,131	(338)	**31,171**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,659)**	**35,370**	**(430)**	**30,281**

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 recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- The **Accumulated Absences Account** absorbs the differences that would otherwise arise on the General Fund Balance from accruing for Compensated Absences earned but not taken in the year.

Segmental Income

Income received on a segmental basis is analysed below:

Services	2017/18 Income from Services £000	2016/17 Income from Services £000
Fire Service Operations	(7,983)	(7,001)
Corporate and Democratic Core	-	-
National Resilience / International Search and Rescue	(3,802)	(1,419)
Non-Distributed Costs	-	-
Exceptional Items	-	-
Net Cost Services	**(11,785)**	**(8,420)**

Expenditure and Income Analysed By Nature

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

Expenditure/Income	2017/18 £000	2016/17 £000
Expenditure		
Employee Benefits Expenses	54,545	48,379
Other Services Expenses	13,704	11,712
Support Service Recharges	420	409
Depreciation, Amortisation, Impairment.	6,036	6,966
Interest Payments	34,766	38,730
(Gain)/Loss on Disposal of Assets	51	4,531
Total Expenditure	**109,522**	**110,727**
Income		
Fees, charges and other service income	(11,785)	(8,420)
Interest and investment income	(2,083)	(2,381)
Income from council tax, non-domestic rates, district rate income	(59,828)	(60,803)
Government Grants and Contributions	(1,402)	(600)
Total Income	**(75,098)**	**(72,204)**
Surplus or (Deficit) on the Provision of Services	**34,424**	**38,523**

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:

	2017/18 £000	2016/17 £000
Allowances	206	210
Expenses	20	17
Total	**226**	**227**

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 a £	Total
Chief Fire Officer – Dan Stephens	2017/18	170,000	-	-	-	-	33,461	203,461
	2016/17	170,000	-	-	-	-	32,680	202,680
Deputy Chief Fire Officer Note b	2017/18	144,500	-	-	-	-	20,664	165,164
	2016/17	144,500	-	-	-	-	30,465	174,965
Area Manager 3rd Officer Operational Preparedness	2017/18	93,122	-	-	-	-	13,317	106,439
	2016/17	92,200	-	-	-	-	13,185	105,385
Area Manager 3rd Officer Operational Response	2017/18	93,150	-	-	-	-	13,317	106,467
	2016/17	92,200	-	-	-	-	13,185	105,385
Director of Legal, Procurement & Democratic Services	2017/18	93,791	-	-	-	-	14,049	107,840
	2016/17	93,429	-	-	-	-	12,538	105.967
Treasurer	2017/18	87,569	-	-	-	-	13,180	100,749
	2016/17	86,641	-	-	-	-	11,676	98,317

Note a
The employer's pension scheme contribution rate varies between the different firefighter pension schemes and the local government's pension scheme.

Note b
The Deputy Chief Fire Officer moved from the Firefighters FPS1992 Pension Scheme to the FPS2015 pension scheme as part of the compulsory pension tapering regulations. The new Firefighters Pension Scheme FPS2015 has a lower employers contribution rate than the FPS1992 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	2017/18 Number of Employees	2016/17 Number of Employees
£50,000 - £54,999	34	46
£55,000 - £59,999	19	15
£60,000 - £64,999	8	7
£65,000 - £69,999	8	6
£70,000 - £74,999	5	3
£75,000 - £79,999	1	1
£80,000 - £84,999	1	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	1
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
Total	**77**	**79**

Note a – In 2017/18, 69 of the 77 staff receiving over £50,000 are firefighting staff (in 2016/17 this was 71 of the 79), who provide fire cover (many of whom are receiving additional payments for working extra time or working more flexibly and providing resilience).

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

Note c – The P11d calculations in 2017/18 for employees have been estimated, based on 2016/17 figures.

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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	-	-	3	1	3	1	10,903	14,689
£20,001 - £40,000	-	-	1	-	1	-	20,330	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
Total	**-**	**-**	**4**	**1**	**4**	**1**	**31,233**	**14,689**

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:

	2017/18 £000	2016/17 £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
Audit Refund (returned earning audited bodies distribution)	(4)	-
Total	**28**	**33**

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Council tax income/Local share non domestic rates	(31,409)	(30,115)
Non domestic rates	(14,755)	(14,165)
Non-ring fenced Government grants:		
Revenue Support Grant	(13,664)	(16,523)
Capital Grants and Contributions:		
National Resilience Grant	(700)	(600)
Police Collaboration Grant – Prescot	(650)	-
Other	(52)	-
Total	**(61,230)**	**(61,403)**
Credited to Services		
National Resilience / International Search and Rescue Grant	(4,022)	(1,419)
New Dimensions Grant (Home Office)	(878)	(899)
Fire Control Implementation Grant (Home Office)	(254)	(255)
PFI Credits (Ministry of Housing, Communities and Local Government)	(2,097)	(2,097)
Emergency Services Mobile Communications Programme Grant	(468)	-
Other Grants (Ministry of Housing, Communities and Local Government / Home Office)	(637)	(590)
Total	**(8,356)**	**(5,260)**

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.

2016/17		Related Party Transactions	2017/18	
Receipts	Payments		Receipts	Payments
		Central Government		
14,165	-	Redistributed National Non-Domestic Rates	14,755	-
16,523	-	Revenue Support Grant	13,664	-
1,828	-	Capital Grants	236	-
	3,528	Employers National Insurance Contributions	-	3,731
		Local Authority Precept (Council Tax & Business Rates)		
2,749	-	Knowsley	3,218	-
9,192	-	Liverpool	9,551	-
4,111	-	St Helens	4,192	-
6,629	-	Sefton	6,839	-
7,434	-	Wirral	7,609	-
		Pensions		
-	1,141	Merseyside Superannuation Fund Employers Contributions	-	1,312
-	-	Merseyside Superannuation Fund Deficit Employers Contributions	-	2,868
28,428	35,159	Pension Fund (Home Office)	29,173	33,597

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 2017/18 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 2017/18, 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 2017/18.

Entities Controlled or Significantly Influenced by the Authority

Joint Control Centre

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

	2017/18 £000	2016/17 £000
Opening Capital Financing Requirement	**(64,784)**	**(68,116)**
Capital Investment		
Property, Plant and Equipment	(9,127)	(2,483)
Investment Properties	-	-
Intangible Assets	(374)	(141)
Revenue Expenditure Funded from Capital under Statute	(658)	(1,028)
Sources of Finance		
Capital receipts	382	-
Government grants and other contributions	939	1,828
Sums set aside from revenue:		
• Direct revenue contributions	4,830	669
• [MRP/loans fund principal]	4,512	4,487
Closing Capital Financing Requirement	**(64,280)**	**(64,784)**
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)	(504)	(3,332)
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase/(decrease) in Capital Financing Requirement	**(504)**	**(3,332)**

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 2018 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 2018 £000	31 March 2017 £000
Other Land and Buildings	1,598	1,632
Vehicles, Plant, Furniture and Equipment	-	-
Total	**1,598**	**1,632**

The Authority built a fire station for £1.7m on land currently owned by Liverpool City Council. Although a lease is in place between the Authority and Liverpool City Council no further cash flows are envisaged.

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 2018 £000	31 March 2017 £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 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £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 between 3 and 5 years.

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

	31 March 2018 £000	31 March 2017 £000
Not later than one year	77	119
Later than one year and not later than five years	21	82
Later than five years	-	-
Total	**98**	**201**

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 2018 £000	31 March 2017 £000
Finance lease debtor	-	-
Proportion of build costs	-	-
Paid	-	-
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 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £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 2017	**1,025**	**16,850**	**17,875**
Revaluation losses	-	-	
Depreciation/Impairment	-	(475)	**(475)**
Value at 31st March 2018	**1,025**	**16,375**	**17,400**

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 2017/18 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2018/19	697	363	1,709	**2,769**
Payable within 2 to 5 years	2,995	1,795	6,565	**11,355**
Payable within 6 to 10 years	4,267	3,273	7,329	**14,869**
Payable within 11 to 15 years	4,938	4,994	5,777	**15,709**
Payable within 16 to 20 years	5,729	7,652	3,278	**16,659**
Payable within 21 to 25 years	443	432	21	**896**
Total	**19,069**	**18,509**	**24,679**	**62,257**
Paid in 2017/18	671	335	1,726	**2,732**
Grand Total	**19,740**	**18,844**	**26,405**	**64,989**

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 2018 £000	31 March 2017 £000
Balance outstanding at start of year	(18,845)	(19,152)
Payments during the year	335	307
Capital expenditure incurred in the year	-	-
Other movements	-	-
Total	**(18,510)**	**(18,845)**

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 £511,000 in 2017/18 and £349,000 in 2016/17, 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 2017/18.

39. Termination Benefits

The Authority terminated the contract of 1 employee in 2017/18, incurring liabilities of £14,689 (£31,233 in 2016/17) – 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

2016/17				2017/18		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
1,891	-	**1,891**	• current service cost	2,846	-	**2,846**
-	-	**-**	• past service costs	-	-	**-**
-	-	**-**	• settlements and curtailments	12	-	**12**
42	-	**42**	▪ administration expenses	43	-	**43**
			Financing and Investment Income and Expenditure			
867	31	**898**	• Net interest expense	748	23	**771**
2,800	**31**	**2,831**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**3,649**	**23**	**3,672**
			Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement			
			Remeasurement of the net defined benefit liability Comprising:			
(10,426)	-	**(10,426)**	• Return on scheme assets (excluding the amount included in the net interest expense)	(3)	-	**(3)**
(4,971)	(67)	**(5,038)**	• Actuarial gains and losses arising on changes in demographic assumptions	-	-	**-**
23,789	146	**23,935**	• Actuarial gains and losses arising on changes in financial assumptions	(4,514)	(20)	**(4,534)**
(1,205)	(17)	**(1,222)**	• Other experiences (gain)/loss on liabilities	-	-	**-**
9,987	**93**	**10,080**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**(868)**	**3**	**(865)**
			Movement in Reserves Statement			
(2,800)	(31)	**(2,831)**	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,649)	(23)	**(3,672)**
			Actual amount charged against the General Fund Balance for pensions in the year:			
1,140	-	**1,140**	• Employers' contributions payable to scheme	2,273	-	**2,273**
-	50	**50**	• Retirement benefits payable to pensioners	-	51	**51**

Firefighters Pension Scheme

2016/17						2017/18				
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					
5,840	220	10	2,160	**8,230**	• current service cost	6,300	210	-	4,340	**10,850**
450	10	-	-	**460**	• past service costs	720	-	-	-	**720**
-	-	-	-	**-**	• settlements and curtailments	-	-	-	-	**-**
					Financing and Investment Income and Expenditure					
30,390	1,040	260	160	**31,850**	• Net interest expense	26,790	930	350	290	**28,360**
36,680	**1,270**	**270**	**2,320**	**40,540**	***Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services***	**33,810**	**1,140**	**350**	**4,630**	**39,930**
					Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement					
					Remeasurement of the net defined benefit liability Comprising:					
(29,185)	-	4	2,145	**(27,036)**	• Return on scheme assets (excluding the amount included in the net interest expense)	(29,332)	-	1	2,889	**(26,442)**
(11,890)	1,440	10	-	**(10,440)**	• Actuarial gains and losses arising on changes in demographic assumptions	(27,000)	(1,330)	(90)	(690)	**(29,110)**
166,640	4,520	3,920	2,510	**177,590**	• Actuarial gains and losses arising on changes in financial assumptions	24,750	250	170	60	**25,230**
(4,310)	120	1,600	(420)	**(3,010)**	• Other experiences (gain)/loss on liabilities	2,200	2,780	(9,320)	(540)	**(4,880)**
157,935	**7,350**	**5,804**	**6,555**	**177,644**	***Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement***	**4,428**	**2,840**	**(8,889)**	**6,349**	**4,728**
					Movement in Reserves Statement					
(36,680)	(1,270)	(270)	(2,320)	**(40,540)**	• Reversal of net charges made to the Surplus or Deficit for the provision of Services for post-employment benefits in accordance with the Code	(33,810)	(1,140)	(350)	(4,630)	**(39,930)**
					Actual amount charged against the General Fund Balance for pensions in the year:					
3,335	-	4	1,245	**4,584**	• Employers' contributions payable to scheme	2,688	-	1	1,479	**4,168**
-	1,760	-	-	**1,760**	• Retirement benefits payable to pensioners	-	1,740	-	-	**1,740**

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2018 is a surplus of £39,739 and to the 31st March 2017 is a deficit of £144,353m.

- 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

2016/17				2017/18		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(106,950)	(930)	**(107,880)**	Present value of the defined benefit obligation	(106,347)	(882)	**(107,229)**
73,455	-	**73,455**	Fair value of scheme assets	75,993	-	**75,993**
(33,495)	**(930)**	**(34,425)**	***Net liability arising from defined benefit obligation***	**(30,354)**	**(882)**	**(31,236)**

Firefighters Pension Scheme

2016/17						2017/18				
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
(1,023,530)	(35,720)	(13,210)	(8,200)	**(1,080,660)**	Present value of the defined benefit obligation	(1,025,270)	(36,820)	(4,320)	(13,070)	**(1,079,480)**
-	-	-	-	**-**	Fair value of scheme assets	-	-	-	-	**-**
(1,023,530)	**(35,720)**	**(13,210)**	**(8,200)**	**(1,080,660)**	***Net liability arising from defined benefit obligation***	**(1,025,270)**	**(36,820)**	**(4,320)**	**(13,070)**	**(1,079,480)**

Reconciliation of the Movements in the Fair Value of Scheme Assets
Local Government Pension Scheme

2016/17				2017/18		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
60,987	-	**60,987**	Opening fair value of scheme assets	73,455	-	**73,455**
2,194	-	**2,194**	Interest income	1,905	-	**1,905**
			Re-measurement gain/(loss):			
10,426	-	**10,426**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	3	-	**3**
(42)	-	**(42)**	▪ Administration expenses	(43)	-	**(43)**
1,140	50	**1,190**	Contributions from employer	2,273	51	**2,324**
560	-	**560**	Contributions from employees into the scheme	574	-	**574**
(1,810)	(50)	**(1,860)**	Benefits paid	(2,174)	(51)	**(2,225)**
73,455	**-**	**73,455**	***Net liability arising from defined benefit obligation***	**75,993**	**-**	**75,993**

Firefighters Pension Scheme

2016/17						2017/18				
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):					
29,185	-	(4)	(2,145)	**27,036**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	29,332	-	(1)	(2,889)	**26,442**
3,335	1,760	4	1,245	**6,344**	Contributions from employer	2,688	1,740	1	1,479	**5,908**
1,830	-	-	960	**2,790**	Contributions from employees into the scheme	1,570	-	-	1,420	**2,990**
(34,350)	(1,760)	-	(60)	**(36,170)**	Benefits paid	(33,590)	(1,740)	-	(10)	**(35,340)**
-	**-**	**-**	**-**	**-**	***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

2016/17				2017/18		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(85,635)	(887)	(86,522)	Opening balance at 1 April	(106,950)	(930)	(107,880)
(1,891)	-	(1,891)	Current service cost	(2,846)	-	(2,846)
(3,061)	(31)	(3,092)	Interest cost	(2,653)	(23)	(2,676)
(560)	-	(560)	Contributions by scheme participants	(574)	-	(574)
			Re-measurement (gains) and losses:			
4,971	67	5,038	• Actuarial gains/losses arising from changes in demographic assumptions	-	-	-
(23,789)	(146)	(23,935)	• Actuarial gains/losses arising from changes in financial assumptions	4,514	20	4,534
1,205	17	1,222	• Other experience gains and losses	-	-	-
-	-	-	Past service cost	-	-	-
-	-	-	Settlements and curtailments	(12)	-	(12)
1,810	50	1,860	Benefits paid	2,174	51	2,225
(106,950)	**(930)**	**(107,880)**	**Closing balance at 31 March**	**(106,347)**	**(882)**	**(107,229)**

Firefighters Pension Scheme

2016/17						2017/18				
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)	Opening balance at 1 April	(1,023,530)	(35,720)	(13,210)	(8,200)	(1,080,660)
(5,840)	(220)	(10)	(2,160)	(8,230)	Current service cost	(6,300)	(210)	-	(4,340)	(10,850)
(30,390)	(1,040)	(260)	(160)	(31,850)	Interest cost	(26,790)	(930)	(350)	(290)	(28,360)
(1,830)	-	-	(960)	(2,790)	Contributions by scheme participants	(1,570)	-	-	(1,420)	(2,990)
					Re-measurement (gains) and losses:					
11,890	(1,440)	(10)	-	10,440	• Actuarial gains/losses arising from changes in demographic assumptions	27,000	1,330	90	690	29,110
(166,640)	(4,520)	(3,920)	(2,510)	(177,590)	• Actuarial gains/losses arising from changes in financial assumptions	(24,750)	(250)	(170)	(60)	(25,230)
4,310	(120)	(1,600)	420	3,010	• Other experience gains and losses	(2,200)	(2,780)	9,320	540	4,880
(450)	(10)	-	-	(460)	Past service cost	(720)	-	-	-	(720)
-	-	-	-	-	Settlements and curtailments	-	-	-	-	-
34,350	1,760	-	60	36,170	Benefits paid	33,590	1,740	-	10	35,340
(1,023,530)	**(35,720)**	**(13,210)**	**(8,200)**	**(1,080,660)**	**Closing balance at 31 March**	**(1,025,270)**	**(36,820)**	**(4,320)**	**(13,070)**	**(1,079,480)**

Local Government Pension Scheme assets comprised:

2016/17				2017/18		
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000
2,497	-	2,497	**Cash & Cash Equivalents**	2,029	-	2,029
			Equity Instruments:			
15,295	-	15,295	• UK	16,013	-	16,013
24,104	-	24,104	• Overseas	24,052	-	24,052
39,399	**-**	**39,399**	**Sub-total equity instruments**	**40,065**	**-**	**40,065**
			Bonds:			
1,836	-	1,836	• UK Corporate	3,290	-	3,290
2,938	-	2,938	• UK Government	2,728	-	2,728
6,537	-	6,537	• UK Index Linked	6,163	-	6,163
11,311	**-**	**11,311**	**Sub-total bonds**	**12,181**	**-**	**12,181**
			Property:			
-	3,452	3,452	• UK Direct Property	-	4,415	4,415
220	881	1,101	• UK Property Managed	144	1,147	1,291
-	1,175	1,175	• Overseas Property Managed	-	1,064	1,064
220	**5,508**	**5,728**	**Sub-total property**	**144**	**6,626**	**6,770**
			Private Equity:			
7	2,497	2,504	• UK	8	2,500	2,508
-	2,571	2,571	• Overseas	-	2,379	2,379
7	**5,068**	**5,075**	**Sub-total private equity**	**8**	**4,879**	**4,887**
			Other Investment Funds:			
-	536	536	• Hedge Funds UK	-	388	388
-	1,792	1,792	• Hedge Funds Overseas	-	1,991	1,991
73	1,462	1,535	• Infrastructure UK	84	1,793	1,877
22	1,447	1,469	• Infrastructure Overseas	-	1,497	1,497
1,168	1,814	2,982	• Opportunities UK	1,018	1,930	2,948
257	874	1,131	• Opportunities Overseas	433	927	1,360
1,520	**7,925**	**9,445**	**Sub-total other investment funds**	**1,535**	**8,526**	**10,061**
54,954	**18,501**	**73,455**	**Total assets**	**55,962**	**20,031**	**75,993**

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 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2017/18	**2016/17**	**2017/18**	**2016/17**
Interest on Plan	2.5%	2.5%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	22.0	21.9	21.9	22.4
Women	24.8	24.7	21.9	22.4
Longevity at 65 for future pensioners:				
Men	25.0	24.9	23.9	24.7
Women	27.8	27.7	23.9	24.7
Rate of CPI inflation	2.1%	2.3%	2.3%	2.4%
Rate of increase in salaries	3.6%	3.8%	4.3%	4.4%
Rate of increase in pensions	2.2%	2.3%	2.3%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%	2.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum	25%	25%	-	-

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)	2,096	(2,096)
Rate of inflation (increase or decrease by 0.1%)	2,007	(2,007)
Rate of increase in salaries (increase or decrease by 0.1%)	363	(363)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,970)	1,970

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 85% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st 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 2018/19. 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)	27,000	(27,000)
Rate of increase in salaries (increase or decrease by 0.1%)	1,200	(1,200)
Rate of increase in pensions (increase or decrease by 0.1%)	15,000	(15,000)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(18,400)	18,400

Impact on the Authority's Cash Flows

The Authority anticipates paying £3,564m contributions to the scheme in 2018/19.

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 2017/18 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 Ministry of Housing, Communities and Local Government (MHCLG) 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 £22m 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 2018 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 2018 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default and uncollectability at 31 March 2018 £000	Estimated maximum exposure at 31 March 2017 £000
	A	B	C	(A X C)	
Investments	22,058	-	-	-	-
Customers	858	3.46	23.42	201	96
				201	**96**

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 £0.507m of the £0.858m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2018 £000	31 March 2017 £000
Less than three months	324	6
Three months to one year	(18)	63
More than one year	201	96
Total	**507**	**165**

Liquidity Risk

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

Number of Years	Public Works Loan Board (PWLB) 31 March 2018 £000	31 March 2017 £000	Merseyside Residual Debt (MRD) 31 March 2018 £000	31 March 2017 £000
Less than one	500	1,000	41	41
Between one and two	265	500	41	41
Between two and five	3,615	3,715	123	123
Between five and ten	-	165	120	160
Between ten and fifteen	-	-	-	-
Between fifteen and twenty	2,000	-	-	-
Between twenty and twenty five	-	2,000	-	-
Between twenty five and thirty	3,500	2,500	-	-
Between thirty and thirty five	9,860	5,000	-	-
Between thirty five and forty	16,860	19,275	-	-
Between forty and forty five	1,500	4,945	-	-
More than forty five	-	-	-	-
Total	**38,100**	**39,100**	**325**	**365**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

According to this assessment strategy, at 31st March 2018, 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	3
Increase in interest receivable on variable rate investments	(331)
Increase in Government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	**(328)**
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	**(328)**
Reduction 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)	(1,515)

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 were informed by Municipal Mutual Insurance Limited the 15% will need to be increased to 25%. This payment of £180,000 was paid in May 2016. The Authority maintains an insurance reserve to cover any further fluctuations in the levy.

Firefighters Pension Fund Accounts

Fund Account

2016/17 £000		2017/18 £000
	Contributions receivable:	
	Fire Authority:	
(4,153)	• Contributions in relation to pensionable pay	(3,816)
(431)	• Early retirements	(352)
(466)	• Pension Holiday grant	-
(3,019)	Firefighters contributions	(2,868)
(8,069)		**(7,036)**
(5)	**Transfers in from other authorities**	**(141)**
	Benefits payable:	
27,788	• Pensions	28,694
6,876	• Commutation and lump sum retirement benefits	4,903
-	• Lump sum death benefits	-
50	• Revised Commutation Factor (GAD v Milne)	-
445	• Pension Holiday grant	-
35,159		**33,597**
	Payments to and on account of leavers:	
-	• Transfers out to other authorities	-
-	• Refunds of contributions	-
-		**-**
27,085	**Net amount payable for the year**	**26,420**
(27,085)	Top – up grant payable by the Government	(26,420)
-		**-**

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

2016/17 £000		2017/18 £000
	Current assets	
-	Contributions due from the Fire Authority	-
-	Recoverable overpayments of pensions	-
9,112	Debtors	6,876
(8,622)	Cash	(6,574)
	Current liabilities	
(490)	Creditors	(302)
-	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 - £15,454	11.0%	8.5%	£0 - £27,543	10.5%
£15,455 - £21,636	12.2%	9.4%	£27,544 - £51,005	12.7%
£21,637 - £30,909	14.2%	10.4%	£51,006 - £142,500	13.5%
£30,910 - £41,212	14.7%	10.9%	£142,501 >	14.5%
£41,213 - £51,515	15.2%	11.2%		
£51,516 - £61,818	15.5%	11.3%		
£61,819 - £103,030	16.0%	11.7%		
£103,031 - £123,636	16.5%	12.1%		
£123,637 >	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.

Home Office Grant

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

Accruals

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

Future Liabilities

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

Debtors

	31 March 2018	31 March 2017
	£000	£000
Central Government bodies	4,424	6,731
Other local authorities	-	-
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	2,452	2,381
Total	**6,876**	**9,112**

Creditors

	31 March 2018	31 March 2017
	£000	£000
Central Government bodies (HM Customs & Excise)	(302)	(490)
Total	**(302)**	**(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 2018 and of its expenditure and income for the year ended 31st March 2018.

Ian Cummins
Treasurer
25th May 2018

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 accounts for the year 1st April 2017 to 31st March 2018, were approved for issue on 26th July 2018 by Merseyside Fire and Rescue Policy and Resources Committee **(Report CFO/049/80).**

Chair of the Policy and Resources Committee Meeting Approving the Accounts
26th July 2018

AUDITORS REPORT TO FOLLOW

Glossary of terms used in the Statement of Accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MHCLG
Ministry of Housing, Communities and Local Government is the Government Department responsible for the national policy on local government.

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

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

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

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

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

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

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

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

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

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

2017-2018 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 2018.

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. 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 2017/18 and approved by the Authority at its meeting on 13th June 2017 (CFO/032/17), 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 Policies and Procedures
- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedure, discipline process, through to performance development reviews

- Information Governance and Security – Policies and Service Instructions to Protect the Authority's information, data, and assets

3.4.5 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 2016/17 Annual Audit Letter and Audit Findings Report;

"We are satisfied that in all significant respects, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2017"

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 13th June 2017 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the Constitution document on the Authority's website, but are summarised as follows;

- The Authority – 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 Disciplinary Committee where an allegation which could constitute misconduct or gross misconduct is made against the Chief Fire Officer, Deputy Chief Fire Officer or the Monitoring Officer.

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

  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 2017/18 Service Delivery Plan broke down the Authority's key objectives for the year and identified a lead officer for each project. A "traffic light" system identified the actual progress against performance indicators throughout the year and any areas of concern with options to bring the project back on track were reported to management and the Community Safety and Protection Committee. 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. The Register considers the Authority's tolerance for risk and any mitigating actions that can reduce the likelihood/severity of the perceived risk. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority.

4.4.4 The Authority employed appropriate professional staff:

- A Statutory Monitoring Officer (Section 5 LGHA) responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. The Director of Legal, Procurement and Democratic Services fulfils this role and is a qualified and experienced lawyer. The Director of Legal, Procurement and Democratic 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 2016/17 and it is anticipated this will be repeated in 2017/18. 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 2017/18, 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. An interim and year-end Internal Audit Plan reports are 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 2018 accords with proper practice. The 2017/18 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 2017/18 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 2017/18 statutory financial statements and make a VFM conclusion during the 2018/19 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 2017/18 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2016/17 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2016/17 financial statements.

SIGNIFICANT GOVERNANCE ISSUES

4.7 Following the announcement of the 2016/17 - 2019/20 Local Government Finance Settlement the Authority faced 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 £11m financial challenge, assuming all budget assumptions remain valid. The Authority approved a financial plan to meet this challenge at the 2016/17, Budget Authority meeting, and ratified the plan at the 2017/18 Budget Authority meeting and again at the 2018/19 Budget Authority meeting on 22nd February 2018.

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 whole-time and 4 retained appliances. It also has plans to merge a number of fire stations that will see the number of stations fall from 24 to 22. In order to deliver the required savings by 2019/20 the Authority will need to continue with its plan to reduce the number of firefighters to 620 (FTE) by 2018, and consider to ensure that appliance and fire station availability is the most efficient and effective possible within the available resources. 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 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.

4.11 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. The Mayor is currently seeking direction from the Government over possible options to take over the future governance of Merseyside Fire and Rescue Authority and the Merseyside OPCC at some future point.

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	P. GARRIGAN
CHAIR of Policy and Resources Committee	CHIEF FIRE OFFICER

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

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APPENDIX B

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L3 1PS

Ian Cummins,
Treasurer
& Sharon Sullivan, Chair of Policy and Resources Cttee
Fire Service Headquarters
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Liverpool
L30 4YD

Telephone: **0151 296 4244**

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

26 July 2018

Dear Sirs

Merseyside Fire and Rescue Authority - Financial Statements for the year ended 31 March 2018

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 2018 for the purpose of expressing an opinion as to whether the Authority's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Authority 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 any 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 Except as disclosed 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.

vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits 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 post-employment benefits have been identified and properly accounted for.

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

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

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

The financial statements are free of material misstatements, including omissions.

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

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

xiii 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

xiv We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Authority's 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.

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

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

xvii 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.

xviii 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.

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

xx 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.

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

xxii 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

xxvi 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

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

Approval

The approval of this letter of representation was minuted by the Authority's Policy and Resources Committee at its meeting on 26 July 2018.

Yours faithfully

Name……………………………

Position - Treasurer

Date 26th July 2018

Name……………………………

Position - Chair of Policy & Resources Committee

Date 26th July 2018

Signed on behalf of Merseyside Fire and Rescue Authority

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	26 JULY 2018	REPORT NO:	CFO/048/18
PRESENTING OFFICER	IAN CUMMINS, TREASURER		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	REVENUE & CAPITAL OUTTURN 2017/18		

APPENDICES:	APPENDIX A1- A4:	2017/18 REVENUE BUDGET TO ACTUAL
	APPENDIX B:	2017/18 CAPITAL BUDGET TO ACTUAL

Purpose of Report

1. To report upon the Authority's year-end financial position for 2017/18.

Recommendation

2. That Members;

   a. note the actual financial performance against the approved budget and the achievement of a net revenue saving in 2017/18 of £2.403m, and

   b. approve the proposal to utilise the £2.403m saving to;
      - fund the creation of £0.442m year-end earmarked reserves in order to finance approved 2017/18 spend that has been re-phased into 2018/19, and
      - use the remaining balance to fund an increase of;
        1. £1.017m in the Capital Investment Reserve in order to increase the contribution towards the new St Helens Fire Station in light of the expected increase in construction costs, and
        2. £0.200m in the Inflation Reserve in light of the level of uncertainty over the 2% annual increase assumed in the current financial plan for the outstanding 2017/18 to 2019/20 firefighter annual pay award, and
        3. £0.744m in the Firefighter Recruitment Reserve to fund the recruitment of firefighters above the budgeted establishment to ensure new recruits have time to develop the required level of competency and experience given half of the current firefighters will retire over the next 5 years or so and the reliance on staff undertaking voluntary additional shifts is removed.

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 2017/18 was £59.490m. 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 and a £2.403m saving has been delivered.

This report proposes that this revenue saving be allocated to fund specific year-end reserves of;

- £0.442m to cover initiatives or projects planned for 2017/18 which are now expected to occur in 2018/19,
- £1.017m to increase the Capital Investment Reserve to cover anticipated increase building costs for the new St Helens Fire Station,
- £0.200m to increase the Inflation Reserve to reflect the current level of risk around the 2017/18 to 2019/20 firefighter annual pay awards, and
- £0.744m to increase the Firefighter Recruits Reserve.

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 £10.160m resulting in a variance of £7.697m against the £17.857m budget for 2017/18. The variance can be broken down into:

- A £7.572m re-phasing of planned spend from 2017/18 into future years, requiring the carry forward of capital budget. £4.149m of the rephrasing relates to re-phased building works of which £1.005m is for the new Saughall Massie Fire Station scheme.
- A net underspend and saving on capital projects of £0.125m.

Introduction and Background

3. This report sets out the actual financial performance of the Authority compared to the approved 2017/18 revenue (general fund) and capital budgets.

4. Elsewhere on today’s agenda is a report containing the audited Statement of Accounts for 2017/18 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.

2017/18 Budget – Background

5. Following the announcement by the Government of the final settlement funding for 2016/17 to 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 Members approved a financial plan that delivered the £11m savings required as a result of government cuts. This plan was ratified by the 2017/18 Budget Authority meeting on 23rd February 2017. The Authority planned prudently to minimise the impact on frontline services and identified significant efficiency savings of £9.1m by reducing management and support services costs and other technical amendments. 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 £1.9m.

6. The approved medium term financial plan made a number of assumptions around future costs which included:-
    - The 2017/18 increase in the council tax base (+1.3%) is permanent,
    - An annual 1% increase in the tax base in each year from 2018/19 to 2021/22,
    - Annual increases in the council tax precept of fractionally below 2%,
    - A pay bill increase of 1% per annum up to 2019/20 and 2% thereafter (the pay bill includes all pay related costs including pension and national insurance contributions),
    - 2% per annum general price inflation,
    - The indicative Government Settlement Funding Assessment figures for 2018/19 and 2019/20 will remain as stated in the current settlement offer.

7. The delivery of the approved financial plan was monitored closely during the year and all the savings have been delivered as expected. The required structural changes planned as part of the station merger initiative will not be formally implemented until the build of the new stations is complete, however the full saving target is being delivered in cash terms as firefighter retirements are ahead of the required schedule. The only significant outstanding issue for 2017/18 remains the 2017/18 firefighter annual pay increase. The award has yet to be settled, however the original 1% pay increase assumption has been revised to 2% as part of the 2018/19 budget process.

How the 2017/18 Budget changed during the year

8. The Authority Revenue Budget for 2017/18 was set at £59.490m.

9. The Authority also set a five year capital investment programme (2017/18 – 2021/22), of £35.156m, with a planned expenditure in 2017/18 of £20.683m.

10. The Authority adopted a reserves strategy, which maintains a general reserve of £2.000m and had anticipated £25.371m of earmarked reserves (rising to £29.858m after the 2016/17 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/008/18, was approved by the Audit and Scrutiny Committee on 8th February 2018 that reflect already approved policy decisions. These were;

Revenue:

- The net increase in reserves of £0.034m funded from the revenue budget to cover committed spend in 2017/18 that will now be incurred in 2018/19, and
- A drawdown from the inflation provision to cover a 1% increase in the firefighter pay as part of a 2017/18 interim annual pay offer, and
- A number of self-balancing virements within the revenue account.

These changes are summarised in the table below:

	Original Budget	Approved Qtr 3 Budget	Qtr 4 Amendments	Final Budget	Original to Final Budget Movements
	£'000	£'000	£'000	£'000	£'000
Net Expenditure					
Fire Service	65,650	65,238	240	65,478	-172
Corporate	536	529	2	531	-5
National Resilience Assurance	0	0	0	0	0
	66,186	65,767	242	66,009	-177
Interest on Balances	-172	-172	0	-172	0
Inflation Provision	1,264	474	-276	198	-1,066
Contribution (from)/ to Reserves	-7,788	-6,579	34	-6,545	1,243
Total Net Expenditure	59,490	59,490	0	59,490	0
Funded By					
Government Support	-32,522	-32,522	0	-32,522	0
Council Tax	-26,968	-26,968	0	-26,968	0
	-59,490	-59,490	0	-59,490	0

Capital:

- A small increase in the capital budget of £0.149m of which £0.145m was due to the increase in cost of flexi duty officer response vehicles following the move to provided vehicles from lease vehicles for some officers. The increased borrowing cost can be covered by savings on the lease vehicle rental cost. The overall movement in the capital programme reflects the re-phasing of major schemes over the 2016/17 to 2018/19 period reported to members through the quarterly financial review reports.

These changes are summarised in the table below:

		Original Budget	Approved Qtr 3 Budget	Qtr 4 Amendments	Final Budget	Original to Final Budget Movements
		£'000	£'000	£'000	£'000	£'000
Expenditure						
	BUILDING & LAND PROGRAMME	15,555	10,204	0	10,204	-5,351
	FIRE SAFETY	850	835	95	930	80
	ICT	912	1,765	-35	1,730	818
	OPERATIONAL EQUIP. & HYDRANTS	481	853	-56	797	316
	VEHICLES	2,885	4,051	145	4,196	1,311
		20,683	17,708	149	17,857	-2,826
Funding						
	Specific non-borrowing	11,240	8,327	-42	8,285	-2,955
	Borrowing	9,443	9,381	191	9,572	129
		20,683	17,708	149	17,857	-2,826

<u>Financial Performance in the Year</u>

13. **2017/18 Revenue Outturn Position**: The table below summarises the actual revenue position for 2017/18 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	48.413	0.404	1.746	50.563	48.804	-1.759	0.055	-1.704
Premises Costs	2.626	0.000	0.000	2.626	2.542	-0.084	0.000	-0.084
Transport Costs	1.638	0.000	1.031	2.669	2.497	-0.172	0.000	-0.172
Supplies and Services	3.236	0.035	1.337	4.608	3.893	-0.715	0.098	-0.617
Agency Services	5.905	0.000	0.440	6.345	6.148	-0.197	0.042	-0.155
Central Support Services	0.437	0.092	0.220	0.749	0.711	-0.038	0.000	-0.038
Capital Financing	10.997	0.000	0.006	11.003	11.001	-0.002	0.000	-0.002
Income	-7.774	0.000	-4.780	-12.554	-11.786	0.768	0.247	1.015
Net Expenditure	65.478	0.531	0.000	66.009	63.810	-2.199	**0.442**	**-1.757**
Contingency Pay&Prices	0.198			0.198	0.000	-0.198	0.000	-0.198
Interest on Balances	-0.172			-0.172	-0.177	-0.005	0.000	-0.005
	65.504	0.531		66.035	63.633	-2.402	**0.442**	**-1.960**
Movement on Reserves	-6.545			-6.545	-6.546	-0.001		-0.001
Overall Financial Position	58.959	0.531		59.490	57.087	**-2.403**	**0.442**	**-1.961**
Use Year-End favourable variance to:-								
Increase Inflation Reserve								**0.200**
Increase Firefighter Recuitment Reserve								**0.744**
Increase Capital / LGPS Deficit Reserve								**1.017**
								1.961

14. Overall the Authority underspent on its revenue services budget by £2.403m. However, £0.442m was as a result of timing issues for projects and grant funded schemes. Specific earmarked reserves have been created to cover the re-phasing of this expenditure. The remaining net underspend of £1.961m 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, £1.759m (3.5%) favourable variance. This was made up of a number of different variations –

Variation £'m	Explanation
-0.927	Effective Vacancy Management
-0.615	National Resilience Assurance Team
-0.162	Employee Insurance costs and Other minor variances
-0.055	Year-end specific reserves - Various project reserves
-1.759	

Details of the major variances are provided below: –

- **Vacancy Management, -£0.927m**; A combination of firefighter retirements being slightly ahead of the forecast profile and the cost of recruiting new firefighters in advance of retirements being less than the £0.844m drawdown from the recruitment reserve, resulted in a favourable variance of £0.799m. Vacant green book posts have not been actively filled resulting in a £0.128m saving.
- **National Resilience Assurance Team, -£0.615m**; the re-phasing of National Resilience Assurance schemes meant the spend on employee costs was lower than anticipated, £0.615m, however this was offset by grant monies being re-phased into 2018/19.
- **Employee & Liability Insurance and other minor variances, -£0.162m**; the year-end assessment of the potential value of current liable claims indicated a reduction in the overall settlement value resulting in a one-off credit back to revenue of £0.239m. The Authority's claims section and insurers continue to challenge any claims received where appropriate. The balance, £0.077m, is mainly due to ill health retirement penalty charges which have been covered by a year-end drawdown from the ill health retirement reserve.
- **Year-end reserves, -£0.055m;** the report recommends using £0.159m of the identified employee saving to increase the insurance reserve in order to offset the yearly movements in the estimated value of employee and public uninsured claims provision. This reserve can then be used to cover any significant increase in the insurance provision in future years. A further £0.074m is required to be carried forward in specific reserves to fund projects that have now been re-phased into future years**.** Finally as mentioned in the other variances section above, a drawdown of (£0.178m) was required from the firefighter ill health reserve to cover costs in the year.

Premises Costs, -£0.084m (3.3%) favourable variance –

- One-off relief from business rates, £0.31m, and other running costs, £0.038m, for vacant stations pending the completion of their sale.
- Small underspends on other premises costs made up the balance.

Transport Costs, -£0.172m (6.9%) favourable variance –

- **National Resilience Assurance Team, -£0.048m**; Due to the re-phasing of National Resilience Assurance schemes spend on transport costs was lower than anticipated, however this was offset by grant monies being re-phased into 2018/19.
- A saving on diesel, £0.085m, and car allowance payments, £0.028m, 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, -£0.715m (18.4%) favourable variance –

- **National Resilience Assurance Team, -£0.210m**; Due to the re-phasing of National Resilience Assurance schemes spend on supplies and services costs was lower than anticipated, however this was offset by grant monies being re-phased into 2018/19.
- 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 £0.407m after taking into account the need to create £0.098m of reserves to carry forward funds to cover spend that will now be incurred in 2018/19.

Agency Services, -£0.197m (3.2%) favourable variance.

- Small savings on the facilities management contract and PFI unitary payments resulted in a £0.092m saving reduced to £0.050m after the creation of year-end reserves.
- **National Resilience Assurance Team**, -£0.105m; Due to the re-phasing of National Resilience Assurance schemes spend on agency costs was lower than anticipated, however this was offset by grant monies being re-phased into 2018/19.

Central Expenses -£0.038m (5.3%) favourable variance.
This is due to a saving on the financial systems contract consultancy line as some development work was done in-house, £0.018m, and savings on the cost of external audit services, £0.015m and other costs.

Capital Financing, -£0.002m (0.0%) variance;
A small, £0.02m saving on debt costs.

Income (including interest on balances), £0.763m (6.5%) adverse variance.

- **National Resilience Assurance Team** -£0.978m; Due to the re-phasing of National Resilience Assurance schemes spend the required grant use was lower than forecast in the budget by £0.978m. This was offset by reductions in spend. Overall the NRAT net cost was £0.0m to the Authority.
- Contributions from partners, fees and sales income are slightly higher than budgeted for resulting in the achievement of £0.215m of income above the budget.

Inflation Provision, -£0.198m 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 £0.198m.

16. Qtr 4 Bad Debt Write-Offs. Debtor accounts under £5,000 may be written off by the Treasurer. Seven accounts totalling £2,776 plus VAT have been written off in the year based on advice received from Legal services.

2017/18 Movement on Reserves.

17. This report identifies a net reduction in earmarked reserves (opening balance £29.858m and a closing balance £25.715m) of £4.143m. The table below summarises the movement in reserves and proposed year-end reserve adjustments:

	Opening Balance	Used in the Year	Increased In the Year		Total Adjustment in Year	Value before Year-End Adjustment	Officer Requested Year-End Res	Use of Revenue Favourable Position	Closing Balance
			Qtr 2	Qtr 3					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves									
Smoothing Res	1,981	-1,075	900		-175	1,806			1,806
Recruit Res	3,100	-844			-844	2,256		744	3,000
Cap Res	16,673	-5,811		500	-5,311	11,362		1,017	12,379
PFI Annuity	2,169	-75			-75	2,094	-2		2,092
Equipment Res	301	-33			-33	268	79		347
Healthy Living	40	-10			-10	30	5		35
Clothing / Boots Res	166	-108			-108	58	250		308
Emergency Related Res	1,022	0			0	1,022	159		1,181
Ill Health Penalty Res	500	0			0	500	-178		322
Equality / DDA Investment	285	0			0	285			285
Invest to Save	1,000	0			0	1,000			1,000
Inflation Res	500	0			0	500		200	700
Other Specific Project Res	474	0			0	474			474
Ringfenced Reserves									
Princes Trust	92				0	92	30		122
Community Sponsorship	2	4			4	6	5		11
Energy Res	132	9			9	141			141
New Dimensions	1,101	-3			-3	1,098	94		1,192
Other Specific Project Res	320	0			0	320			320
	29,858	-7,946	900	500	-6,546	23,312	442	1,961	25,715
General Res	2,000	0			0	2,000			2,000
	31,858	-7,946	900	500	-6,546	25,312	442	1,961	27,715

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 2017/18 £0.442m of earmarked reserves were established to cover timing issues between funds and spend for projects and grant funded schemes. A analysis of these reserves is in the table above.

19. It is proposed that the Authority use the £1.961m underspend (£2.403m saving less the £0.442m used for new earmarked year-end reserves) to;

- Increase the capital investment reserve by £1.017m to fund the expected increase in costs associated with the new St Helens community fire station, and

- Increase the inflation reserve by £0.200m in light of the risk around the 2017/18 to 2019/20 annual firefighter pay increase. The budget assumes a 2% increase but this offer for 2017/18 has been rejected by the FBU. Each additional 1% would require £0.400m of permanent savings to be identified. By increasing the inflation reserve it is hoped that this will provide the one-off funds for any backdated increase above the 2% assumed, and

- Increase the recruit reserve by £0.744m to enable new firefighter recruits to be taken on in advance of firefighter retirements over the next 5 to 8 years – removing any reliance on staff undertaking voluntary additional shifts.

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

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

2017/2018 Capital Expenditure.

22. The Authority's **final** capital budget for 2017/18 was £17.857m. Actual spend in the year was £10.160m resulting in a variance of £7.697m. The variance can be broken down into:

- A £7.572m re-phasing of planned spend from 2017/18 into future years, requiring the carry forward of capital budget. £4.149m of the rephrasing relates to re-phased building works of which £1.005m is for the new Saughall Massie Fire Station scheme.

- A net underspend and saving on capital projects of £0.125m.

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	10,204.2	6,055.6	4,148.9	-0.3
Fire Safety	930.0	624.9	200.0	105.1
ICT	1,730.3	903.5	838.0	-11.2
Operational Equip & Hydrants	796.5	284.7	480.0	31.8
Vehicles	4,196.2	2,290.8	1,905.4	0.0
TOTAL	**17,857.2**	**10,159.5**	**7,572.3**	**125.4**
Financing				
Capital Receipts	900.0	392.7	650.0	-142.7
Revenue and Reserves	4,830.0	4,830.0	0.0	0.0
Grants	2,552.1	927.7	1,623.9	0.5
Unsupported Borrowing	9,575.1	4,009.1	5,298.4	267.6
TOTAL	**17,857.2**	**10,159.5**	**7,572.3**	**125.4**

23. The year-end re-phasing of capital schemes into 2018/19 is outlined in the table below:

Re-phasing £'m	Scheme	Explanation
1.005	Saughall Massie Fire Station	Members have received numerous reports throughout the year on the challenges over the planning issues around this scheme. These issues delayed the start of the build stage of the project but construction has now commenced (June 2018) and the build should be completed in early Summer 2019.
3.144	Building enhancement and refurbishment work	This reflects a number of fire station building schemes having to be re-phased due to the Service engaging with other blue light services to explore collaboration issues (Bromborough and Kirkby fire stations, £0.725m, Formby LLAR Accommodation). Delays in finalising the new St Helens station (£0.250m), and Newton-Le-Willows LLAR accommodation (£0.281m). The TDA refurbishment plans are only now being finalised therefore delaying the Croxteth refurbishment scheme £0.144m.
0.200	Fire Safety	Work is progressing on the assessment of fire risk at residential blocks and the offer of capital grants to assist with the installation of sprinkler systems.
0.838	ICT Schemes	Delay in the finalisation of user needs and specifications has delayed the procurement of hardware and software. Most orders have or are about to be placed and completion of these projects is expected in 2018.
0.480	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 £0.369m of the planned spend, funded via a government grant, has been re-phased into 2018/19.
1.905	Vehicles	Orders have been raised in 2017/18 for fire appliances £0.793m, specialised vehicles £0.299m and other vehicles and delivery is expected during 2018 and early 2019.
7.572		

24. A full detailed breakdown of the 2017/18 capital budget movements, year-end variances and proposed slippage can be found attached to this report as Appendix B.

Equality and Diversity Implications

25. Resources are invested to support equality and diversity.

Staff Implications

26. Approximately 75% of expenditure is directly staff related.

Legal Implications

27. None arising from this report.

Financial Implications & Value for Money

28. Subject to members approval this report recommends using the £0.442m of the revenue underspend to increase specific earmarked reserves to cover financial commitments re-phased into 2018/19. Officers recommend the remaining underspend of £1.961m be used to increase the Capital Investment Reserve, £1.017m, the Inflation Reserve, £0.200m, and the Recruit Reserve, £0.744m for the reasons outlined in this report. The final revenue position can be summarised as:

2017/18 Revenue Year-End Position			
	Budget	Actual	Variance
	£'m	£'m	£'m
Net Expenditure	59.490	57.087	-2.403
Year-End Reserves		0.442	0.442
Utilisation of revenue favourable position to increase;			
Capital Reserve		1.017	1.017
Inflation Reserve		0.200	0.200
Recruit Reserve		0.744	0.744
	59.490	59.490	0.000

29. 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.

30. Capital spending was £10.160m resulting in a variance of £7.697m against the £17.857m budget for 2017/18. The variance can be broken down into:

- A £7.572m re-phasing of planned spend from 2017/18 into future years, requiring the carry forward of capital budget. £4.149m of the rephrasing relates to re-phased building works of which £1.005m is for the new Saughall Massie Fire Station scheme.

- A net underspend and saving on capital projects of £0.125m.

31. The General Fund Balance as at 31st March 2018 was as anticipated, £2.000m. Earmarked reserves as at 31st March 2018 stand at £25.715m.

Risk Management, Health & Safety, and Environmental Implications

32. None arising from this report.

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

33. 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/015/17	"MFRA Budget and Financial Plan 2017/2018-2021/2022" Authority 23rd February 2017.
CFO/054/17	"Financial Review 2017/18 April to June" Audit & Scrutiny Committee 21st September 2017.
CFO/076/17	"Financial Review 2017/18 April to September" Authority 14th December 2017.
CFO/003/18	"Financial Review 2017/18 – April to December Review" Audit & Scrutiny Committee 8th February 2018.

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.

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APPENDIX A1

2017/18 REVENUE BUDGET MOVEMENT SUMMARY

Actual 2016/17	SERVICE REQUIREMENTS	Base Budget 2017/18	Qtr 3 Budget 2017/18	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2017/18	Actual Qtr 4 2017/18	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
57,603	Fire Service	69,556	65,238	-34	274	65,478	63,329	-2,149	-442	-1,707
481	Corporate Management	536	529	0	2	531	480	-51	0	-51
0	NRAT MFRS Lead Authority	0	0	0	0	0		0		0
0	2014 - 15 New Dynamic Staff Saving	-2,156	0	0	0	0		0		0
0	2017 - 18 New Dynamic Staff Saving	-1,750	0	0	0	0		0		0
58,084		66,186	65,767	-34	276	66,009	63,809	-2,200	-442	-1,758
0	Contingency for Pay/Price Changes	1,264	474	0	-276	198	0	-198		-198
58,084	TOTAL SERVICE EXPENDITURE	67,450	66,241	-34	0	66,207	63,809	-2,398	-442	-1,956
-187	Interest on Balances	-172	-172	0	0	-172	-177	-5		-5
57,897	NET OPERATING EXPENDITURE	67,278	66,069	-34	0	66,035	63,632	-2,403	-442	-1,961
	Contribution to/(from) Reserves									
	Emergency Related Reserves									
-170	Insurance Reserve	0	0	0	0	0	0	0		0
-400	Catastrophe Reserve	0	0	0	0	0	0	0	159	159
	Modernisation Challenge									
658	Smoothing Reserve	-1,075	-175	0	0	-175	-175	0		0
-365	Severance Reserve	0	0	0	0	0	0	0		0
-400	Ill Health Penalty Reserve	0	0	0	0	0	0	0	-178	-178
2,100	Recruitment Reserve	-844	-844	0	0	-844	-844	0		0
	Capital Investment Reserve									
2,232	Capital Investment	-5,850	-5,359	48	0	-5,311	-5,311	0	0	0
-3	PFI Annuity Reserve	-67	-75	0	0	-75	-75	0	-2	-2
-760	Firefighter Safety Investment	0	0	0	0	0	0	0		0
1,000	Invest to Save Reserve	0	0	0	0	0	0	0		0
	Specific Projects									
0	Community Sponsorship	0	0	0	0	0	4	4		4
-121	Equipment Reserve	0	-25	-8	0	-33	-33	0	79	79
220	Training Reserve	0	0	0	0	0	0	0		0
6	Healthy Living / Olympic Legacy	0	0	-6	0	-6	-10	-4	5	1
0	Clothing / Boots Reserve	0	-108	0	0	-108	-108	0	250	250
-17	Communications Reserve	0	0	0	0	0	0	0		0
-100	CFOA Road Safety Reserve	0	0	0	0	0		0		0
	Ringfenced Reserves									
-51	F.R.E.E. Reserve	0	0	0	0	0	0	0		0
-276	Princes Trust Reserve	0	0	0	0	0	0	0	30	30
-58	Community Youth Team	0	0	0	0	0	0	0		0
-62	Beacon Peer Project Reserve	0	0	0	0	0	0	0		0
148	Community Risk Management	0	0	0	0	0	0	0	5	5
-24	Energy Reserve	48	9	0	0	9	9	0		0
-10	St Helens District Reserve	0	0	0	0	0	0	0		0
63	New Dimensions Reserve	0	-2	0	0	-2	-2	0	94	94
	Utilisation of 2017/18 Year-end saving to increase reserves								1,961	1,961
3,610	Contribution to/(from) Reserves	-7,788	-6,579	34	0	-6,545	-6,545	0	2,403	2,403
61,507	BUDGET REQUIREMENT	59,490	59,490	0	0	59,490	57,087	-2,403	2,403	0
-34,926	Settlement Funding Assessment	-32,522	-32,522	0	0	-32,522	-32,522	0	0	0
-647	Collection Fund Deficit	-167	-167	0	0	-167	-167	0	0	0
-25,934	Precept Income	-26,801	-26,801	0	0	-26,801	-26,801	0	0	0
-61,507	BUDGET FUNDING	-59,490	-59,490	0	0	-59,490	-59,490	0	0	0

2017/18 FIRE SERVICE REVENUE BUDGET MOVEMENT

Actual 2016/17	SERVICE REQUIREMENTS	Base Budget 2017/18	Qtr 3 Budget 2017/18	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2017/18	Actual Qtr 4 2017/18	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EMPLOYEES									
	Uniformed									
29,750	Firefighters	33,858	29,330		169	29,499	28,419	-1,080		-1,080
1,160	Control	1,280	1,282		22	1,304	1,248	-56		-56
2,222	Additional Hours	1,243	2,099		167	2,266	2,603	337		337
33,132	**TOTAL UNIFORMED**	36,381	32,711	0	358	33,069	32,270	-799	0	-799
	APT&C and Manual									
8,429	APT&C	8,695	8,867	5	61	8,933	8,786	-147	-8	-139
91	Handymen/Cleaning	108	111			111	130	19		19
126	Catering	153	159			159	139	-20		-20
520	Transport Maintenance	526	549		21	570	571	1		1
58	Other Manual	72	73		-21	52	46	-6		-6
104	Casuals	0	0			0	25	25		25
9,328	**TOTAL APT&C/MANUAL**	9,554	9,759	5	61	9,825	9,697	-128	-8	-120
	Other Employee Expenses									
58	Allowances	64	96		12	108	67	-41		-41
529	Training Expenses	525	518		41	559	483	-76	-66	-10
50	Other Expenses	29	29		-4	25	35	10		10
2	Staff Advertising	9	3		2	5	5	0		0
92	Development Expenses	53	93		-8	85	83	-2		-2
102	Employee Insurance	284	209			209	-30	-239	-159	-80
0	MPF Pen Fixed Rate	966	2,869			2,869	2,869	0		0
50	Enhanced Pensions	52	52			52	60	8		8
4	SSP & SMP Reimbursements	-16	-16		16	0	3	3		3
114	Catering Expenditure	124	115		8	123	122	-1		-1
-562	HFRA Capitalisation Payroll	-375	-375		-95	-470	-470	0		0
439	**TOTAL OTHER EMPLOYEE EXPENSES**	1,715	3,593	0	-28	3,565	3,227	-338	-225	-113
	Pensions									
1,760	Injury Pension	1,780	1,780			1,780	1,737	-43		-43
431	Ill Health Retirement Charges	174	174			174	352	178	178	0
2,191	**TOTAL PENSIONS**	1,954	1,954	0	0	1,954	2,089	135	178	-43
45,090	**TOTAL EMPLOYEES**	49,604	48,017	5	391	48,413	47,283	-1,130	-55	-1,075
	PREMISES									
46	Building Maintenance Repairs	128	87		-49	38	27	-11		-11
8	Site Maintenance Costs	10	11			11	6	-5		-5
723	Energy	832	841		-1	840	802	-38		-38
69	Rent	81	58		-4	54	46	-8		-8
1,222	Rates	1,383	1,410			1,410	1,379	-31		-31
214	Water	198	210			210	223	13		13
20	Fixtures	30	32		-14	18	12	-6		-6
44	Insurance	47	45			45	47	2		2
2,346	**TOTAL PREMISES**	2,709	2,694	0	-68	2,626	2,542	-84	0	-84
	TRANSPORT									
342	Direct Transport	373	573		14	587	539	-48		-48
11	Tunnel & Toll Fees	19	15		-3	12	11	-1		-1
140	Operating Lease	178	179		-4	175	126	-49		-49
370	Other Transport Costs	478	473		1	474	389	-85		-85
84	Car Allowances	122	121		-3	118	90	-28		-28
228	Insurance	217	272			272	359	87		87
1,175	**TOTAL TRANSPORT**	1,387	1,633	0	5	1,638	1,514	-124	0	-124

2017/18 FIRE SERVICE REVENUE BUDGET MOVEMENT *(continued)*

Actual 2016/17	SERVICE REQUIREMENTS	Base Budget 2017/18	Qtr 3 Budget 2017/18	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2017/18	Actual Qtr 4 2017/18	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	SUPPLIES & SERVICES									
14	Administrative Supplies	22	24		-2	22	15	-7		-7
242	Operational Supplies	273	267		22	289	261	-28		-28
25	Hydrants	9	9			9	6	-3		-3
32	Consumables	36	40		-1	39	39	0		0
106	Training Supplies	142	144		-10	134	114	-20		-20
60	Fire Prevention Supplies	96	93		18	111	81	-30		-30
36	Catering Supplies	24	39	2	7	48	48	0		0
278	Uniforms	290	306		109	415	356	-59	-53	-6
145	Printing & Stationery	159	137		1	138	93	-45	-2	-43
514	Professional Fees/Service	449	408	6	-4	410	228	-182	-40	-142
652	Communications	657	657		-4	653	715	62		62
8	Postage	29	28		-3	25	12	-13		-13
11	Command/Control	6	15			15	15	0		0
202	Computing	227	302		-35	267	215	-52		-52
219	Medicals	274	264		-5	259	217	-42		-42
76	Travel & Subsistence	79	100		13	113	68	-45		-45
131	Grants/Subscriptions	94	142		6	148	127	-21	-3	-18
18	Furniture	24	24		-11	13	13	0		0
75	Laundry	82	82			82	80	-2		-2
35	Insurances	36	36			36	35	-1		-1
5	Hospitality	5	10			10	9	-1		-1
2,884	**TOTAL SUPPLIES & SERVICES**	3,013	3,127	8	101	3,236	2,747	-489	-98	-391
	AGENCY SERVICES									
107	Super Fund Admin	103	116			116	128	12		12
1,395	ICT Service Provider	1,421	1,439			1,439	1,435	-4		-4
134	Third Party Payments (CRIS)	195	0			0	0	0		0
412	ICT Managed Suppliers	402	420			420	410	-10		-10
2,663	PFI Unitary Charges	2,722	2,730			2,730	2,707	-23	-17	-6
1,156	Estates Service Provider	1045	1,110		90	1,200	1,133	-67	-25	-42
5,867	**TOTAL AGENCY SERVICES**	5,888	5,815	0	90	5,905	5,813	-92	-42	-50
	CENTRAL EXPENSES									
409	Finance & Computing	434	469	-50	18	437	419	-18		-18
409	**TOTAL CENTRAL EXPENSES**	434	469	-50	18	437	419	-18	0	-18
	CAPITAL FINANCING									
6,115	PWLB Debt Charges	6,122	6,113			6,113	6,113	0		0
60	MRB Debt Charges	60	60			60	58	-2		-2
658	Revenue Contribution to Capital	6,226	4,870	2	-48	4,824	4,824	0		0
6,833	**TOTAL CAPITAL FINANCING**	12,408	11,043	2	-48	10,997	10,995	-2	0	-2
64,604	**TOTAL EXPENDITURE**	75,443	72,798	-35	489	73,252	71,313	-1,939	-195	-1,744
	INCOME									
3,841	Specific Grants	3,508	4,541		90	4,631	4,680	49	28	21
51	Sales	0	0		3	3	7	4		4
1,435	Fees & Charges	867	1,188	-1	68	1,255	1,504	249	219	30
770	Rents etc	767	805		20	825	856	31		31
473	Recharges Secondments	456	456			456	314	-142		-142
201	Contributions	170	236		20	256	264	8		8
190	Recharges Internal	108	323		14	337	342	5		5
40	Other Income	11	11			11	17	6		6
7,001	**TOTAL INCOME**	5,887	7,560	-1	215	7,774	7,984	210	247	-37
57,603	**NET EXPENDITURE**	69,556	65,238	-34	274	65,478	63,329	-2,149	-442	-1,707

2017/18 CORPORATE MANAGEMENT REVENUE BUDGET MOVEMENT

Actual 2016/17	SERVICE REQUIREMENTS	Base Budget 2017/18	Qtr 3 Budget 2017/18	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2017/18	Actual Qtr 4 2017/18	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
101	Legal Officer	105	108		1	109	104	-5		-5
	Democratic Rep (1020)									
15	- Travel & Subsistence	30	25		2	27	16	-11		-11
2	- Conference Fees	10	5		-1	4	2	-2		-2
210	- Members Allowances	216	216			216	206	-10		-10
0	- Telephones	1	1			1	0	-1		-1
0	- Training	1	1			1	0	-1		-1
0	- Hospitality	2	2			2	1	-1		-1
	Central Expenses (1030)									
13	Bank Charges	17	17			17	15	-2		-2
33	District Audit Fees	43	43			43	28	-15		-15
28	Subscriptions	32	32			32	29	-3		-3
481	**TOTAL EXPENDITURE**	536	529	0	2	531	480	-51	0	-51

2017/18 NRAT MFRS LEAD AUTHORITY REVENUE BUDGET MOVEMENT

Actual 2016/17	SERVICE REQUIREMENTS	Base Budget 2017/18	Qtr 3 Budget 2017/18	Reserve Draw-down	Vire-ments	Qtr 4 Budget 2017/18	Actual Qtr 4 2017/18	Variance	Funding of Year End ER	Adjusted Variance
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE									
399	Employee Costs		1,753		-7	1,746	1,131	-615		-615
0	Premises Costs		0			0	0	0		0
40	Transport Costs		465		566	1,031	983	-48		-48
869	Supplies and Services Costs		1,303		34	1,337	1,127	-210		-210
22	Agency Costs		780		-340	440	335	-105		-105
78	Central Expenditure		215		5	220	220	0		0
11	Capital Financing Costs		5		1	6	6	0		0
1,419	**TOTAL EXPENDITURE**	0	4,521	0	259	4,780	3,802	-978	0	-978
	INCOME									
1,419	Income		4,521		259	4,780	3,802	-978		-978
0	**NET EXPENDITURE**	0	0	0	0	0	0	0	0	0

Budgeted Movement on Reserves 2017/18

	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	Closing Balance	Funding of Year End ER	Final Value
Earmarked Reserves	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Emergency Related Reserves									
Bellwin Reserve	147						147		147
Insurance Reserve	700					0	700	159	859
Emergency Planning Reserve	75						75		75
Catastrophe Reserve	100						100		100
Modernisation Challenge									
Smoothing Reserve	1,981	-1,075		900			1,806		1,806
Ill Health Penalty Reserve	500						500	-178	322
Recruitment Reserve	3,100	-844					2,256		2,256
Recruitment Reserve-Yr End Saving increase								744	744
Capital Investment Reserve									
Capital Investment Reserve									
PFI Reserve	50					0	50	25	75
FMIS Reserve	60					-2	58		58
TDA Refurbishment Reserve	3,544					0	3,544	-25	3,519
Asset/Capital Investment Reserve	13,005	-5,836	-4,037	4,028	500	50	7,710		7,710
Capital Investment Reserve (Salix)	14	-14				0	0		0
Capital Reserve	16,673	-5,850	-4,037	4,028	500	48	11,362		11,362
Capital Investment -Yr End Saving increase								1,017	1,017
PFI Annuity Reserve	2,169	-67		-8			2,094	-2	2,092
Equality / DDA Investment	285						285		285
Invest to Save Reserve	1,000						1,000		1,000
Specific Projects									
Community Sponsorship	2					4	6		6
Equipment Reserve	301		-25			-8	268	79	347
Contestable Research Fund	24						24		24
Training Reserve	450						450		450
Healthy Living / Olympic Legacy	40					-10	30	5	35
Inflation Reserve	500						500		500
Inflation Reserve-Yr End Saving increase								200	200
Clothing / Boots Reserve	166			-108		0	58	250	308
Ringfenced Reserves									
F.R.E.E. Reserve	0						0		0
Princes Trust Reserve	92					0	92	30	122
Community Risk Management	320					0	320	5	325
Energy Reserve	132	48	16	-32	-23	0	141		141
New Dimensions Reserve	1,101				-3	0	1,098	94	1,192
Total Earmarked Reserves	**29,858**	**-7,788**	**-4,046**	**4,780**	**474**	**34**	**23,312**	2,403	25,715
General Revenue Reserve	**2,000**						2,000	0	2,000
Total Reserves	**31,858**	**-7,788**	**-4,046**	**4,780**	**474**	**34**	**25,312**	**2,403**	27,715

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Capital Programme 2017/18

APPENDIX B

	EXPENDITURE	Approved Budget	Qtr 1 Budget	Qtr 2 Budget	Qtr 3 Budget	Qtr 4 Re-Phasings	QTR 4 Virements	Qtr 4 Budget	Actual to 31.03.18	Year-End Re-Phasing into Future Years	Year-End Variance
		£	£	£	£	£	£	£	£		
BUILDING & LAND PROGRAMME											
BLD001	Roofs & Canopy Replacements	40,000	64,300	64,300	64,300		-23,800	40,500	9,864	30,600	36
BLD004	Concrete Yard Repairs	20,000	44,600	44,600	44,600		-30,000	14,600	9,165	5,400	35
BLD005	Tower Improvements	10,000	16,800	16,800	16,800		80,000	96,800		96,800	0
BLD007	L.E.V. Sys In App Rooms	5,000	11,700	11,700	11,700			11,700		11,700	0
BLD013	Appliance Room Floors	75,000	98,000	98,000	83,000		-58,500	24,500		24,500	0
BLD014	Boiler Replacements	15,000	36,500	36,500	36,500			36,500	15,957	20,500	43
BLD016	Community Station Investment	25,000	26,700	26,700	41,700			41,700	35,323	6,400	-23
BLD018	Conference Facilities H/Q	5,000	15,000	15,000	15,000			15,000		15,000	0
BLD020	5 Year Electrical Test	75,000	101,200	101,200	51,200			51,200	1,198	50,000	2
BLD026	Corporate Signage	5,000	11,500	11,500	11,500			11,500	2,530	9,000	-30
BLD031	Diesel Tanks	0	150,000	150,000	159,700		20,000	179,700	10,000	169,700	0
BLD032	Power Strategy (Generators)	10,000	30,000	30,000	30,000			30,000	1,047	29,000	-47
BLD033	Sanitary Accommodation Refurb	30,000	54,000	54,000	54,000			54,000		54,000	0
BLD034	Office Accommodation	15,000	58,100	58,100	58,100			58,100	40,323	17,800	-23
BLD036	L.L.A.R. Accommodation Formby	0	294,600	294,600	294,600			294,600	16,787	277,800	13
BLD039	F.S. Refurbishment Heswall	300,000	350,000	350,000	100,000			100,000	34,366	65,600	34
BLD041	F.S. Refurbishment Aintree	0	33,100	33,100	33,100			33,100	23,240	9,900	-40
BLD042	St Helens Conversion	0	2,700	2,700	2,700			2,700		2,700	0
BLD044	Asbestos Surveys	50,000	57,000	57,000	57,000			57,000	7,975	49,000	25
BLD050	LLAR Accommodation Belle Vale	25,000	25,000	25,000	25,000			25,000		25,000	0
BLD055	F.S. Refurbishment Bromborough	350,000	350,000	350,000	350,000			350,000		350,000	0
BLD058	H.V.A.C. Heating, Vent & Air Con	30,000	75,400	75,400	75,400			75,400	12,739	62,700	-39
BLD060	D.D.A. Compliance Work	180,000	210,400	210,400	110,400			110,400		110,400	0
BLD061	Lighting Conductors Surge Protectors	10,000	28,200	28,200	28,200			28,200		28,200	0
BLD062	Emergency Lighting	5,000	23,300	23,300	23,300			23,300	3,022	20,300	-22
BLD063	F.S. Refurbishment Kirby	350,000	375,000	375,000	375,000			375,000	401	374,600	-1
BLD067	Gym Equipment Replacement	40,000	72,100	72,100	72,100			72,100	27,000	45,100	0
BLD070	Workshop Enhancement	0	241,500	241,500	241,500			241,500	134,171	107,300	29
BLD071	Station Refresh	25,000	31,500	31,500	31,500			31,500	4,097	27,400	3
BLD073	SHQ Museum	150,000	191,000	191,000	0			0			0
BLD075	Llar Accomodation Newton Le Willows	0	295,100	295,100	295,100			295,100	13,677	281,400	23
BLD076	F.S. Refurbishment Huyton	25,000	25,000	25,000	25,000			25,000		25,000	0
BLD080	Prescot Fire Station Build	3,000,000	5,270,600	5,270,600	5,270,600			5,270,600	5,270,977		-377
BLD082	Saughall Massie Fire Station Build	3,750,000	4,051,700	1,051,700	1,051,700			1,051,700	46,500	1,005,200	0
BLD083	St Helens Fire Station Build	5,000,000	5,250,000	250,000	250,000			250,000		250,000	0
BLD084	F.S. Refurbishment Croxteth	150,000	150,000	150,000	150,000			150,000	6,500	143,500	0
BLD085	F.S. Refurbishment Speke/Garston	275,000	300,000	0	0			0			0
BLD086	F.S. Refurbishment Old Swan	25,000	50,000	0	0		3,800	3,800	3,750		50
BLD087	F.S. Refurbishment City Centre	0	147,400	147,400	147,400		5,000	152,400	127,352	25,000	48
BLD088	F.S. Refurbishment Kensington	20,000	40,000	0	0			0			0
BLD090	F.S. Refurbishment Wallasey	25,000	25,000	25,000	25,000			25,000		25,000	0
BLD091	Refurbishment TDA	1,089,000	1,085,000	1,115,000	115,000			115,000	76,369	38,600	31
BLD092	Service HQ. Offices	200,000	200,000	200,000	150,000			150,000	49,449	100,600	-49
BLD094	Security Enhancement Works	25,000	25,000	25,000	25,000		3,500	28,500	11,929	16,600	-29
CON001	Energy Conservation Non-Salix	75,000	102,000	102,000	102,000			102,000		102,000	0
CON002	Energy Conservation Salix	0	0	32,000	55,000			55,000	52,374	2,600	26
EQU002	Fridge/Freezer Rep Prog	10,000	16,000	16,000	16,000			16,000	6,261	9,700	39
EQU003	Furniture Replacement Prog	10,500	28,500	28,500	28,500			28,500	1,243	27,300	-43
TDA001	Fire House Refurbishment	30,000	30,000	0	0			0			0
	Total	**15,554,500**	**20,170,500**	**11,812,500**	**10,204,200**	**0**	**0**	**10,204,200**	**6,055,584**	**4,148,900**	**-284**
FIRE SAFETY											
FIR002	Smoke Alarms (H.F.R.A.)	250,000	250,000	235,000	235,000			235,000	130,319		104,681
FIR005	Installation Costs (H.F.R.A.)	375,000	375,000	375,000	375,000		95,000	470,000	470,000		0
FIR006	Deaf Alarms (H.F.R.A.)	25,000	25,000	25,000	25,000			25,000	24,616		384
FIR007	Replacement Batteries (H.F.R.A.)	0	0	0	0			0			0
FIR009	Risk Management Residential Blocks	200,000	200,000	200,000	200,000			200,000		200,000	0
	Total	**850,000**	**850,000**	**835,000**	**835,000**	**0**	**95,000**	**930,000**	**624,935**	**200,000**	**105,065**

Capital Programme 2017/18

EXPENDITURE		Approved Budget	Qtr 1 Budget	Qtr 2 Budget	Qtr 3 Budget	Qtr 4 Re-Phasings	QTR 4 Virements	Qtr 4 Budget	Actual to 31.03.18	Year-End Re-Phasing into Future Years	Year-End Variance
		£	£						£		
ICT											
FIN001	F.M.I.S. Replacement	0	69,800	69,800	69,800			69,800	2,500	67,300	0
IT002	I.C.T. Software	352,000	361,400	374,400	374,400			374,400	374,081		319
IT003	I.C.T. Hardware	86,000	305,400	278,350	280,250		12,020	292,270	180,319	112,000	-49
IT005	I.C.T. Servers	80,000	128,400	128,400	128,400			128,400	25,509	102,900	-9
IT018	I.C.T. Network	109,000	353,500	344,500	244,500		-3,000	241,500	51,823	189,700	-23
IT019	Website Development	0	42,600	42,600	50,000			50,000	7,848	42,200	-48
IT026	I.C.T. Operational Equipment	12,000	68,000	61,000	11,000		-6,000	5,000	1,831	3,200	-31
IT027	I.C.T. Security	2,000	2,000	2,000	2,000		-2,000	0			0
IT028	System Development Portal	11,000	47,100	47,100	39,700			39,700	15,770	23,900	30
IT030	I.C.T. Projects / Upgrades	5,000	8,300	4,300	4,300			4,300	3,477		823
IT046	TRM System				0			0	12,956		-12,956
IT051	JCC Airwave Solution	0	5,200	5,200	5,200			5,200	4,588		612
IT053	JCC Backup MACC	0	39,500	39,500	0			0			0
IT055	C3i C&C Comms and Info system	5,000	5,000	5,000	5,000			5,000	1,522	3,500	-22
IT056	PFI Access Door System	0	8,600	8,600	8,600			8,600		8,600	0
IT057	Fleet Management System	0	4,600	4,600	4,600			4,600		4,600	0
IT058	New Emergency Services Network	250,000	250,000	201,000	95,000		2,000	97,000		97,000	0
IT059	ESMCP Project Control Room Integration	0	0	324,000	324,000		-53,000	271,000	87,939	183,100	-39
IT060	ICT Station Change	0	0	7,000	7,000		9,000	16,000	16,329		-329
IT061	ESMCP ITHC Remedial Works	0	0	0	111,300		6,200	117,500	117,014		486
	Total	**912,000**	**1,699,400**	**1,947,350**	**1,765,050**	**0**	**-34,780**	**1,730,270**	**903,507**	**838,000**	**-11,237**
OPERATIONAL EQUIP. & HYDRANTS											
OPS001	Gas Tight Suits Other Ppe	150,000	182,000	290,000	160,000	52,000	-108,000	104,000	85,375	18,600	25
OPS003	Hydraulic Rescue Equipment	41,000	41,000	46,000	46,000			46,000	45,861		139
OPS005	Resuscitation Equipment	0	15,500	15,500	15,500			15,500		15,500	0
OPS009	Pod Equipment	0	112,500	112,500	0			0			0
OPS011	Thermal Imaging Cameras	0	11,500	11,500	0			0			0
OPS022	Improvements To Fleet	30,000	50,200	50,200	50,200		-12,500	37,700	37,982		-282
OPS023	Water Rescue Equipment	50,000	136,500	136,500	0			0			0
OPS024	BA equipment / Comms	90,000	158,600	158,600	58,600			58,600	24,009	34,600	-9
OPS026	Rope Replacement	0	26,600	26,600	26,600			26,600		26,600	0
OPS027	Light Portable Pumps	0	20,000	20,000	0			0			0
OPS031	Cctv Equipment/Drone	0	21,000	21,000	0			0			0
OPS034	Operational Ladders	13,000	13,000	13,000	13,000			13,000	12,145		855
OPS036	Radiation/Gas Detection Equipment	45,000	45,000	45,000	0			0			0
OPS038	Water Delivery System	0	52,000	52,000	22,000			22,000	21,420		580
OPS039	Water Delivery Hoses	0	5,400	5,400	5,400		12,500	17,900	17,763		137
OPS049	Bulk Foam Attack Equipment	25,000	73,000	73,000	0			0			0
OPS052	DEFRA FRNE Water Rescue Grant	0	16,000	16,000	16,000			16,000		16,000	0
OPS055	NRAT National Asset Refresh	0	402,200	402,200	402,200			402,200	33,511	368,700	-11
HYD001	Hydrants (New Installations)	18,500	18,500	18,500	18,500			18,500	1,544		16,956
HYD002	Hydrants (Rep Installations)	18,500	18,500	18,500	18,500			18,500	5,038		13,463
	Total	**481,000**	**1,419,000**	**1,532,000**	**852,500**	**52,000**	**-108,000**	**796,500**	**284,647**	**480,000**	**31,853**
VEHICLES											
VEH001	Wtl'S Purchased	980,000	1,711,500	1,785,000	1,785,000			1,785,000	992,026	793,000	-26
VEH002	Ancillary Vehicles	248,000	852,400	501,650	379,500		145,000	524,500	243,645	280,900	-45
VEH003	Vehicle Equipment (Pods & Trailers)	0	0	0	0			0			0
VEH004	Special Vehicles	1,657,100	1,782,100	2,432,100	1,354,000			1,354,000	1,055,162	298,800	38
VEH005	Vehicles water Strategy	0	16,400	16,400	16,400			16,400		16,400	0
VEH010	Marine Rescue Vessels	0	25,000	475,000	450,000			450,000		450,000	0
WOR001	Workshop Equipment	0	60,300	66,300	66,300			66,300		66,300	0
	Total	**2,885,100**	**4,447,700**	**5,276,450**	**4,051,200**	**0**	**145,000**	**4,196,200**	**2,290,833**	**1,905,400**	**-33**
	Grand Total	**20,682,600**	**28,586,600**	**21,403,300**	**17,707,950**	**52,000**	**97,220**	**17,857,170**	**10,159,505**	**7,572,300**	**125,365**

APPENDIX B

Capital Programme 2017/18

FINANCING	**Approved Budget**	**Qtr 1 Budget**	**Qtr 2 Budget**	**Qtr 3 Budget**	**Qtr 4 Re-Phasings**	**QTR 4 Virements**	**Qtr 4 Budget**	**Actual to 31.03.18**	**Year-End Re-Phasing into Future Years**	**Year-End Variance**
	£	£						£		
Capital Receipts										
Sale of Formby LLAR House	350,000	350,000	350,000	0			0			0
Sale of Newton 2 LLAR House	0	0	0	0			0			0
Sale of Huyton FS	250,000	250,000	250,000	250,000			250,000	335,000		-85,000
Sale of Whiston FS	250,000	250,000	250,000	250,000			250,000		250,000	0
Sale of Upton FS	0	0	0	0			0			0
Sale of West Kirby FS	0	0	0	0			0			0
Sale of West Kirby LLAR House	0	0	0	0			0			0
Sale of Allerton FS		400,000	400,000	400,000			400,000		400,000	0
Sale of Hose Layer POD Unit - VEH004								22,000		-22,000
Sale of Aerial Platform - VEH004								25,000		-25,000
MPA Contribution to Partition Wall - BLD093								10,727		-10,727
R.C.C.O. / Capital Reserve										0
Capitalisation of Sals HFRA (FIR005)	375,000	375,000	375,000	375,000		95,000	470,000	470,000		0
ICT Equipment (IT003)	0	11,100	19,450	21,350		12,020	33,370	33,370		0
ESMCP Project Control Room Integration (IT059)	0	0	324,000	273,000		-53,000	220,000	220,000		0
ESMCP ITHC Remedial Works (IT061)	0	0	0	111,300		9,200	117,500	117,500		0
Helmets PPE (OPS001)	0	0	108,000	108,000		-108,000	0			0
Salix Energy Conservation (CON002)	0	0	32,000	55,000			55,000	55,000		0
FSN Charge for Alarms (FIR002)	15,000	15,000	0	0		2,500	2,500	2,500		0
Diesel Tanks (BLD031)	0	0	0	9,700			9,700	9,700		0
Prescott FS New Build (BLD080) Cap Inv Res	1,808,000	3,921,900	3,921,900	3,921,900			3,921,900	3,921,900		0
Saughall FS New Build (BLD082) Cap Inv Res	1,564,000	1,564,000		0			0			0
St Helens FS New Build (BLD083) Cap Inv Res	2,464,000	2,464,000		0			0			0
Grant										
(Capital Grant) Police Grant (Prescott)	650,000	650,000	650,000	650,000			650,000	650,000		0
(Capital Grant) NWAS Grant (Prescott)	42,000	42,000	42,000	42,000			42,000	41,475		525
Prescot Fire Station Build Grant	0	156,200	156,200	156,200			156,200	156,200		0
Suaghall FS Capital Transformation Grant	1,040,000	1,341,700	1,051,700	1,051,700			1,051,700	46,500	1,005,200	0
St Helens FS Capital Transformation Grant	1,240,000	1,490,000	250,000	250,000			250,000		250,000	0
Balance of Capital Transformation Grant	1,192,000	1,192,000	0	0			0			0
NRAT National Resilience Grant	0	402,200	402,200	402,200			402,200	33,500	368,700	0
Total Non Borrowing	**11,240,000**	**14,875,100**	**8,582,450**	**8,327,350**	**0**	**-42,280**	**8,282,070**	**6,150,372**	**2,273,900**	**-142,202**
Borrowing Requirement										
Unsupported Borrowing	9,442,600	13,711,500	12,820,850	9,380,600	52,000	139,500	9,575,100	4,009,133	5,298,400	267,567
Borrowing	**9,442,600**	**13,711,500**	**12,820,850**	**9,380,600**	**52,000**	**139,500**	**9,575,100**	**4,009,133**	**5,298,400**	**267,567**
Total Funding	**20,682,600**	**28,586,600**	**21,403,300**	**17,707,950**	**52,000**	**97,220**	**17,857,170**	**10,159,505**	**7,572,300**	**125,365**

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MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	26 JULY 2018	REPORT NO:	CFO/051/18
PRESENTING OFFICER	DCFO SEARLE		
RESPONSIBLE OFFICER:	AM PAUL MURPHY	REPORT AUTHOR:	GM ROB PRITCHARD
OFFICERS CONSULTED:	NW PROCUREMENT TEAM, NW OPS EQUIPMENT GROUP, MFRS PROCUREMENT TEAM, MFRS FINANCE TEAM (MFRS COSTS)		
TITLE OF REPORT:	AWARDING OF THE REGIONAL CONTRACT FOR STRUCTURAL FIREFIGHTING KIT		

APPENDICES:	APPENDIX A:	STRUCTURAL FIREFIGHTING PPE AND TECHNICAL RESCUE JACKETS

Purpose of Report

1. To inform MFRA of the completion of the North West tender process for the replacement of the NW Fire Structural Fire kit framework agreement, and request approval to award contract to the preferred bidder.

Recommendation

2. Members are recommended to note the outcome of the tender process and agree the award of contract to the successful supplier.

Introduction and Background

3. Members will be aware of the recommendations outlined in the Authority Budget Meeting report dated 22nd February 2018 (attached). Following this report Merseyside Fire and Rescue Authority's procurement team has recently led a North West (NW) tender process for structural fire kit. This was a European open tender however only one bidder met the minimum requirements which then went through to user trials held at Washington Hall, Lancashire.

4. All NW services, Isle of Man along with Northern Ireland took part in the trials and were satisfied with the performance of the fire kit supplied.

5. Members may also be aware that MFRA intends to issue 2 sets of structural firefighting kit to all operational staff in the coming months which will alleviate fit and sizing availability issues with relation to gender.

Procurement

6. The MFRA procurement team undertook a European Union (EU) tender process on behalf of the NW FRS's. The aims of the project included: to ensure compatibility with current personal protective equipment and value for money. The potential value of the contract which will run for 4 years could be £800,000 dependent on orders placed by individual services.

7. If approval to award contract is received, MFRA as the lead authority will notify bidders of the outcome and proceed to award of contract.

Equality and Diversity Implications

8. There are no E&D implications, the procurement and move to personal issue will allow for better fitting garments for all staff.

Staff Implications

9. There are no staff implications as the tender specification meets all requisite standards and is compatible with current provision.

Legal Implications

10. The procurement process was run compliantly as an EU open tender.

11. The PPE process is subject to Member approval as the contract value will exceed £250,000. The Authority's Constitution Standing Order 19.2(f) requires all those contracts exceeding this value to be approved by the Authority.

Financial Implications & Value for Money

12. The tender process ensured that current kit was compatible with the new provision ensuring no redundant stock.

13. Sufficient funding exists within the £308k clothing reserve and £290k uniform / clothing revenue budget to meet the cost of the new structural fire kit purchase.

Risk Management, Health & Safety, and Environmental Implications

14. The move away from a unisex provision of structural firefighting PPE will ensure male and female firefighters are afforded the best level of fit for their PPE.

15. A full sizing profile exercise will take place prior to issue.

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

16. The recommendations will ensure our staff are provided with PPE which is fit for purpose and provides the highest level of safety when attending incidents within the country - safe effective firefighters.

BACKGROUND PAPERS

GLOSSARY OF TERMS

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MERSEYSIDE FIRE & RESCUE AUTHORITY			
MEETING OF THE:	AUTHORITY BUDGET MEETING		
DATE:	22ND FEBRUARY 2018	REPORT NUMBER	CFO/017/18
PRESENTING OFFICER	CHIEF FIRE OFFICER		
RESPONSIBLE OFFICER:	AM PAUL MURPHY	REPORT AUTHOR:	GM ROB PRITCHARD
OFFICERS CONSULTED:	NW OPERATIONAL EQUIPMENT GROUP OPERATIONAL EQUIPMENT TEAM PROCUREMENT TEAM IAN CUMMINS.		
TITLE OF REPORT:	AWARDING OF THE REGIONAL CONTRACT FOR STRUCTURAL FIREFIGHTING KIT		

APPENDICES:	N/A	

Purpose of Report

1. The purpose of this report is to inform Members of the arrangements currently in place for the issue of structural firefighting Personal Protective Equipment (PPE) and to approve the proposals to revert back to individual issue of PPE and issue Technical Rescue Jackets.

Recommendation

2. That Members;
    a. Note the requirement for a North West competitive tender process to take place in 2018.
    b. Approve a change of issue from the current pooled stock arrangement to individual issue. (Proposal 1)
    c. Approve the additional purchase of a lightweight working rig tunic suitable for non-fire related activity which will be purchased off a current North West framework. (Proposal 2)

Introduction and Background

3. Members will be aware that the Service previously ran a North West (NW) tender process for structural firefighting PPE. This contract is due to expire so there is a need to review the current arrangements.

4. National research has been undertaken regarding the suitability of unisex firefighting tunics and over trousers. The current sizing profile utilised within the Service is for male firefighters which has highlighted sizing problems for female firefighters. Fire and Rescue Authorities (FRA's) are now able to issue male and female fitted PPE as a result of suppliers providing a suitable sizing standard for male and female firefighters.

5. Current arrangements for structural firefighting PPE within the Service are for a pooled stock of fire kit to be allocated to each station. This is based on an issue of 1.6 tunics and over trousers per firefighter. This was originally introduced as a potential efficiency saving however latterly it has proven problematic. Issues such as insufficient stock being kept available at stations have arisen. This is due to various reasons such as detached duties, station moves and closures, lack of individual responsibility and ownership. On occasions, there is the potential for firefighters to wear ill-fitting PPE and therefore an increase to the risk of thermal exposure. Feedback has been sought at various times over this issue with a clear wish expressed to return to personal issue.

6. Proposal 1: To provide 2 full sets of structural firefighting PPE consisting of tunics and over trousers to each firefighter (personal issue). The exact cost of the replacement PPE will not be known until the preferred bidder is identified. If It will be necessary to make an initial purchase of approximately 325 full sets of PPE. The new 325 sets will be worn alongside older PPE however the Operational Equipment Team will ensure a sizing profile exercise is carried out to minimise the mixing of existing sets.

7. As there is now the option to purchase specific female firefighters PPE, it is the intention to purchase these as part of the initial 325 sets.

8. Nationally, Services are utilising rank markings and identification insignia such as service number or name on tunics. This will be included as an option within the tender process.

9. Estimated new expenditure.

Operational staff	**Fire tunic (current cost)**	**Total cost (1 per person)**	**Total cost (2 per person)**	**Additional units x325**
650	£240	£156,000	£312,000	£78,000

Operational staff	**Over Trousers (current cost)**	**Total cost (1 per person)**	**Total cost (2 per person)**	**Additional units x325**
650	£200	£130,000	£260,000	£65,000

Operational staff	**Combined**	**Total cost (1 new per person)**	**Total cost (2 new per person)**	**Additional units x325**
650	£440	£286,000	£572,000	**£143,000**

These figures are estimated showing current and proposed stock levels and value. The last column estimates cost for an additional issue of 0.5 per person resulting in 2 sets to each firefighter. It is envisaged that the current revenue budget will provide sufficient funding once the additional purchase has been made. The current stock will be monitored as due to age, a large amount will require replacing over the next few years.

10. Proposal 2: The purchase and issue of 2 x Technical Rescue Jackets (TRJ) for all operational staff. Research has indicated that for operational incidents not requiring the use of full structural firefighting PPE, such as Road Traffic Collisions (RTCs), rescues from height etc. there is less practicality and more discomfort to staff wearing full firefighting tunics with the additional high visibility jacket. As a result several Authorities have moved to a combined working tunic, known as a TRJ.

11. TRJs have very limited thermal protection but are manufactured with integral high visibility marking. The current fire tunics are not designed for technical rescue, subsequently, they do not provide enhanced protection against sharps resulting in easy damage and expensive repair costs. They are also impractical in hot weather resulting in unnecessary discomfort during summer months. The proposal of purchasing the TRJs provides a greater level of protection at RTC's and prevents the necessity of wearing tunics and high visibility jackets.

12. Whilst there would be a cost to this provision some savings will be realised as hi-visibility jackets will no longer be required (36 appliances with 5 x hi-viz jackets at an estimated cost of £10,500).

13. Estimated new expenditure:

Operational staff	**Tech rescue jacket cost**	**Total cost (1 per person)**	**Total cost (2 per person)**
650	£170	£110,500	£221,000

As above there may be some potential cost savings to offset some of the cost long-term with the reduced investment required in hi-visibility jackets and the reduced wear on fire tunics.

Procurement

14. MFRA will be required to undertake a European Union (EU) tender process on behalf of the North West FRA's. The aims of the project will include compatibility with current personal protective equipment and value for money. The requirement for TRJs is already covered on the NW Tender framework.

Equality and Diversity Implications

15. The move away from a unisex provision of structural firefighting PPE will ensure male and female firefighters are afforded a better level of fit for their PPE. A full sizing profile exercise will take place prior to issue.

Staff Implications

16. There are no staff implications as the tender specification will meet all requisite standards and should afford better individual fit and wearer comfort.

Legal Implications

17. The PPE procurement process will be run compliantly as an EU open tender. A compliant tender framework exists for TRJ's.
18. The PPE process is subject to Member approval as the contract value will exceed £250,000. The Authority's Constitution Standing Order 19.2(f) requires all those contracts exceeding this value to be approved by the Authority.

Financial Implications & Value for Money

19. The purchase and distribution of the TRJs will require an initial one-off £221k after which Jackets will be replaced as and when required and that cost can be contained within the clothing budget. The move back to personal PPE issue will require an initial one-off resource, estimated at up to £143k, and thereafter ongoing replaced of PPE can be contained within the existing clothing budget.

20. The initial one-off funding requirement of up to £364k will be met from a clothing reserve. The reserve currently stands at £0.058m but will be increased from expected 2017/18 underspends on the PPE and other budget heads, and if required a transfer from the capital reserve..

Risk Management, Health & Safety, and Environmental Implications

21. The Authority continually seeks to purchase the best available products ensuring firefighters are provided with the highest level of PPE offering the greatest level of wearer comfort which is essential during prolonged wears. The proposal also offers an improved fit for a diverse workforce.

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

22. The recommendations will allow the Authority to provide the best and most cost effective PPE for operational staff attending incidents.

BACKGROUND PAPERS

GLOSSARY OF TERMS

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