

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	25 FEBRUARY 2025	REPORT NO:	CFO/84/24
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	STATEMENT OF ACCOUNTS 2023/24 – APPROVAL OF AUDITED STATEMENTS		

APPENDICES:	APPENDIX A: STATEMENT OF ACCOUNTS 2023/24 APPENDIX B: LETTER OF REPRESENTATION
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Purpose of Report

1. To present to Members the audited 2023/24 Statement of Accounts for approval and request that they be authorised for issue.

Recommendation

2. It is recommended that Members:
 - a) approve for publication the 2023/24 Statement of Accounts, attached as Appendix A to this report;
 - b) delegate authority to the Chair of the Audit Committee and the Director of Finance & Procurement, as the s151 officer to sign the statement of accounts attached as appendix A and;
 - c) delegate authority to the Director of Finance & Procurement, as the s151 to sign the letter of representation in relation to the 2023/24 accounts, attached as Appendix B.

Introduction and Background

3. The Authority is required to annually prepare a set of financial statements, the Statement of Accounts, as required by the relevant codes and regulations. These statements must then be audited by an independent auditor, who will then issue an opinion on the statements. An unqualified opinion would mean the statements have been prepared in accordance with the codes and regulations and reflect a true and fair view of the financial position for that year.
4. The Authority's Auditor, Forvis Mazars, is required to report on the Authority's financial statements (Statement of Accounts) and if in their opinion they;

- a. give a true and fair view of the financial position of the Authority's income and expenditure for the year; and
- b. have been prepared in accordance with the relevant local authority accounting Code(s) and standards;

they would issue an unqualified opinion on the statements.

5. The Authority has a statutory duty to approve and sign-off for publication the Statement of Accounts for the previous year. With regard to the current 2023/24 year-end accounts and future years, the Government have set in legislation details around the backstop date to clear the backlog of unaudited accounts as per below:
 - 2023/24 – 28 February 2025
 - 2024/25 – 27 February 2026
 - 2025/26 – 31 January 2027
 - 2026/27 – 30 November 2027
 - 2027/28 – 30 November 2028

The 2023/24 audited Statement of Accounts are attached to this report as Appendix A, for Members' consideration.

6. Forvis Mazars Audit Completion report is contained in another report on today's Agenda, and it summarises the Auditor's findings in relation to the 2023/24 Statement of Accounts. The Audit Findings report confirms that based on their findings to date, the 2023/24 Statement of Accounts meets the criteria in a. and b. above, and Forvis Mazars intend to issue an unqualified opinion on the statements.
7. Note that Members considered the 2023/24 year-end general fund outturn position in report CFO/52/24, that was approved by the Policy and Resources Committee on 25th July 2024. That report identified net revenue expenditure in the year of £64.609m against a budget of £67.921m, and a resulting favourable variance of £3.312m (before any adjustments for year-end reserves). The report outlined that £0.803m was required to be carried forward as year-end earmarked reserves, leaving an actual saving in 2023/24 of £2.509m. Members approved the utilisation of this saving to increase the General Revenue reserve by £0.700m and, an increase in the capital reserve of £1.809m, (to offset capital inflationary costs and reduce planned borrowing to free up debt servicing costs in the future). Therefore, after taking these adjustments into account net expenditure in the year was consistent with the general fund budget. This report and the statement of accounts do not change the general fund outturn position.
8. The financial statements within the **Statement of Accounts** shows the "**accounting cost**" in the year of providing services **in accordance with generally accepted accounting practices** rather than the amount to be funded from the General Fund Account (taxation). Whilst there is a neutral net General Fund Account position in 2023/24, as per paragraph 7, the Comprehensive

Income and Expenditure Statement (CIES) indicates a net surplus of £2.233m for the year because of additional accounting transactions relating mainly to pensions but also depreciation and some other technical adjustments. **These accounting entries do not impact on the approved revenue budget's outturn position, as reported in CFO/52/24, and can be viewed as notional entries that are obligatory in order to adhere to the various local authority accounting Code(s) and regulations for preparing the financial statements within the Statement of Accounts.**

9. In order to assist Members' understanding of the financial statements, the following paragraphs provide further background to the purpose and contents of the financial statements and the significant movements between 2022/23 and 2023/24.

Statement of Accounts;

10. The Statement of Accounts is a record of the Authority's financial activities for 2023/24 with comparative figures for 2022/23. They have been prepared in accordance with the accounting practices set out in the Code of Practice on Local Authority Accounting (The Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) together with guidance notes issued by them.
11. On 1st April 2010 the Authority, along with all other Local Authorities, adopted International Financial Reporting Standards (IFRS). The accounts for 2023/24 have therefore been prepared under these regulations. The move to an IFRS-based system of accounting has resulted in a significant increase in disclosure requirements and the formats of the principal financial statements. The Statement of Accounts Narrative Report provides a brief description of each of the four core statements;
 - a. **The Comprehensive Income and Expenditure Statement (CIES)**
 - b. **Movement in Reserves Statement (MiRS)**
 - c. **The Balance Sheet, and**
 - d. **The Cash Flow Statement**
12. The Statement of Accounts must be prepared in accordance with the relevant accounting Code and as such the statements include a number of adjustments that are significant in value but do not alter the 'council tax' bottom line. They effectively convert the statements into a format that is consistent with commercial accounts. For example, the financial position shown in the Consolidated Income and Expenditure Account shows the true accounting position for the year as if the Authority was a commercial entity. It therefore includes such expenses as depreciation and amounts to reflect pension costs.
13. The Authority sets the budget and monitors expenditure during the year in terms of its General Fund account, which is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council taxpayers. (Paragraph 7 of this report outlined the 2023/24 General Fund position for the service).

14. The analysis overleaf identifies and briefly explains some of the largest movements between the figures in the formal statement of accounts for 2023/24.

15. The Comprehensive Income and Expenditure Statement (CIES)

This statement shows the “accounting cost” in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from General Fund Account (taxation). Whilst there is a neutral net General Fund Account position in 2023/24 (after taking into account the creation of reserves) this becomes net surplus of £2.233m 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	Total Adjustments per Expenditure and Funding Analysis	Total Adjustments per Comprehensive Income and Expenditure Statement
		£'000	£'000	£'000
Net General Fund 2023/24 year-end position:	Note	-	-	-
1 Net creation of earmarked reserves	(a)	-	-	6,915
2 Asset valuation / charges and capital funding adjustments				
Depreciation, impairment and revaluation adjustment	(b)	5,833		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	6,805		
Asset disposal / write-offs / revaluation losses		-		
MRP / interest adjustment	(f)	(6,470)		
Capital Expenditure Funded from the Revenue Account (CERA)		(12,362)		
Capital grants income		(5,446)	(11,640)	
3 Pension related adjustments	(d)			
Pension contributions payable to pension fund (employer)		(10,689)		
Pension contributions payable to pension fund (top-up grant)		(31,162)		
Pension current service costs		4,822		
Pension past service costs		-		
Net interest on the defined benefit liability scheme		38,983	1,954	
4 Other technical accounting adjustments	(e)			
Timing differences for premiums and discounts		22		
Timing differences for council tax / NNDR		49		
Timing differences for compensated absences		467	538	
Total adjustments				(9,148)
Surplus or deficit on provision of services				(2,233)

Notes to the table:

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

- b) *The depreciation and impairment charge reflects the notional consumption of assets during the year, including revaluation losses and the reversal of any prior year valuation losses and impairments.*
- c) *REFCUS relates to the installation of free smoke alarms to households in Merseyside that under proper accounting practice should be defined as revenue, but which statute allows the Authority to fund from capital and the purchase of assets on behalf of National resilience.*
- d) *Pension costs in the CIES reflect IAS 19 and therefore include movements in the pension fund valuations and pension contributions received in the year. Note 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). It also includes timing differences for premiums and discounts over the unexpired life of the loans refinanced.*
- f) *Statute requires that certain expenses are charged to the General Fund that are not considered to be proper accounting charges in accordance with the Code. These are therefore not shown in the CIES. The unitary charge payments associated with the PFI contract are shown as fully charged to revenue in the General Fund but in the CIES they are broken up into the relevant revenue, capital and interest notional elements. The removal of capital financing charges relates to costs associated with; interest payments on loans and the Minimum Revenue Provision (which is the amount set aside from revenue to repay debt); the direct revenue financing of capital expenditure (CERA).*

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

17. **Movement in Reserves Statement (MiRS):**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into '**usable reserves**' (i.e. those that can be applied to fund expenditure or reduce local taxation) and **unusable reserves** (those that have been created to reconcile the technical aspects of accounting which are not generally available to spend).

18. The Statement identifies the Authority held **£30.902m in usable reserves** as at 31/03/2024. Of this, the Authority held £15.028m in reserves on behalf of the Home Office to fund the refresh of National Resilience assets, these funds are not available to the Authority and any unspent grant must be paid back to Government. Excluding the Home Office unapplied grant, at the end of 2023/24 the Authority's usable reserves were £15.874m, a net reduction of £6.915m on the 2023/24 opening balance. The decrease is due to planned drawdowns during the year for the new TDA scheme, a reduction in the Pension Reserve and historic collection fund adjustments. The committed reserves are required in order to carry forward funds from 2023/24 funds into 2024/25 to meet projects now re-phased into future years, or, to offset identified potential risks to the Authority's financial plan. The Authority General Reserve is £3.700m or 5% of

the gross budget throughout the year, and this provides a relatively small cushion to enable the Authority to cover the risk of unexpected events within the year that lead to significant unplanned expenditure.

19. A reduction in **unusable reserves** of £23.371m - unusable reserves are not available to fund spend and simply reflect technical adjustments required in the accounting statements to adhere to the Code. The main entries relate to charges for notional depreciation and changes to pension liabilities and assets. Most of the reduction is down to changes in the revaluation reserve and capital adjustment account.

20. **The Balance Sheet**

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

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

- **Long-Term Assets** – increased by £30.080m. This was mainly due to; a £6.337m net revaluation increase on Land and Buildings, and additions in the year including assets under construction (mainly the new TDA/fire station) of £21.935m. The balance is made up of changes in depreciation / derecognition, and vehicle and equipment additions.
- **Current Assets** – reduced by £6.547m. The re-phasing of planned capital spend and the receipt of grant monies in advance of expenditure has resulted in a net decrease in Short Term Investments and in Cash & Cash Equivalents of £9.130m. Short-term debtors with central Government bodies and other Local Authorities have increased by £2.515m.
- **Current Liabilities** – increased by £12.220m. An increase in short-term creditors of £0.683m due to an increase in various creditor accruals and an increase in grants paid in advance of £11.488m (spend will be incurred in 2024/25). Short-term borrowing has increased by £0.049m and is made up of loans to be paid in the following year.
- **Long-Term Liabilities** – reduced by £4.479m;
 - **Pension Fund Liabilities** – reduced by £3.783m. The £3.783m relates to the Defined Benefit Pension Scheme and Pension Account movements in the year. This reflects the movement in liability and funds in Firefighter and Local Government pension schemes. Note that this change is offset by a contra increase in the Pensions Reserve (Unusable Reserves) of £3.783m. 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).

- **Long-term creditors** – reduced by £0.598m. This reduction relates to PFI contract payments to be paid in the coming year and moved to short term borrowing.
- **Provisions** – A net reduction of £0.58m. 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 has increased by £0.096m, and the Business Rates Appeals provision was reduced by £0.154m (see note 20 in Statement of Accounts).
- **Usable Reserves** reduction of £7.579m – this is the net movement in reserves in the year. The unapplied capital grant held by the Authority on behalf of the Home Office to fund the refresh of National Resilience assets is carried forward as a reserve. The value of the Home Office reserve reduced by £0.664m in the year, but these funds are not available to the Authority and any unspent grant must be paid back to Government. The Authority's usable reserves were £15.874m, a net reduction of £6.915m on the opening balance. The reason for reduction in the Authority's earmarked reserves is outlined in paragraph 18 above, (funding of the new Training and Development Academy and fire station, pension reserve and collection fund adjustments). These committed reserves are required in order to carry forward 2023/24 funds into 2024/25 to meet projects now re-phased into future years, or, to offset identified potential risks to the Authority's financial plan.
- **Unusable Reserves** reduction of £23.371m. As mentioned previously unusable reserves have been created to allow the technical aspects of accounting required by the Code to be reflected in the Statement of Accounts. Unusable reserves are not generally available to fund spend. A reduction in the Pension Reserve of £1,744m to reflect changes in the liability of the pension schemes accounts for some of the reduction in unusable reserves. The other movements relate to the Revaluation reserve £7.205m and the Capital Adjustment Account of £14.960m, (used to show various notional costs associated with capital expenditure to allow the accounts to be prepared on an IFRS basis, such as depreciation, gains and losses on the sale of properties and gains recognised on donated assets).

22. The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the

recipients of services provided by the Authority. Notes 23 to 26 in the Statement of Accounts provide more for detail of specific movements in the year.

23. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery (for an analysis of investing activities see note 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.
24. Overall total cash and cash equivalents (cash equivalents are highly liquid investments that mature within a period of no more than three months and are readily convertible to known amounts of cash) have increased from £8.387m to £13.680m. This in part is due to the current treasury management strategy that sets specific criteria for investments (security and liquidity) and therefore cash may be held over the short term while suitable longer term investment opportunities are identified.
25. The overall structure of interest rates has for some time meant that short term rates have remained lower than long-term rates. In this scenario, the Authority's strategy has continued to be to reduce investments and borrow for short periods and possibly at variable rates when required, rather than seek new long-term borrowing.
26. **Members are requested to consider the Statement of Accounts, attached as Appendix A, and delegate authority to the Chair of the Audit Committee and Director of Finance and Procurement to authorise them for issue.** Once the Statement of Accounts have been authorised for issue the public will have access to the document via the Authority's website. A summary plain English statement of accounts is also available on the website.
27. International Audit Standards require a letter of representation from the Director of Finance and Procurement (S.151 Officer) to the Auditors confirming that the information in the financial statements is accurate and that all material information has been disclosed. The signature of the Director of Finance and Procurement is required on the letter. The proposed letter of representation is attached to this report as Appendix B for Members' consideration. Once the audit work has been completed the letter will be signed by the Director of Finance and Procurement and sent to Forvis Mazars.

Equality and Diversity Implications

28. None contained within the report.

Staff Implications

29. None contained within the report.

Legal Implications

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30. The Authority has a statutory duty pursuant to regulation the Accounts and Audit (England) Regulations 2015, to approve and sign-off for publication the Statement of Accounts for the previous year before the regulation deadline of 28th February in the following year for the 2023/24 Statement of Accounts.

Financial Implications & Value for Money

31. The report confirms the 2023/24 outturn position is consistent with that previously reported and the implications are contained within the main body of the report.

Risk Management and Health & Implications

32. None directly related to this report.

Environmental Implications

33. None contained related to this report

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

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

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

BACKGROUND PAPERS

CFO/52/24 "Revenue and Capital Outturn 2023-2024" Policy & Resources Committee 25th July 2024

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

FRC Financial Reporting Council – direct statutory powers in relation to audit regulations and responsible for the UK's Corporate Governance and Stewardship Codes