

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>AUDIT COMMITTEE</b>		
<b>DATE:</b>	<b>26 FEBRUARY 2026</b>	<b>REPORT NO:</b>	<b>DFP/14/2526</b>
<b>PRESENTING OFFICER</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM (SLT)</b>		
<b>TITLE OF REPORT:</b>	<b>STATEMENT OF ACCOUNTS 2024/25 – APPROVAL OF AUDITED STATEMENTS</b>		

<b>APPENDICES:</b>	<b>APPENDIX A: STATEMENT OF ACCOUNTS 2024/25</b> <b>APPENDIX B: LETTER OF REPRESENTATION</b>
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### **Purpose of Report**

1. To present to Members the audited 2024/25 Statement of Accounts for approval and request that they be authorised for issue.

### **Recommendation**

2. It is recommended that Members;
  - a) delegate authority to the Chair of the Audit Committee and the Director of Finance & Procurement, as the S151 Officer, to sign the 2024/25 Statement of Accounts, attached as Appendix A to this report and approve for publication on the Authority's website; and
  - b) note the Director of Finance and Procurement will sign the letter of representation in relation to the 2024/25 accounts, attached as Appendix B.

### **Introduction and Background**

3. The Authority is required to annually prepare financial statements, known as the Statement of Accounts, in accordance with relevant codes and regulations. These statements must be audited by an independent auditor, who issues an opinion. An unqualified opinion confirms that statements have been prepared according to regulations and provide a true and fair view of the financial position of the Authority.
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 Authority's income, expenditure and financial position; and
  - b. have been prepared in accordance with the relevant local authority codes and standards.
5. The Authority has a statutory duty to approve and sign-off the Statement of Accounts for publication. To clear the national audit backlog, the government has legislated the following backstop dates:
  - 2024/25 – 27 February 2026
  - 2025/26 – 31 January 2027
  - 2026/27 – 30 November 2027
  - 2027/28 – 30 November 2028

The 2024/25 audited Statement of Accounts is attached as appendix A, for Members' consideration.

6. The Forvis Mazars Audit Completion report, found elsewhere on today's agenda, summarises the auditor's findings in relation to the 2024/25 Statement of Accounts. It confirms that, based on their work to date, the 2024/25 accounts meet the criteria in (a) and (b) above, and auditors intend to issue an unqualified opinion on the statements.
7. Note that Members considered the 2024/25 year-end general fund outturn position in report DFP/08/2526, that was approved by the Policy and Resources Committee on 24<sup>th</sup> July 2025. That report identified net revenue expenditure in the year of £70.255m against a budget of £74.191m, and a resulting favourable variance of £3.936m (before any adjustments for year-end reserves). The report outlined that £0.333m was required to be carried forward as year-end earmarked reserves, leaving an actual saving in 2024/25 of £3.603m. Members approved the utilisation of this saving to increase the General Revenue reserve by £0.200m and, create a new reserve for carbon net zero of £2.000m to contribute towards the costs associated with investing in carbon zero renewables and initiatives, to reduce carbon emission and reduce energy costs, and increase in the capital reserve of £1.403m, (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 2024/25, as per paragraph 7, the Comprehensive Income and Expenditure Statement (CIES) indicates a net surplus of £0.635m 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 DFP/08/2526, 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. 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 2023/24 and 2024/25.

**Statement of Accounts;**

10. The Statement of Accounts is a record of the Authority's financial activities for 2024/25 with comparative figures for 2023/24. 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 2024/25 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 2024/25 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 2024/25.

## 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 2024/25 (after taking into account the creation of reserves) this becomes net surplus of £0.635m 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:

Net General Fund 2024/25 year-end position:		Detailed Adjustment	Total Adjustments per Expenditure and Funding Analysis	Total Adjustments per Comprehensive Income and Expenditure Statement
	Note	£'000	£'000	£'000
<b>1 Net creation of earmarked reserves</b>	(a)	-	-	(1,595)
<b>2 Asset valuation / charges and capital funding adjustments</b>				
Depreciation, impairment and revaluation adjustment	(b)	17,824		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	4,893		
Asset disposal / write-offs / revaluation losses		39		
MRP / interest adjustment	(f)	(6,496)		
Capital Expenditure Funded from the Revenue Account (CERA)		(8,920)		
Capital grants income		(3,420)	<b>3,920</b>	
<b>3 Pension related adjustments</b>	(d)			
Pension contributions payable to pension fund (employer)		(13,476)		
Pension contributions payable to pension fund (top-up grant)		(33,617)		
Pension current service costs		4,913		
Pension past service costs		-		
Net interest on the defined benefit liability scheme		39,625	<b>(2,555)</b>	
<b>4 Other technical accounting adjustments</b>	(e)			
Timing differences for premiums and discounts		22		
Timing differences for council tax / NNDR		(78)		
Timing differences for compensated absences		(349)	<b>(405)</b>	
<b>Total adjustments</b>				<b>960</b>
<b>(Surplus) or deficit on provision of services</b>				<b>(635)</b>

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) *Revenue Expenditure Funded from Capital Under Statute (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 39 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 **£31.670m in usable reserves** as at 31/03/2025. Of this, the Authority held £14.201m in reserves on behalf of the Home Office to fund the refresh of National Assurance 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 2024/25 the Authority's usable reserves were £17.469m, a net increase of £1.595m on the 2024/25 opening balance. The increase is due to the creation of Carbon Net Zero Reserve, net increase in the Capital Investment Reserve and planned drawdowns during the year for retrospective holiday pay and other planned expenditure. The committed reserves are required in order to carry forward funds from 2024/25 funds into 2025/26 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 £3.900m or 5% of the net 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 £75.795m - 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 31<sup>st</sup> 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** – decreased by £13.332m. This was mainly due to; a £14.904m net revaluation decrease on Land and Buildings, and additions in the year £9.014m and £5.423m assets reclassified as held for sale. The balance is made up of changes in depreciation / derecognition, and vehicle and equipment additions.
- **Current Assets** – increased by £20.128m. The re-phasing of planned capital expenditure and the receipt of grant monies in advance of expenditure has resulted in a net increase in Short Term Investments of £22.315m and a decrease in Cash & Cash Equivalents of £1.341m. Short-term debtors have decreased by £1.912m.
- **Current Liabilities** – increased by £9.041m. An increase in short-term creditors of £4.678m due to an increase in various creditor accruals and an increase in grants paid in advance of £4.334m (spend will be incurred in 2025/26 and 2026/27). Short-term borrowing has increased by £0.029m and is made up of loans to be paid in the following year.
- **Long-Term Liabilities** – reduced by £78.808m;
  - **Pension Fund Liabilities** – reduced by £80.891m. The £80.891m 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 £80.891m. These accounts balance each other out and allow the inclusion of the pension liability in the balance sheet and Unusable Reserves (see Note 21 in the Statement of Accounts).

- **Usable Reserves** increase of £0.768m – 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 Assurance assets is carried forward as a reserve. The value of the Home Office reserve reduced by £0.827m in the year, these funds are not available to the Authority, and any unspent grant must be paid back to Government. The Authority's usable reserves were £17.469m, a net increase of £1.595m on the opening balance. The reason for increase in the Authority's earmarked reserves is outlined in paragraph 17 above. These committed reserves are required in order to carry forward 2024/25 funds into 2025/26 and 2026/27 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 £75.795m. 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 £80.891m to reflect changes in the liability of the pension schemes accounts for some of the reduction in unusable reserves. The other key movements relate to the Revaluation reserve £5.969m and the Capital Adjustment Account of £0.468m, (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 22 to 25 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 24 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 25 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 reduced from £13.680m to £11.893m taking into account an in year adjustment of £0.446m. 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.

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#### **Equality and Diversity Implications**

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28. None contained within the report.

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#### **Staff Implications**

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29. None contained within the report.

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#### **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 27<sup>th</sup> February in the following year for the 2024/25 Statement of Accounts.

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#### **Financial Implications & Value for Money**

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31. The report confirms the 2024/25 outturn position is consistent with that previously reported.

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**Risk Management and Health & Implications**

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32. None directly related to this report.

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**Environmental Implications**

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33. None directly related to this report.

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**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.*

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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.

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**BACKGROUND PAPERS**

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**DFP/08/2526** "Revenue and Capital Outturn 2024-2025" Policy & Resources Committee 24th July 2025

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**GLOSSARY OF TERMS**

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**CIES** The **C**omprehensive Income and **E**xpenditure **S**tatement

**THE CODE** Code of Practice on Local Authority Accounting

**MIRS** **M**ovement In **R**eserves **S**tatement

**IFRS** International **F**inancial **R**eporting **S**tandards

**PFI** **P**rivate **F**inance Initiative

**FRC** **F**inancial **R**eporting **C**ouncil – direct statutory powers in relation to audit regulations and responsible for the UK's Corporate Governance and Stewardship Codes