APPENDIX A

Merseyside Fire & Rescue Authority

2022/23 Statement of Accounts DRAFT

MERSEYSIDE FIRE AND RESCUE AUTHORITY

ANNUAL STATEMENT OF ACCOUNTS 2022/2023

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Narrative Report by the Director of Finance and Procurement

Introduction

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31st March 2023, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2022/23 Code of Practice on Local Authority Accounting (*the Code*) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and are based upon International Financial Reporting Standards (IFRS). The Code and relevant guidance notes specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of the Authority.

Due to the complex nature of the accounts, a simpler version has been prepared and this can be obtained on the Authority's website under About / Finance and Accounts. Although this simplified statement has no formal legal standing, it 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 2022/23 and the future. It also provides a summary of the financial position at 31st March 2023, and is structured as below:

- Background to the Authority & Key Information
- The 2022/23 Non-Financial Performance
- The Authority 2022/23 Revenue Budget and Financial Challenge
- 2022/23 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2022/23 to 2026/27
- Treasury Management
- Balance Sheet Financial Position at 31st March 2023
- Future Financial Challenge / Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2022/23.

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. The Office of National Statistics (ONS) 2020 figures showed that Merseyside has a population of 1.434m. The population is split 48.9% male and 51.1% female, with 18.1% of the population being children (0-15), 63.8% being of working age (16-64) and 18.0% above 65. Merseyside has an aging population and is one of the most deprived areas in England, with Knowsley being the third most deprived local authority in England and Liverpool being forth. There are more affluent areas, for example, in West Wirral and North Sefton. However, large areas of Merseyside fall within the highest ratings of social deprivation, which includes high levels of poverty, social exclusion and crime.

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 2022/23, this was as follows:

Knowsley	2	(2 Labour)
Liverpool	6	(4 Labour, 1 Liberal Democrat, 1 Liverpool Community Independents Group)
Sefton	4	(3 Labour, 1 Liberal Democrat & Progressive Alliance Group)
St. Helens	2	(2 Labour)
Wirral	4	(2 Labour, 1 Conservative, 1 Green)

The 18 elected members meet together as the Fire and Rescue Authority to 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 (CFO), supported by a Strategic Leadership Team (SLT). The current makeup of the SLT is detailed below:

- Chief Fire Officer
- Deputy Chief Fire Officer
- Assistant Chief Fire Officer
- Head of Legal (Monitoring Officer)
- Director of Finance and Procurement (Section 151 Officer)
- Director of People and Organisational Development
- Director of Strategy and Performance
- Area Manager for Operational Preparedness
- Area Manager for Operational Response
- Area Manager for National Resilience
- Area Manager for Prevention
- Area Manager for Protection

Integrated Risk Management Plan
In line with the requirements of the Fire and Rescue Service National Framework 2018, MFRA publish an Integrated Risk Management Plan (IRMP). The IRMP requires the Authority to identify all foreseeable risks and develop plans to manage those risks, which may affect the community of Merseyside, regional authorities and national authorities. A new IRMP 2021-24 was approved by the Fire Authority and published on 30th June 2021. The IRMP included proposals to meet the challenges it faces whilst aspiring to continue to deliver an excellent service to the residents of Merseyside. The IRMP takes into account existing and emerging risk(s), demand and vulnerability such as; the ageing population of Merseyside; socio-economic vulnerability to fire and other risks; impact and requirements of the Grenfell enquiry report; impact of fire and rescue service inspection; marine and weather-related incidents such as flooding; and the increased risk of terrorism. In general, our work to deliver against the IRMP has progressed well and ensures the Authority's commitment to maintain operational response times, despite continuing financial challenges. 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.

Vision, Purpose & Aims
The Authority approved a revised Leadership Message and associated vision, purpose, aims, values and behaviours of the Service, that captures the organisations key people priorities, developed in order to deliver the best possible services to the Merseyside community through the professionalism and capabilities of our people. The Authority's new Vision, Purpose and Aims are:

Our Vision;
To be the best Fire & Rescue Service in the UK. One team, putting its communities first

Our Purpose;
Here to serve. Here to protect. Here to keep you safe.

Our Aims;

Protect

We protect people from harm*, provide advice, guidance and when absolutely necessary use enforcement to keep the public and our firefighters safe.*

Prevent

We are there for you. *We are a visible presence that provides reassurance, support and advice. Alongside our partners, we protect the most vulnerable and reduce inequalities.*

Prepare

We will always be the best that we can be *by having highly skilled and trained people who plan for every risk and keep our teams safe and effective.*

Respond

We will be there when you need us most, *pulling out all the stops to save lives. Whether we are taking 999 calls, or attending incidents, we keep our communities safe.*

The vision, purpose & aims, along with the approved IRMP, determine the Authority's priorities that are reflected in the allocation of resources within the approved budget and financial plan agreed by the Authority in the February before the commencement of the new budget year.

The Authority 2022/23 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 Leadership Team. 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 2022/23 Authority's performance against the key performance indicators (KPI's) is summarised in the table below

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2021/22	Target 2022/23	Performance 2022/23	Status
TO00	Total number of emergency calls received	22693	*Quality Assurance*	24799	Quality Assurance
TC01	Total number of incidents attended	18283	18278	18735	Target missed
TC02	Total number of fires in Merseyside	6904	7034	7112	Target missed
TC03	Total number of primary fires attended	1984	2037	1859	On target
QTC04	Total number of secondary fires attended	4920	4997	5253	Target missed
TC05**	Total number of special services attended	5345	*Quality Assurance*	5306	Quality Assurance
TC06	Total number of false alarms attended	6034	5993	6317	Target missed
TR08*	Attendance standard – first attendance of an appliance at a life risk incidents in 10 mins	95.4%	90.0%	93.9%	On target
TD09	The % of available shifts lost to sickness absence, all personnel	5.40%	4.00%	4.95%	Target missed
TE10	Total carbon output of all MFRS buildings	55.6	65.0	52.8	On target

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2021/22	Target 2022/23	Performance 2022/23	Status
FIRES IN THE HOME					
DC11	Number of accidental dwelling fires	839	850	780	On target
DC12	Number of deaths in accidental dwelling fires	4	8	10	Target missed
DC13	Number of injuries in accidental dwelling fires attended	61	90	59	On target
DC14	Number of deliberate dwelling fires in occupied properties	120	129	119	On target
DC15	Number of deliberate dwelling fires in unoccupied properties	18	19	19	On target
DC16	Number of deaths in deliberate dwelling fires	0	1	0	On target
DC17	Number of injuries in deliberate dwelling fires	9	13	7	On target
FIRES IN NON-DOMESTIC PROPERTIES					
NC11	Number of deliberate fires in non-domestic premises	51	64	68	Target missed
NC12	Number of accidental fires in non-domestic premises	150	168	136	On target
SMALL AND ANTI-SOCIAL BEHAVIOUR FIRES					
AC11	Number of deliberate vehicle fires attended	402	419	288	On target
AC12	Number of accidental vehicle fires attended	207	193	218	Target missed
AC13	Number of deliberate anti-social behaviour fires (small)	3363	3293	3291	On target
AC14	Number of accidental small fires attended	1557	1704	1962	Target missed
AC15	Number of 'other' primary fires attended	197	195	231	Target missed
ROAD TRAFFIC COLLISIONS					
RC11	Number of road traffic collisions (RTC) attended	830	*Quality Assurance*	842	Quality Assurance
RC12	Number of injuries in road traffic collisions attended	284	*Quality Assurance*	314	Quality Assurance
RC13	Number of fatalities in road traffic collisions attended	17	*Quality Assurance*	8	Quality Assurance
RC14	New: Number of Killed & Seriously Injured (KSI) in RTC's across Merseyside *Based on Partnership RTC data*	477	*Quality Assurance*	454	Quality Assurance
RC15	New: Number of KSI's affecting 16-24 age group - *Based on Partnership RTC data*	85	110	84	On target
FALSE ALARMS					
FC11	The number of false alarm calls due to automatic fire alarm equipment in non-domestic properties	552	586	469	On target
FC12	The number of false alarm calls due to smoke alarm actuation in domestic properties	2958	2974	3141	Target Missed
FC13	Total number of false alarms attended discounting false alarm good intent	3697	*Quality Assurance*	3761	Quality Assurance
FC22	Number of malicious false alarms attended	187	201	151	On target
FC23	Number of false alarm good intent attended	2329	*Quality Assurance*	2556	Quality Assurance

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2021/22	Target 2022/23	Performance 2022/23	Status
STAFF SICKNESS & INJURIES					
WD11	% of available shifts lost to sickness absence per wholetime equivalent GREY book (operational) personnel	5.70%	4%	5.41%	Target missed
WD12	% of available shifts lost to sickness absence per wholetime equivalent Green and Red book (non uniformed) personnel	5.40%	4%	5.24%	Target missed
WR13	Total number of operational staff injuries	36	51	40	On target

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

Most incident types including total number of fires, secondary fires and emergency calls received are higher than in 2021/22. There were 24,799 emergency calls received during 2022/23 compared to 22,693 the previous year. The total number of accidental dwelling fires decreased this year with 780 fires attended compared to 839 in 2021/22.

The Authority has continued to meet its attendance standard target (90%) of the first appliance being in attendance at all life risk incidents within 10 minutes.

Where there is no target for an indicator the status is shown as 'Quality Assurance'. These are Performance Indicators where we either do not want to reduce numbers, or are unable to influence this incident type, such as some types of Special Service calls. Many are related to assisting partner agencies such as the Police and the Ambulance Service, particularly related to providing assistance and helping them enter buildings. Incident types we can influence such as road traffic collisions and water rescue incidents exist as separate indicators.

During 2022/23, Road Traffic Collisions (RTCs) attended (842) increased when compared to 2021/22 (830). However, the number of fatalities in RTC's attended by MFRS (8) were fewer than the previous year (15). This indicator is based on the RTC's that the Service is requested to attend and does not reflect the total number of RTCs in Merseyside. Data recording 'killed and seriously injured in RTC's' show a decrease in the number of incidents in 2022/23 (454) when compared to 2021/22 (476).

At the end of 2022/23, sickness among operational personnel was at 4.95%, with shifts lost to sickness absence exceeding the target of 4%. This is lower than in 2021/22, when absence was 5.40%. The COVID-19 outbreak was still having an impact on staff absence during 2022/23. If Covid related sickness is removed from this figure, sickness absence is 4.15%.

The 2022/23 Revenue Budget and Medium Term Financial Plan

Historical Impact of Government's Austerity Plan 2010/11 – 2019/20

The Authority faced an unprecedented financial challenge over the period 2010/11 – 2019/20 as the Government implemented an austerity plan in an attempt to reduce national debt. A significant element of the Government's plan was to reduce the level of funding for local government (including fire and rescue authorities). As the Authority had a relatively low council tax base, it was more reliant upon Government grant funding to support its revenue budget and therefore suffered a greater proportionate financial loss than almost every other fire and rescue authority in the country. The cumulative percentage reduction in Government revenue support for the Authority between 2011/12 and 2019/20 equated to a 33% cash reduction or approximately 50% in real terms.

The impact on the Authority's revenue budget was significant, in 2010/11 the budget was £73.3m, if this was uplifted to 2019/20 prices it would equate to approximately £85m, in reality the 2019/20 budget of £60.3m was 29% lower in real terms. This scale of cuts meant unavoidable reductions in the front line operational services over this period. The impact of the required savings over the 2011/12 – 2018/19 period on staffing, fire appliances & fire stations is outlined overleaf.

In 2010 the Authority;

- employed approximately 1,000 Full Time Equivalents (FTE) firefighters,
- employed 42 FTE fire control staff,
- employed 425 FTE support and technical staff,
- had 42 wholetime fire appliances immediately available and 1 retained - 43 appliances in total,
- had 26 full-time fire stations.

By 2018/19;

- the budgeted establishment for firefighters fell to 620 FTE, a reduction of -380 or -38%,
- 32 FTE staff in fire control, (24% lower),
- 290 FTE support and technical staff, (32% lower),
- fire appliances - 18 fulltime appliances; 6 day crewed appliances (immediately available during the day); and 2 fully wholetime retained appliances which are available on a 30 minute recall,
- approved plans to close or merge a number of fire stations that will see the number of fire stations reduce from 26 to 22 once the programme has been fully implemented, (2020), maintained by a variety of demand led duty cover systems.

2022/23 Budget and Medium Term Financial Plan

Budget

The Authority identified a need to re-invest back into frontline services in response to emergent and foreseeable risk from fire and other emergencies, particularly the services ability to respond to large and/or protracted incidents, as well as the need to enhance protection functions in the light of the Grenfell Tower fire, the Manchester terror attack and other major incidents.

In 2019/2020 and 2020/2021 the Authority's approved Budget re-invested over £1m back into Operational Response and Protection services by:-

- increasing the firefighter numbers by an additional 22 posts, to 642 and,
- an increase in retained (on call) contract holders,
- increase fire engine/appliance availability from 26 to 29 (plus the specialist rescue appliance), and
- the introduction of a new fire engineer post to work with partners ensuring the safety of residents in high-rise buildings.

The Authority's 2022/2023 Budget has continued to look to re-invest in frontline services by allocating additional resources in line with the approved IRMP for 2021–2024, and included further enhancements to the operational and protection capabilities of the Service by:-

- increasing the number of fire engines the Service can deploy from 29 (plus the Special Rescue Appliance) to 31 (plus the Special Rescue Appliance) by expanding the Hybrid duty system,
- introducing specialist teams to deal with all foreseeable risk,
- increasing investment in specialist appliances and other operational equipment,
- proposed to build a new £35m Training and Development Academy and Hybrid Station with rescue capability.

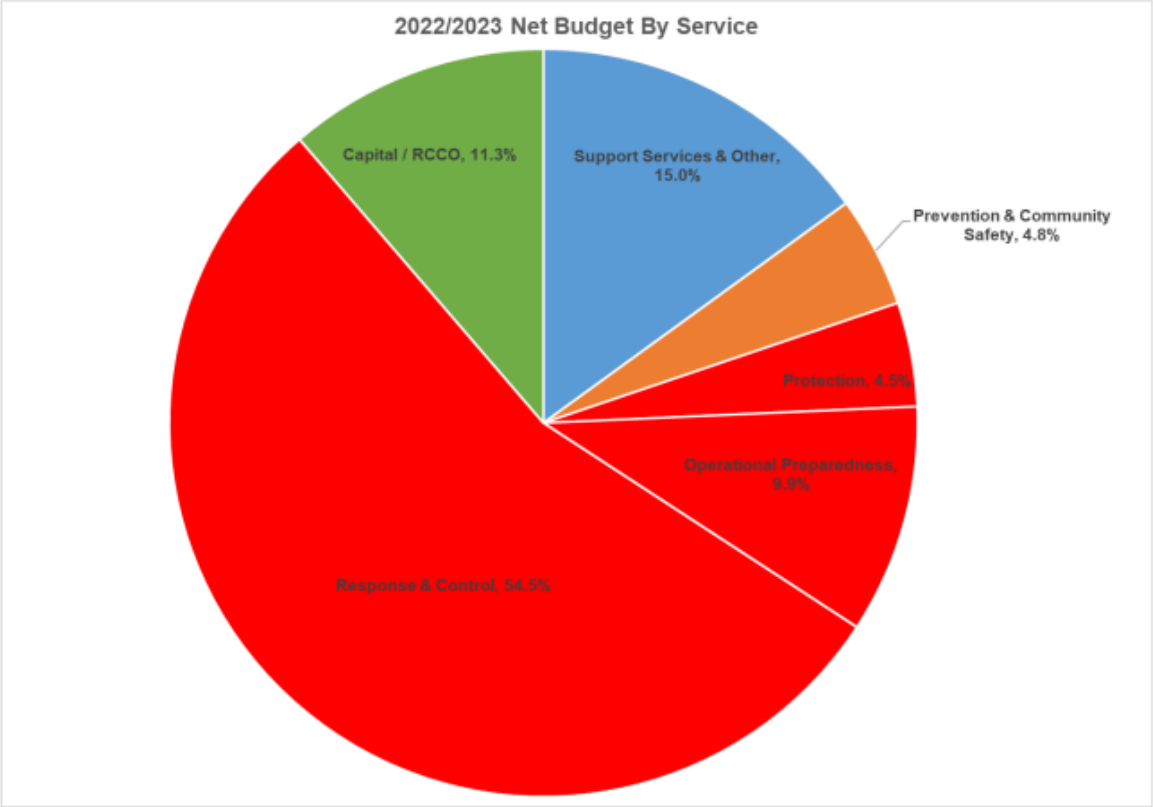
The investment the Authority has made in the Service since 2020/2021 has ensured Merseyside Fire and Rescue Service continues to be one of the best, if not the best fire and rescue services' in the country. In the latest HMICFRS inspection the Service scored an unprecedented three 'Outstanding' judgements across the eleven sub themes for its work preventing fires and other emergencies, its response to major and multi-agency incidents and for making the best use of its resources.

The Authority remains concerned that the impact of the previous service reductions due to Government funding cuts have gone too far and they are steadfast in their ambition to build resources back into the Service. The permanent investment it has managed to put into the Service since 2019/20 only delivers some of the additional resources it believes are required. The Authority also calls upon the Government to make the temporary 2020/21 Protection Services grants, that allowed a short-term investment in these services, permanent.

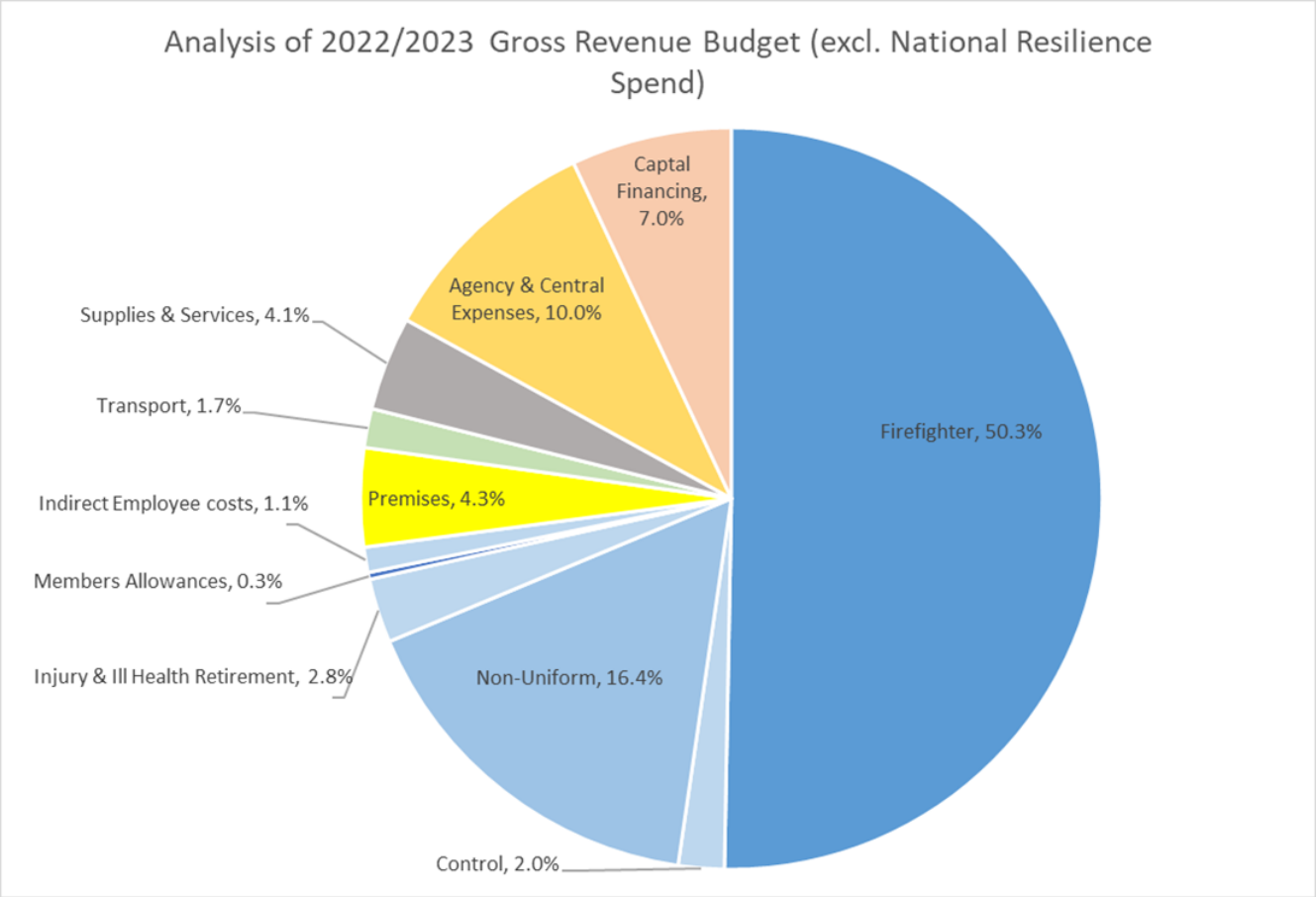
The 2022/2023 Government funding settlement was another one-year settlement, the Authority urge the Government to reinstate the multi-year approach for future years as short-term funding is a major barrier to effective financial planning and fails to provide a permanent solution to the fundamental challenges facing the Authority.

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 taxpayers. The Authority set its General Fund budget for 2022/2023 at £61.792m, and was able to approve a balanced 2022/2023 Budget without the need to identify new Service savings. In addition, the budget included a one-off £2.777m contribution to the new Training and Development Academy reserve. 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 pie chart below outlines a “thematic” analysis of the revenue budget. Most expenditure, 54.5%, goes on emergency and specialist response; 9.9% on Operational Preparedness; and, 9.3% on Protection, Prevention & Community Safety. Therefore 73.7% of expenditure is on the “front line” services, (those activities highlighted in red are deemed frontline services). The 11.3% on capital costs relates mostly to previous investment in front line assets, fire stations, vehicles and equipment. The remaining 15.0% is on support and operational enabling services.



An analysis of the revenue budget on a subjective basis is outlined in the pie chart overleaf. The majority, 73%, of planned revenue expenditure is predominantly employee related. This means that the key assumption in the budget forecast relates to future pay awards. The Budget assumed pay awards of 2.5% in each year of the MTFP.



Funding of the revenue budget requirement is split equally between Council Tax (Precept) and Government funding through the local government retained business rates formula (Settlement Funding Assessment, SFA).

The Government announced only a one-year, 2022/2023, SFA settlement. The Authority's 2022/2023 SFA increased by 1.1%, compared to the 2021/2022 SFA. However, as one of the Government measures to assist with the Country's economic recovery post Covid-19 was to freeze business rates in 2022/2023, rather than apply the September 2021 CPI increase of 3.1%, the Authority received an increase in its business rates compensation grant of £1.000m.

The Government restricts Council Tax / Precept increases to just under 2% unless the Authority holds a referendum for higher increases. As the cost of a referendum, and any re-billing of council tax demands if the vote doesn't support such an increase, is estimated at £1m, the Authority considers the financial risk too great for implementing this option. The 2022/2023 Precept increase was 1.96%.

As per the table below, the 2022/2023 forecast budget requirement based on key assumption over pay awards and other costs could be met from the expected funding in the year.

2022/23 - 2026/27 MTFP					
	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
FORECAST NET SPEND IN CURRENT MTFP	61,792	64,201	66,750	68,190	69,666
TOTAL FUNDING	-61,792	-64,201	-65,975	-67,307	-68,672
Forecast (Surplus) / Deficit	0	0	775	883	994

MTFP

As outlined in the previous table the Authority maintains a five-year revenue forecast. This forms part of a comprehensive five year MTFP and Capital Programme that is rolled forward each year. The approved 2022/2023 – 2026/2027 MTFP is available on the Authority's website. As future costs and funding levels are not known, the MTFP identifies the key assumptions used in the Plan; 2.5% increase in annual pay costs; 1% year-on-year increase in Government funding; and an increase in the Council Tax Precept of just under 2% in each year.

The MTFP includes all the necessary financial information in a single report to set a robust financial plan, it includes:-

- Forecast Revenue Estimates for the next five years
- The Proposed 5 year Capital Programme
- Any Revenue Savings and Growth Options
- The Treasury Management Strategy
- The Minimum Revenue Payment Policy for the Authority
- A Reserves Strategy

By considering all the financial issues to be taken into account in a single report ensures that the Authority can:-

- Consider the borrowing freedoms available under the prudential code
- Reflect best practice
- Provide value for money
- Focus on the link between capital investment decisions and revenue budgets
- Continue to develop their strategic financial plan

The MTFP projects Authority spend and Government funding up to 2026/2027. However as the estimates are based on some key assumptions that are unpredictable (for example future Government funding for the Fire and Rescue Service is subject to a number of Government reviews and national economic performance), the Authority has noted the forecast financial challenge from 2024/2025 and will deal with any financial issues in future budget rounds

The 2022/23 Revenue Outturn Position

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

- the robustness of the key budget and MTFP assumptions,
- any required budget amendments,
- movements from and to reserves and the revenue budget.

The approved General Fund budget remained constant throughout the year at £61.792million. The table overleaf summarises the actual general revenue fund position at year-end and compares it to the budget. Overall, the Authority spend matched the budget after taking into account a drawdown from the inflation reserve to cover higher energy costs and a firefighter pay award of 7%, and the need to cover a £2,000 reduction in council tax yield.

Programme	Fire Service Budget £'000	Fire Authority £'000	National Resilience £'000	Total Budget £'000	Actual £'000	Variance £'000
Expenditure						
Employee costs	54,219	367	2,411	56,997	55,270	(1,727)
Premises costs	4,394	-	3	4,397	4,056	(341)
Transport costs	1,419	-	6,730	8,149	7,874	(275)
Supplies and services	3,966	23	4,391	8,380	6,957	(1,423)
Agency services	6,838	-	778	7,616	7,223	(393)
Central support services	505	139	-	644	612	(32)
Capital financing	20,161	-	15	20,176	20,123	(53)
Income	(15,161)	-	(14,328)	(29,489)	(28,695)	794
Net expenditure	**76,341**	**529**	**-**	**76,870**	**73,420**	**(3,450)**
Contingency pay & prices	165	-	-	165	-	(165)
Interest on balances	(322)	-	-	(322)	(920)	(598)
	76,184	**529**	**-**	**76,713**	**72,500**	**(4,213)**
Movement on reserves	(14,921)	-	-	(14,921)	(10,710)	4,211
Overall financial position	**61,263**	**529**	**-**	**61,792**	**61,790**	**(2)**

Throughout the year managers looked at every opportunity to maximise savings against the approved budget to enable an increase in the capital reserve to manage long-term borrowing and debt costs. The 2022/2023 year-end "underspend" was £4.213m however, after taking into account specific year-end earmarked reserves requests of £0.924m, the available uncommitted underspend was £3.289m. The current cost of living crisis, high inflation, and increasing interest rates are putting pressure on Authority costs and in particular future pay awards. The current 2023/24 MTFP assumes a 5% increase in 2023/24 pay awards and 2.5% per annum thereafter, with each additional 1% adding £0.5m. Therefore, rather than increase the capital reserve by the full available underspend, £0.382m has been used to increase the inflation reserve to £1.250m as a short term fund to cover higher than expected inflation costs, with the balance increasing the capital reserve by £2.907m.

After taking account of the year-end reserves, and the need to cover a £2k shortfall in council tax yield, the net position on the revenue account was that actual overall spend was consistent with the budget.

Whilst the General Fund shows a neutral position for the year (after the drawdown of year-end reserves), the Comprehensive Income and Expenditure Statement (CIES) indicates a net surplus of £6.064m 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 overleaf 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 2022/23 year-end position:	**Note**	-	-	-
1 Net creation of earmarked reserves	(a)	-	-	**10,710**
2 Asset valuation / charges and capital funding adjustments				
Depreciation, impairment and revaluation adjustment	(b)	4,324		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	1,629		
Asset disposal / write-offs / revaluation losses		(19)		
MRP / interest adjustment	(f)	(3,923)		
Capital Expenditure Funded from the Revenue Account (CERA)		(14,997)		
Capital grants income		(6,320)	**(19,306)**	
3 Pension related adjustments	(d)			
Pension contributions payable to pension fund (employer)		(9,933)		
Pension contributions payable to pension fund (top-up grant)		(30,849)		
Pension current service costs		15,024		
Pension past service costs		-		
Net interest on the defined benefit liability scheme		30,297	**4,539**	
4 Other technical accounting adjustments	(e)			
Timing differences for premiums and discounts		23		
Timing differences for council tax / NNDR		(1,920)		
Timing differences for compensated absences		(110)	**(2,007)**	
Total adjustments				**(16,774)**
Surplus or deficit on provision of services				**(6,064)**

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.*

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).

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

In general, the Authority sets aside money in the form of useable reserves to fund future planned investment, to mitigate financial risks, and to smooth savings.

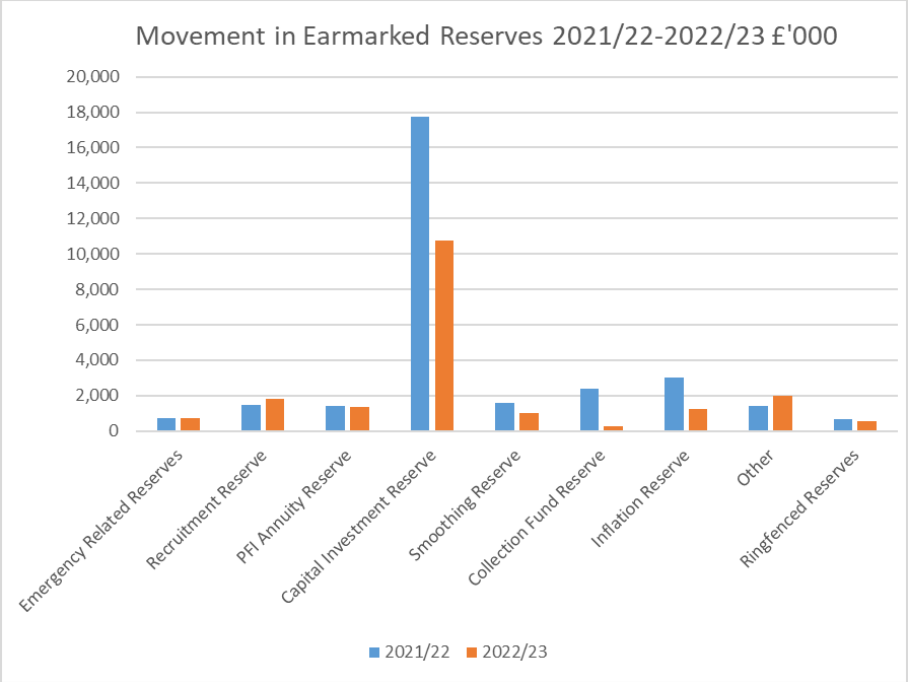
Budgeted Reserves
The Authority adopted a reserves strategy that maintained a General Reserve of £3.000m and anticipated (based on the estimated forecast when the 2022/2023 budget was approved) Earmarked Reserves as at 01.04.2022 of £30.950m (excluding any reserves created to hold Home Office National Resilience Funds to be carried forward). These reserves are required to cater for specific risks, projects and one-off initiatives and, in particular, to help the Authority manage effectively the financial pressures it faces. Details of the budgeted reserves can be found in the MTFP.

Revenue Outturn Position
The Authority's committed reserves at the start of the year were £30.499m and, by the end of the year, they had reduced to £19.789m. This is a net reduction of £10.710m. The most significant movement in reserves in the year were:

- £11.394m was drawn-down from the capital reserve to contribute towards the new TDA and fire station build costs.
- £1.769m was draw-down from the inflation reserve to cover higher energy costs and the firefighter 2022/2023 pay award.
- £2.170m was drawn-down from the collection fund reserve of which £1.306m was used to cover the expected collection fund deficit arising from a Government freeze on business rates, and £0.864m transferred to the capital reserve.
- Other movements reflect monies set-a-side for projects or specific risks that may impact on the Authority over the coming years.

The Authority General Reserve has remained at £3.000m or 5% of the gross budget throughout the year, which provides a relatively small cushion to enable the Authority to cover the risk of unexpected events within the year leading to significant unplanned expenditure.

The table overleaf summarises the main types of committed reserves.

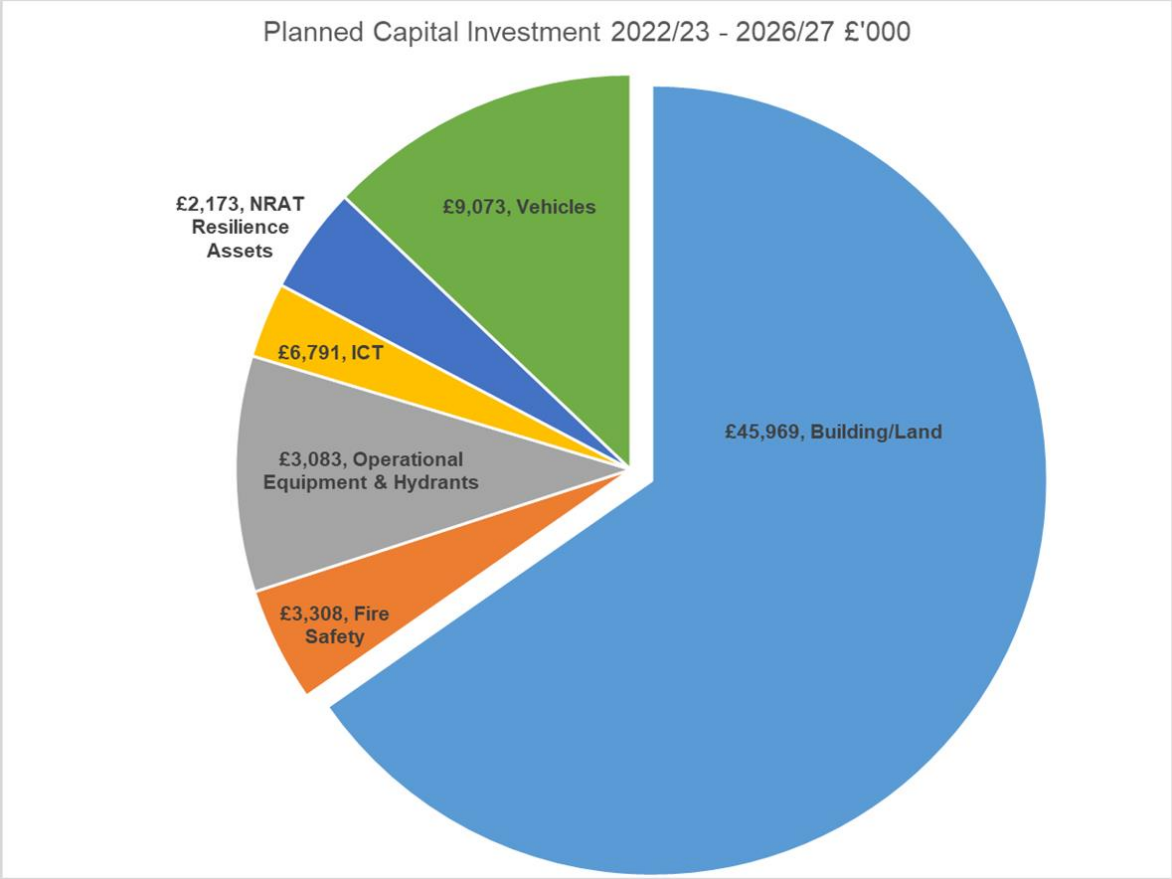


Capital Strategy and Capital Programme 2022/23 to 2026/27

Each financial year the Authority produces a five-year 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 a five-year period.

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 such as 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 areas of planned investment over 2022/2023 – 2026/2027 based on the final approved capital budget of £70.397m:



This capital programme has a borrowing requirement of £42.327m across the whole life of the plan, with the balance of funding being met from reserves, capital receipts, revenue contributions and grants. 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, 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 most significant items of capital expenditure have been:

- The pre-construction works at the new Training and Development / Superstation site
- Fire station refurbishment at Bromborough
- Installation of smoke alarms
- Upgrades and replacement of ICT software and hardware
- Purchase of Home Office National Resilience assets
- The purchase of new appliances and specialist vehicles

2022/2023 Capital Outturn Position

The 2022/2023 original capital budget was £41.846m and during the year this was adjusted for schemes being rephased from 2021/2022 and also schemes slipping into future years. As capital schemes by their very nature take more than one year to complete they are often subject to delays in obtaining planning permission; delays in finalising project specifications; and are subject to supply chain pressures, it is not unusual to have constant re-phasing of the planned spend. The final budget for 2022/2023 was £25.427m but based on the actual spend a further £6.334m planned spend has been re-phased into 2023/2024.

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 Treasury Management strategy is contained within the 2022/2023-2026/2027 Medium Term Financial Plan (MTFP), which is available on the Authority's website. The key elements are:

- The Treasury Management Strategy 2022/2023
- The External Debt and Treasury Management Prudential Indicators and Limits for 2022/2023 to 2024/2025
- The Investment Strategy 2022/23
- 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 are required by the CIPFA Treasury Management Code of Practice and are 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 £33.9m at the start of the year to £33.7m at the end following the repayment of £0.2m of loans in the year. Interest paid during the year on existing long-term borrowing totalled £1.732m.

Balance Sheet Financial Position at 31st March 2023

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 reduced by £335.020m over the year, and as a consequence the current net liability on total reserves has decreased from (£1,073.737m) to (£738.717m). 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 £840.260m 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

The Authority continues to plan prudently and approved a balanced 2023/2024 Budget and five-year medium term financial plan (MTFP) at its meeting on 23 February 2023. Unfortunately the Government announced only a one-year settlement for 2023/2024, and this has meant a lack of certainty and predictability over future Authority funding, making it difficult to plan beyond 2023/2024.

The MTFP also relies upon some key assumptions around future pay, council tax levels and other factors. The current MTFP indicates that the Authority may potentially face a financial challenge from 2024/2025. Due to the level of uncertainty around the forecasts, the Authority will consider any future challenges as part of the 2024/2025 budget setting process when some of these uncertainties should be resolved. The Authority has established specific reserves to cover the risk of a variation to the key assumptions in the MTFP in 2023/2024, and these reserves would allow the Authority time to approve structural changes to deliver any required permanent savings over the longer term.

The Authority understands that the recruitment of sufficient firefighters to maintain the required response staffing levels is crucial over the future medium term in light of the fact the Authority may lose approximately a quarter of its current firefighters through natural retirements over the next five years or so. The Authority has established a recruitment reserve so it can fund the required recruitment in advance of the expected retirements over the period.

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 in line with generally accepted accounting practices and the statutory adjustments required to return the amount chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following those adjustments.

The Balance Sheet
The Balance Sheet shows the value as at the 31 March 2023 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.

There have been no significant changes made to the 2022/23 Code accounting policies and disclosure requirements.

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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/22				Notes	2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
72,911	(15,864)	57,047	Fire & Rescue Service Operations		76,467	(16,258)	60,209
1,376	-	1,376	Corporate and Democratic Core		961	-	961
14,777	(12,669)	2,108	National Resilience / International Search and Rescue		13,360	(12,437)	923
89,064	**(28,533)**	**60,531**	**Cost of services**		**90,788**	**(28,695)**	**62,093**
58	(31,269)	(31,211)	Other operating income and expenditure	9	-	(30,868)	(30,868)
28,520	(2,382)	26,138	Financing and investment income and expenditure	10	36,492	(3,751)	32,741
-	(63,430)	(63,430)	Taxation and non-specific grant income	11	-	(70,030)	(70,030)
		(7,972)	**(Surplus) or deficit on provision of services**	27			**(6,064)**
		-	Impairment losses charged to the revaluation reserve				-
		(5,891)	(Surplus) or deficit on revaluation of fixed assets				(8,140)
		(9,410)	Remeasurement of the net defined benefit liability				(320,516)
		(15,301)	**Other comprehensive income and expenditure**				**(328,656)**
		(23,273)	**Total comprehensive income and expenditure**				**(334,720)**

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 2022		**(33,499)**	**-**	**(10,292)**	**(43,791)**	**1,117,528**	**1,073,737**
Movement in reserves during 2022/23							
Total comprehensive income and expenditure		(6,064)	-	-	**(6,064)**	(328,656)	(334,720)
Adjustments between accounting basis & funding basis under regulations	7	16,774	-	(5,400)	**11,374**	(11,374)	**-**
Increase or decrease in 2022/23		**10,710**	**-**	**(5,400)**	**5,310**	**(340,030)**	**(334,720)**
Balance at 31 March 2023 carried forward		**(22,789)**	**-**	**(15,692)**	**(38,481)**	**777,498**	**739,017**

	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 2021		**(29,082)**	**-**	**(10,383)**	**(39,465)**	**1,136,475**	**1,097,010**
Movement in reserves during 2021/22							
Total comprehensive income and expenditure		(7,972)	-	-	**(7,972)**	(15,301)	(23,273)
Adjustments between accounting basis & funding basis under regulations	7	3,555	-	91	**3,646**	(3,646)	**-**
Increase or decrease in 2021/22		**(4,417)**	**-**	**91**	**(4,326)**	**(18,947)**	**(23,273)**
Balance at 31 March 2022 carried forward		**(33,499)**	**-**	**(10,292)**	**(43,791)**	**1,117,528**	**1,073,737**

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 2022 £000		Notes	31 March 2023 £000
92,925	Property, plant and equipment	12	114,036
72	Intangible assets	13	101
92,997	**Long-term Assets**		**114,137**
33,014	Short-term investments	14	27,259
1,145	Inventories	15	1,074
19,743	Short-term debtors	16	19,466
6,688	Cash and cash equivalents	14 & 17	8,387
60,590	**Current assets**		**56,186**
(1,051)	Short-term borrowing	14	(921)
(18,792)	Short-term creditors	19	(17,767)
-	Bank overdraft	14 & 17	-
(19,843)	**Current liabilities**		**(18,688)**
(16,352)	Long-term creditors	14	(15,804)
(1,052)	Provisions	20	(787)
(33,720)	Long-term borrowing	14	(33,720)
(1,156,357)	Other long-term liabilities	14 & 40	(840,341)
(1,207,481)	**Long-term liabilities**		**(890,652)**
(1,073,737)	**Net liabilities**		**(739,017)**
(43,791)	Usable reserves	21	(38,481)
1,117,528	Unusable reserves	22	777,498
1,073,737	**Total reserves**		**739,017**

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.

2021/22 £000		Notes	2022/23 £000
(7,972)	Net (surplus) or deficit on the provision of services		(6,064)
(13,876)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(9,298)
(660)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	3,609
(22,508)	**Net cash flows from operating activities**		**(11,753)**
8,667	Investing activities	25	5,971
6,675	Financing activities	26	4,083
(7,166)	**Net increase or decrease in cash and cash equivalents**		**(1,699)**
478	Cash and cash equivalents at the beginning of the reporting period		(6,688)
(6,688)	**Cash and cash equivalents at the end of the reporting period**	17	**(8,387)**

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The statement of accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23 and the Service Reporting Code of Practice 2022/23, 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. Going Concern

Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting.

iii. 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

iv. 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.

v. 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.

vi. Charge 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 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 amortisation 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.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly 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 that employees can carry forward into the next financial year. 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 to the accumulated absences account so that holiday entitlements 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the non-distributed costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

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

- The Firefighters Pension Schemes for uniformed employees, administered by LPP – Local Pension Partnership (LPP, 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, Castle Chambers, 43 Castle Street, Liverpool, L2 9SH).

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 taxpayers 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 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 Pension 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 future earnings for current employees.
- Liabilities are discounted to their present value at current prices, using a discount rate of 2.8% (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.
- Re-measurements 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.

viii. 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.

ix. 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, 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 (CIES) 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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, 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 CIES 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets, measured at:

- amortised cost, and
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 CIES 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 financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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 CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivable and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not

increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI 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. Fair value gains and losses are recognised as they arise in Other Comprehensive Income.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair Value Measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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.

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.

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the statement of accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provision, Contingent Liabilities and Contingent Assets.

x. 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.

xi. 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.

xii. 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.

xiii. 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 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.

xiv. 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.

xv. 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.

xvi. 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 2021/22 (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 / Department for Environment, Food & Rural Affairs / Research Projects – 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 three 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.

xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- 22 Community Fire Stations (plus 1 Marine Rescue Station) are measured on a Depreciated Replacement Cost basis as the property is classed as specialised with no readily made market available.
- the balance of the property portfolio consisting of Headquarters, Training Academy, Fire Control Centre, Engineering Centre of Excellence and Houses are valued on 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 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 8 – 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.

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.

xviii. Private Finance Initiative (PFI) and Similar Contracts

The Authority leads a North West PFI project, which replaced sixteen fire stations across Merseyside, Lancashire and Cumbria. Merseyside Fire & Rescue Service built seven new PFI Stations. The building programme for Merseyside started in April 2011, with the 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** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

xix. 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.

xx. 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.

xxi. 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.

xxii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

xxiii. 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 taxpayers.

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 2022/23 (the Code) has introduced several changes in the accounting policies, which will be required from 1st April 2023. 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.

IFRS 16 Accounting for leases will have an impact on the Authority's Accounts. This standard, however, has been deferred from 2020/21 to 2024/25 due to pressures on Local Government due to the Pandemic. The only Asset deemed affected by standard would be the car lease scheme. Currently this relates to 18 vehicles with a valuation of £218,000. Although this would have no material impact to the Accounts the envisaged changes for current year Accounts would have been:

DR	CIES - Depreciation Charge	112,000
CR	CIES - Operating Lease Reversal	(114,000)
DR	CAA - Unusable Reserves	2,000
DR	Property, Plant and Equipment (vehicles)	218,000
CR	Lease Liability	(218,000)

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. Previously the vehicles were insured fully comprehensive, but premiums were deemed too expensive in comparison to self-insurance. However, costs are closely monitored to ensure best value for money.
- 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 at depreciated replacement cost, as there is no market-based evidence of fair value because of the specialist nature of the assets.

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 2023 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 £1,378,250 for every year that useful lives have to be reduced.
	The Authority operates a 5-year revaluation programme for Land and Buildings held on the Balance Sheet. The Authority in conjunction with its valuer had all its land and buildings valued at 31 March 2019, taking into account various factors such as buildings cost indices and local knowledge of markets. In order to keep costs up to date 20% of the land and buildings are fully revalued each year from 2020 on a 5-year rolling basis. These figures are then used to update property portfolio on an annual basis.	Land and building revaluations increased by £7m to £88m and therefore a 1% change in valuation would result in an increase/decrease in valuation of £880,000.
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 pension's liability were to change by 1%, this would result in a gain/loss of £8.5m.
Pension Assets	**Unquoted Investments** The current "cost of living crisis", high inflation, and interest rate changes may impact on the level of certainty regarding the valuations of liquid assets. The valuations have been updated based upon the available information as at 31 March 2023. Hedge funds are valued at the fair value provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators feel necessary. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuations. Direct property and pooled property funds use valuation techniques to determine the carrying amount. Where possible these valuations are based on observable data, but where this is not possible, management of the Fund uses the best available data.	The effects on the net pensions liability for changes in the assumptions used have been evaluated for their potential impact (see page 84 for potential changes in assumptions of 0.1%). An additional impact has been included for Investment returns on the LGPS.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31st March 2023, the Authority had a balance of sundry debtors of £284,000. A review of significant balances suggested that no credit loss provision was required.	
Provisions	The Authority has made provision for Injury and Damage Compensation claims based on an estimate of potential payouts. As at 31st March 2023, this totalled £138,000.	Claims calculations are based on past-experience. If the estimate were to change by 10%, this would result in a change of £13,800 in the provision.
	The Authority has made provisions for the proportion of Business Rates Appeals from all 5 Precepting Authorities. As at 31st March 2023, this totalled £649,000.	Figures are provided by the 5 Local Precepting Authorities. There was concern on collection rates and appeals that were affected by the COVID-19 pandemic, and recently the increase in utility costs.

5. Material Items of Income and Expense

The following services have been outsourced to an external provider.

	2022/23 £000	2021/22 £000
IT & Communications	**1,979**	**1,929**
Estates	**1,628**	**1,514**

6. Events After the Reporting Period

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. The following sets out a description of the reserves that the adjustments are made against.

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 account (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. The current balance reflects Home Office grants for the procurement of National Resilience assets.

Adjustments between Accounting Basis and Funding Basis under Regulations 2022/23

2022/23	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)	(4,540)	-	-
- Financial instruments (transferred to the financial instruments adjustments account)	(23)	-	-
- Council Tax and NNDR (transferred to the collection fund adjustments account)	1,921	-	-
- Holiday pay (transferred to the accumulated absences reserve)	110	-	-
- 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):	368	-	(6,320)
Total adjustments to revenue resources	**(2,164)**	**-**	**(6,320)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital reserve	19	(19)	-
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)	3,922	-	-
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	14,997	-	-
Total adjustments between revenue and capital resources	**18,938**	**(19)**	**-**
Adjustments to capital resources			
Use of the capital receipts reserve to finance capital expenditure	-	19	-
Application of capital grants to finance capital expenditure	-	-	920
Cash payments in relation to deferred capital receipts	-	-	-
Total adjustments to capital resources	**-**	**19**	**920**
Total adjustments	**16,774**	**-**	**(5,400)**

Adjustments between Accounting Basis and Funding Basis under Regulations 2021/22

2021/22	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)	(505)	-	-
- Financial instruments (transferred to the financial instruments adjustments account)	333	-	-
- Council Tax and NNDR (transferred to the collection fund adjustments account)	2,154	-	-
- Holiday pay (transferred to the accumulated absences reserve)	71	-	-
- 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):	(3,274)	-	(2,023)
Total adjustments to revenue resources	**(1,221)**	**-**	**(2,023)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital reserve	295	(295)	-
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	(3)	3	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	2,344	-	-
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	2,140	-	-
Total adjustments between revenue and capital resources	**4,776**	**(292)**	**-**
Adjustments to capital resources			
Use of the capital receipts reserve to finance capital expenditure	-	292	-
Application of capital grants to finance capital expenditure	-	-	2,114
Cash payments in relation to deferred capital receipts	-	-	-
Total adjustments to capital resources	**-**	**292**	**2,114**
Total adjustments	**3,555**	**-**	**91**

8. Movements in 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 2022/23.

	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
Emergency Related Reserves:							
Bellwin Reserve	**222**	-	-	**222**	-	-	**222**
Insurance and Legal Reserve	**499**	-	-	**499**	-	35	**534**
Facing the Future / COVID-19 Reserve	**200**	(370)	170	**-**	-	-	
Collection Fund Reserve	**3,788**	(2,403)	1,035	**2,420**	(2,170)	-	**250**
Modernisation Challenge:							
Smoothing Reserve	**2,000**	(412)	-	**1,588**	(588)	-	**1,000**
Severance / Holiday Pay Reserve	**-**	-	-	**-**	-	530	**530**
Pensions Reserve	**55**	(80)	677	**652**	(62)	-	**590**
Recruitment Reserve	**2,000**	(550)	-	**1,450**	-	364	**1,814**
Invest To Save Reserve	**282**	-	-	**282**	-	-	**282**
Capital Investment:							
Capital Investment Reserve	**13,584**	(5,178)	9,284	**17,690**	(11,454)	4,508	**10,744**
Emerging Technologies Reserve	**-**	-	30	**30**	-	7	**37**
PFI Annuity Reserve	**1,866**	(2,544)	2,120	**1,442**	(69)	-	**1,373**
Specific Projects:							
Health & Safety Reserve	**74**	(19)	-	**55**	-	-	**55**
Equipment Reserve	**152**	(15)	68	**205**	(10)	22	**217**
Community Engagement Reserve	**8**	-	-	**8**	(8)	-	**-**
Clothing Reserve	**25**	(25)	90	**90**	-	-	**90**
Health & Wellbeing Reserve	**25**	(20)	2	**7**	(7)	30	**30**
Training Reserve	**150**	-	-	**150**	-	62	**212**
Inflation:							
Inflation Reserve	**500**	(500)	3,019	**3,019**	(2,151)	382	**1,250**
Total	**25,430**	**(12,116)**	**16,495**	**29,809**	**(16,519)**	**5,940**	**19,230**
Ringfenced Reserves:							
Princes Trust Reserve	**82**	(82)	15	**15**	(15)	-	**-**
Community Risk Management Reserve	**308**	(5)	-	**303**	(13)	10	**300**
Energy Reserve	**98**	(40)	75	**133**	-	68	**201**
New Dimensions Reserve	**164**	-	75	**239**	(200)	19	**58**
Total	**652**	**(127)**	**165**	**690**	**(228)**	**97**	**559**
Total Committed Reserves	**26,082**	**(12,243)**	**16,660**	**30,499**	**(16,747)**	**6,037**	**19,789**

Bellwin 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 and Legal 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.

Facing the Future / COVID-19 Reserve

This reserve was created from all grants received from Government for COVID-19 in order to alleviate financial pressures on the service due to the effect of the pandemic. The reserve was fully utilised in 2021/22.

Collection Fund Reserve

The economic impact of Covid-19 during 2020/21 and 2021/22 on retail and other businesses was significant and to help alleviate the financial impact the Government announced new business rate reliefs for retail and other businesses for both years. However, as these discounts were announced after the billing authorities had advised the Authority on the expected business rate income yield, it meant the Authority received cash from the relevant Billing Authority Collection Fund that was no longer to be collected. This has resulted in significant forecasted Collection Fund deficits in 2021/22 and 2022/23 that the regulations require the Authority to repay the Billing Authority in the following year. The Government announced a number of grants to offset the Collection Fund deficits but these grants have been paid in the year the Government announced the discounts (2020/21 and 2021/22). Therefore, the Collection Fund Reserve has been established to carry forward the Government grants so they can be drawn down into the General Fund to cover the anticipated Collection Fund deficit charge in 2022/23 and 2023/24 (the 2020/21 deficit recovery is spread over a three-year period ending 2023/24).

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 / Holiday Reserve

The Service is currently finalising an agreement with representative bodies over the rate, and number of years back pay, it pay eligible staff to meet the requirements of case law for pay during periods of holidays to reflect normal earning rather than being paid as flat as has been the case historically.

The reserve provides sufficient funding to cover four years of retrospective accrued additional leave payments.

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

Current firefighter retirement rates will see significant numbers of firefighters retire over the next five years. As it takes almost a year to train a firefighter across the full range of competencies this reserve has been established to allow the recruitment of firefighters in advance of expected retirements in order to allow 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 the costs associated with large strategic capital schemes and reduce the level of unsupported borrowing. A significant proportion of the reserve has been earmarked to support the funding of the Training and Development Academy and fire station.

Emerging Technologies Reserve

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

Health & Safety Reserve

This reserve was created to assist the Authority's investment in health and safety issues in the workplace.

Equipment Reserve

This reserve was created to fund the purchase of equipment, furniture and small community based schemes.

Community Engagement 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/helmets.

Health & Wellbeing Reserve

To improve community health where it links to fire & rescue service outcomes and to exploit and maximise opportunities and initiatives arising from the World Firefighter Games.

Training Reserve

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

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. In 2022/23, the reserve increased substantially to cover 2022/23 and future years utility and staff cost increases above those assumed in the Medium Term Financial Plan, at least in the short-term. The Authority considers the longer-term funding of higher utility and pay costs as part of the following year's budget process.

Ringfenced Reserves

The Authority has a number of ring-fenced 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 Income and Expenditure

2021/22 £000		2022/23 £000
58	(Gains)/losses on the disposal of non-current assets	(19)
(31,269)	Gain in relation to Government grant payable to Pension Fund on Authority's behalf	(30,849)
(31,211)	**Total**	**(30,868)**

10. Financing and Investment Income and Expenditure

2021/22 £000		2022/23 £000
3,488	Interest payable and similar charges	3,364
25,032	Pensions interest cost	33,128
(1,957)	Expected return on pensions assets	(2,831)
(70)	Interest receivable and similar income	(920)
(355)	Other investment income	-
26,138	**Total**	**32,741**

11. Taxation and Non-Specific Grant Income

2021/22 £000		2022/23 £000
(30,831)	Council tax income	(32,299)
(3,495)	National non-domestic rates (local share)	(3,988)
-	National non-domestic rates pool	-
(15,839)	National non-domestic rates top up grant	(15,839)
(11,241)	Revenue support grant	(11,584)
(2,024)	Capital grants and contributions	(6,320)
(63,430)	**Total**	**(70,030)**

12. Property, Plant and Equipment

Movements in 2022/23:

	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 2022	**81,200**	**1,074**	**22,423**	**104,697**	**25,524**
Additions	330	14,431	2,174	16,935	28
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	6,335	-	-	6,335	2,787
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-
Derecognition – other	-	-	(1,819)	(1,819)	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2023	**87,865**	**15,505**	**22,778**	**126,148**	**28,339**
Accumulated depreciation and impairment					
At 1 April 2022	**-**	**-**	**(11,772)**	**(11,772)**	**-**
Depreciation charge	(4,526)	-	(2,159)	(6,685)	(695)
Depreciation written out to the revaluation reserve	4,526	-	-	4,526	695
Depreciation written out to the surplus/deficit on the provision of services	-	-	-	-	-
Impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in surplus/deficit on the provision of services	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-
Derecognition – other	-	-	1,819	1,819	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-
At 31 March 2023	**-**	**-**	**(12,112)**	**(12,112)**	**-**
Net book value					
At 31 March 2023	**87,865**	**15,505**	**10,666**	**114,036**	**28,339**
At 31 March 2022	**81,200**	**1,074**	**10,651**	**92,925**	**25,524**
Nature of asset holding					
Owned	57,117	15,505	10,666	83,288	-
Finance lease	2,409	-	-	2,409	-
PFI	28,339	-	-	28,339	28,339
Total	**87,865**	**15,505**	**10,666**	**114,036**	**28,339**

Property, Plant and Equipment

Comparative Movements in 2021/22:

	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 2021	**74,211**	**-**	**22,303**	**96,514**	**22,985**
Additions	789	1,074	2,173	4,036	5
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	6,273	-	-	6,273	2,534
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(73)	-	-	(73)	-
Derecognition – disposals	-	-	-	-	-
Derecognition – other	-	-	(2,053)	(2,053)	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2022	**81,200**	**1,074**	**22,423**	**104,697**	**25,524**
Accumulated depreciation and impairment					
At 1 April 2021	**-**	**-**	**(11,578)**	**(11,578)**	**-**
Depreciation charge	(2,001)	-	(2,247)	(4,248)	(607)
Depreciation written out to the revaluation reserve	2,001	-	-	2,001	607
Depreciation written out to the surplus/deficit on the provision of services	-	-	-	-	-
Impairment losses/(reversals) recognised in the revaluation reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in surplus/deficit on the provision of services	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-
Derecognition – other	-	-	2,053	2,053	-
Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-
At 31 March 2022	**-**	**-**	**(11,772)**	**(11,772)**	**-**
Net book value					
At 31 March 2022	**81,200**	**1,074**	**10,651**	**92,925**	**25,524**
At 31 March 2021	**74,211**	**-**	**10,725**	**84,936**	**22,985**
Nature of asset holding					
Owned	53,171	1,074	10,651	64,896	-
Finance lease	2,505	-	-	2,505	-
PFI	25,524	-	-	25,524	25,524
Total	**81,200**	**1,074**	**10,651**	**92,925**	**25,524**

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. Depreciation has accelerated on buildings to be disposed of on completion of the new training and development academy.
- 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

Depreciation / Impairment Reconciliation 2022/23

The analysis below 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	6,685	(6,685)	(6,685)	-	-	-
Intangible assets	359	(359)	-	(359)	-	-
Total	**7,044**	**(7,044)**	**(6,685)**	**(359)**	**-**	**-**
Impairments & Revaluation Losses						
(Gain)/loss on Assets Sold	-	-	-	-	-	-
General impairments (L&B)	-	-	-	-	-	-
Revaluation losses (L&B New Build)	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Grand total	**7,044**	**(7,044)**	**(6,685)**	**(359)**	**-**	**-**
Revaluations						
Revaluation in/out in year to CAA	-	-	-	-	-	1,720
Revaluation gain	-	-	10,861	-	-	(10,861)
Reversal of PY impairments	(825)	825	-	-	-	825
Reversal of PY revaluation gain	(1,896)	1,896	-	-	-	1,896
Net gain	**(2,721)**	**2,721**	**10,861**	**-**	**-**	**(6,420)**

Capital Commitments

At 31st March 2023, 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 2023/24 and future years is £27.1m. Similar commitments at 31st March 2022 were £2.8m. The commitments can be analysed as follows:

- Building Schemes £23.2m (includes £22.9m for new training centre)
- Equipment and ICT Schemes £ 1.2m
- Vehicles £ 0.9m
- National Resilience (NRAT) £ 1.8m

£27.1m

Effects of Changes in Estimates

No properties were put up for sale in 2022/23.

No properties were sold in 2022/23.

Revaluations

The Authority carries out a rolling 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 (Dears Brack Chartered Surveyors). Valuations of land and buildings are 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 complete property portfolio valuation was completed in March 2019 and became effective as at 31/03/2019. The Authority now evaluates 20% of its land & buildings every year and updates its valuations based on use in line with valuer's assumptions. 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 & rescue service valuers (Dears 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. All land and buildings were revalued at 31 March 2019 and then 20% on a rolling 5-year basis; however the asset portfolio has been adjusted in line with the rolling basis according to asset categories.

	Land and Buildings £000	Assets Under Construction £000	Vehicles & Equipment £000	Total £000
Carried at historical cost	-	15,505	10,666	**26,171**
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2023	70,514	-	-	**70,514**
Values at current value as at:				
31 March 2023	17,351	-	-	**17,351**
Total cost or valuation	**87,865**	**15,505**	**10,666**	**114,036**

Training Centre

Assets Under Construction relates to the new training and development academy and superstation. Total valuation of this scheme is:

- Spend to date (asset under construction) £15.5m
- Capital commitments outstanding £22.9m

£38.4m

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:

	2022/23 Software Licenses £000	2021/22 Software Licenses £000
Balance at start of year:		
▪ Gross carrying amounts	287	286
▪ Accumulated amortisation	(215)	(144)
Net carrying amount at start of year	**72**	**142**
Additions:		
▪ Internal development	-	-
▪ Purchases	388	261
▪ 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	(359)	(331)
Other changes	-	-
Net carrying amount at end of year	**101**	**72**
Comprising:		
▪ Gross carrying amounts	133	287
▪ Accumulated amortisation	(32)	(215)
Total	**101**	**72**

14. Financial Instruments

Categories of Financial Instruments

The Authority's financial instruments include financial assets (investments and receivables) and financial liabilities (trade payables arising from day-to-day operations and borrowings). The main purposes of the Authority's financial instruments are to raise finance to support the Authority's day-to-day operations (by investing surplus cash balances where appropriate) and finance investment undertaken through the capital programme.

The following categories of financial instruments are carried on the Balance Sheet, were financial assets and liabilities have been identified which do not meet the financial instrument criteria they have been included in non-financial instruments for completeness.

	Non-Current		Current	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
Financial assets				
Investments at amortised	-	-	27,259	33,014
Cash & bank	-	-	8,387	6,688
Total investments	**-**	**-**	**35,646**	**39,702**
Debtors				
Debtors at amortised cost	-	-	7,219	6,879
Non-financial instruments	-	-	12,247	12,864
Total included in debtors	**-**	**-**	**19,466**	**19,743**
Financial liabilities				
Financial liabilities at amortised cost (PWLB)	(33,720)	(33,720)	-	(165)
Financial liabilities at amortised cost (LCC)	-	-	-	-
Bank overdraft	-	-	-	-
Total borrowings	**(33,720)**	**(33,720)**	**-**	**(165)**
Other long-term liabilities				
Finance lease liabilities at amortised cost	-	-	-	-
PFI liabilities at amortised cost	(15,804)	(16,352)	(548)	(506)
Merseyside Residual Debt at amortised cost	(81)	(121)	(41)	(41)
Total other long-term liabilities	**(15,885)**	**(16,473)**	**(589)**	**(547)**
Creditors				
Creditors at amortised cost	-	-	(6,497)	(4,937)
Non-financial instruments	-	-	(11,270)	(13,855)
PWLB interest carried at amortised cost	-	-	(332)	(339)
Total creditors	**-**	**-**	**(18,099)**	**(19,131)**
Total borrowing	**(49,605)**	**(50,193)**	**(18,688)**	**(19,843)**

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:

	2022/23		2021/22	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
• Financial assets measured at fair value through profit or loss	-	-	-	-
• Financial assets measured at amortised cost	-	-	-	-
• Investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
Total net gains/losses	**-**	**-**	**-**	**-**
Interest revenue:				
• Financial assets measured at amortised cost	(920)	-	(70)	-
• Other financial assets measured at fair value through other comprehensive income	-	-	-	-
Total interest revenue	**(920)**	**-**	**(70)**	**-**
Interest expense:	**3,364**	**-**	**3,488**	**-**
Fee income:				
• Financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-
• Trust and other fiduciary activities	-	-	-	-
Total fee income	**-**	**-**	**-**	**-**
Fee expense:				
• Financial assets or financial liabilities that are not at fair value through profit or loss	-	-	-	-
• Trust and other fiduciary activities	-	-	-	-
Total fee expense	**-**	**-**	**-**	**-**

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 2023 of 4.25% to 10.5% 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 be 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 2023		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & long-term loans	33,720	35,081	33,885	50,206
PFI Liability	16,352	17,836	16,858	16,949

The PWLB 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 2023) arising from a commitment to pay interest to lenders above current market rates.

The PFI fair value of the liability is higher than the carrying amount and is defined as the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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 be approximate to fair value.

15. Inventories

	Clothing / Consumable Stores		Diesel / Maintenance Materials		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	1,028	917	117	121	1,145	1,038
Purchases	423	643	957	759	1,380	1,402
Recognised as an expense in the year	(490)	(532)	(961)	(763)	(1,451)	(1,295)
Written-off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	**961**	**1,028**	**113**	**117**	**1,074**	**1,145**

16. Debtors

	31 March 2023 £000	31 March 2022 £000
Central Government bodies	13,423	15,196
Other local authorities	5,236	4,068
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	807	479
Total	**19,466**	**19,743**

17. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March 2022 £000		31 March 2023 £000
8	Cash held by the Authority	3
(73)	Bank current accounts	(121)
6,753	Short-term deposits with building societies	8,505
6,688	**Total cash and cash equivalents**	**8,387**

18. Assets Held for Sale

	Current		Non-Current	
	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000
Balance outstanding at start of year	**-**	**350**	**-**	**-**
Assets newly classified as held for sale:				
▪ property, plant and equipment	-	-	-	-
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
▪ property, plant and equipment	-	-	-	-
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Assets sold	-	(350)	-	-
Transfers from non-current to current	-	-	-	-
Other movements	-	-	-	-
Balance outstanding at year-end	**-**	**-**	**-**	**-**

19. Creditors

	31 March 2023	31 March 2022
	£000	£000
Central Government bodies	(7,950)	(9,546)
Other local authorities	(4,677)	(5,459)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(5,140)	(3,787)
Total	**(17,767)**	**(18,792)**

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 2022	-	(240)	(812)	**(1,052)**
Additional provisions made in 2022/23	-	(39)	163	**124**
Amounts used in 2022/23	-	141	-	**141**
Unused amounts reversed in 2022/23	-	-	-	**-**
Unwinding of discounting in 2022/23	-	-	-	**-**
Balance at 31 March 2023	**-**	**(138)**	**(649)**	**(787)**

Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31st March 2023. 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 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 2023 from the five precepting authorities.

21. Usable Reserves

31 March 2022 £000		31 March 2023 £000
-	Usable capital receipts reserve	-
(10,292)	Usable capital grants unapplied	(15,692)
(3,000)	General Fund balance	(3,000)
(30,499)	Earmarked reserves **(Note 8)**	(19,789)
(43,791)	**Total usable reserves**	**(38,481)**

22. Unusable Reserves

31 March 2022 £000		31 March 2023 £000
(26,385)	Revaluation reserve	(32,805)
(14,329)	Capital adjustment account	(29,955)
(333)	Financial instruments adjustment account	(310)
1,156,236	Pensions reserve	840,260
1,498	Collection fund adjustment account	(423)
841	Accumulating compensated absences adjustment account	731
1,117,528	**Total unusable reserves**	**777,498**

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.

2021/22 £000		2022/23 £000
(21,088)	**Balance at 1 April**	**(26,385)**
(8,274)	Upward revaluation of assets	(10,861)
2,383	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	2,721
(5,891)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**(8,140)**
577	Difference between fair value depreciation and historical cost depreciation	1,720
17	Accumulated gains on assets sold or scrapped	-
594	Amount written off to the capital adjustment account	**(6,420)**
(26,385)	**Balance at 31 March**	**(32,805)**

Financial Instruments Revaluation Reserve

The financial instruments revaluation 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 2023.

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.

2021/22 £000		2022/23 £000
(12,143)	**Balance at 1 April**	**(14,329)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,321	• Charges for depreciation and impairment of non-current assets	6,685
(2,383)	• Revaluation losses on property, plant and equipment	(2,721)
331	• Amortisation of intangible assets	359
2,679	• Revenue expenditure funded from capital under statute	1,629
350	• 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	-
5,298		5,952
(594)	Adjusting amounts written out of the revaluation reserve	(1,720)
4,704	Net written out amount of the cost of non-current assets consumed in the year	**4,232**
	Capital financing applied in the year:	
(292)	• Use of the capital receipts reserve to finance new capital expenditure	(19)
-	• Use of the major repairs reserve to finance new capital expenditure	-
-	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
(2,114)	• Application of grants to capital financing from the capital grants unapplied account	(920)
(2,344)	• Statutory provision for the financing of capital investment charged against the General Fund	(3,922)
(2,140)	• Capital expenditure charged against the General Fund	(14,997)
(6,890)		**(19,858)**
-	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	-
(14,329)	**Balance at 31 March**	**(29,955)**

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 discount received in the year relates to the re-financing of the PFI loan and the discount being released over the remaining unexpired life of the loan.

2021/22 £000		2022/23 £000
-	**Balance at 1 April**	**(333)**
(355)	Discounts received in the year and charged to the Comprehensive Income and Expenditure Statement	-
22	Proportion of discounts received in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	23
(333)	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	-
(333)	**Balance at 31 March**	**(310)**

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.

2021/22 £000		2022/23 £000
1,165,141	**Balance at 1 April**	**1,156,236**
(9,410)	Remeasurements of the net defined benefit liability/(asset)	(320,516)
41,990	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	45,321
(41,485)	Employer's pensions contributions and direct payments to pensioners payable in the year	(40,781)
1,156,236	**Balance at 31 March**	**840,260**

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 taxpayers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

2021/22 £000		2022/23 £000
3,653	**Balance at 1 April**	**1,498**
(2,155)	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	(1,921)
1,498	**Balance at 31 March**	**(423)**

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 2023. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2021/22 £000		2022/23 £000
912	**Balance at 1 April**	**841**
(630)	Settlement or cancellation of accrual made at the end of the preceding year	(584)
559	Amounts accrued at the end of the current year	474
(71)	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	(110)
841	**Balance at 31 March**	**731**

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

2021/22 £000		2022/23 £000
(4,321)	Depreciation and impairment of non-current assets	(6,685)
2,383	Revaluation losses on property plant and equipment	2,721
(331)	Amortisation of intangible assets	(359)
(2,679)	Revenue expenditure treated as capital under statute	(1,629)
-	Movement in the donated assets account	-
(505)	Movement in pension liability	(4,540)
(350)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-
(2,306)	(Increase)/decrease in creditors	1,033
(5,862)	Increase/(decrease) in debtors	130
107	Increase/(decrease) in stocks	(71)
(12)	(Increase)/decrease in provisions	102
(13,876)		**(9,298)**

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

2021/22 £000		2022/23 £000
159	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	623
326	Proceeds from the sale of property plant and equipment, investment property and intangible assets	37
(3,524)	Loan interest	(3,371)
355	PFI refinancing	-
2,024	Capital grants	6,320
(660)		**3,609**

25. Cash Flow Statement – Investing Activities

2021/22 £000		2022/23 £000
6,976	Purchase of property, plant and equipment, investment property and intangible assets	18,951
4,000	Purchase of short-term and long-term investments	(6,000)
200	Other payments for investing activities	-
(326)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(37)
-	Proceeds from short-term and long-term investments	-
(2,183)	Other receipts from investing activities	(6,943)
8,667	**Net cash flows from investing activities**	**5,971**

26. Cash Flow Statement – Financing Activities

2021/22 £000		2022/23 £000
-	Cash receipts of short-term and long-term borrowing	-
(356)	Other receipts from financing activities	-
466	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	506
3,041	Repayments of short-term and long-term borrowing	206
3,524	Other payments for financing activities	3,371
6,675	**Net cash flows from financing activities**	**4,083**

27. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) 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.

2021/22				Notes	2022/23		
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
54,427	2,620	57,047	Fire & Rescue Service Operations		72,956	(12,747)	60,209
477	899	1,376	Corporate and Democratic Core		464	497	961
-	2,108	2,108	National Resilience / International Search and Rescue		-	923	923
-	-	-	Non-Distributed Costs		-	-	-
54,904	**5,627**	**60,531**	**Net cost of services**		**73,420**	**(11,327)**	**62,093**
(59,321)	(9,182)	(68,503)	Other income and expenditure		(62,710)	(5,447)	(68,157)
(4,417)	**(3,555)**	**(7,972)**	**Surplus or deficit**	**27**	**10,710**	**(16,774)**	**(6,064)**
(29,082)			Opening General Fund balance		(33,499)		
(4,417)			Less/plus (surplus) or deficit on General Fund		10,710		
(33,499)			**Closing General Fund balance at 31 March**		**(22,789)**		

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2021/22			
	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Fire & Rescue Service Operations	(5,868)	8,536	(48)	**2,620**
Corporate and Democratic Core	736	163	-	**899**
National Resilience / International Search and Rescue	2,108	-	-	**2,108**
Non-distributed costs	-	-	-	**-**
Exceptional items	-	-	-	**-**
Net cost of services	**(3,024)**	**8,699**	**(48)**	**5,627**
Other income and expenditure from the expenditure and funding analysis	1,523	(8,194)	(2,511)	**(9,182)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	**(1,501)**	**505**	**(2,559)**	**(3,555)**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2022/23			
	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Fire & Rescue Service Operations	(17,683)	5,022	(86)	**(12,747)**
Corporate and Democratic Core	429	69	(1)	**497**
National Resilience / International Search and Rescue	923	-	-	**923**
Non-distributed costs	-	-	-	**-**
Exceptional items	-	-	-	**-**
Net cost of services	**(16,331)**	**5,091**	**(87)**	**(11,327)**
Other income and expenditure from the expenditure and funding analysis	(2,975)	(552)	(1,920)	**(5,447)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	**(19,306)**	**4,539**	**(2,007)**	**(16,774)**

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 i.e. 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.
- For **financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

3. Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the comprehensive income and expenditure statement and amounts payable/receivable to be recognised under statute.

- 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 NNDR 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	2022/23 Income from Services £000	2021/22 Income from Services £000
Fire & Rescue Service Operations	(16,258)	(15,864)
Corporate and Democratic Core	-	-
National Resilience / International Search and Rescue	(12,437)	(12,669)
Non-distributed costs	-	-
Exceptional items	-	-
Total income analysed on a segmental basis	**(28,695)**	**(28,533)**

Expenditure and Income Analysed By Nature

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

Expenditure/Income	2022/23 £000	2021/22 £000
Expenditure		
Employee benefits expenses	59,933	61,548
Past service costs	-	-
Other services expenses (including REFCUS)	26,048	24,774
Support service recharges	484	474
Depreciation, amortisation, impairment.	4,323	2,269
Interest payments	36,492	28,520
(Gain)/loss on disposal/transfer of assets	(19)	58
Total expenditure	**127,261**	**117,643**
Income		
Fees, charges and Government grant revenue income	(28,695)	(28,533)
Interest and investment income	(3,751)	(2,383)
Income from council tax, non-domestic rates, district rate income	(63,710)	(61,406)
Government grants and contributions (Capital)	(6,320)	(2,024)
Government grant (pension fund top-up grant)	(30,849)	(31,269)
Total income	**(133,325)**	**(125,615)**
(Surplus) or deficit on the provision of services	**(6,064)**	**(7,972)**

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 five districts of Merseyside. The total allowances paid to members within the year were:

	2022/23 £000	2021/22 £000
Allowances	205	200
Expenses	17	13
Total	**222**	**213**

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 £	Total
Chief Fire Officer – Phil Garrigan	**2022/23**	183,388	-	-	-	-	51,814	**235,202**
	2021/22	173,597	-	-	-	-	49,685	**223,282**
Deputy Chief Fire Officer	**2022/23**	155,946	-	-	-	-	44,912	**200,858**
	2021/22	147,821	-	-	-	-	42,572	**190,393**
Assistant Chief Fire Officer	**2022/23**	138,995	-	-	-	-	40,030	**179,025**
	2021/22	121,517	-	-	-	-	34,997	**156,514**
Director of Finance and Procurement	**2022/23**	103,214	-	-	-	-	17,846	**121,060**
	2021/22	101,288	-	-	-	-	17,509	**118,797**
Head of Legal	**2022/23**	72,084	-	-	-	-	12,416	**84,500**
	2021/22	69,020	-	-	-	-	12,078	**81,098**

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	2022/23 Number of Employees	2021/22 Number of Employees
£50,000 - £54,999	45	43
£55,000 - £59,999	40	33
£60,000 - £64,999	32	11
£65,000 - £69,999	14	14
£70,000 - £74,999	10	12
£75,000 - £79,999	7	3
£80,000 - £84,999	1	3
£85,000 - £89,999	4	4
£90,000 - £94,999	2	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	1
£135,000 - £140,999	-	-
Total	**156**	**124**

Note a – In 2022/23, 145 of the 156 staff receiving over £50,000 are firefighting staff (in 2021/22 this was 114 of the 124), 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 on the previous page.

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	-	-	2	1	2	1	7,021	399
£20,001 - £40,000	-	-	-	-	-	-	-	-
£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	**-**	**-**	**2**	**1**	**2**	**1**	**7,021**	**399**

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:

	2022/23 £000	2021/22 £000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	46	65
National Fraud Initiative	1	-
Redmond Review Local Audit Fee Grant	(13)	(13)
Public Sector Audit Appointments (PSAA) refund	-	(5)
Total	**34**	**47**

The audit fee charge for 2021/22 includes additional charges of £21,000 relating to 2020/21 and £3,800 relating to 2019/20.

The Redmond Review on Local Audit Fees is a Grant to help local bodies meet additional Audit fee pressures.

The PSAA refund relates to the re-allocation of surplus funds from 2020-21 to all scheme members.

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23	2021/22
	£000	£000
Council tax income/Local share non-domestic rates	(36,287)	(34,326)
Non-domestic rates	(15,839)	(15,839)
Non-ring fenced Government grants:		
Revenue support grant	(11,584)	(11,241)
Capital grants and contributions:		
National Resilience grant	(6,320)	(2,024)
Other		
Total	**(70,030)**	**(63,430)**
Credited to services		
Pensions grant (Home Office)	(3,025)	(3,025)
National Resilience / International Search and Rescue grant	(12,421)	(12,007)
New Dimensions grant (Home Office)	(878)	(877)
Fire Control Implementation grant (Home Office)	(218)	(244)
PFI Credits (Ministry of Housing, Communities and Local Government)	(2,097)	(2,097)
COVID-19 grant (Ministry of Housing, Communities and Local Government)	-	(179)
Emergency Services Mobile Communications Programme grant	(494)	(153)
Pension Admin grant (Home Office)	-	(56)
Collection Fund Deficit grant (Ministry of Housing, Communities and Local Government)	114	(1,035)
Apprenticeship grant funding (Education & Skills)	(668)	(451)
Small Business Rates Relief (SBRR) (Ministry of Housing, Communities and Local Government)	(3,120)	(1,400)
Home Office fire safety grants	(360)	(314)
Home Office Training & Development Academy build grant	-	(1,670)
DCLG council tax support grant	-	(956)
New Services grant	(1,388)	-
Other grants (Ministry of Housing, Communities and Local Government / Home Office)	(512)	(453)
Total	**(25,067)**	**(24,917)**

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.

2021/22 Receipts	2021/22 Payments	Related Party Transactions	2022/23 Receipts	2022/23 Payments
		Central Government		
15,839	-	Redistributed national non-domestic rates	15,839	-
11,241	-	Revenue support grant	11,584	-
2,024	-	Capital grants	6,320	-
-	3,803	Employers national insurance contributions	-	4,211
		Local authority precept (council tax & business rates)		
3,547	-	Knowsley	3,674	-
10,044	-	Liverpool	11,264	-
4,735	-	St Helens	4,866	-
7,504	-	Sefton	7,976	-
8,496	-	Wirral	8,507	-
		Pensions		
-	1,523	Merseyside superannuation fund employers contributions	-	1,664
-	-	Merseyside superannuation fund deficit employers contributions	-	-
31,480	41,668	Pension fund (Home Office)	30,259	40,222

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 2022/23 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 2022/23, 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 2022/23.

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 & Rescue 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.

National Resilience / International Search and Rescue

The Authority currently represents the National Fire & Rescue Service in providing support to a number of Government Departments. This involved taking the lead and managing national projects on their behalf. The list below identifies the Government Department and the area of business where the Authority provided support in 2022/23. The Government provides funding and the actual expenditure has been included within the accounts of the Authority.

Home Office

The provision and support of National Resilience Capabilities. Revenue £10,483m, Capital £6,320m.

Department for Food & Rural Affairs

The management of National Flood Response Assets. Revenue £0.108m.

Foreign, Commonwealth and Development Office

Emergency Deployment Teams Programme. Revenue £1.785m.

European Commission – Research Executive Agency

EU Cursor. Revenue £0.061m.

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.

	2022/23 £000	2021/22 £000
Opening capital financing requirement	**(52,284)**	**(52,198)**
Capital investment		
Property, plant and equipment	(16,935)	(4,036)
Investment properties	-	-
Intangible assets	(388)	(261)
Revenue expenditure funded from capital under statute	(1,629)	(2,679)
Sources of finance		
Capital receipts	19	292
Government grants and other contributions	920	2,114
Sums set aside from revenue:		
• Direct revenue contributions	14,997	2,140
• MRP/loans fund principal	3,923	2,344
Closing capital financing requirement	**(51,377)**	**(52,284)**
Explanation of movements 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)	(907)	86
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
Increase/(decrease) in capital financing requirement	**(907)**	**86**

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 2023 the Authority has no outstanding finance leases.

The Authority, however, built Toxteth 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. See below current values.

	31 March 2023 £000	31 March 2022 £000
Other land and buildings (excluding depreciation)	2,505	2,150
Depreciation / impairments	(53)	(45)
Revaluation	(54)	387
Additions	11	13
Total	**2,409**	**2,505**

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 2023 £000	31 March 2022 £000
Not later than one year	59	89
Later than one year and not later than five years	29	69
Later than five years	-	-
Total	**88**	**158**

Authority as Lessor

Finance Leases

The Authority, in conjunction with Merseyside Police, has built a Joint Command and Control Centre and a Joint Fire and Police Station at Prescot. The leases for both schemes are for a period of 40 years. The Police have invested all capital monies up front to the value of their share of the assets and no residual value is anticipated for the properties when the leases come to an end. There is therefore no long-term debtor for the leases as all the liabilities have been paid up front.

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 & Rescue Service built seven 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 2022	**2,275**	**23,249**	**25,524**
Additions	-	28	**28**
Depreciation/impairment	-	(695)	**(695)**
Revaluation	260	3,222	**3,482**
Value at 31st March 2023	**2,535**	**25,804**	**28,339**

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 2022/23 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2023/24	970	548	1,639	**3,157**
Payable within 2 to 5 years	4,159	2,724	6,120	**13,003**
Payable within 6 to 10 years	5,935	4,994	6,242	**17,171**
Payable within 11 to 15 years	6,886	7,652	3,775	**18,313**
Payable within 16 to 20 years	532	433	24	**989**
Payable within 21 to 25 years	-	-	-	**-**
Total	**18,482**	**16,351**	**17,800**	**52,633**
Paid in 2022/23	853	506	1,632	**2,991**
Grand Total	**19,335**	**16,857**	**19,432**	**55,624**

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 2023 £000	31 March 2022 £000
Balance outstanding at start of year	(16,858)	(17,324)
Payments during the year	506	466
Capital expenditure incurred in the year	-	-
Other movements	-	-
Total	**(16,352)**	**(16,858)**

The PFI liability represents the outstanding long-term liability to the contractor for capital expenditure.

37. Impairment Losses

The Authority incurred expenditure of £0k in 2022/23 and £73k in 2021/22, which did not add value to the buildings. 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 2022/23.

39. Termination Benefits

The Authority terminated the contract of two employees in 2022/23, incurring liabilities of £399 (£7,021 in 2021/22) – 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 taxpayers 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

The cost of retirement benefits in the reported cost of services is recognised 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

2021/22				2022/23		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			Comprehensive Income and Expenditure Statement			
			Cost of Services			
3,637	-	**3,637**	• Current service cost	4,032	-	**4,032**
-	-	**-**	• Past service costs	-	-	**-**
-	-	**-**	• Settlements and curtailments	-	-	**-**
48	-	**48**	▪ Administration expenses	52	-	**52**
			Financing and investment income and expenditure			
759	16	**775**	• Net interest expense	878	19	**897**
4,444	**16**	**4,460**	***Total post-employment benefits charged to the surplus or deficit on the provision of services***	**4,962**	**19**	**4,981**
			Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement			
			Remeasurement of the net defined benefit liability comprising:			
(6,705)	-	**(6,705)**	• Return on scheme assets (excluding the amount included in the net interest expense)	6,739	-	**6,739**
314	2	**316**	• Experience gains and losses on liabilities	11,380	132	**11,512**
(300)	-	**(300)**	• Actuarial gains and losses arising on changes in financial assumptions	(55,275)	(174)	**(55,449)**
(1,036)	(5)	**(1,041)**	• Actuarial gains and losses arising on changes in demographic assumptions	(377)	(1)	**(378)**
(3,283)	**13**	**(3,270)**	***Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement***	**(32,571)**	**(24)**	**(32,595)**
			Movement in Reserves Statement			
(4,444)	(16)	**(4,460)**	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(4,962)	(19)	**(4,981)**
			Actual amount charged against the General Fund Balance for pensions in the year:			
1,500	-	**1,500**	• Employers' contributions payable to scheme	1,645	-	**1,645**
-	55	**55**	• Retirement benefits payable to pensioners	-	56	**56**

Firefighters Pension Scheme

2021/22						2022/23				
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					
1,010	350	-	13,870	**15,230**	• current service cost	-	270	-	10,670	**10,940**
-	-	-	-	**-**	• past service costs	19,110	-	-	(19,110)	**-**
-	-	-	-	**-**	• settlements and curtailments	-	-	-	-	**-**
					Financing and Investment Income and Expenditure					
20,200	700	340	1,060	**22,300**	• Net interest expense	26,240	900	450	1,810	**29,400**
21,210	**1,050**	**340**	**14,930**	**37,530**	***Total post-employment benefits charged to the surplus or deficit on the provision of services***	**45,350**	**1,170**	**450**	**(6,630)**	**40,340**
					Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement					
					Remeasurement of the net defined benefit liability comprising:					
-	-	-	-	**-**	• Return on scheme assets (excluding the amount included in the net interest expense)	-	-	-	-	**-**
-	-	-	-	**-**	• Actuarial gains and losses arising on changes in demographic assumptions	(16,610)	(590)	(1,620)	(10,300)	**(29,120)**
(10,410)	(300)	(390)	(1,180)	**(12,280)**	• Actuarial gains and losses arising on changes in financial assumptions	(274,550)	(7,500)	(8,860)	(33,040)	**(323,950)**
640	30	(80)	10,010	**10,600**	• Other experiences (gain)/loss on liabilities	67,390	1,400	580	760	**70,130**
11,440	**780**	**(130)**	**23,760**	**35,850**	***Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement***	**(178,420)**	**(5,520)**	**(9,450)**	**(49,210)**	**(242,600)**
					Movement in Reserves Statement					
(21,210)	(1,050)	(340)	(14,930)	**(37,530)**	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(45,350)	(1,170)	(450)	6,630	**(40,340)**
					Actual amount charged against the General Fund balance for pensions in the year:					
40,900	-	10	(2,700)	**38,210**	• Employers' contributions payable to scheme	40,170	-	30	(2,820)	**37,380**
-	1,720	-	-	**1,720**	• Retirement benefits payable to pensioners	-	1,700	-	-	**1,700**

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2023 is a gain of £320.516m and to the 31st March 2022 is a gain of £9.410m.

- Past service, costs and curtailment costs are the result of increased benefits being paid in the event of members retiring 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

2021/22				2022/23		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(133,627)	(698)	**(134,325)**	Present value of the defined benefit obligation	(94,732)	(618)	**(95,350)**
101,449	-	**101,449**	Fair value of plan assets	96,770	-	**96,770**
(32,178)	**(698)**	**(32,876)**	***Net liability arising from defined benefit obligation***	**2,038**	**(618)**	**1,420**

Firefighters Pension Scheme

2021/22						2022/23				
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
(1,000,520)	(34,810)	(16,850)	(71,180)	**(1,123,360)**	Present value of the defined benefit obligation	(781,930)	(27,590)	(7,370)	(24,790)	**(841,680)**
-	-	-	-	**-**	Fair value of plan assets	-	-	-	-	**-**
(1,000,520)	**(34,810)**	**(16,850)**	**(71,180)**	**(1,123,360)**	***Net liability arising from defined benefit obligation***	**(781,930)**	**(27,590)**	**(7,370)**	**(24,790)**	**(841,680)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme

2021/22				2022/23		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
93,559	-	**93,559**	Opening fair value of scheme assets	101,449	-	**101,449**
1,957	-	**1,957**	Interest income	2,831	-	**2,831**
			Re-measurement gain/(loss):			
6,705	-	**6,705**	▪ Return on scheme assets (excluding the amount included in the net interest expense)	(6,739)	-	**(6,739)**
(48)	-	**(48)**	▪ Administration expenses	(52)	-	**(52)**
1,500	55	**1,555**	Contributions from employer	1,645	56	**1,701**
630	-	**630**	Contributions from employees into the scheme	699	-	**699**
(2,854)	(55)	**(2,909)**	Benefits paid	(3,063)	(56)	**(3,119)**
101,449	**-**	**101,449**	***Net liability arising from defined benefit obligation***	**96,770**	**-**	**96,770**

Firefighters Pension Scheme

2021/22						2022/23				
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):					
39,962	-	8	(8,701)	**31,269**	Employers contribution from Government (top-up grant)	40,170	-	30	(9,352)	**30,848**
938	1,720	2	6,001	**8,661**	Contributions from employer	-	1,700	-	6,532	**8,232**
330	-	-	2,810	**3,140**	Contributions from employees into the scheme	-	-	-	2,950	**2,950**
(41,230)	(1,720)	(10)	(110)	**(43,070)**	Benefits paid	(40,170)	(1,700)	(30)	(130)	**(42,030)**
-	**-**	**-**	**-**	**-**	***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 show the funds required by government to balance the fund. This is known as the top-up grant and effectively is the employers' contribution.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

Local Government Pension Scheme

2021/22				2022/23		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(130,520)	(740)	(131,260)	Opening balance at 1 April	(133,627)	(698)	(134,325)
(3,637)	-	(3,637)	Current service cost	(4,032)	-	(4,032)
(2,716)	(16)	(2,732)	Interest cost	(3,709)	(19)	(3,728)
(630)	-	(630)	Contributions by scheme participants	(699)	-	(699)
			Remeasurement (gains) and losses:			
1,036	5	1,041	• Actuarial gains/losses arising from changes in demographic assumptions	377	1	378
300	-	300	• Actuarial gains/losses arising from changes in financial assumptions	55,275	174	55,449
(314)	(2)	(316)	• Other experience gains and losses	(11,380)	(132)	(11,512)
-	-	-	Past service cost	-	-	-
-	-	-	Settlements and curtailments	-	-	-
2,854	55	2,909	Benefits paid	3,063	56	3,119
(133,627)	**(698)**	**(134,325)**	**Closing balance at 31 March**	**(94,732)**	**(618)**	**(95,350)**

Firefighters Pension Scheme

2021/22						2022/23				
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
(1,029,980)	(35,750)	(16,990)	(44,720)	**(1,127,440)**	Opening balance at 1 April	(1,000,520)	(34,810)	(16,850)	(71,180)	**(1,123,360)**
(1,010)	(350)	-	(13,870)	**(15,230)**	Current service cost	-	(270)	-	(10,670)	**(10,940)**
(20,200)	(700)	(340)	(1,060)	**(22,300)**	Interest cost	(26,240)	(900)	(450)	(1,810)	**(29,400)**
(330)	-	-	(2,810)	**(3,140)**	Contributions by scheme participants	-	-	-	(2,950)	**(2,950)**
					Remeasurement (gains) and losses:					
-	-	-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	16,610	590	1,620	10,300	**29,120**
10,410	300	390	1,180	**12,280**	• Actuarial gains/losses arising from changes in financial assumptions	274,550	7,500	8,860	33,040	**323,950**
(640)	(30)	80	(10,010)	**(10,600)**	• Other experience gains and losses	(67,390)	(1,400)	(580)	(760)	**(70,130)**
-	-	-	-	-	Past service cost	(19,110)	-	-	19,110	-
-	-	-	-	-	Settlements and curtailments	-	-	-	-	-
41,230	1,720	10	110	**43,070**	Benefits paid	40,170	1,700	30	130	**42,030**
(1,000,520)	**(34,810)**	**(16,850)**	**(71,180)**	**(1,123,360)**	**Closing balance at 31 March**	**(781,930)**	**(27,590)**	**(7,370)**	**(24,790)**	**(841,680)**

Local Government Pension Scheme assets comprised:

2021/22				2022/23		
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
2,176	**-**	**2,176**	**Cash & cash equivalents**	**2,084**	**-**	**2,084**
			Equity instruments:			
14,902	1,686	16,588	• UK	12,980	1,089	14,069
22,643	11,113	33,756	• Overseas	21,566	11,203	32,769
37,545	**12,799**	**50,344**	**Sub-total equity instruments**	**34,546**	**12,292**	**46,838**
			Bonds:			
-	-	-	• Overseas Government	57	-	57
-	-	-	• Collateralised Bonds	63	-	63
1,093	-	1,093	• UK corporate	1,213	-	1,213
2,967	-	2,967	• UK Government	2,123	-	2,123
8,484	-	8,484	• UK index linked	8,879	-	8,879
497	-	497	• Overseas corporate	565	-	565
-	(333)	(333)	• Derivative contracts	-	(449)	(449
13,041	**(333)**	**12,708**	**Sub-total bonds**	**12,900**	**(449)**	**12,451**
			Property:			
-	5,494	5,494	• UK direct property	-	4,327	4,327
125	1,561	1,686	• UK property managed	86	3,104	3,190
-	2,539	2,539	• Overseas property managed	-	2,999	2,999
125	**9,594**	**9,719**	**Sub-total property**	**86**	**10,430**	**10,516**
			Private equity:			
10	2,882	2,892	• UK	10	3,610	3,620
-	6,327	6,327	• Overseas	-	5,530	5,530
10	**9,209**	**9,219**	**Sub-total private equity**	**10**	**9,140**	**9,150**
			Other investment funds:			
156	416	572	• Hedge funds UK	-	19	19
-	3,559	3,559	• Hedge funds overseas	-	2,340	2,340
-	4,547	4,547	• Infrastructure UK	-	5,234	5,234
-	3,038	3,038	• Infrastructure overseas	-	2,951	2,951
-	1,873	1,873	• Opportunities UK	-	1,433	1,433
166	3,528	3,694	• Opportunities overseas	153	3,257	3,410
-	-	-	• Multi-asset overseas	-	344	344
322	**16,961**	**17,283**	**Sub-total other investment funds**	**153**	**15,578**	**15,731**
53,219	**48,230**	**101,449**	**Total assets**	**49,779**	**46,991**	**96,770**

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 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2022/23	2021/22	2022/23	2021/22
Interest on plan	3.2%	8.5%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	21.2	20.9	21.2	21.5
Women	23.7	24.0	21.2	21.5
Longevity at 65 for future pensioners:				
Men	22.6	22.4	22.9	23.2
Women	25.5	25.9	22.9	23.2
Rate of CPI inflation	2.7%	3.4%	2.6%	3.0%
Rate of increase in salaries	4.2%	4.9%	3.85%	4.75%
Rate of increase in pensions	2.8%	3.5%	2.6%	3.00%
Rate for discounting scheme liabilities	4.8%	2.8%	4.65%	2.65%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis overleaf has 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 assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Local Government Pension Scheme

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	1,963	(1,963)
Rate of inflation (increase or decrease by 0.25%)	4,078	(4,078)
Rate of increase in salaries (increase or decrease by 0.25%)	669	(669)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(7,545)	7,545
Investment returns (increase or decrease by 1.0%)	(964)	964

Impact on the Authority's Cash Flows

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 31st 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 £1.330m contributions to the scheme in 2023/24. The latest triennial valuation as at 31st March 2022 shows the Authority has a funding surplus of 108% and therefore no more deficit payments are envisaged over the next 3 years.

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)	23,000	(23,000)
Rate of increase in salaries (increase or decrease by 0.1%)	1,000	(1,000)
Rate of increase in pensions (increase or decrease by 0.1%)	10,600	(10,600)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(10,600)	10,600

In addition, the past service cost in respect to the McCloud judgement is expected to be highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted, if the long-term salary growth assumptions were 1% pa lower, then the impact on past service costs is expected to be a change of around 10% on the provision. Alternative forms of remedy may have different levels of sensitivity to these assumptions.

Impact on the Authority's Cash Flows

The Authority anticipates paying £7.297m contributions to the scheme in 2023/24.

41. Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks, including:

- 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, 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

- Ultra short duration bonds forms
- 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 exists 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 2022/23 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
• Ultra short duration bonds 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, 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 £33m 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 20273 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 un-collectability over the last five financial years, adjusted to reflect current market conditions.

Exposure to Credit Risk

	Amount at 31 March 2023 £000	Average Lifetime Expected Loss Rate default %	Lifetime Expected Loss 31 March 2023 %	Lifetime Expected Loss 31 March 2023 £000	Lifetime Expected Loss 31 March 2022 £000
	A	B	C	(A X C)	
Investments	27,260	-	-	-	-
Customers	284	7.08	-	-	-
				-	-

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 users a provision matrix to calculate its credit loss provision on trade receivables. This takes account of many factors including historical credit loss experience and expectations about the future, including the economy and market conditions.

Aged Debtor Analysis	31 March 2023 £000	Lifetime Expected Loss Rate (C) 31 March 2023	Lifetime Expected Loss 31 March 2023 £000
Less than 30 days (normal terms)	275	0%	0
31-60 days	4	0%	0
61-90 days	(7)	0%	0
Over 90 days	12	0%	0
	284	**0%**	**0**

Liquidity Risk

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

Number of Years	Public Works Loan Board (PWLB)		Merseyside Residual Debt (MRD)	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Less than one	-	165	41	41
Between one and two	-	-	40	40
Between two and five	-	-	40	80
Between five and ten	-	-	-	-
Between ten and fifteen	2,000	-	-	-
Between fifteen and twenty	-	2,000	-	-
Between twenty and twenty five	3,500	2,500	-	-
Between twenty five and thirty	9,860	5,000	-	-
Between thirty and thirty five	16,860	19,275	-	-
Between thirty five and forty	1,500	4,945	-	-
Between forty and forty five	-	-	-	-
More than forty five	-	-	-	-
Total	**33,720**	**33,885**	**121**	**161**

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 2023, 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	1
Increase in interest receivable on variable rate investments	(498)
Increase in Government grant receivable for financing costs	-
Impact on surplus or deficit on the provision of services	**(497)**
Decrease in fair value of fixed rate investment assets	-
Impact on other comprehensive income and expenditure	**(497)**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure) (See note 14)	(14,232)

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

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. As at 31st March 2023, the latest statement shows the levy remaining at 25%.

Firefighters Pension Fund Accounts

Fund Account

2021/22 £000		2022/23 £000
	Contributions receivable:	
	Fire Authority:	
(6,790)	• Contributions in relation to pensionable pay	(6,713)
(146)	• Early retirements	(147)
-	• Pension Holiday grant	-
(2,978)	Firefighters contributions	(3,002)
(9,914)		**(9,862)**
(274)	**Transfers in from other authorities**	**(101)**
	Benefits payable:	
32,688	• Pensions	34,313
8,705	• Commutation and lump sum retirement benefits	5,852
96	• Lump sum death benefits	57
41,489		**40,222**
	Payments to and on account of leavers:	
179	• Transfers out to other authorities	-
-	• Refunds of contributions	-
179		**-**
31,480	**Net amount payable for the year**	**30,259**
(31,480)	Top – up grant payable by the Government	(30,259)
-		**-**

Net Assets Statement

2021/22 £000		2022/23 £000
	Current assets	
8,834	Debtors (Pension Fund Home Office)	8,731
	Current liabilities	
(1,442)	Creditors	(409)
(7,392)	Creditors (Merseyside Fire and Rescue Service)	(8,322)
-		-

Notes to Pension Fund Account

Contribution Rates

Under the firefighters pension regulations the contribution rates for employers, were as follows:

Pensionable Pay Deductions	FPS15
Employer's Contributions	28.8%
Employee Contributions:	
£0 - £27,818	11.0%
£27,819 - £51,515	12.9%
£51,516 - £142,500	13.5%
£142,501 >	14.5%

With effect from 1st April 2022, all firefighters are on the FPS15 scheme.

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 2023	31 March 2022
	£000	£000
Central Government bodies	8,731	8,834
Total	**8,731**	**8,834**

Creditors

	31 March 2023	31 March 2022
	£000	£000
Central Government bodies (HMRC)	409	351
Other local authorities	8,322	7,392
Other entities and individuals	-	1,091
Total	**8,731**	**8,834**

Statement of Responsibilities for the Statement of Accounts

The Director of Finance and Procurement's responsibilities

The Director of Finance and Procurement 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 Director of Finance and Procurement 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 Director of Finance and Procurement 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 2023 and of its expenditure and income for the year ended 31st March 2023.

Ian Cummins
Director of Finance and Procurement
7th June 2023

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 Director of Finance and Procurement.
- 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 2022 to 31st March 2023, were approved for issue on the ____day of _____20____by Merseyside Fire and Rescue Audit Committee.

Chair of the Audit Committee Meeting Approving the Accounts

_____

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

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.

2022-2023 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). A copy of the code is available on our website at www.merseyfire.gov.uk. 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 2023.

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 vision, aims and service objectives for the organisation. The Authority approved a new IRMP that extends the current plan to 2024 and established the service priorities for that period. The proposals in the IRMP are aligned to the Authority's medium term financial plans and have therefore been resourced.

3.2.2 The Authority's Vision reflects a clear focus on the core duties and functions in relation to Operational Preparedness, Operational Response and Prevention and Protection. The Authority's vision is*; **To be the best Fire & Rescue Service in the UK, (One team, putting its communities first).*** To deliver this, the Authority has established four key corporate aims:

- **Prepare**
  We will always be the best that we can be by having highly skilled and trained people who plan for every risk and keep our teams safe and effective.

- **Respond**
  We will be there when you need us most, pulling out all the stops to save lives. Whether we are taking 999 calls, or attending incidents, we keep our communities safe.

- **Prevent**
  We are there for you. We are a visible presence that provides reassurance, support and advice. Alongside our partners, we protect the most vulnerable and reduce inequalities.

- **Protect**
  We protect people from harm, provide advice, guidance and when absolutely necessary use enforcement to keep the public and our firefighters safe.

The Vision 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 (or any other committee if

applicable) and the Strategic Leadership Team. Station Community Safety Plans have also been developed to give details of the activities taking place throughout Merseyside. The reporting process applies traffic light status for each performance indicator 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 comprise many systems, policies, procedures and operations, however the system cannot eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified, the Authority, where possible, eliminates the risk. If this is not possible then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below:

3.4.2 Policy and decision making process

The Authority has meaningful democratic control over its activities via an **approved committee structure** with agreed Terms of Reference that are reviewed once a year by the Authority at its Annual General Meeting. The Authority has a **written Constitution** that was reviewed in 2022/23 and approved by the Authority at its meeting on 9 June 2022 (CFO/023/22), 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 Leadership Team (SLT) meet on a fortnightly basis to review and agree on issues that arise during the year. SLT have established strategic boards to feed into SLT, the role of each board is to consider any issues associated with that board's remit and if necessary make a recommendation on the matter for SLT to consider. 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
- 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 SLT 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 regular updates on any new risks or changes to risks. As all Authority and service reports to SLT have a standing section on risk this allows SLT 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 2021/22 Annual Audit Letter and Audit Findings Report;

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

4.2 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 SLT 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.

4.3 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

4.4 The Authority and Its Committees

4.4.1 The Authority

The Authority considered at its Annual General meeting on 9 June 2022 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 Scrutiny Committee – To view and/or scrutinise the objectives of the Authority's Integrated Risk Management Plan (IRMP) and performance against these objectives. To carry out joint member/officer pre and post-implementation scrutiny of any major project, scheme, or key decision taken by the Authority or its standing committees.

- 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 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 risk register and 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, Assistant Chief Fire Officer, Director of Finance and Procurement 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.

- The Appointments Committee – to consider and determine for appointment to the posts and offices of the Chief Fire Officer, Deputy Chief Fire Officer, Treasurer (Director of Finance and Procurement), Monitoring Officer (Head of Legal Services) and any other posts referred to the committee for consideration.

- Member Development & Engagement Group – to promote the continuous development of Members of the Authority and consider proposals and options for arrangements in respect of Members' training and development.

- Local Pension Board (Firefighters' Pension Scheme(s)) – to assist the Authority in its role as 'Scheme Manager' for the Firefighters' Pension Scheme(s), as required by the Pension Scheme (Amendment) (Governance) Regulations 2015 Regulation 4A.

4.5 **Management Review**

4.5.1 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.

4.5.2 There is a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2022/23 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. SLT 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.

4.5.3 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.

4.5.4 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 Head of Legal Services fulfils this role, is a qualified and experienced lawyer, and is supported by a 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, in line with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and Section 73 LGA 1985, to ensure the proper and effective administration of the financial affairs of the Authority. The Director of Finance and Procurement fulfils this role and is a qualified and experienced accountant. The Director of Finance and Procurement 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 Director of Finance and Procurement 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 SLT.

4.5.5 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.

4.5.6 CIPFA have produced a Financial Management Code to support good practice in financial management and to assist fire & rescue and local authorities in demonstrating their financial sustainability. The Director of Finance and Procurement has carried out an assessment of the Authority's conformity to the CIPFA Statement of Principles of Good Financial Management. No significant areas of weakness have been identified

4.5.7 Grant Thornton approved an unqualified Statement of Accounts for 2021/22 and it is anticipated this will be repeated in 2022/23. 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.

4.6 Internal Audit

4.6.1 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 Head of Internal Audit, procured via the service agreement with Liverpool City Council, provides some assurance on the adequacy of the Authority's internal control arrangements, and also plays a key role in promoting good corporate governance. The Authority's Head of Internal Audit arrangement ensures the Authority assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). The internal audit plan for 2022/23, 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 are submitted to the relevant managers as appropriate and the Director of Finance and Procurement. An interim and year-end Internal Audit Plan reports are submitted to the Audit Committee that included summary findings of all completed audit reports and implementation of any agreed recommendations. Although at the time of writing the AGS Internal Audit have yet to finalise all of the 2022/23 audit reviews the findings to date suggest;

- Substantial Assurance that the system of internal control in place at Merseyside Fire & Rescue accords with proper practice, and

- The work on fundamental systems audits completed to date have shown a substantial level of compliance, and no significant control weakness, which impact on the Annual Governance Statement, have been identified.

4.7 External Review

4.7.1 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.

4.7.2 External Audit will comment upon the Authority's 2022/23 statutory financial statements and make a VFM conclusion during the 2023/24 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 2022/23 the Auditor's Annual Audit Findings Report and Audit Annual Letter covering 2021/22 confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2021/22 financial statements.

4.8 Year-end Review

4.8.1 The current governance and internal control arrangements continue to be reviewed and refined on an ongoing basis and that they continue to be regarded as fit for purpose in accordance with the governance framework. This review provides an acceptable overall assurance of the effectiveness of the Authority's system of internal control.

5 SIGNIFICANT GOVERNANCE ISSUES

5.2.1 The CIPFA guidance suggests that the following criteria should be applied when judging what may constitute a significant control issue:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The issue has led to a material impact on the accounts.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

5.2.2 Whilst no significant weaknesses have been identified in control systems at present, the assumptions made in the Medium Term Financial Plan (MTFP), particularly around inflation, pay awards, and future government grants (whilst based on the best information available**) are subject to potential change**. The Director of Finance and Procurement will ensure that any variation to the assumptions made in the MTFP are identified at the earliest possible time, and, reported to Members' through the quarterly financial review reports. The Authority has established specific reserves to cover the risk of a variation to the key assumptions in the MTFP and these reserves would allow the Authority time to approve structural changes to deliver the required permanent savings over the longer term.

5.2.3 The 2017 Policing 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 continues to maintain ongoing discussions with Merseyside Police and North West Ambulance Service on developing opportunities for greater collaboration.

5.2.4 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 may seek to take over the future governance of the Merseyside OPCC and Merseyside Fire and Rescue Authority at some future point, (subject to the relevant support from the Government). The Authority will work with the Merseyside Police, the Office of the Police and Crime Commissioner and the Liverpool City Region Mayor, if asked, to establish the future governance arrangement for Merseyside Fire and Rescue Service.

CERTIFICATION

6 **To the best of our knowledge, the governance arrangements, as defined above, have been operating during the year and up to the date of the approval of the Annual Accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Authority will continue the operation of its governance framework and take steps to carry out the actions for managing any governance issues identified above or that materialise in the year.**

Signed.....
J. Grace
CHAIR of AUDIT COMMITTEE

Signed.....
P. GARRIGAN
CHIEF FIRE OFFICER

Signed .....
I. CUMMINS
DIRECTOR OF FINANCE & PROCUREMENT