



# **Merseyside Fire & Rescue Authority**

## **2021/22 Statement of Accounts**

# MERSEYSIDE FIRE AND RESCUE AUTHORITY

## ANNUAL STATEMENT OF ACCOUNTS 2021 – 2022

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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 31<sup>st</sup> March 2022, with comparative figures for the previous financial year. These financial statements have been prepared in accordance with the 2021/22 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 2021/22 and the future. It also provides a summary of the financial position at 31<sup>st</sup> March 2022 and is structured as below:

- Background to the Authority & Key Information
- The 2021/22 Non-Financial Performance
- The Authority 2021/22 Revenue Budget and Financial Challenge
- 2021/22 Revenue Outturn Position
- Reserves
- Capital Strategy and Capital Programme 2021/22 to 2025/26
- Treasury Management
- Balance Sheet Financial Position at 31<sup>st</sup> March 2022
- Future Financial Challenge / Corporate Risks

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2021/22.

## 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 Km<sup>2</sup>) 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 fourth. There are more affluent areas, for example, in West Wirral and North Sefton, but 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 2021/22, this was as follows:

Knowsley	2	(2 Labour)
Liverpool	6	(5 Labour, 1 Liberal Democrat)
Sefton	4	(3 Labour, 1 Liberal Democrat)
St. Helens	2	(2 Labour)
Wirral	4	(2 Labour, 2 Conservative)

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.

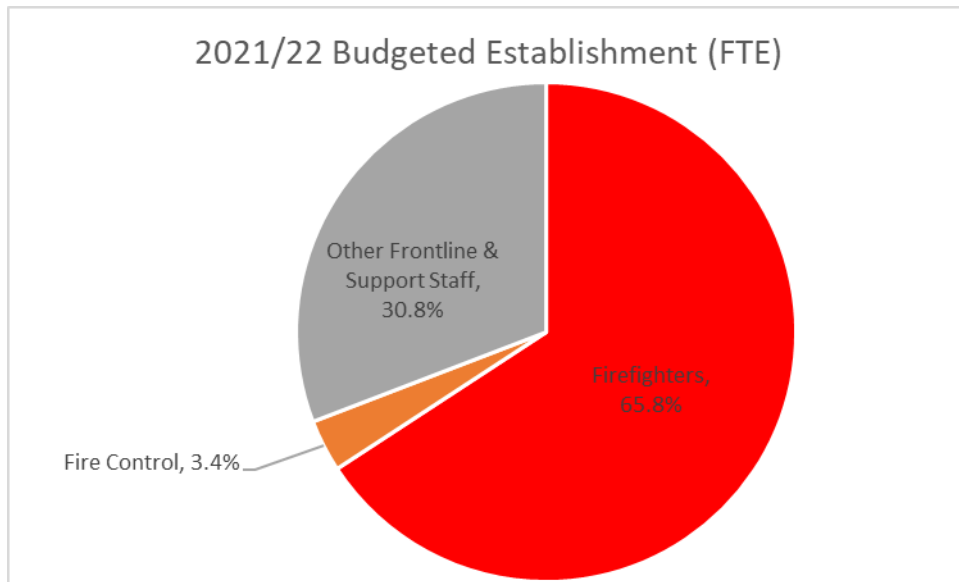
**Respond**

**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.

**Staffing, Fire Appliances & Fire Stations**

The 2021/22 budgeted establishment was 976 FTE employees. Most of the staff are involved in front line service delivery (Firefighters, Marine Rescue, Community Prevention and Protection work).



As a direct consequence of the scale of Government cuts since 2010/11, there has been an inevitable impact on frontline services.

In 2010/11, the budgeted establishment for firefighters was approximately 1,000 firefighters compared to the 642 FTE in the 2021/22 establishment, a reduction of -358 or -36%. Over the same period, support staff have reduced from 425 to 301 a reduction of -124 or -29%. The loss of support posts has an impact on the front line as some of these post reductions carried out fire prevention and response work within the Merseyside community.

Following the approval of the 2021-2024 IRMP, the Authority moved to an operational response model that had 31 fire appliances available day and night (a combination of wholetime and retained). This was an increase on the 26 proposed in the original 2017/20 IRMP. In practical terms, this will mean that during the day the Authority will have 27 appliances immediately available with a further 4 available within 30 minutes. Ten years ago, the Authority had 42 appliances, which were crewed on 24-hour immediate response.



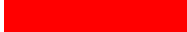
Prior to 2015, the Authority had 26 permanently crewed community fire stations. Following the closure and merger of a number of stations, the number fell to 22 by the end of 2020/21. The 22 stations incorporate a variety of duty systems and will reflect the operational model described in the previous paragraph. These stations act as hubs for providing services to our communities. The 2021-2024 IRMP includes the building of a new superstation in Long Lane to replace Aintree and Croxteth fire stations, although this will see the number of fire stations fall to 21, the response times in Aintree and Croxteth will actually improve. In addition to community fire stations, the Authority has a Marine Rescue Unit, a Training and Development Academy, a Headquarters and an Operational Workshop/Stores.

## The Authority 2021/22 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 2021/22 Authority’s performance against the key performance indicators (KPI’s) is summarised in the table below:

<i>Quality Assurance</i>	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2020/21	Target 2021/22	Performance 2021/22	Status
<b>TO00</b>	Total number of emergency calls received	19778	<i>Quality Assurance</i>	22693	Quality Assurance
<b>TC01</b>	Total number of incidents attended	15867	16273	18283	Target Missed
<b>TC02</b>	Total number of fires in Merseyside	6142	7159	6904	Target Achieved
<b>TC03</b>	Total number of primary fires attended	1770	2262	1984	Target Achieved
<b>QTC04</b>	Total number of secondary fires attended	4372	4897	4920	Target Missed
<b>TC05**</b>	Total number of special services attended	4250	<i>Quality Assurance</i>	5345	Quality Assurance
<b>TC06</b>	Total number of false alarms attended	5475	5497	6034	Target missed
<b>TR08*</b>	Attendance standard – first attendance of an appliance at a life risk incidents in 10 mins	95.4%	90.0%	95.4%	Target Achieved
<b>TD09</b>	The % of available shifts lost to sickness absence, all personnel	4.27%	4.00%	5.40%	Target missed
<b>TE10</b>	Total carbon output of all MFRS buildings	57.4	65.0	55.6	Target Achieved
<b>DWELLING FIRES</b>					
<b>DC11</b>	Number of accidental dwelling fires	799	861	839	Target Achieved
<b>DC12</b>	Number of deaths in accidental dwelling fires	7	8	4	Target Achieved
<b>DC13</b>	Number of injuries in accidental dwelling fires attended	59	90	61	Target Achieved
<b>DC14</b>	Number of deliberate dwelling fires in occupied properties	139	138	120	Target missed
<b>DC15</b>	Number of deliberate dwelling fires in unoccupied properties	16	20	18	Target Achieved
<b>DC16</b>	Number of deaths in deliberate dwelling fires	0	1	0	Target Achieved
<b>DC17</b>	Number of injuries in deliberate dwelling fires	14	13	9	Target Achieved

Quality Assurance	BENCHMARK KEY PERFORMANCE INDICATORS	Performance 2020/21	Target 2021/22	Performance 2021/22	Status
<b>NON-DOMESTIC PROPERTY</b>					
NC11	Number of deliberate fires in non-domestic premises	37	81	21	Target Achieved
NC12	Number of accidental fires in non-domestic premises	126	179	150	Target Achieved
<b>ANTI SOCIAL BEHAVIOUR</b>					
AC11	Number of deliberate vehicle fires attended	306	569	402	Target Achieved
AC12	Number of accidental vehicle fires attended	168	197	207	Target Missed
AC13	Number of deliberate anti-social behaviour fires (small)	2993	3208	3363	Target Missed
AC14	Number of accidental small fires attended	1379	1689	1557	Target Achieved
AC15	Number of 'other' primary fires attended	179	217	197	Target Achieved
<b>ROAD TRAFFIC COLLISIONS</b>					
RC11	Number of road traffic collisions (RTC) attended	555	Quality Assurance	830	Quality Assurance
RC12	Number of injuries in road traffic collisions attended	232	Quality Assurance	284	Quality Assurance
RC13	Number of fatalities in road traffic collisions attended	8	Quality Assurance	17	Quality Assurance
RC14	New: Number of Killed & Seriously Injured (KSI) in RTC's across Merseyside <i>Based on Partnership RTC data</i>	347	Quality Assurance	477	Quality Assurance
RC15	New: Number of KSI's affecting 16-24 age group - <i>Based on Partnership RTC data</i>	59	110	85	Target Achieved
<b>FALSE ALARMS</b>					
FC11	The number of false alarm calls due to automatic fire alarm equipment in non-domestic properties	460	583	550	Target Achieved
FC12	The number of false alarm calls due to smoke alarm actuation in domestic properties	2880	2949	2963	Target Missed
FC13	Total number of false alarms attended discounting false alarm good intent	3465	Quality Assurance	3700	Quality Assurance
FC22	Number of malicious false alarms attended	125	222	187	Target Achieved
FC23	Number of false alarm good intent attended	2010	1743	2334	Target missed
<b>STAFF SICKNESS &amp; INJURIES</b>					
WD11	% of available shifts lost to sickness absence per wholetime equivalent GREY book (operational) personnel	4.05%	4%	5.70%	Target missed
WD12	% of available shifts lost to sickness absence per wholetime equivalent GREY book (operational) personnel	4.62%	4%	5.40%	Target missed
WR13	Total number of operational staff injuries	35	47	36	Target Achieved

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

Most incident types including fires and emergency calls received are higher than in 2020/21 when we were at the height of the COVID-19 pandemic. This had an impact on performance for parts of that year when households and businesses



were in lockdown. Staff continued to target those most at risk of either setting fires or being a victim of fire throughout the pandemic. 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.

Road Traffic Collisions (RTCs) attended (830) increased when compared to 2020/21 (555). This is again an indication of life returning to some normality after the lock-downs of 2020/21. However, this indicator is based on the RTCs that the Service is requested to attend and does not reflect the total number of RTCs in Merseyside or the RTCs involving the Service's targeted age group of people aged 16-24. Partnership data recording 'killed and seriously injured in RTC's' also shows an increase in the number of incidents in 2021/22 (477) when compared to 2020/21 (357) reflecting more vehicles and people on the roads as restrictions have relaxed.

At the end of 2021/22, sickness among operational personnel was at 5.40%, with shifts lost to sickness absence exceeding the target of 4%. The COVID-19 outbreak caused sickness to increase among all staff. If Covid related sickness is removed from this figure sickness absence is 3.13%, which is considerably less than the 4% target.

## The 2021/22 Revenue Budget and Financial Challenge

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

### 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 – 2019/20 period on staffing, fire appliances & fire stations has already been outlined.

### 2021/22 – 2025/26 Medium Term Financial Plan

If any organisation wants to be successful, its budget setting and medium term financial plan (MTFP) must allocate resources to support its key strategic aims and priorities. This is a vital consideration when organisations face periods of severe financial challenge. For many years now, the Authority has maintained a five-year comprehensive MTFP and Capital Programme. The MTFP is rolled forward each year and plans prudently to deal with all known reductions in Government funding and required investments in the Service. The Authority approved a 2021/2022 – 2025/2026 medium term financial plan (MTFP) at the Budget Authority meeting on 25th February 2021 that set a balanced 2021/2022 budget. The MTFP report is available on the Authority's website and includes all the necessary financial information in a single report. The report considers:-

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

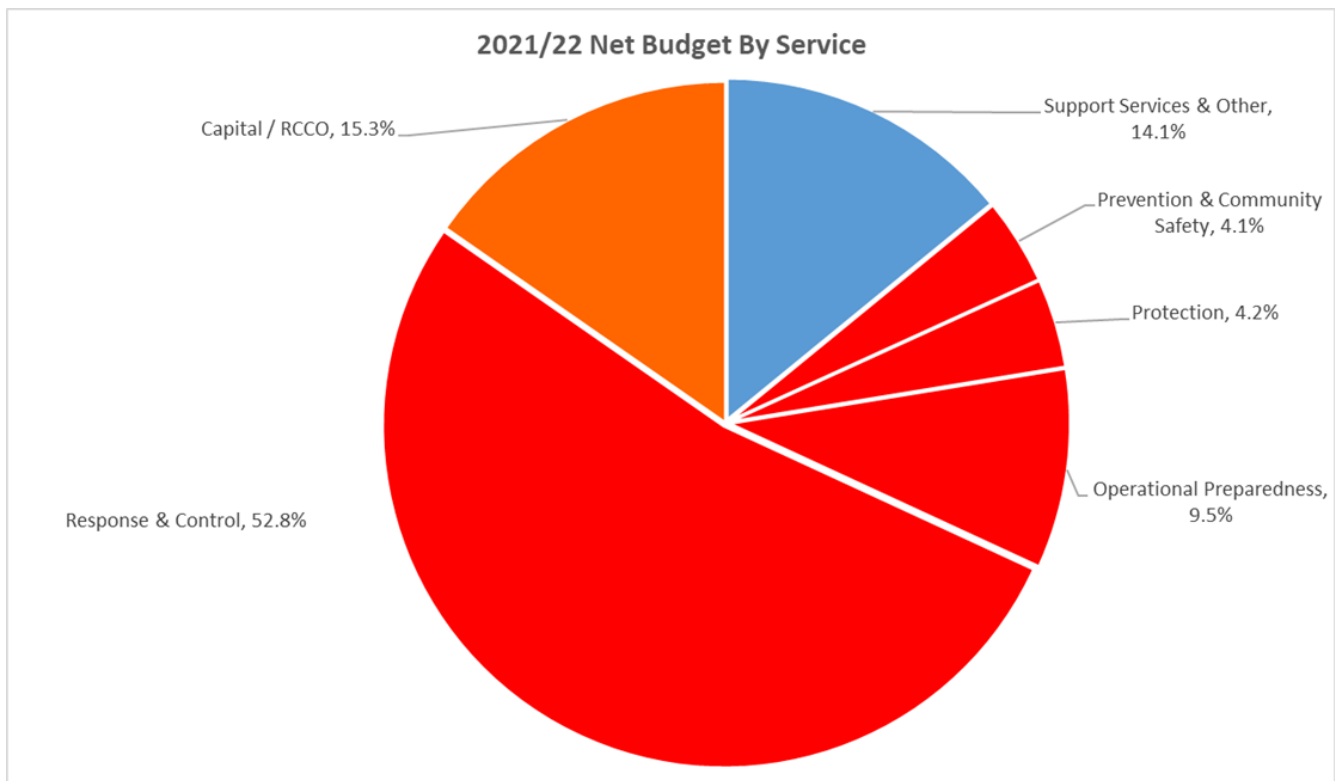
By considering all the financial issues to be taken into account in a single report ensures that the Authority can:-

- 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

Although the MTFP indicated a potential small financial challenge by 2025/26, the Authority agreed that due to the significant uncertainty over future Government funding it would defer any consideration of the potential future financial challenge at this time. Government grant (*Settlement Funding Assessment, SFA*) funds 50% of the Authority’s revenue budget requirement with the balance coming from Council Tax income. The Authority’s 2021/22 SFA increased by 0.2% compared to the 2020/21 SFA, and in addition the Government did provide some further one-off grant (£0.955m) to offset the impact of the economic impact of Covid-19 on council tax funds. The approved 2021/22 MTFP revised the previous 2021/22 pay assumption from 2% to 0% in light of the Government’s direction on a pay freeze for the public sector.

Overall, the Authority was able to approve a balanced 2021/22 Budget without the need to identify new Service savings, and, in addition, make a one-off £3.035m contribution to the new Training and Development Academy reserve. The Authority set its General Fund budget for 2021/22 at £59.250m, of which approximately 71% directly funds activities related to fire response or prevention work. An analysis of the budget over the Authority’s strategic services is outlined in the chart below, (those activities highlighted in red are deemed frontline services):-



The Authority adopted a reserves strategy that maintained a General Reserve of £3.000m and anticipated (based on the estimated forecast when the 2021/22 budget was approved) Earmarked Reserves as at 01.04.21 of £27.171m. 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.

## The 2021/22 Revenue Outturn Position

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

- the service’s progress in implementing the approved savings options,
- any additional budget amendments required,
- plus the movements from and to reserves.

The approved General Fund budget remained constant throughout the year at £59.250million. The table below 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 the £2.203 million increase in earmarked reserves approved at the year-end to cover planned expenditure in 2022/23 and future years.

Programme	Fire Service Budget £'000	Fire Authority £'000	National Resilience £'000	Total Budget £'000	Actual £'000	Variance £'000
<b>Expenditure</b>						
Employee costs	51,696	343	2,571	54,610	53,244	(1,366)
Premises costs	2,643	-	4	2,647	2,394	(253)
Transport costs	1,286	-	6,490	7,776	7,376	(400)
Supplies and services	3,549	21	4,019	7,589	6,928	(661)
Agency services	6,595	-	666	7,261	7,026	(235)
Central support services	505	124	-	629	614	(15)
Capital financing	5,885	-	5	5,890	5,854	(36)
<b>Income</b>	(15,439)	-	(13,755)	(29,194)	(28,532)	662
<b>Net expenditure</b>	<b>56,720</b>	<b>488</b>	<b>-</b>	<b>57,208</b>	<b>54,904</b>	<b>(2,304)</b>
Contingency pay & prices	-	-	-	-	-	-
Interest on balances	(172)	-	-	(172)	(71)	(101)
	<b>56,548</b>	<b>488</b>	<b>-</b>	<b>57,036</b>	<b>54,833</b>	<b>(2,203)</b>
Movement on reserves	2,214	-	-	2,214	4,417	2,203
<b>Overall financial position</b>	<b>58,762</b>	<b>488</b>	<b>-</b>	<b>59,250</b>	<b>59,250</b>	<b>-</b>

The Authority had adopted a strategy that would aim as far as possible to utilise any in year revenue savings to fund additional debt repayments via the Minimum Revenue Provision, MRP, in order to free up future debt servicing budget to re-invest in front line services. Throughout the year managers looked at every opportunity to maximise savings against the approved budget to enable an increase in the capital reserve. The 2021/22 year-end “underspend” was £2.203m however, after taking into account specific year-end earmarked reserves requests of £0.250m, the available underspend was £1.953m. In April 2022, the Authority was advised that the fixed price electricity contract had ended in March and the Authority faced a potential 200% increase in electricity costs in 2022/23, equating to an estimated £1.0m increase in costs. In addition, pressure on future pay awards is growing with the increase in CPI to 9.1% in May 2022 and potentially higher by the year-end. The current MTFP assumes a 2.5% increase in 2022/23 pay award, each additional 1% would increase costs by £0.5m. Therefore, rather than increase the Capital Reserve with the available £1.953m underspend the Authority will use it to increase the Inflation Reserve to provide a one-off resource in 2022/23 to cover potential higher electricity and pay costs, and review the future budget provision during the 2023/24 budget process.

After taking account of the year-end reserves 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 £7.972m for the year. The CIES is prepared on a different basis to the General Revenue Fund, the CIES shows the accounting cost in the year in accordance with the relevant generally accepted accounting principles, rather than the amount funded from taxation (General Fund). The CIES includes such expenses as depreciation and amounts to reflect pension costs, which are not charged to council tax and are excluded from the General Fund statement. The CIES represents the amount by which the Authority’s overall net worth has moved over the year as shown in the Balance Sheet. The table below reconciles the General Fund to the CIES “Deficit on Provision of Services” statement:

		Detailed Adjustments	Total Adjustments per Expenditure and Funding Analysis	Total Adjustments per Comprehensive Income and Expenditure Statement
		£'000	£'000	£'000
<b>Net General Fund 2021/22 year-end position:</b>	<b>Note</b>	-	-	-
<b>1 Net creation of earmarked reserves</b>	(a)	-	-	<b>(4,417)</b>
<b>2 Asset valuation / charges and capital funding adjustments</b>				
Depreciation, impairment and revaluation adjustment	(b)	2,269		
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	(c)	2,679		
Asset disposal / write-offs / revaluation losses		58		
MRP / interest adjustment	(f)	(2,344)		
Capital Expenditure Funded from the Revenue Account (CERA)		(2,140)		
Capital grants income		(2,023)	<b>(1,501)</b>	
<b>3 Pension related adjustments</b>	(d)			
Pension contributions payable to pension fund (employer)		(10,216)		
Pension contributions payable to pension fund (top-up grant)		(31,269)		
Pension current service costs		18,915		
Pension past service costs		-		
Net interest on the defined benefit liability scheme		23,075	<b>505</b>	
<b>4 Other technical accounting adjustments</b>	(e)			
Timing differences for premiums and discounts		(333)		
Timing differences for council tax / NNDR		(2,155)		
Timing differences for compensated absences		(71)	<b>(2,559)</b>	
<b>Total adjustments</b>				<b>(3,555)</b>
<b>Surplus or deficit on provision of services</b>				<b>(7,972)</b>

Notes to the table:

- a) Although the creation of earmarked reserves does not form part of the CIES, they are included to ensure that the General Fund expenditure reconciles back to the CIES.
- b) The depreciation and impairment charge reflects the notional consumption of assets during the year, including revaluation losses and the reversal of any prior year valuation losses and impairments.
- c) 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).

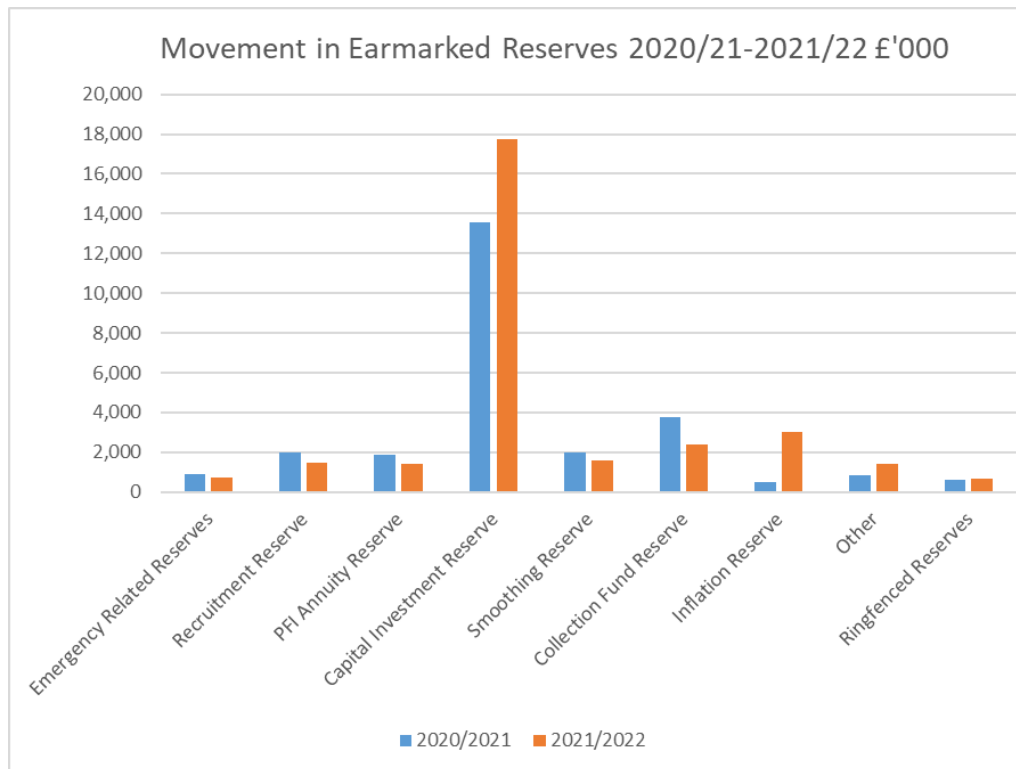
Whilst the CIES shows the true accounting position for the year, it is the General Fund position which more directly reflects the impact on Merseyside residents as it records only those expenses which statute allows to be charged against the Authority's annual budget, the amounts to be set aside as reserves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

## Reserves

The Authority maintains a number of useable reserves, as detailed in the Balance Sheet and in Note 8 of the core financial statement explanatory notes. Note 8 also provides a comment of the purpose of each of the useable reserves. In general, the Authority sets aside money in the form of useable reserves to fund future planned investment, to mitigate financial risks, and to smooth savings.

Excluding National Resilience, £10.292m reserves that are held by the Authority on behalf of the Home Office and are not available to fund general MFRA spend, at the end of 2021/22 the Authority's earmarked reserves were £30.499m, a net increase of £4.417m on the opening balance of £26.082m. The capital reserve had a net increase of £4.106m, mainly due to funds being re-credited to the reserve as the scheme start date was re-phased until 2022/23. Expected inflationary pressures on utilities and pay in 2022/23 meant over the year the inflation reserve increased by £2.519m. As planned, the Authority had to reimburse the Merseyside Billing authorities Council Tax and Business Rates Collection Funds for monies paid over in 2020/21 but not collected due to COVID-19 discounts and impacts introduced by the Government, therefore £1.368m was drawdown from the Collection Fund Reserve to cover this payment. The 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 below summarises the main types of committed reserves.

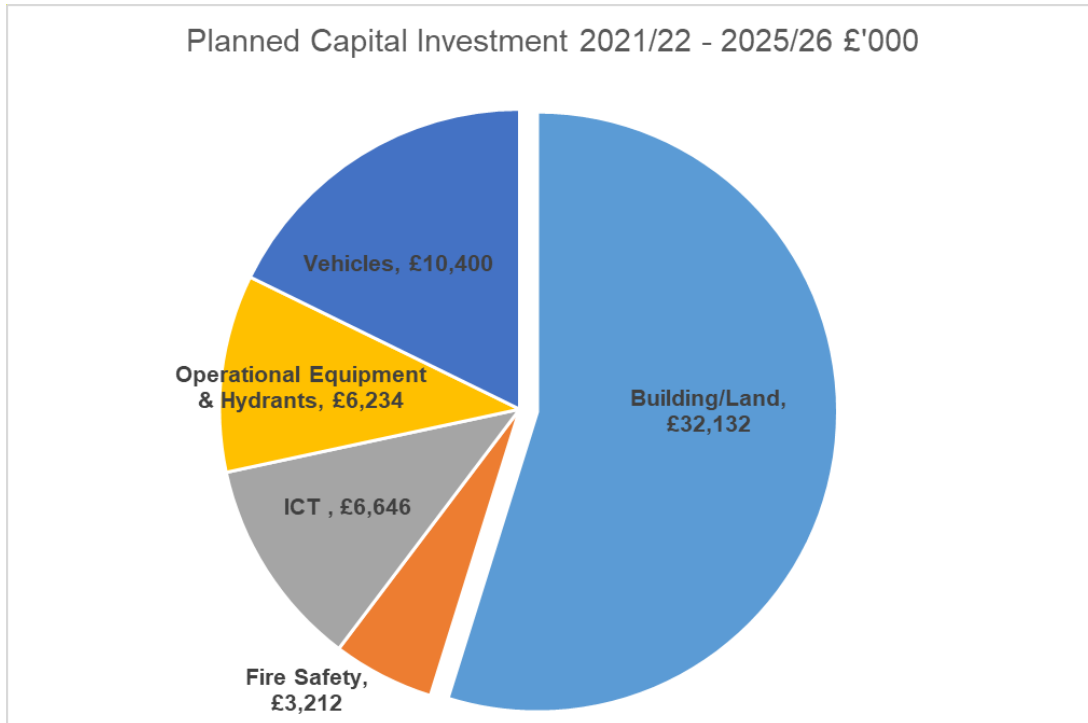


# Capital Strategy and Capital Programme 2021/22 to 2025/26

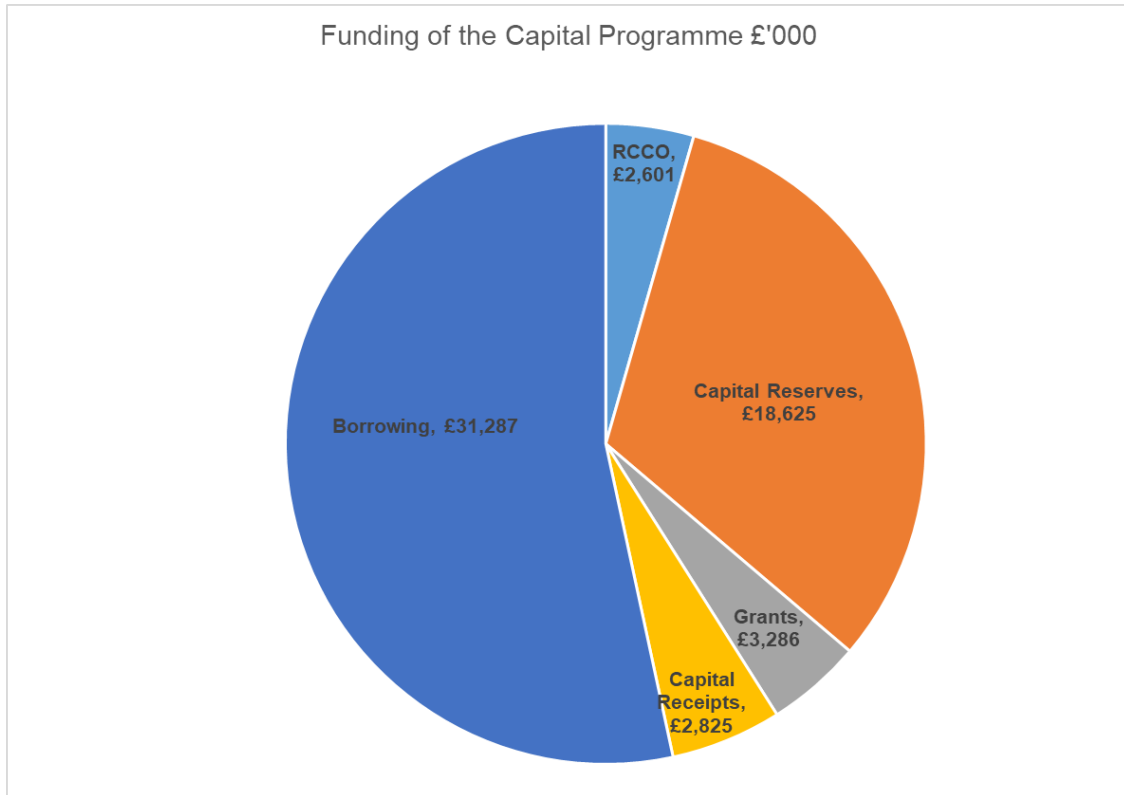
Each financial year the Authority produces a capital programme to manage major capital schemes. Owing to the nature of capital expenditure, a large number of schemes span more than one financial year, therefore the programme is a rolling programme covering five financial years.

The starting point for the programme is an assessment of the capital investment requirements for the Authority for future years based upon needs identified by the various expert professionals in areas 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 below summarises the 2021/22 – 2025/26 capital budget of £58.624m over its planned investments which are mainly in the Authority's property, vehicles, prevention (household smoke alarms) and ICT assets:



This capital programme has a borrowing requirement of £31.287m across the whole life of the plan. The proposed borrowing is unsupported borrowing or prudential which means the Government no longer provides any revenue grant funding to meet the revenue costs associated with the borrowing. This means all new borrowing is “prudential” and the Authority must determine if it can afford and sustain the servicing of the associated debt and revenue costs. Current and future debt servicing costs as a consequence of the proposed capital programme have been built into the Authority's financial plan and revenue budget and are therefore deemed as affordable and sustainable. The chart overleaf breaks down how the capital programme is funded:



The 2021/22 capital budget and final expenditure together with the various sources of funding are shown below:

Programme	Final Budget £'000	Actual Expenditure £'000	Re-Phased from 2021/22 into Future Years £'000	Variance £'000
<b>Expenditure</b>				
Building/Land	3,607	1,937	1,666	(4)
Fire Safety	672	565	-	(107)
ICT	1,510	710	800	-
Operational Equip & Hydrants	3,766	2,314	1,429	(23)
Vehicles	1,566	1,449	117	-
<b>TOTAL</b>	<b>11,121</b>	<b>6,975</b>	<b>4,012</b>	<b>(134)</b>
<b>Financing</b>				
Capital Receipts	350	292	-	(58)
Revenue and Reserves	2,140	2,140	-	-
Grants	3,286	2,114	1,172	-
Unsupported Borrowing	5,345	2,429	2,840	(76)
<b>TOTAL</b>	<b>11,121</b>	<b>6,975</b>	<b>4,012</b>	<b>(134)</b>

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 Heswall
- 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

## 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 2021/22-2025/26 Medium Term Financial Plan (MTFP), which is available on the Authority's website. The key elements are:

- The Treasury Management Strategy 2021/22
- The External Debt and Treasury Management Prudential Indicators and Limits for 2021/22 to 2023/24
- The Investment Strategy 2021/22
- 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 £36.9m at the start of the year to £33.9m at the end following the repayment of £3.0m of loans in the year. Interest paid during the year on existing long-term borrowing totalled £1.849m

## Balance Sheet Financial Position at 31<sup>st</sup> March 2022

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 £23.273m over the year, and as a consequence the current net liability on total reserves has decreased from (£1,097.010m) to (£1,073.737m). However, the reason for the net liability (negative reserve) is that a number of reserves making up the net worth relate to technical adjustments arising from the pensions reserve and the capital adjustments reserve, and these reserves are not available to spend. Note 22 provides more detail on



unusable reserves. The pensions reserve alone has a net liability of £1,156.236m 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 2022/23 Budget and five-year medium term financial plan (MTFP) at its meeting on 24 February 2022. However, as the Government funding contributes nearly 50% of the total Authority revenue funding and the Government announced only a one-year settlement for 2022/23, this has meant a lack of certainty and predictability over future Authority funding, making it difficult to plan beyond 2022/23.

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 2024/25. Due to the level of uncertainty around the forecasts, the Authority will consider any future challenges as part of the 2023/24 budget setting process when some of these uncertainties should be resolved, especially as it is expected that the Government will have announced a multi-year financial settlement for 2023/24 and future years. 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.

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 2022 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes

reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **The Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

### **Significant Changes in Accounting Policies**

Since 2010/11 the Authority is required to prepare its accounts based on International Financial Reporting Standards, the move to an IFRS-based set of accounts resulted in a considerable number of changes in accounting practices and disclosures.

The 2021/22 Code has built upon the changes introduced by IFRS and has made some small changes to accounting policies and disclosure requirements, none of which are of any significance or have any material impact.

### **FURTHER INFORMATION**

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# The Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (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.

2020/21				Notes	2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
79,887	(15,312)	64,575	Fire & Rescue Service Operations		72,911	(15,864)	57,047
1,025	-	1,025	Corporate and Democratic Core		1,376	-	1,376
9,499	(9,302)	197	National Resilience / International Search and Rescue		14,777	(12,669)	2,108
-	-	-	Non-distributed costs		-	-	-
<b>90,411</b>	<b>(24,614)</b>	<b>65,797</b>	<b>Cost of services</b>		<b>89,064</b>	<b>(28,533)</b>	<b>60,531</b>
-	(27,714)	(27,714)	Other operating expenditure	9	58	(31,269)	(31,211)
29,888	(2,112)	27,776	Financing and investment income and expenditure	10	28,520	(2,382)	26,138
-	(65,232)	(65,232)	Taxation and non-specific grant income	11	-	(63,430)	(63,430)
		<b>627</b>	<b>(Surplus) or deficit on provision of services</b>	27			<b>(7,972)</b>
		-	Impairment losses charged to the revaluation reserve				-
		(1,499)	(Surplus) or deficit on revaluation of fixed assets				(5,891)
		66,510	Remeasurement of the net defined benefit liability				(9,410)
		<b>65,011</b>	<b>Other comprehensive income and expenditure</b>				<b>(15,301)</b>
		<b>65,638</b>	<b>Total comprehensive income and expenditure</b>				<b>(23,273)</b>

## 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
<b>Balance at 31 March 2021</b>		(29,082)	-	(10,383)	(39,465)	1,136,475	1,097,010
<b><u>Movement in reserves during 2021/22</u></b>							
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)	-
<b>Increase or decrease in 2021/22</b>		<b>(4,417)</b>	-	<b>91</b>	<b>(4,326)</b>	<b>(18,947)</b>	<b>(23,273)</b>
<b>Balance at 31 March 2022 carried forward</b>		<b>(33,499)</b>	-	<b>(10,292)</b>	<b>(43,791)</b>	<b>1,117,528</b>	<b>1,073,737</b>

	Notes	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2020</b>		(21,767)	-	(3,590)	(25,357)	1,056,729	1,031,372
<b><u>Movement in reserves during 2020/21</u></b>							
Total comprehensive income and expenditure		627	-	-	627	65,011	65,638
Adjustments between accounting basis & funding basis under regulations	7	(7,942)	-	(6,793)	(14,735)	14,735	-
<b>Increase or decrease in 2020/21</b>		<b>(7,315)</b>	-	<b>(6,793)</b>	<b>(14,108)</b>	<b>79,746</b>	<b>65,638</b>
<b>Balance at 31 March 2021 carried forward</b>		<b>(29,082)</b>	-	<b>(10,383)</b>	<b>(39,465)</b>	<b>1,136,475</b>	<b>1,097,010</b>

# 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 2021 £000		Notes	31 March 2022 £000
84,936	Property, plant and equipment	12	92,925
142	Intangible assets	13	72
<b>85,078</b>	<b>Long-term Assets</b>		<b>92,997</b>
29,107	Short-term investments	14	33,014
350	Assets held for sale	18	-
1,038	Inventories	15	1,145
25,643	Short-term debtors	16	19,743
5	Cash and cash equivalents	14 & 17	6,688
<b>56,143</b>	<b>Current assets</b>		<b>60,590</b>
(4,082)	Short-term borrowing	14	(1,051)
(16,451)	Short-term creditors	19	(18,792)
(483)	Bank overdraft	14 & 17	-
<b>(21,016)</b>	<b>Current liabilities</b>		<b>(19,843)</b>
(16,858)	Long-term creditors	14	(16,352)
(1,169)	Provisions	20	(1,052)
(33,885)	Long-term borrowing	14	(33,720)
(1,165,303)	Other long-term liabilities	14 & 40	(1,156,357)
<b>(1,217,215)</b>	<b>Long-term liabilities</b>		<b>(1,207,481)</b>
<b>(1,097,010)</b>	<b>Net liabilities</b>		<b>(1,073,737)</b>
(39,465)	Usable reserves	21	(43,791)
1,136,475	Unusable reserves	22	1,117,528
<b>1,097,010</b>	<b>Total reserves</b>		<b>1,073,737</b>

# 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.

2020/21 £000		Notes	2021/22 £000
627	Net (surplus) or deficit on the provision of services		(7,972)
(11,098)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	(13,876)
4,941	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(660)
<b>(5,530)</b>	<b>Net cash flows from operating activities</b>		<b>(22,508)</b>
4,573	Investing activities	25	8,667
4,510	Financing activities	26	6,675
<b>3,553</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(7,166)</b>
(3,075)	Cash and cash equivalents at the beginning of the reporting period		478
<b>478</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	17	<b>(6,688)</b>

# Notes to the Core Financial Statements

## 1. Accounting Policies

### i. General Principles

The statement of accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31<sup>st</sup> March 2022. 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 2021/22 and the Service Reporting Code of Practice 2021/22, 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 31<sup>st</sup> 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-ringfenced 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 1<sup>st</sup> 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 1<sup>st</sup> 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 2021/22 (the Code) has introduced several changes in the accounting policies, which will be required from 1<sup>st</sup> April 2022. 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 25 vehicles with a valuation of £340,000. Although this would have no material impact to the Accounts the envisaged changes for current year Accounts would have been:

DR	CIES - Depreciation Charge	149,000
CR	CIES - Operating Lease Reversal	151,000
DR	CAA - Unusable Reserves	2,000
DR	Property, Plant and Equipment (vehicles)	340,000
CR	Lease Liability	340,000

## 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 31<sup>st</sup> March 2022 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.	<p>If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £79,000 for every year that useful lives have to be reduced.</p>
	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 £81m and therefore a 1% change in valuation would result in an increase/decrease in valuation of £810,000.
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 £12.0m.

<p>Pension Assets</p>	<p>The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, has impacted on global markets. This will have had an impact on Pension Funds worldwide. Below are some key issues and risks that have been identified by the Merseyside Pension Fund.</p> <p><b>Unquoted Investments</b></p> <p>For 2021/22 there is additional uncertainty regarding the valuations of illiquid assets, due to the time it will take to fully realise the impact of COVID-19 on such assets. The valuations have been updated based upon the available information as at 31 March 2022 and maybe subject to variations as further information becomes available. There are assets such as Private Equity investments that are not publicly listed and as such, there is a degree of estimation involved in these valuations. The International Private Equity and Venture Capital Valuation 57 (IPEV) Board issued additional guidance on these given the magnitude of the COVID-19 crisis as at 31 March.</p> <p>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.</p> <p>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.</p>	<p>The effects on the net pensions liability for changes in the assumptions used have been evaluated for their potential impact (see page 85 for potential changes in assumptions of 0.1%). An additional impact has been included for Investment returns on the LGPS.</p>
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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions McCloud	<p>The decisions of the Court of Appeal in the Sargeant/McCloud (McCloud) cases ruled that transitional protection that enabled some members of the Firefighter Pension Scheme(s), FPS, to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period constituted unlawful age discrimination.</p> <p>On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters' Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and HMT published their response to their consultation on 4 February 2021, confirming their approach to remedying age discrimination, in line with their proposals. The liability calculations have been updated to be in line with the agreed final remedy.</p> <p>The Government Actuary's Department (GAD) has carried out costings of the potential effect of McCloud on the FPS, and Mercers on the Authority's LGPS fund. The Authority has received updated past service liability costs from the relevant actuaries based on these costings and assumptions.</p>	<p>The additional past service costs assumed for the McCloud case are very sensitive to the assumptions made by the actuaries.</p> <p>In particular, 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 by the actuaries:-</p> <p>FPS assumes Pay growth of +4.75% p.a., if the long-term salary growth assumptions were 0.1% pa lower, then the impact on the past service cost is expected to be a change of around - £1.8m on the provision.</p> <p>LGPS assumes Pay growth of +4.9% above CPI, if the long-term salary growth assumptions vary by 0.1%, Service Costs would change by £0.3m.</p>
Arrears	<p>At 31<sup>st</sup> March 2022, the Authority had a balance of sundry debtors of £101,000. A review of significant balances suggested that no credit loss provision was required.</p>	
Provisions	<p>The Authority has made provision for Injury and Damage Compensation claims based on an estimate of potential payouts. As at 31<sup>st</sup> March 2022, this totalled £240,000.</p>	<p>Claims calculations are based on past-experience. If the estimate were to change by 10%, this would result in a change of £24,000 in the provision.</p>
	<p>The Authority has made provisions for the proportion of Business Rates Appeals from all 5 Precepting Authorities. As at 31<sup>st</sup> March 2022, this totalled £812,000.</p>	<p>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.</p>

### General Concerns

The current and ongoing Impact of the COVID-19 pandemic has created further uncertainty around all estimates including mortality rates, asset values and the general economic climate. The rising cost of utility costs is also causing concern on all future estimates.

## 5. Material Items of Income and Expense

The following services have been outsourced to an external provider.

	2021/22 £000	2020/21 £000
IT & Communications	1,929	1,892
Estates	1,514	1,441

## 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 2021/22

2021/22	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to revenue resources</b>			
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)
<b>Total adjustments to revenue resources</b>	<b>(1,221)</b>	<b>-</b>	<b>(2,023)</b>
<b>Adjustments between revenue and capital resources</b>			
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	-	-
<b>Total adjustments between revenue and capital resources</b>	<b>4,776</b>	<b>(292)</b>	<b>-</b>
<b>Adjustments to capital resources</b>			
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	-	-	-
<b>Total adjustments to capital resources</b>	<b>-</b>	<b>292</b>	<b>2,114</b>
<b>Total adjustments</b>	<b>3,555</b>	<b>-</b>	<b>91</b>

## Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21

2020/21	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to revenue resources</b>			
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)	(5,607)	-	-
- Financial instruments (transferred to the financial instruments adjustments account)	-	-	-
- Council Tax and NNDR (transferred to the collection fund adjustments account)	(3,723)	-	-
- Holiday pay (transferred to the accumulated absences reserve)	11	-	-
- 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):	(4,232)	-	(6,996)
<b>Total adjustments to revenue resources</b>	<b>(13,551)</b>	<b>-</b>	<b>(6,996)</b>
<b>Adjustments between revenue and capital resources</b>			
Transfer of non-current asset sale proceeds from revenue to the capital reserve	1,342	(1,342)	-
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	(27)	27	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	1,810	-	-
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	2,484	-	-
<b>Total adjustments between revenue and capital resources</b>	<b>5,609</b>	<b>(1,315)</b>	<b>-</b>
<b>Adjustments to capital resources</b>			
Use of the capital receipts reserve to finance capital expenditure	-	1,315	-
Application of capital grants to finance capital expenditure	-	-	203
Cash payments in relation to deferred capital receipts	-	-	-
<b>Total adjustments to capital resources</b>	<b>-</b>	<b>1,315</b>	<b>203</b>
<b>Total adjustments</b>	<b>(7,942)</b>	<b>-</b>	<b>(6,793)</b>

## 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 2021/22.

	Balance at 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000
<b>Emergency Related Reserves:</b>							
Bellwin Reserve	222	-	-	222	-	-	222
Insurance Reserve	499	-	-	499	-	-	499
Facing the Future / COVID-19 Reserve	355	(355)	200	200	(370)	170	-
Collection Fund Reserve	-	-	3,788	3,788	(2,403)	1,035	2,420
<b>Modernisation Challenge:</b>							
Smoothing Reserve	2,000	-	-	2,000	(412)	-	1,588
Pensions Reserve	-	-	55	55	(80)	677	652
Recruitment Reserve	3,000	(1,000)	-	2,000	(550)	-	1,450
Invest To Save Reserve	549	(267)	-	282	-	-	282
<b>Capital Investment:</b>							
Capital Investment Reserve	8,426	(2,172)	7,330	13,584	(5,178)	9,284	17,690
Emerging Technologies Reserve	-	-	-	-	-	30	30
PFI Annuity Reserve	1,862	-	4	1,866	(2,544)	2,120	1,442
<b>Specific Projects:</b>							
Health & Safety Reserve	33	-	41	74	(19)	-	55
Equipment Reserve	91	-	61	152	(15)	68	205
Community Engagement Reserve	8	-	-	8	-	-	8
Clothing Reserve	328	(303)	-	25	(25)	90	90
Health & Wellbeing Reserve	20	-	5	25	(20)	2	7
Training Reserve	150	-	-	150	-	-	150
<b>Inflation:</b>							
Inflation Reserve	700	(200)	-	500	(500)	3,019	3,019
<b>Total</b>	<b>18,243</b>	<b>(4,297)</b>	<b>11,484</b>	<b>25,430</b>	<b>(12,116)</b>	<b>16,495</b>	<b>29,809</b>
<b>Ringfenced Reserves:</b>							
Princes Trust Reserve	82	-	-	82	(82)	15	15
Community Risk Management Reserve	318	(10)	-	308	(5)	-	303
Energy Reserve	8	-	90	98	(40)	75	133
New Dimensions Reserve	116	-	48	164	-	75	239
<b>Total</b>	<b>524</b>	<b>(10)</b>	<b>138</b>	<b>652</b>	<b>(127)</b>	<b>165</b>	<b>690</b>
<b>Total Committed Reserves</b>	<b>18,767</b>	<b>(4,307)</b>	<b>11,622</b>	<b>26,082</b>	<b>(12,243)</b>	<b>16,660</b>	<b>30,499</b>

### **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 Reserve**

Due to an Authority decision to increase self-insurance (particularly vehicle insurance), a reserve has been set up to hedge against the risk of unidentified future claims. A specific provision is made for claims that have already been lodged.

### **Emergency Planning Reserve**

This reserve was created due to the increased threat of terrorism and would give the Authority an immediate budget to spend in an emergency. This reserve has been realigned with the Bellwin Reserve.

### **Catastrophe Reserve**

This reserve was set up in light of any risk to the Authority and the need for resources to cope with any major or protracted incidents. This reserve has been realigned with the Capital Investment Reserve.

### **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 balance as at 31 March 2022 will be used to ensure all Authority premises are COVID-19 safe.

### **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 drawdown into the General Fund to cover the anticipated Collection Fund deficit charge in 2022/23 and future years (the 2020/21 deficit recovery is spread over a three-year period).

### **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.

### **Pensions Reserve**

This reserve was created to contribute towards the cost of any ill health retirements the Authority may have. The Authority is required to contribute towards the pension costs when a firefighter retires on ill health over a three-year period. Also due to recent changes in commutation factors for firefighters in terms of any backdated claims.

### **Recruitment Reserve**

Over the next decade, almost two thirds of firefighters are expected to retire. In addition, it takes almost a year to train a firefighter across the full range of competencies. In order to meet this challenge in a prudent and structured fashion a reserve of £2m has been allocated to support staff recruitment to manage effective succession planning.

### **Invest To Save Reserve**

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

### **Capital Investment Reserve**

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

### **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.

### **Equality and Accessibility Reserve**

Following a recent station access audit, the service needs to carry out some works to ensure all its property portfolio is compliant with current regulations. This reserve has been realigned with the Capital Investment Reserve.

### **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. This reserve has been increased substantially in 2021/22 to cover utility cost increases in 2022/23 and potential higher than expected pay inflation.

### **Ringfenced Reserves**

The Authority has a number of ringfenced reserves for specific initiatives for which dedicated funding / resources have been earmarked. These schemes often cover more than one financial year and therefore these reserves were created to cover the planned spend over future years.

## 9. Other Operating Expenditure

2020/21 £000		2021/22 £000
(615)	(Gains)/losses on the disposal of non-current assets	58
(27,099)	Gain in relation to Government grant payable to Pension Fund on Authority's behalf	(31,269)
(27,714)	<b>Total</b>	<b>(31,211)</b>

## 10. Financing and Investment Income and Expenditure

2020/21 £000		2021/22 £000
3,585	Interest payable and similar charges	3,488
26,303	Pensions interest cost	25,032
(1,913)	Expected return on pensions assets	(1,957)
(199)	Interest receivable and similar income	(70)
-	Other investment income	(355)
27,776	<b>Total</b>	<b>26,138</b>

## 11. Taxation and Non-Specific Grant Income

2020/21 £000		2021/22 £000
(29,498)	Council tax income	(30,831)
(1,721)	National non-domestic rates (local share)	(3,495)
-	National non-domestic rates pool	-
(15,839)	National non-domestic rates top up grant	(15,839)
(11,178)	Revenue support grant	(11,241)
(6,996)	Capital grants and contributions	(2,024)
(65,232)	<b>Total</b>	<b>(63,430)</b>

## 12. Property, Plant and Equipment

### Movements in 2021/22:

	Land & Buildings	Assets Under Construction	Vehicles & Equipment	Total Property, Plant and Equipment	PFI Assets Included in Property Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
<b>At 1 April 2021</b>	<b>74,211</b>	<b>-</b>	<b>22,303</b>	<b>96,514</b>	<b>22,985</b>
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	-	-	-	-	-
<b>At 31 March 2022</b>	<b>81,200</b>	<b>1,074</b>	<b>22,423</b>	<b>104,697</b>	<b>25,524</b>
<b>Accumulated depreciation and impairment</b>					
<b>At 1 April 2021</b>	<b>-</b>	<b>-</b>	<b>(11,578)</b>	<b>(11,578)</b>	<b>-</b>
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	-	-	-	-	-
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>(11,772)</b>	<b>(11,772)</b>	<b>-</b>
<b>Net book value</b>					
<b>At 31 March 2022</b>	<b>81,200</b>	<b>1,074</b>	<b>10,651</b>	<b>92,925</b>	<b>25,524</b>
<b>At 31 March 2021</b>	<b>74,211</b>	<b>-</b>	<b>10,725</b>	<b>84,936</b>	<b>22,985</b>
<b>Nature of asset holding</b>					
Owned	53,171	1,074	10,651	64,896	-
Finance lease	2,505	-	-	2,505	-
PFI	25,524	-	-	25,524	25,524
<b>Total</b>	<b>81,200</b>	<b>1,074</b>	<b>10,651</b>	<b>92,925</b>	<b>25,524</b>

## Property, Plant and Equipment

### Comparative Movements in 2020/21:

	Land & Buildings	Assets Under Construction	Vehicles & Equipment	Total Property, Plant and Equipment	PFI Assets Included in Property Plant and Equipment
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
<b>At 1 April 2020</b>	<b>71,991</b>	<b>5,120</b>	<b>20,374</b>	<b>97,485</b>	<b>22,885</b>
Additions	487	3,078	2,846	6,411	11
Donations	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	(368)	-	-	(368)	89
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(5,513)	-	-	(5,513)	-
Derecognition – disposals	-	-	(257)	(257)	-
Derecognition – other	-	-	(660)	(660)	-
Assets reclassified (to)/from held for sale	(584)	-	-	(584)	-
Other movements in cost or valuation	8,198	(8,198)	-	-	-
<b>At 31 March 2021</b>	<b>74,211</b>	<b>-</b>	<b>22,303</b>	<b>96,514</b>	<b>22,985</b>
<b>Accumulated depreciation and impairment</b>					
<b>At 1 April 2020</b>	<b>-</b>	<b>-</b>	<b>(10,103)</b>	<b>(10,103)</b>	<b>-</b>
Depreciation charge	(1,867)	-	(2,367)	(4,234)	(582)
Depreciation written out to the revaluation reserve	1,867	-	-	1,867	582
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	-	-	232	232	-
Derecognition – other	-	-	660	660	-
-Assets reclassified (to)/from held for sale	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-
<b>At 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>(11,578)</b>	<b>(11,578)</b>	<b>-</b>
<b>Net book value</b>					
<b>At 31 March 2021</b>	<b>74,211</b>	<b>-</b>	<b>10,725</b>	<b>84,936</b>	<b>22,985</b>
<b>At 31 March 2020</b>	<b>71,991</b>	<b>5,120</b>	<b>10,271</b>	<b>87,382</b>	<b>22,885</b>
<b>Nature of asset holding</b>					
Owned	49,076	-	10,725	59,801	-
Finance lease	2,150	-	-	2,150	-
PFI	22,985	-	-	22,985	22,985
<b>Total</b>	<b>74,211</b>	<b>-</b>	<b>10,725</b>	<b>84,936</b>	<b>22,985</b>



## 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 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

### Depreciation / Impairment Reconciliation 2021/22

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
<b>Depreciation</b>						
Fixed assets	4,248	(4,248)	(4,248)	-	-	-
Intangible assets	331	(331)	-	(331)	-	-
<b>Total</b>	<b>4,579</b>	<b>(4,579)</b>	<b>(4,248)</b>	<b>(331)</b>	-	-
<b>Impairments &amp; Revaluation Losses</b>						
(Gain)/loss on Assets Sold	-	-	-	-	-	-
General impairments (L&B)	73	(73)	(73)	-	-	-
Revaluation losses (L&B New Build)	-	-	-	-	-	-
<b>Total</b>	<b>73</b>	<b>(73)</b>	<b>(73)</b>	-	-	-
<b>Grand total</b>	<b>4,652</b>	<b>(4,652)</b>	<b>(4,321)</b>	<b>(331)</b>	-	-
<b>Revaluations</b>						
Revaluation in/out in year to CAA	-	-	-	-	-	595
Revaluation gain	-	-	8,274	-	-	(8,274)
Reversal of PY impairments	(145)	145	-	-	-	145
Reversal of PY revaluation gain	(2,238)	2,238	-	-	-	2,238
<b>Net gain</b>	<b>(2,383)</b>	<b>2,383</b>	<b>8,274</b>	-	-	<b>(5,296)</b>

## Capital Commitments

At 31<sup>st</sup> March 2022, 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 2022/23 and future years is £2.8m. Similar commitments at 31<sup>st</sup> March 2021 were £3.7m. The commitments can be analysed as follows:

- Building Schemes £0.7m
  - Equipment and ICT Schemes £0.5m
  - Vehicles £0.6m
  - National Resilience (NRAT) £1.0m
- £2.8m

## Effects of Changes in Estimates

No properties were put up for sale in 2021/22.

One property was sold in 2021/22:-

- Formby LLAR House £292,050

## 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	-	1,074	10,651	11,725
Valued at Depreciated Replacement Cost (DRC) at:				
31 March 2022	64,796	-	-	64,796
Values at current value as at:				
31 March 2022	16,404	-	-	16,404
<b>Total cost or valuation</b>	<b>81,200</b>	<b>1,074</b>	<b>10,651</b>	<b>92,925</b>

### 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:

	2021/22 Software Licenses	2020/21 Software Licenses
	£000	£000
Balance at start of year:		
▪ Gross carrying amounts	286	184
▪ Accumulated amortisation	(144)	(74)
<b>Net carrying amount at start of year</b>	<b>142</b>	<b>110</b>
Additions:		
▪ Internal development	-	-
▪ Purchases	261	388
▪ 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	(331)	(356)
Other changes	-	-
<b>Net carrying amount at end of year</b>	<b>72</b>	<b>142</b>
Comprising:		
▪ Gross carrying amounts	287	286
▪ Accumulated amortisation	(215)	(144)
<b>Total</b>	<b>72</b>	<b>142</b>

### 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 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
<b>Financial assets</b>				
Investments at amortised cost	-	-	33,014	29,107
Cash & bank	-	-	6,688	5
<b>Total investments</b>	-	-	<b>39,702</b>	<b>29,112</b>
<b>Debtors</b>				
Debtors at amortised cost	-	-	6,879	8,991
Non-financial instruments	-	-	12,864	16,652
<b>Total included in debtors</b>	-	-	<b>19,743</b>	<b>25,643</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost (PWLB)	(33,720)	(33,885)	(165)	(3,000)
Financial liabilities at amortised cost (LCC)	-	-	-	(200)
Bank overdraft	-	-	-	(483)
<b>Total borrowings</b>	<b>(33,720)</b>	<b>(33,885)</b>	<b>(165)</b>	<b>(3,683)</b>
<b>Other long-term liabilities</b>				
Finance lease liabilities at amortised cost	-	-	-	-
PFI liabilities at amortised cost	(16,352)	(16,858)	(506)	(466)
Merseyside Residual Debt at amortised cost	(121)	(162)	(41)	(41)
<b>Total other long-term liabilities</b>	<b>(16,473)</b>	<b>(17,020)</b>	<b>(547)</b>	<b>(507)</b>
<b>Creditors</b>				
Creditors at amortised cost	-	-	(4,937)	(3,250)
Non-financial instruments	-	-	(13,855)	(13,201)
PWLB interest carried at amortised cost	-	-	(339)	(375)
<b>Total creditors</b>	-	-	<b>(19,131)</b>	<b>(16,826)</b>
<b>Total borrowing</b>	<b>(50,193)</b>	<b>(50,905)</b>	<b>(19,843)</b>	<b>(21,016)</b>

## 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:

	2021/22		2020/21	
	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:				
<ul style="list-style-type: none"> <li>Financial assets measured at fair value through profit or loss</li> </ul>	-	-	-	-
<ul style="list-style-type: none"> <li>Financial assets measured at amortised cost</li> </ul>	-	-	-	-
<ul style="list-style-type: none"> <li>Investments in equity instruments designated at fair value through other comprehensive income</li> </ul>	-	-	-	-
<b>Total net gains/losses</b>	-	-	-	-
Interest revenue:				
<ul style="list-style-type: none"> <li>Financial assets measured at amortised cost</li> </ul>	(70)	-	(199)	-
<ul style="list-style-type: none"> <li>Other financial assets measured at fair value through other comprehensive income</li> </ul>	-	-	-	-
<b>Total interest revenue</b>	<b>(70)</b>	-	<b>(199)</b>	-
<b>Interest expense:</b>	3,488	-	3,585	-
Fee income:				
<ul style="list-style-type: none"> <li>Financial assets or financial liabilities that are not at fair value through profit or loss</li> </ul>	-	-	-	-
<ul style="list-style-type: none"> <li>Trust and other fiduciary activities</li> </ul>	-	-	-	-
<b>Total fee income</b>	-	-	-	-
Fee expense:				
<ul style="list-style-type: none"> <li>Financial assets or financial liabilities that are not at fair value through profit or loss</li> </ul>	-	-	-	-
<ul style="list-style-type: none"> <li>Trust and other fiduciary activities</li> </ul>	-	-	-	-
<b>Total fee expense</b>	-	-	-	-

## 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 31<sup>st</sup> March 2022 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 2022		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB Short & long-term loans	33,885	50,206	36,885	57,682
PFI Liability	16,858	16,949	17,324	18,284

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 31<sup>st</sup> March 2022) 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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	917	537	121	112	1,038	649
Purchases	643	1,211	759	583	1,402	1,794
Recognised as an expense in the year	(532)	(831)	(763)	(574)	(1,295)	(1,405)
Written-off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>1,028</b>	<b>917</b>	<b>117</b>	<b>121</b>	<b>1,145</b>	<b>1,038</b>

## 16. Debtors

	31 March 2022	31 March 2021
	£000	£000
Central Government bodies	15,196	21,714
Other local authorities	4,068	3,453
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	479	476
<b>Total</b>	<b>19,743</b>	<b>25,643</b>

## 17. Cash and Cash Equivalents

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

31 March 2021		31 March 2022
£000		£000
5	Cash held by the Authority	8
(483)	Bank current accounts	(73)
-	Short-term deposits with building societies	6,753
<b>(478)</b>	<b>Total cash and cash equivalents</b>	<b>6,688</b>

## 18. Assets Held for Sale

	Current		Non-Current	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	350	350	-	-
Assets newly classified as held for sale:				
▪ property, plant and equipment	-	-	-	584
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	-	(304)
Revaluation gains	-	-	-	420
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
▪ property, plant and equipment	-	-	-	-
▪ intangible assets	-	-	-	-
▪ other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(350)	(700)	-	-
Transfers from non-current to current	-	700	-	(700)
Other movements	-	-	-	-
<b>Balance outstanding at year-end</b>	-	350	-	-

## 19. Creditors

	31 March 2022	31 March 2021
	£000	£000
Central Government bodies	(9,546)	(7,187)
Other local authorities	(5,459)	(6,944)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	(3,787)	(2,320)
<b>Total</b>	<b>(18,792)</b>	<b>(16,451)</b>

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 2021	-	(228)	(941)	(1,169)
Additional provisions made in 2021/22	-	(51)	129	78
Amounts used in 2021/22	-	39	-	39
Unused amounts reversed in 2021/22	-	-	-	-
Unwinding of discounting in 2021/22	-	-	-	-
<b>Balance at 31 March 2022</b>	-	<b>(240)</b>	<b>(812)</b>	<b>(1,052)</b>

### Injury Compensation Claims

All of the injury compensation claims have currently been assessed as at 31<sup>st</sup> March 2022. They relate to personal injuries sustained where the Authority is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Authority will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled in future years but no precise date can be estimated. The Authority will only be reimbursed by the insurers for claims above £0.5m.

### Business Rates Appeals

This relates to Merseyside Fire Service's share of appeals at 31<sup>st</sup> March 2022 from the five precepting authorities.

## 21. Usable Reserves

31 March 2021 £000		31 March 2022 £000
-	Usable capital receipts reserve	-
(10,383)	Usable capital grants unapplied	(10,292)
(3,000)	General Fund balance	(3,000)
(26,082)	Earmarked reserves ( <b>Note 8</b> )	(30,499)
<b>(39,465)</b>	<b>Total usable reserves</b>	<b>(43,791)</b>

## 22. Unusable Reserves

31 March 2021 £000		31 March 2022 £000
(21,088)	Revaluation reserve	(26,385)
(12,143)	Capital adjustment account	(14,329)
-	Financial instruments adjustment account	(333)
1,165,141	Pensions reserve	1,156,236
3,653	Collection fund adjustment account	1,498
912	Accumulating compensated absences adjustment account	841
<b>1,136,475</b>	<b>Total unusable reserves</b>	<b>1,117,528</b>

## 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.

2020/21 £000		2021/22 £000
(20,227)	Balance at 1 April	(21,088)
(1,499)	Upward revaluation of assets	(8,274)
-	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	2,383
(1,499)	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(5,891)
537	Difference between fair value depreciation and historical cost depreciation	577
101	Accumulated gains on assets sold or scrapped	17
638	Amount written off to the capital adjustment account	594
(21,088)	Balance at 31 March	(26,385)

## 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 31<sup>st</sup> March 2022.

## 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.

2020/21		2021/22
£000		£000
<b>(16,919)</b>	<b>Balance at 1 April</b>	<b>(12,143)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,234	• Charges for depreciation and impairment of non-current assets	4,321
5,422	• Revaluation losses on property, plant and equipment	(2,383)
356	• Amortisation of intangible assets	331
516	• Revenue expenditure funded from capital under statute	2,679
700	• 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	350
11,228		5,298
(640)	Adjusting amounts written out of the revaluation reserve	(594)
<b>10,588</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>4,704</b>
	Capital financing applied in the year:	
(1,315)	• Use of the capital receipts reserve to finance new capital expenditure	(292)
-	• 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	-
(203)	• Application of grants to capital financing from the capital grants unapplied account	(2,114)
(1,810)	• Statutory provision for the financing of capital investment charged against the General Fund	(2,344)
(2,484)	• Capital expenditure charged against the General Fund	(2,140)
<b>(5,812)</b>		<b>(6,890)</b>
-	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	-
<b>(12,143)</b>	<b>Balance at 31 March</b>	<b>(14,329)</b>

### **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.

2020/21		2021/22
£000		£000
-	<b>Balance at 1 April</b>	-
-	Discounts received in the year and charged to the Comprehensive Income and Expenditure Statement	(355)
-	Proportion of discounts received in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	22
-	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)
-	<b>Balance at 31 March</b>	<b>(333)</b>

### 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.

2020/21		2021/22
£000		£000
1,093,024	<b>Balance at 1 April</b>	1,165,141
66,510	Remeasurements of the net defined benefit liability/(asset)	(9,410)
42,934	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	41,990
(37,327)	Employer's pensions contributions and direct payments to pensioners payable in the year	(41,485)
1,165,141	<b>Balance at 31 March</b>	1,156,236

### 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.

2020/21		2021/22
£000		£000
(72)	<b>Balance at 1 April</b>	3,653
3,725	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	(2,155)
3,653	<b>Balance at 31 March</b>	1,498

### Unequal Pay Back Pay Account

The unequal pay back pay account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to equal pay cases and the ability under statutory provisions to defer the impact on the General Fund balance until such time as cash might be paid out to claimants. The Authority has no back pay claims in relation to equal pay.

### Accumulating Absences Account

The accumulating absences account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March 2022. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2020/21		2021/22
£000		£000
923	<b>Balance at 1 April</b>	912
(568)	Settlement or cancellation of accrual made at the end of the preceding year	(630)
557	Amounts accrued at the end of the current year	559
(11)	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	(71)
912	<b>Balance at 31 March</b>	841

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

2020/21		2021/22
£000		£000
(4,234)	Depreciation and impairment of non-current assets	(4,321)
(5,422)	Revaluation losses on property plant and equipment	2,383
(356)	Amortisation of intangible assets	(331)
(516)	Revenue expenditure treated as capital under statute	(2,679)
-	Movement in the donated assets account	-
(5,607)	Movement in pension liability	(505)
(700)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(350)
(5,766)	(Increase)/decrease in creditors	(2,306)
11,089	Increase/(decrease) in debtors	(5,862)
389	Increase/(decrease) in stocks	107
25	(Increase)/decrease in provisions	(12)
<b>(11,098)</b>		<b>(13,876)</b>

**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**

2020/21		2021/22
£000		£000
199	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	159
1,331	Proceeds from the sale of property plant and equipment, investment property and intangible assets	326
(3,585)	Loan interest	(3,524)
-	PFI refinancing	355
6,996	Capital grants	2,024
<b>4,941</b>		<b>(660)</b>

## 25. Cash Flow Statement – Investing Activities

2020/21		2021/22
£000		£000
7,315	Purchase of property, plant and equipment, investment property and intangible assets	6,976
6,000	Purchase of short-term and long-term investments	4,000
(200)	Other payments for investing activities	200
(1,331)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(326)
-	Proceeds from short-term and long-term investments	-
(7,211)	Other receipts from investing activities	(2,183)
<b>4,573</b>	<b>Net cash flows from investing activities</b>	<b>8,667</b>

## 26. Cash Flow Statement – Financing Activities

2020/21		2021/22
£000		£000
-	Cash receipts of short-term and long-term borrowing	-
-	Other receipts from financing activities	(356)
429	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	466
491	Repayments of short-term and long-term borrowing	3,041
3,590	Other payments for financing activities	3,524
<b>4,510</b>	<b>Net cash flows from financing activities</b>	<b>6,675</b>

## 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.

2020/21				Notes	2021/22		
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
54,379	10,196	64,575	Fire & Rescue Service Operations		54,427	2,620	57,047
465	560	1,025	Corporate and Democratic Core		477	899	1,376
-	197	197	National Resilience / International Search and Rescue		-	2,108	2,108
-	-	-	Non-Distributed Costs		-	-	-
<b>54,844</b>	<b>10,953</b>	<b>65,797</b>	<b>Net cost of services</b>		<b>54,904</b>	<b>5,627</b>	<b>60,531</b>
(62,159)	(3,011)	(65,170)	Other income and expenditure		(59,321)	(9,182)	(68,503)
<b>(7,315)</b>	<b>7,942</b>	<b>627</b>	<b>Surplus or deficit</b>	<b>27</b>	<b>(4,417)</b>	<b>(3,555)</b>	<b>(7,972)</b>
(21,767)	-	-	Opening General Fund balance		(29,082)	-	-
(7,315)	-	-	Less/plus (surplus) or deficit on General Fund		(4,417)	-	-
<b>(29,082)</b>	<b>-</b>	<b>-</b>	<b>Closing General Fund balance at 31 March</b>		<b>(33,499)</b>	<b>-</b>	<b>-</b>



## Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements Amounts	2020/21			
	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Fire & Rescue Service Operations	2,001	8,206	(11)	10,196
Corporate and Democratic Core	450	110	-	560
National Resilience / International Search and Rescue	197	-	-	197
Non-distributed costs	-	-	-	-
Exceptional items	-	-	-	-
<b>Net cost of services</b>	<b>2,648</b>	<b>8,316</b>	<b>(11)</b>	<b>10,953</b>
Other income and expenditure from the expenditure and funding analysis	(4,026)	(2,709)	3,724	(3,011)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services</b>	<b>(1,378)</b>	<b>5,607</b>	<b>3,713</b>	<b>7,942</b>

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	-	-	-	-
<b>Net cost of services</b>	<b>(3,024)</b>	<b>8,699</b>	<b>(48)</b>	<b>5,627</b>
Other income and expenditure from the expenditure and funding analysis	1,523	(8,194)	(2,511)	(9,182)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services</b>	<b>(1,501)</b>	<b>505</b>	<b>(2,559)</b>	<b>(3,555)</b>

## 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	2021/22	2020/21
	Income from Services £000	Income from Services £000
Fire & Rescue Service Operations	(15,864)	(15,312)
Corporate and Democratic Core	-	-
National Resilience / International Search and Rescue	(12,669)	(9,302)
Non-distributed costs	-	-
Exceptional items	-	-
<b>Total income analysed on a segmental basis</b>	<b>(28,533)</b>	<b>(24,614)</b>

## Expenditure and Income Analysed By Nature

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

Expenditure/Income	2021/22	2020/21
	£000	£000
<b>Expenditure</b>		
Employee benefits expenses	61,548	59,069
Past service costs	-	-
Other services expenses (including REFCUS)	24,774	20,837
Support service recharges	474	493
Depreciation, amortisation, impairment.	2,269	10,012
Interest payments	28,520	29,888
(Gain)/loss on disposal/transfer of assets	58	(615)
<b>Total expenditure</b>	<b>117,643</b>	<b>119,684</b>
<b>Income</b>		
Fees, charges and Government grant revenue income	(28,533)	(24,614)
Interest and investment income	(2,383)	(2,112)
Income from council tax, non-domestic rates, district rate income	(61,406)	(58,236)
Government grants and contributions (Capital)	(2,024)	(6,996)
Government grant (pension fund top-up grant)	(31,269)	(27,099)
<b>Total income</b>	<b>(125,615)</b>	<b>(119,057)</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>(7,972)</b>	<b>627</b>

## 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:

	2021/22 £000	2020/21 £000
Allowances	200	203
Expenses	13	9
<b>Total</b>	<b>213</b>	<b>212</b>

## 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	2021/22	173,597	-	-	-	-	49,685	223,282
	2020/21	170,825	-	-	-	-	48,823	219,648
Deputy Chief Fire Officer	2021/22	147,821	-	-	-	-	42,572	190,393
	2020/21	145,459	-	-	-	-	41,892	187,351
Assistant Chief Fire Officer	2021/22	121,517	-	-	-	-	34,997	156,514
	2020/21	119,577	-	-	-	-	34,438	154,015
Director of Finance and Procurement	2021/22	101,288	-	-	-	-	17,509	118,797
	2020/21	99,602	-	-	-	-	17,214	116,816
Head of Legal	2021/22	69,020	-	-	-	-	12,078	81,098
	2020/21	64,393	-	-	-	-	11,049	75,442

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	2021/22 Number of Employees	2020/21 Number of Employees
£50,000 - £54,999	43	40
£55,000 - £59,999	33	30
£60,000 - £64,999	11	16
£65,000 - £69,999	14	8
£70,000 - £74,999	12	8
£75,000 - £79,999	3	4
£80,000 - £84,999	3	5
£85,000 - £89,999	4	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	1
£135,000 - £140,999	-	-
<b>Total</b>	<b>124</b>	<b>113</b>

**Note a** – In 2021/22, 114 of the 124 staff receiving over £50,000 are firefighting staff (in 2020/21 this was 103 of the 113), 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	-	-	2	2	2	2	1,058	7,021
£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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1,058</b>	<b>7,021</b>

### 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:

	2021/22	2020/21
	£000	£000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	65	30
National Fraud Initiative	-	1
Redmond Review Local Audit Fee Grant	(13)	
Public Sector Audit Appointments (PSAA) refund	(5)	-
<b>Total</b>	<b>47</b>	<b>31</b>

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 2021/22:

	2021/22	2020/21
	£000	£000
Council tax income/Local share non-domestic rates	(34,326)	(31,219)
Non-domestic rates	(15,839)	(15,839)
<b>Non-ring fenced Government grants:</b>		
Revenue support grant	(11,241)	(11,178)
<b>Capital grants and contributions:</b>		
National Resilience grant	(2,024)	(6,996)
Other		-
<b>Total</b>	<b>(63,430)</b>	<b>(65,232)</b>
<b>Credited to services</b>		
Pensions grant (Home Office)	(3,025)	(3,025)
National Resilience / International Search and Rescue grant	(12,007)	(9,204)
New Dimensions grant (Home Office)	(877)	(877)
Fire Control Implementation grant (Home Office)	(244)	(295)
PFI Credits (Ministry of Housing, Communities and Local Government)	(2,097)	(2,097)
COVID-19 grant (Ministry of Housing, Communities and Local Government)	(179)	(1,631)
Emergency Services Mobile Communications Programme grant	(153)	-
Pension Admin grant (Home Office)	(56)	(55)
Collection Fund Deficit grant (Ministry of Housing, Communities and Local Government)	(1,035)	(2,577)
Apprenticeship grant funding (Education & Skills)	(451)	(390)
Small Business Rates Relief (SBRR) (Ministry of Housing, Communities and Local Government)	(1,400)	(1,267)
Home Office fire safety grants	(314)	-
Home Office Training & Development Academy build grant	(1,670)	-
DCLG council tax support grant	(956)	-
Other grants (Ministry of Housing, Communities and Local Government / Home Office)	(453)	(324)
<b>Total</b>	<b>(24,917)</b>	<b>(21,742)</b>

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.

2020/21		Related Party Transactions	2021/22	
Receipts	Payments		Receipts	Payments
<b>Central Government</b>				
15,839	-	Redistributed national non-domestic rates	15,839	-
11,178	-	Revenue support grant	11,241	-
6,996	-	Capital grants	2,024	-
-	3,657	Employers national insurance contributions	-	3,803
<b>Local authority precept (council tax &amp; business rates)</b>				
3,243	-	Knowsley	3,547	-
8,870	-	Liverpool	10,044	-
4,440	-	St Helens	4,735	-
6,833	-	Sefton	7,504	-
7,829	-	Wirral	8,496	-
<b>Pensions</b>				
-	1,533	Merseyside superannuation fund employers contributions	-	1,523
-	-	Merseyside superannuation fund deficit employers contributions	-	-
27,219	37,341	Pension fund (Home Office)	31,480	41,668

#### 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 2021/22 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 2021/22, 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 2021/22.

## **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 8<sup>th</sup> 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 2021/22. 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 £11.447m, Capital £2.024m.

#### **Department for Food & Rural Affairs**

The management of National Flood Response Assets. Revenue £0.116m.

#### **Foreign, Commonwealth and Development Office**

Emergency Deployment Teams Programme. Revenue £1.106m.

### 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.

	2021/22 £000	2020/21 £000
<b>Opening capital financing requirement</b>	<b>(52,198)</b>	<b>(50,695)</b>
<i>Capital investment</i>		
Property, plant and equipment	(4,036)	(6,411)
Investment properties	-	-
Intangible assets	(261)	(388)
Revenue expenditure funded from capital under statute	(2,679)	(516)
<i>Sources of finance</i>		
Capital receipts	292	1,315
Government grants and other contributions	2,114	203
Sums set aside from revenue:		
• Direct revenue contributions	2,140	2,484
• MRP/loans fund principal	2,344	1,810
<b>Closing capital financing requirement</b>	<b>(52,284)</b>	<b>(52,198)</b>
<i>Explanation of movements in year</i>		
Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)	-	-
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	86	1,503
Assets acquired under finance leases	-	-
Assets acquired under PFI contracts	-	-
<b>Increase/(decrease) in capital financing requirement</b>	<b>85</b>	<b>1,503</b>

## 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 31<sup>st</sup> March 2022 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 2022 £000	31 March 2021 £000
Other land and buildings (excluding depreciation)	2,150	2,150
Depreciation / impairments	(45)	(44)
Revaluation	387	38
Additions	13	6
<b>Total</b>	<b>2,505</b>	<b>2,150</b>

#### 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 2022 £000	31 March 2021 £000
Not later than one year	89	123
Later than one year and not later than five years	69	128
Later than five years	-	-
<b>Total</b>	<b>158</b>	<b>251</b>

### 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 Prescott. 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 7 new fire stations. The total value of the PFI scheme is £47.886m of which £19.787m relates to Merseyside Fire and Rescue Service. The contract for building the new stations is with Balfour Beatty Fire and Rescue NW Limited and the building programme for Merseyside started in April 2011. The first station for Merseyside was completed in April 2012 and the last station was completed in July 2013.

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

#### Property, Plant and Equipment

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

Movement in Value of Assets (7 Fire Stations)	Land £000	Buildings £000	Total £000
<b>Value at 31<sup>st</sup> March 2021</b>	<b>1,845</b>	<b>21,140</b>	<b>22,985</b>
Additions	-	5	5
Depreciation/impairment	-	(607)	(607)
Revaluation	430	2,711	3,141
<b>Value at 31<sup>st</sup> March 2022</b>	<b>2,275</b>	<b>23,249</b>	<b>25,524</b>

#### 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 2021/22 and future payments will be made as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2022/23	853	506	1,632	2,991
Payable within 2 to 5 years	3,669	2,504	6,119	12,292
Payable within 6 to 10 years	5,233	4,587	6,357	16,177
Payable within 11 to 15 years	6,061	7,027	4,101	17,189
Payable within 16 to 20 years	1,816	2,233	461	4,510
Payable within 21 to 25 years	-	-	-	-
<b>Total</b>	<b>17,632</b>	<b>16,857</b>	<b>18,670</b>	<b>53,159</b>
Paid in 2021/22	797	466	1,627	2,890
<b>Grand Total</b>	<b>18,429</b>	<b>17,323</b>	<b>20,297</b>	<b>56,049</b>

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 2022 £000	31 March 2021 £000
Balance outstanding at start of year	(17,324)	(17,753)
Payments during the year	466	429
Capital expenditure incurred in the year	-	-
Other movements	-	-
<b>Total</b>	<b>(16,858)</b>	<b>(17,324)</b>

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

### 37. Impairment Losses

The Authority incurred expenditure of £73k in 2021/22 and £0 in 2020/21, 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 2021/22.

### 39. Termination Benefits

The Authority terminated the contract of two employees in 2021/22, incurring liabilities of £7,021 (£1,058 in 2020/21) – 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

2020/21				2021/22		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
			<b>Comprehensive Income and Expenditure Statement</b>			
			<i>Cost of Services</i>			
2,896	-	<b>2,896</b>	• Current service cost	3,637	-	<b>3,637</b>
-	-	-	• Past service costs	-	-	-
-	-	-	• Settlements and curtailments	-	-	-
48	-	<b>48</b>	▪ Administration expenses	48	-	<b>48</b>
			<i>Financing and investment income and expenditure</i>			
723	17	<b>740</b>	• Net interest expense	759	16	<b>775</b>
<b>3,667</b>	<b>17</b>	<b>3,684</b>	<b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>	<b>4,444</b>	<b>16</b>	<b>4,460</b>
			<i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>			
			<i>Remeasurement of the net defined benefit liability comprising:</i>			
(12,352)	-	<b>(12,352)</b>	• Return on scheme assets (excluding the amount included in the net interest expense)	(6,705)	-	<b>(6,705)</b>
(2,077)	(17)	<b>(2,094)</b>	• Experience gains and losses on liabilities	314	2	<b>316</b>
18,373	73	<b>18,446</b>	• Actuarial gains and losses arising on changes in financial assumptions	(300)	-	<b>(300)</b>
-	-	-	• Actuarial gains and losses arising on changes in demographic assumptions	(1,036)	(5)	<b>(1,041)</b>
<b>7,611</b>	<b>73</b>	<b>7,684</b>	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,283)</b>	<b>13</b>	<b>(3,270)</b>
			<i>Movement in Reserves Statement</i>			
(3,667)	(17)	<b>(3,684)</b>	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(4,444)	(16)	<b>(4,460)</b>
			<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>			
1,522	-	<b>1,522</b>	• Employers' contributions payable to scheme	1,500	-	<b>1,500</b>
-	55	<b>55</b>	• Retirement benefits payable to pensioners	-	55	<b>55</b>

## Firefighters Pension Scheme

2020/21						2021/22				
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
					<b>Comprehensive Income and Expenditure Statement</b>					
					<i>Cost of Services</i>					
2,160	360	-	13,080	<b>15,600</b>	• current service cost	1,010	350	-	13,870	<b>15,230</b>
-	-	-	-	-	• past service costs	-	-	-	-	-
-	-	-	-	-	• settlements and curtailments	-	-	-	-	-
					<i>Financing and Investment Income and Expenditure</i>					
21,920	790	20	920	<b>23,650</b>	• Net interest expense	20,200	700	340	1,060	<b>22,300</b>
<b>24,080</b>	<b>1,150</b>	<b>20</b>	<b>14,000</b>	<b>39,250</b>	<b>Total post-employment benefits charged to the surplus or deficit on the provision of services</b>	<b>21,210</b>	<b>1,050</b>	<b>340</b>	<b>14,930</b>	<b>37,530</b>
					<i>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>					
					<i>Remeasurement of the net defined benefit liability comprising:</i>					
-	-	-	-	-	• Return on scheme assets (excluding the amount included in the net interest expense)	-	-	-	-	-
-	-	-	-	-	• Actuarial gains and losses arising on changes in demographic assumptions	-	-	-	-	-
84,310	2,040	2,830	6,560	<b>95,740</b>	• Actuarial gains and losses arising on changes in financial assumptions	(10,410)	(300)	(390)	(1,180)	<b>(12,280)</b>
(33,380)	(1,370)	13,290	(11,770)	<b>(33,230)</b>	• Other experiences (gain)/loss on liabilities	640	30	(80)	10,010	<b>10,600</b>
<b>75,010</b>	<b>1,820</b>	<b>16,140</b>	<b>8,790</b>	<b>101,760</b>	<b>Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>11,440</b>	<b>780</b>	<b>(130)</b>	<b>23,760</b>	<b>35,850</b>
					<i>Movement in Reserves Statement</i>					
(24,080)	(1,150)	(20)	(14,000)	<b>(39,250)</b>	• Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the Code	(21,210)	(1,050)	(340)	(14,930)	<b>(37,530)</b>
					<i>Actual amount charged against the General Fund balance for pensions in the year:</i>					
36,600	-	50	(2,670)	<b>33,980</b>	• Employers' contributions payable to scheme	40,900	-	10	(2,700)	<b>38,210</b>
-	1,770	-	-	<b>1,770</b>	• Retirement benefits payable to pensioners	-	1,720	-	-	<b>1,720</b>

- The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2022 is a gain of £9.410m and to the 31<sup>st</sup> March 2021 is a loss of £66.510m.
- 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

2020/21				2021/22		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(130,520)	(740)	(131,260)	Present value of the defined benefit obligation	(133,627)	(698)	(134,325)
93,559	-	93,559	Fair value of plan assets	101,449	-	101,449
(36,961)	(740)	(37,701)	<b>Net liability arising from defined benefit obligation</b>	(32,178)	(698)	(32,876)

### Firefighters Pension Scheme

2020/21						2021/22				
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)	Present value of the defined benefit obligation	(1,000,520)	(34,810)	(16,850)	(71,180)	(1,123,360)
-	-	-	-	-	Fair value of plan assets	-	-	-	-	-
(1,029,980)	(35,750)	(16,990)	(44,720)	(1,127,440)	<b>Net liability arising from defined benefit obligation</b>	(1,000,520)	(34,810)	(16,850)	(71,180)	(1,123,360)



## Reconciliation of the Movements in the Fair Value of Scheme Assets

### Local Government Pension Scheme

2020/21				2021/22		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
80,037	-	<b>80,037</b>	Opening fair value of scheme assets	93,559	-	<b>93,559</b>
1,913	-	<b>1,913</b>	Interest income	1,957	-	<b>1,957</b>
			<i>Re-measurement gain/(loss):</i>			
12,352	-	<b>12,352</b>	▪ Return on scheme assets (excluding the amount included in the net interest expense)	6,705	-	<b>6,705</b>
(48)	-	<b>(48)</b>	▪ Administration expenses	(48)	-	<b>(48)</b>
1,522	55	<b>1,577</b>	Contributions from employer	1,500	55	<b>1,555</b>
638	-	<b>638</b>	Contributions from employees into the scheme	630	-	<b>630</b>
(2,855)	(55)	<b>(2,910)</b>	Benefits paid	(2,854)	(55)	<b>(2,909)</b>
<b>93,559</b>	-	<b>93,559</b>	<b>Net liability arising from defined benefit obligation</b>	<b>101,449</b>	-	<b>101,449</b>

### Firefighters Pension Scheme

2020/21						2021/22				
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	-	-	-	-	-
					<i>Re-measurement gain/(loss):</i>					
35,087	-	49	(8,037)	<b>27,099</b>	Employers contribution from Government (top-up grant)	39,962	-	8	(8,701)	<b>31,269</b>
1,513	1,770	1	5,367	<b>8,651</b>	Contributions from employer	938	1,720	2	6,001	<b>8,661</b>
530	-	-	2,710	<b>3,240</b>	Contributions from employees into the scheme	330	-	-	2,810	<b>3,140</b>
(37,130)	(1,770)	(50)	(40)	<b>(38,990)</b>	Benefits paid	(41,230)	(1,720)	(10)	(110)	<b>(43,070)</b>
-	-	-	-	-	<b>Net liability arising from defined benefit obligation</b>	-	-	-	-	-

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

2020/21				2021/22		
Funded Benefits £000	Unfunded Benefits £000	Total £000		Funded Benefits £000	Unfunded Benefits £000	Total £000
(110,909)	(722)	(111,631)	Opening balance at 1 April	(130,520)	(740)	(131,260)
(2,896)	-	(2,896)	Current service cost	(3,637)	-	(3,637)
(2,636)	(17)	(2,653)	Interest cost	(2,716)	(16)	(2,732)
(638)	-	(638)	Contributions by scheme participants	(630)	-	(630)
			Remeasurement (gains) and losses:			
-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	1,036	5	1,041
(18,373)	(73)	(18,446)	• Actuarial gains/losses arising from changes in financial assumptions	300	-	300
2,077	17	2,094	• Other experience gains and losses	(314)	(2)	(316)
-	-	-	Past service cost	-	-	-
-	-	-	Settlements and curtailments	-	-	-
2,855	55	2,910	Benefits paid	2,854	55	2,909
<b>(130,520)</b>	<b>(740)</b>	<b>(131,260)</b>	<b>Closing balance at 31 March</b>	<b>(133,627)</b>	<b>(698)</b>	<b>(134,325)</b>

### Firefighters Pension Scheme

2020/21						2021/22				
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
(991,570)	(35,700)	(900)	(33,260)	(1,061,430)	Opening balance at 1 April	(1,029,980)	(35,750)	(16,990)	(44,720)	(1,127,440)
(2,160)	(360)	-	(13,080)	(15,600)	Current service cost	(1,010)	(350)	-	(13,870)	(15,230)
(21,920)	(790)	(20)	(920)	(23,650)	Interest cost	(20,200)	(700)	(340)	(1,060)	(22,300)
(530)	-	-	(2,710)	(3,240)	Contributions by scheme participants	(330)	-	-	(2,810)	(3,140)
					Remeasurement (gains) and losses:					
-	-	-	-	-	• Actuarial gains/losses arising from changes in demographic assumptions	-	-	-	-	-
(84,310)	(2,040)	(2,830)	(6,560)	(95,740)	• Actuarial gains/losses arising from changes in financial assumptions	10,410	300	390	1,180	12,280
33,380	1,370	(13,290)	11,770	33,230	• Other experience gains and losses	(640)	(30)	80	(10,010)	(10,600)
-	-	-	-	-	Past service cost	-	-	-	-	-
-	-	-	-	-	Settlements and curtailments	-	-	-	-	-
37,130	1,770	50	40	38,990	Benefits paid	41,230	1,720	10	110	43,070
<b>(1,029,980)</b>	<b>(35,750)</b>	<b>(16,990)</b>	<b>(44,720)</b>	<b>(1,127,440)</b>	<b>Closing balance at 31 March</b>	<b>(1,000,520)</b>	<b>(34,810)</b>	<b>(16,850)</b>	<b>(71,180)</b>	<b>(1,123,360)</b>

## Local Government Pension Scheme assets comprised:

2020/21				2021/22		
Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total		Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total
£000	£000	£000		£000	£000	£000
2,114	-	2,114	Cash & cash equivalents	2,176	-	2,176
			<b>Equity instruments:</b>			
14,155	1,862	16,017	• UK	14,902	1,686	16,588
21,912	9,627	31,539	• Overseas	22,643	11,113	33,756
<b>36,067</b>	<b>11,489</b>	<b>47,556</b>	<b>Sub-total equity instruments</b>	<b>37,545</b>	<b>12,799</b>	<b>50,344</b>
			<b>Bonds:</b>			
1,207	-	1,207	• UK corporate	1,093	-	1,093
3,116	-	3,116	• UK Government	2,967	-	2,967
7,410	-	7,410	• UK index linked	8,484	-	8,484
505	-	505	• Overseas corporate	497	-	497
-	(309)	(309)	• Derivative contracts	-	(333)	(333)
<b>12,238</b>	<b>(309)</b>	<b>11,929</b>	<b>Sub-total bonds</b>	<b>13,041</b>	<b>(333)</b>	<b>12,708</b>
			<b>Property:</b>			
-	4,435	4,435	• UK direct property	-	5,494	5,494
168	1,647	1,815	• UK property managed	125	1,561	1,686
-	2,143	2,143	• Overseas property managed	-	2,539	2,539
<b>168</b>	<b>8,225</b>	<b>8,393</b>	<b>Sub-total property</b>	<b>125</b>	<b>9,594</b>	<b>9,719</b>
			<b>Private equity:</b>			
-	1,871	1,871	• UK	10	2882	2,892
-	6,072	6,072	• Overseas	-	6,327	6,327
<b>-</b>	<b>7,943</b>	<b>7,943</b>	<b>Sub-total private equity</b>	<b>10</b>	<b>9,209</b>	<b>9,219</b>
			<b>Other investment funds:</b>			
150	561	711	• Hedge funds UK	156	416	572
-	3,480	3,480	• Hedge funds overseas	-	3,559	3,559
122	3,396	3,518	• Infrastructure UK	-	4,547	4,547
-	2,666	2,666	• Infrastructure overseas	-	3,038	3,038
28	1,834	1,862	• Opportunities UK	-	1,873	1,873
131	3,256	3,387	• Opportunities overseas	166	3,528	3,694
<b>431</b>	<b>15,193</b>	<b>15,624</b>	<b>Sub-total other investment funds</b>	<b>322</b>	<b>16,961</b>	<b>17,283</b>
<b>51,018</b>	<b>42,541</b>	<b>93,559</b>	<b>Total assets</b>	<b>53,219</b>	<b>48,230</b>	<b>101,449</b>

## 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 31<sup>st</sup> March 2019.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2021/22	2020/21	2021/22	2020/21
Interest on plan	8.5%	15.2%	-	-
Mortality assumptions:				
Longevity at 65 current pensioners:				
Men	20.9	21.0	21.5	21.4
Women	24.0	24.1	21.5	21.4
Longevity at 65 for future pensioners:				
Men	22.4	22.6	23.2	23.1
Women	25.9	26.0	23.2	23.1
Rate of CPI inflation	3.4%	2.7%	3.0%	2.4%
Rate of increase in salaries	4.9%	4.2%	4.75%	4.2%
Rate of increase in pensions	3.5%	2.8%	3.00%	2.4%
Rate for discounting scheme liabilities	2.8%	2.1%	2.65%	2%

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)	4,064	(4,064)
Rate of inflation (increase or decrease by 0.1%)	2,287	(2,287)
Rate of increase in salaries (increase or decrease by 0.1%)	315	(315)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,249)	2,249
Investment returns (increase or decrease by 1.0%)	(1,011)	1,011

## 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 31<sup>st</sup> March 2014 (or service after 31<sup>st</sup> 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 £1.549m contributions to the scheme in 2022/23. The latest triennial valuation as at 31<sup>st</sup> March 2019 shows the Authority has a funding surplus of 103.3% 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)	42,000	(42,000)
Rate of increase in salaries (increase or decrease by 0.1%)	1,800	(1,800)
Rate of increase in pensions (increase or decrease by 0.1%)	16,000	(16,000)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(18,400)	18,400

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 £7.056m contributions to the scheme in 2022/23.

## 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 2020/21 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 and negative rating watches/outlooks are examined and the financial press, internet and financial information systems are monitored for market information regarding its counterparties. It also receives daily e-mails from various market participants that could identify potential problems. Any information that casts doubt on an institution's creditworthiness is acted on by suspending investment with that institution.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £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 31<sup>st</sup> March 2022 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

	Average Lifetime				
	Amount at 31 March	Expected Loss Rate	Lifetime Expected	Lifetime Expected	Lifetime Expected
	2022	default	Loss 31 March 2022	Loss 31 March 2022	Loss 31 March 2021
	£000	%	%	£000	£000
	A	B	C	(A X C)	
Investments	33,014	-	-	-	-
Customers	101	7.16	-	-	73
				-	73

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 uses 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 2022	Lifetime Expected Loss	Lifetime Expected Loss
	£000	Rate (C)	31 March 2022
		31 March 2022	£000
Less than 30 days (normal terms)	67	0%	0
31-60 days	20	0%	0
61-90 days	2	0%	0
Over 90 days	12	0%	0
	<b>101</b>	<b>0%</b>	<b>0</b>

### 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	31 March	31 March	31 March
	2022	2021	2022	2021
	£000	£000	£000	£000
Less than one	165	3,000	41	41
Between one and two	-	165	40	41
Between two and five	-	-	80	120
Between five and ten	-	-	-	-
Between ten and fifteen	-	-	-	-
Between fifteen and twenty	2,000	2,000	-	-
Between twenty and twenty five	2,500	-	-	-
Between twenty five and thirty	5,000	6,000	-	-
Between thirty and thirty five	19,275	17,750	-	-
Between thirty five and forty	4,945	7,970	-	-
Between forty and forty five	-	-	-	-
More than forty five	-	-	-	-
<b>Total</b>	<b>33,885</b>	<b>36,885</b>	<b>161</b>	<b>202</b>

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 31<sup>st</sup> March 2022, 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	2
Increase in interest receivable on variable rate investments	(476)
Increase in Government grant receivable for financing costs	-
<b>Impact on surplus or deficit on the provision of services</b>	<b>(474)</b>
Decrease in fair value of fixed rate investment assets	-
<b>Impact on other comprehensive income and expenditure</b>	<b>(474)</b>
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)	(7,932)

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 1<sup>st</sup> 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 31<sup>st</sup> March 2022, the latest statement shows the levy remaining at 25%.

# Firefighters Pension Fund Accounts

## Fund Account

2020/21		2021/22
£000		£000
	<b>Contributions receivable:</b>	
	Fire Authority:	
(6,692)	• Contributions in relation to pensionable pay	(6,790)
(189)	• Early retirements	(146)
-	• Pension Holiday grant	-
(2,901)	Firefighters contributions	(2,978)
<b>(9,782)</b>		<b>(9,914)</b>
<b>(340)</b>	<b>Transfers in from other authorities</b>	<b>(274)</b>
	<b>Benefits payable:</b>	
32,227	• Pensions	32,688
4,752	• Commutation and lump sum retirement benefits	8,705
-	• Lump sum death benefits	96
<b>36,979</b>		<b>41,489</b>
	<b>Payments to and on account of leavers:</b>	
362	• Transfers out to other authorities	179
-	• Refunds of contributions	-
<b>362</b>		<b>179</b>
<b>27,219</b>	<b>Net amount payable for the year</b>	<b>31,480</b>
(27,219)	Top – up grant payable by the Government	(31,480)
-		-

## Net Assets Statement

2020/21 £000		2021/22 £000
	<b>Current assets</b>	
11,084	Debtors (Pension Fund Home Office)	8,834
	<b>Current liabilities</b>	
(335)	Creditors	(1,442)
(10,749)	Creditors (Merseyside Fire and Rescue Service)	(7,392)
-		-

## Notes to Pension Fund Account

### Contribution Rates

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

Pensionable Pay Deductions	FPS92	FPS06	Pensionable Pay Deductions	FPS15
Employer's contributions	37.3%	27.4%	Employer's Contributions	28.8%
Employee contributions:			Employee Contributions:	
£0 - £15,609	11.0%	8.5%	£0 - £27,818	11.0%
£15,610 - £21,852	12.2%	9.4%	£27,819 - £51,515	12.9%
£21,853 - £31,218	14.2%	10.4%	£51,516 - £142,500	13.5%
£31,219 - £41,624	14.7%	10.9%	£142,501 >	14.5%
£41,625 - £52,030	15.2%	11.2%		
£52,031 - £62,436	15.5%	11.3%		
£62,437 - £104,060	16.0%	11.7%		
£104,061 - £124,872	16.5%	12.1%		
£124,873 >	17.0%	12.5%		

### Ill Health Contributions

Ill health contributions for firefighters who retire early due to ill health are also paid into the fund. This is based on their average pensionable pay at the time of retirement and the severity of illness classed into two tiers. (upper tier and lower tier - upper tier being the more severe). The payments by the Authority are based as follows:

- Upper tier – 4\*Pensionable Pay
- Lower tier – 2\*Pensionable Pay

### Benefits Paid

Pensions are paid to retired officers, their survivors and others who are eligible for benefits under new and existing pension schemes.

### Home Office Grant

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

### Accruals

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

### Future Liabilities

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

### Debtors

	31 March 2022	31 March 2021
	£000	£000
Central Government bodies	8,834	11,084
<b>Total</b>	<b>8,834</b>	<b>11,084</b>

### Creditors

	31 March 2022	31 March 2021
	£000	£000
Central Government bodies (HMRC)	351	(335)
Other local authorities	7,392	(10,749)
Other entities and individuals	1,091	-
<b>Total</b>	<b>8,834</b>	<b>(11,084)</b>

# 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 31<sup>st</sup> March 2022 and of its expenditure and income for the year ended 31<sup>st</sup> March 2022.



Ian Cummins  
Director of Finance and Procurement  
27<sup>th</sup> October 2022

## 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 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022, were approved for issue on 27/10/22 by Merseyside Fire and Rescue Audit Committee.



Chair of the Audit Committee Meeting Approving the Accounts  
27<sup>th</sup> October 2022



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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Merseyside Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2022, which comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies, the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance and Procurement use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance and Procurement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so, we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance and Procurement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance and Procurement with respect to going concern are described in the 'Responsibilities of the Authority, Director of Finance and Procurement and Those Charged with Governance for the financial statements' section of this report.

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## **Responsibilities of the Authority, the Director of Finance and Procurement and Those Charged with Governance for the financial statements**

As explained in the Statement of 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. The Director of Finance and Procurement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Procurement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Fire and Rescue Services Act 2004. We also identified the following additional regulatory frameworks in respect of the firefighters pension fund, the Public Services Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - large and unusual journal entries and accounting estimates
  - accounting estimates and critical judgements made by management
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance and Procurement has in place to prevent and detect fraud;
  - journal entry testing, with a focus on large and unusual journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## **Report on other legal and regulatory requirements - the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Merseyside Fire and Rescue Authority for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed;

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Georgia Jones*

Georgia Jones, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

22 November 2022

# 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.

# **2021-2022 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](http://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 31<sup>st</sup> March 2022.

### **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.

**3.2.3** 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 2021/22 and approved by the Authority at its meeting on 10 June 2021 (CFO/032/21), 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 continually 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 2020/21 Annual Audit Letter and Audit Findings Report;

*“Overall, we found no evidence of any significant weaknesses in the Authority’s arrangements for ensuring the Authority can continue to deliver financially sustainable services”..... “We did not identify any risks of significant weaknesses in the Authority’s arrangements for improving economy, efficiency and effectiveness in our risk assessment. Further work confirmed this view”*

Financial management in the Authority and the reporting of financial standing is undertaken through a comprehensive Finance system including a general ledger, accountancy and budgeting. Monthly budget statements are sent out to all cost centre managers and the Authority receives regular comprehensive financial review reports to update members on the current and anticipated year-end financial performance.

**4.0 REVIEW OF EFFECTIVENESS**

**4.1** The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the 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.

**4.2** Maintaining and reviewing the effectiveness of the governance framework throughout the financial year has been carried out by the following:

- The Authority and its Committees
- Management Review
- Internal audit

## 4.3 The Authority and Its Committees

### 4.3.1 The Authority

The Authority considered at its Annual General meeting on 10 June 2021 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the Constitution document on the Authority's web site, but are summarised as follows;

- The Authority – approves the Authority's budget and precept, considers variations to standing orders & financial regulations; the revenue budget and capital plan; issuing of a precept; adopting a members' allowance scheme; appointment to committees; scheme of delegation to officers; any matters which by law must be reserved to the Authority itself; maintain a Constitution.
- The Policy and Resources Committee – to determine new strategies, policies or changes in strategy relating to the development and delivery of services. Exercise financial control over expenditure within the approved revenue budgets and capital programme of the Authority. Establish and direct procedures for the implementation, monitoring and amendment of the revenue budget and capital programme and all other financial matters that impact on the Authority's financial position. Consider all matters related to the management of the Authority's assets including buildings, land, ICT and other assets.
- The Community Safety and Protection Committee – consider all matters related to the development and delivery of services appropriate to this Committee. This includes matters relating to: Operational Preparedness; Operational Response; and Prevention and Protection. Considers all matters related to the delivery of services to the diverse communities of Merseyside, and the development, promotion and delivery of a coordinated strategy for developing and maintaining safer communities.
- The 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.

#### **4.4 Management Review**

**4.4.1** Included in the day-to-day management of the organisation are a number of key officers, systems and procedures designed to provide core elements of the internal control mechanism, with a nominated lead officer responsible for reviewing the effectiveness of these systems.

**4.4.2** There is a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2021/22 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.

**4.4.3** The Risk Register was updated for new risks and the status of existing risks was re-assessed during the year. The Register considers the Authority’s tolerance for risk and any mitigating actions that can reduce the likelihood/severity of the perceived risk. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority.

**4.4.4** The Authority employed appropriate professional staff:

- A Statutory Monitoring Officer (Section 5 LGHA) responsible for ensuring the legality of Authority actions and supporting the Committee decision-making process. The 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 (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.



- 4.4.5** Budget monitoring remained robust at strategic and service levels via the production of monthly financial monitors for cost centre managers. The “funds management” system prevents orders being raised against accounts with insufficient budget and provides an affective enhancement to the budget control process.
- 4.4.6** Grant Thornton approved an unqualified Statement of Accounts for 2020/21 and it is anticipated this will be repeated in 2021/22. A detailed year-end report is presented to the Authority in a clear and understandable format. A simplified summary statement of accounts is available on the Authority’s Website to ensure the outturn position is communicated effectively to all stakeholders.

## **4.5 Internal Audit**

- 4.5.1** The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2021/22, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the relevant managers as appropriate and the 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. The Annual Review of Internal Audit Report concluded that:

*“From the Internal Audit work undertaken in compliance with the PSIAS in 2021/22, it is our opinion that we can provide **Substantial Assurance** that the system of internal control in place at Merseyside Fire & Rescue accords with proper practice. This opinion is based on the individual assurance levels we have provided for each of the audit reviews undertaken during the year and includes consideration of the wider sources of assurance provided to the Authority..... The priority work on fundamental systems audits completed to date have shown a substantial level of compliance. Based on the audit work carried out in 2021/22 we are not aware of any significant control weakness, which impact on the Annual Governance Statement.”*

The service has in place a system of policies, procedures and processes to enable it to support the seven core CIPFA/SOLACE Principles of good governance.

## **4.6 External Review**

- 4.6.1** External audit services are carried out by Grant Thornton. The scope of the work undertaken by External Audit is;

- The audit of the financial statements
- To reach a conclusion on the economy, efficiency and effectiveness in the use of resources (the value for money (VFM) conclusion
- To work on the whole of government accounts return.

- 4.6.2** External Audit will comment upon the Authority’s 2021/22 statutory financial statements and make a VFM conclusion during the 2022/23 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 2021/22 the Auditor’s Annual Audit Findings Report and Audit Annual Letter covering 2020/21 confirmed the Authority’s overall performance continues to be strong and the Authority received an unqualified opinion on the 2020/21 financial statements.

## **4.7 Year-end Review**

- 4.7.1** 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.

## 5.0 SIGNIFICANT GOVERNANCE ISSUES

**5.1.1** 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.

**5.1.2** 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 in such volatile times**. 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.

**5.1.3** 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.

**5.1.4** 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.

## 5.2 COVID-19 Impact (2021/2022)

**5.2.1** During 2021/22, the Authority committee meetings returned to the pre-COVID-19 arrangements.

**5.2.2 The impact of social distancing on the Service:** The operational response continued as normal throughout 2021/22. Non-operational activities continued on an agile basis as and when required depending on national levels of COVID-19 infections and Government advice. By the end of the year, all services returned to the pre-COVID-19 arrangements.


**5.2.3 Financial impact:** the Authority received no new specific COVID-19 grant in 2021/22 but the limited additional costs incurred in the year could be contained within the available budget.

## CERTIFICATION

- 6.0 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   
L. MALONEY  
CHAIR of AUDIT COMMITTEE

Signed   
P. GARRIGAN  
CHIEF FIRE OFFICER

Signed   
I. CUMMINS  
DIRECTOR OF FINANCE & PROCUREMENT