



Merseyside Fire &
Civil Defence Authority



Statement of Accounts
2001-2002

MERSEYSIDE FIRE AND CIVIL DEFENCE AUTHORITY

STATEMENT OF ACCOUNTS 2001-2002

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EXPLANATORY FOREWORD BY THE TREASURER

INTRODUCTION

1. The Accounts, which are set out on the following pages, demonstrate the financial performance for the year and the financial position at the end of the year in respect of the Merseyside Fire and Civil Defence Authority. They comprise:

Statement of Accounting Policies - this explains the basis of the figures in the accounts.

The Consolidated Revenue Account - this summarises the expenditure financed by the council tax, government grants and redistributed national non-domestic rates.

Trading accounts – the authority formerly had a Direct Service Organisation (DSO) for building cleaning. Whilst the statutory requirement to maintain separate accounts is no longer in place, the authority continues to maintain a trading account for this service.

The Consolidated Balance Sheet - this shows the assets and liabilities of the Authority at 31st March 2002.

The Statement of Total Movements in Reserves - this brings together all of the recognised gains and losses of the Authority during the year. The statement separates the movement between revenue and capital reserves.

The Cashflow Statement - this summarises the inflows and outflows of cash arising from both revenue and capital transactions.

The Statement of Responsibilities for the Statement of Accounts - this sets out the responsibilities of the Authority and of the Treasurer as regards the Statement of Accounts.

2. Additional information is provided in supporting notes to the Revenue Account, Balance Sheet, Statement of Movement in Reserves and Cashflow Statement.
3. The Statement of Accounts meet the requirements of the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

FINANCIAL OVERVIEW 2001-2002

4. The Authority set a budget of £62.9 million for 2001-2002: an increase of 2.8% on the previous year mainly due to inflationary pressures and increasing pension costs. As a result, the Authority's Band D Council Tax was £39.17, which represented an increase in tax of 2.0%. The total level of external support (the amount the Authority receives in redistributed non-domestic rates and revenue support grant) was up by 1.8% to £46.3 million. When contributions from balances and reserves are excluded, the level of total expenditure planned for the year was £63.4 million.
5. This budget was amended during the year and by the time the budget for 2002-2003 was being considered, in February 2002, the level of anticipated expenditure in 2001-2002 had been increased by over £0.4 million to £63.8 million. The most significant budgetary variances are summarised in the table below;

| | <u>£'m</u> |
|---|------------|
| • Strike costs (emergency Cover) | 1.6 |
| • Payroll savings (During strike) | (0.8) |
| • Outsourcing I.T. (Marconi) | 0.3 |
| • Savings on Insurance | (0.2) |
| • Emergency Planning grant increase | (0.1) |
| • Uniforms / Clothing re-phasing | (0.3) |
| • Unused Provisions | (0.1) |
| • Various other savings | (0.1) |
| • Reduction in interest on surplus balances | <u>0.1</u> |
| Total Expenditure Variance | 0.4 |

Industrial Dispute

The Authority was involved in an industrial dispute with the Fire Brigade Union in July 2001 which resulted in 11 days official strike action and one day unofficial action. In order to deliver fire cover the Authority sought assistance from the Army, Police and Ambulance Service. The total bills received for cover were;

| | <u>£m</u> |
|-----------------------------|------------|
| • Army | 0.6 |
| • Police | 0.6 |
| • Security at Fire Stations | 0.3 |
| • Other | <u>0.1</u> |
| | <u>1.6</u> |

The bills submitted by the Police and relating to Army cover are the subject of ongoing discussions. The final value has yet to be agreed. These accounts have been prepared on the basis of the maximum potential cost. The costs of the cover were offset by pay deductions from striking workers totalling £0.8m

ITC Service

Following a Best Value review of the Information Technology and Communications Services (ITC) and some systems failures the decision was taken to seek an external partner to significantly improve the services on offer, to reduce risk and help the Authority to fully exploit new technologies. Following a tender process Marconi were appointed as our partners in late summer. Investment on IT was increased by £0.3m in 2001/2002 and £0.7m in a full year. The Authority considered that this represented the Best Value solution for ensuring the required quality and minimising risks to service delivery.

6. The actual level of expenditure in 2001-2002 totalled £62.8 million, which is £1.0 million less than the revised budget. (A total movement of £0.6 million or 1% from the original budget) The table below shows the variations from the original budget to the revised budget during the year and also the variance between actual expenditure and that revised budget.

| | ORIGINAL BUDGET Outturn £'m | REVISED BUDGET £'m | VARIANCE <i>Original</i> <i>to</i> <i>Revised</i> £'m | ACTUAL OUTTURN £'m | VARIANCE <i>Revised</i> <i>To</i> <i>Outturn</i> £'m |
|--|--------------------------------------|--------------------------|---|--------------------------|--|
| Net Expenditure on Services | | | | | |
| Fire Service operating costs | 49.4 | 49.8 | 0.4 | 48.9 | (0.9) |
| Pension Costs | 11.8 | 11.8 | 0.0 | 11.8 | 0.0 |
| Emergency Planning | 0.1 | 0.0 | (0.1) | 0.0 | 0.0 |
| Capital Financing Charges | 2.7 | 2.7 | 0.0 | 2.6 | (0.1) |
| Interest on surplus balances | (0.6) | (0.5) | 0.1 | (0.5) | 0.0 |
| Total Net Expenditure | 63.4 | 63.8 | 0.4 | 62.8 | (1.0) |
| Financed By | | | | | |
| Council Tax Income | (16.6) | (16.6) | 0.0 | (16.6) | 0.0 |
| Revenue Support Grant | (33.0) | (33.0) | 0.0 | (33.0) | 0.0 |
| National Non-Domestic Rates | (13.3) | (13.3) | 0.0 | (13.3) | 0.0 |
| Total Financing | (62.9) | (62.9) | 0.0 | (62.9) | 0.0 |
| Net Contribution(to)/from Reserves | 0.5 | 0.9 | 0.4 | (0.1) | (1.0) |

Savings shown in brackets

7. The main reasons for the variance between Revised Budget and Outturn were;

a) Fire Service operating costs

These were (£0.9) million lower than anticipated because;

- A variety of minor under spending on employee budgets £(0.3) million
- Transport cost savings (£0.1) million
- Various other small savings (£0.3) million
- Additional Income (Fees and Charges) (£0.2) million.

b) Pensions

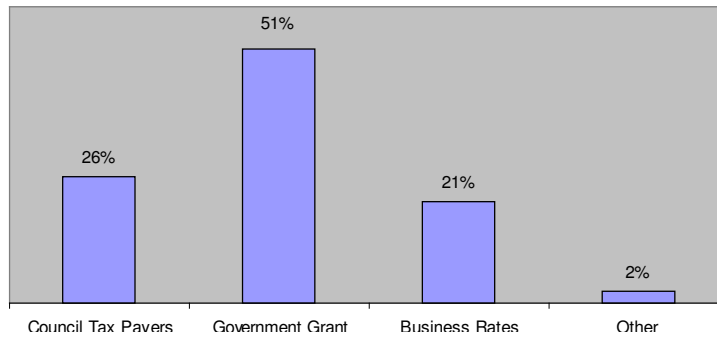
Although total expenditure is in line with predictions there was an underspend on pension commutations (£0.2m) and an overspend on pensions and transfer values of £0.2m. This line has historically been difficult to accurately predict. Underspending on commutations is only deferred expenditure as retirements will proceed in future years. Therefore, an equivalent contribution has been made to earmarked reserves.

c) Capital Financing Charges

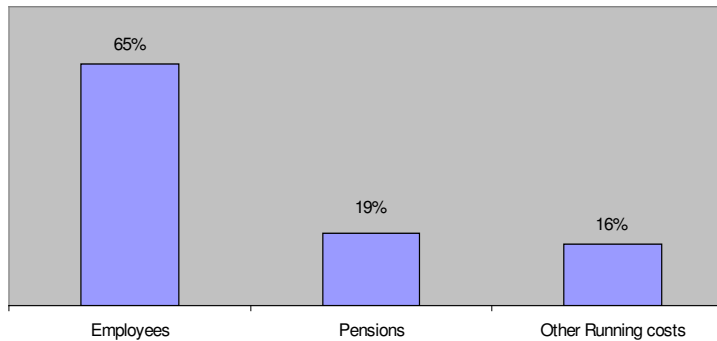
The variance of (£0.1) million is because of lower than anticipated borrowing required and interest rates being lower than forecast.

8. In broad terms where the Authority's money came from and what it was spent on during 2001-2002 can be analysed as follows:

WHERE THE MONEY CAME FROM



WHERE THE MONEY WENT



BALANCES AND RESERVES

9. The Authority had originally budgeted to have balances and reserves of £5.9 million at the 31 March 2002. This was subsequently increased to £7.1 million following the finalisation of the 2000-2001 financial position. This was then reduced by the overspending identified during the year (£0.4m) to a revised budget position of £6.7m. The reduction in spending since the revised budget and increased contributions to reserves has meant that the Authority's balances and reserves have increased to £7.8 million at 31 March 2002. Earmarked reserves have increased by £0.3m and revenue reserves by £0.8m compared to the revised budget. The movements are summarised in the table below:-

| | Original Budget £'m | Revised Budget £'m | Actual £'m |
|-----------------------------------|---------------------------|--------------------------|---------------|
| <u>Balance at 31.03.02</u> | | | |
| Pensions Reserve | 3.4 | 4.0 | 4.2 |
| Other Earmarked Reserves | 0.1 | 0.3 | 0.4 |
| General Revenue Reserve | 2.4 | 2.4 | 3.2 |
| | <u>5.9</u> | <u>6.7</u> | <u>7.8</u> |

10. The Authority recognises the ongoing pressure on budgets because of anticipated surge in retirements of fire fighters after large recruitment drives in the mid 1970's and £4.2 million is reserved for future pension liabilities. Details of other earmarked reserves are given in the notes to the balance sheet
11. Adequate levels of balances and reserves are important for reasons of prudent financial management. When the Authority set its budget for 2002-03, balances and reserves of £1.0 million were used to support revenue spending. The Authority chose to set a budget that anticipated total reserves at 31 March 2003 of £5.7 million. As a result of the 2001-02 accounts that has now increased to £6.8m.

COMMUNITY FIRE SAFETY

12. The Authority has ambitious targets for reducing deaths and injuries from fire in Merseyside and has therefore continued to focus its efforts on Community Fire Safety and fire prevention. It has a program of delivering Home Fire Risk Assessments (HFRA) to all homes in Merseyside over a five-year period. A HFRA is a risk assessment of a dwelling carried out by fire fighters who will fit free smoke alarms and give fire prevention information to homeowners. In 1999/2000 11,738 HFRA's were carried out, this increased to 64,617 in 2000/2001 and 58,730 were completed in 2001/2002. Numbers are slightly down due to the impact of industrial unrest

***If you are interested in getting an HFRA for your home please ring
Fire Service Direct on FREEPHONE 0800 731 5958.***

13. The detailed accounts of the Authority have been prepared in line with CIPFA's Best Value Accounting Code of Practice. This shows Community Fire Safety (preventative) and Operational Fire Safety (Rescue & Emergency Response work) separately. The Authority's expenditure on Community Fire Safety continues to increase and is now 8.97% (£5.9m) of total 2001/2002 expenditure reflecting the Authority's concentration on fire prevention policies. Significant areas of expenditure include smoke alarms, Fire Service Direct (the world first fire specific call centre) and a large variety of community and education programmes.

CAPITAL SPENDING IN 2001-2002

14. The Authority approved a Capital Budget of £2.7 million for 2001-2002. The major element of this programme was the development of a new HQ building. The final capital cost of buying and refurbishing the new Headquarters is expected to be £3.6m (between 2000-01 and 2003-04). In total expenditure on the Authority's capital programme was in line with projections. The Headquarters in Bridle Road were occupied in February 2002 and were officially opened by HRH the Princess Royal on April 22nd 2002. The sale of the old headquarters in Hatton Garden was completed in March 2002 for £1.2 million.
15. The Authority receives borrowing approvals from the Government, which limit the amount that can be borrowed to finance capital expenditure and which, without funding from revenue or capital receipts, act as a control over the level of expenditure. At the beginning of the year the expected level of borrowing approvals was £2.144 million. Further capital spending was financed by usable capital receipts. Details relating to capital expenditure and capital receipts can be found in the notes to the Consolidated Balance Sheet. A summarised capital programme is shown overleaf:-

SUMMARY CAPITAL PROGRAMME 2001/2002

| | Approved Budget £'M | Outturn £'M |
|-------------------------------------|---------------------------|----------------|
| Capital Expenditure | <u>2.7</u> | <u>2.7</u> |
| <u>Financed By</u> | | |
| Borrowing Approvals 2001/2002 (BCA) | 2.1 | 2.1 |
| BCA Loaned to Liverpool | 0 | (0.3) |
| Capital Receipts | 0.6 | 0.9 |
| Revenue Contribution | 0 | 0 |
| | <u>2.7</u> | <u>2.7</u> |

The Authority "loaned" £0.3m of its borrowing approval to Liverpool City Council in 2001/2002. This will be returned in 2002/2003 or later year as determined by the Treasurer.

FINANCIAL OUTLOOK

16. The Authority set its budget for 2002/2003 at an expenditure level of £65.0m. This budget relied upon utilising £1m of revenue balances to finance it. The budget anticipated a significant increase in recruitment with 80 new fire-fighters being taken on. It also anticipated further reallocation of resources into Community Fire Safety work from emergency response. The budget estimated general revenue reserves of £1.5m at 31 March 2003 and earmarked reserves of £4.2m. As a result of the closure of these accounts it is now possible to anticipate that the general revenue reserve would be £2.3m and earmarked reserves of £4.5m at 31 March 2003.
17. The budget made assumptions about the level of pay awards for fire-fighters (4%) and non uniformed staff (3%). At the time of writing the unions for staff have submitted pay claims significantly in excess of this level and there has already been some industrial action.
18. During 2001/2002 a review of the rateable values of authority properties have identified potential significant valuation reductions and hence potential refunds relating to previous years. At the time of writing the accounts the level of any overpayments, the amount of back dating and the timing of repayment had not been confirmed and have not therefore been anticipated in these accounts
19. The Authority has been attempting to deliver Best Value and conducted reviews of the required fire cover arrangements at Formby, Heswall and West Kirby – these resulted in proposals to change from fully staffed stations to day-crewing only with a retained service at night. It was anticipated that this would deliver savings that could be reinvested in Community Fire Safety work. The Secretary of State has agreed the staffing changes. As part of the public consultation process on the proposed changes at Formby a further adjudication by the National Joint Council (NJC) took place. The result of this adjudication remains unclear. The Authority is currently consulting with all interested bodies in relation to the implications of that decision. Because Merseyside remains (outside London) the only Fire Service which has completely full-time staffing the Authority remains relatively high cost and has a high council tax level in comparison to its peers.
20. The chairman of the Authority, Peter Dowd, resigned at the end of the financial year after a tenure of 6 years and is succeeded by Peter Corcoran. Chief Fire Officer Malcolm Saunders retires in August 2002 and Tony McGuirk has been appointed as the new Chief.

FURTHER INFORMATION

21. Requests for further information on the financial statement should be directed to the address below, and marked for the attention of Kieran Timmins, Deputy Treasurer.

P C Kelly. BSc Econ, Dip.M., CPFA.
Treasurer to the Authority,
**Fire Service HQ,
Bridle Road
Bootle
Liverpool
L30 4YD**

Kieran Timmins can also be contacted on:-

Tel: 0151-296 4202
Fax: 0151-296 4224
E-Mail kierantimmins@merseyfire.gov.uk

STATEMENT OF ACCOUNTING POLICIES

GENERAL

1. The Accounts have been compiled in accordance with the revised Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Statements of Standard Accounting Practice (SSAP's).

REVENUE TRANSACTIONS

2. All current income and expenditure is treated on an accruals basis and is accounted for in the period to which they relate.

FIXED ASSETS

3. All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged to service revenue accounts.
4. Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice.
5. Revaluations of fixed assets are carried out annually. Any loss or surplus arising from the revaluation of fixed assets is taken to the Fixed Asset Restatement Reserve.
6. Income from the disposal of fixed assets is accounted for on an accruals basis. Income, which has not been set aside for the repayment of loans or used to finance the purchase of assets, is shown in the Balance Sheet as Usable Capital Receipts.

CHARGES TO REVENUE FOR FIXED ASSETS

7. Service revenue accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a specified notional rate of interest of 6% of net asset values.
8. The aggregate charge to individual services is determined on the basis of the capital employed in each service. Depreciation is provided for on all assets with a finite useful life and is calculated on a straight-line basis. Also due to FRS15 depreciation is now charged on all buildings.
9. External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges made to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.
10. Amount set aside from revenue for the repayment of external loans, are shown separately as appropriations on the face of the Consolidated Revenue Account, below net operating expenditure.

REDEMPTION OF DEBT

11. The Authority has taken out long term loans, of variable duration, to finance the purchase of fixed assets. Provision for the redemption of debt is made on the basis of an annual amount equivalent to 4% of debt outstanding. This is the minimum revenue provision required by the Local Government and Housing Act 1989. Interest on external loans is accrued and appears as a charge to the Asset Management Revenue Account.

RESERVES

12. The Local Government and Housing Act 1989 requires local authorities to allow for an appropriate level of financial reserves. The Authority maintains a prudent revenue account reserve. It also holds a number of earmarked revenue reserves;
 - a) Pensions
 - b) Bellwin/Civil Emergency
 - c) Insurance
 - d) FMIS
 - e) Devolved budget
 - f) Friends of the Fire Service
13. In addition, there are capital reserves recorded in the consolidated balance sheet:
 - a) The Fixed Asset Restatement Reserve. This represents the balance of the surplus or deficit on the revaluation of fixed assets.
 - b) The Capital Financing Reserve. This represents amounts, which are required by statute to be set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans. The balance on the reserve is not available to support capital or revenue spending.
 - c) The Usable Capital Receipts Reserve. This represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

PROVISIONS

14. The Authority makes provision for any liability or loss, which is certain to be incurred, but which is uncertain as to the amount or the date on which it will arise. Provisions exist for meeting the cost of insurance settlements, bad debts and obsolete stock. The Authority has also created provision for claims under the Land Compensation Act following the opening of Queens Drive Fire Station in 1999/2000.
15. The values of debtors and stocks are shown in the Balance Sheet net of provisions for bad debts and obsolete stocks respectively. Details of the remaining provisions are included in the notes to the accounts.

STOCKS AND STORES

16. The Authority takes account of stocks of uniforms; smoke alarms, consumable items and vehicle parts. These are valued at average costs with the exception of vehicle parts, which are valued at current cost prices.

LEASING

17. The Authority acquired in previous years, a range of equipment and vehicles by means of finance lease. All of the agreements are in a secondary period with minimal rentals equivalent to an interest charge. This interest is charged to the Asset Management Revenue Account.
18. The Authority also utilises assets employed through operating lease agreements. Rentals payable under operating leases are charged to services on an accruals basis.

PENSION COSTS

19. The Authority participates in two different pension schemes, which meet the needs of different groups of employees. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows: -

- a) Uniformed Fire-fighters

This scheme is unfunded, with the charge to the revenue account representing the net cost of pensions and other benefits after allowing for contributions made by employees for the year.

- b) APT&C and Manual Employees

These employees are eligible to join the Local Government Superannuation Scheme. The pension costs that are charged to the Authority's accounts are equal to the contributions paid to the funded pension scheme for these employees.

20. The pension costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government regulations. As a result the Authority does not comply with the accounting requirements of SSAP24 "Accounting for pension costs" and the liabilities included in the balance sheet are understated in respect of pension costs. However, in accordance with standard accounting practice for local authorities, the pension costs that it would have been necessary to provide for in the accounts for the period under SSAP24 are disclosed, where appropriate, by way of a note to the accounts.
21. In addition a new standard on accounting for pensions is being introduced, FRS17, following some uncertainties with its application in the private sector this standard is under review by the Accounting Standards Board (ASB). CIPFA have advised authorities to adapt a phased approach to adopting FRS17 fully by 2003/04. These accounts contain notes on FRS17 in line with the CIPFA guidance.

OVERHEADS

22. The costs of services provided to the Authority by Liverpool City Council are fully charged to service revenue accounts. This is in accordance with the CIPFA Statement on Accounting for Overheads.

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDING 31 MARCH 2002

| <u>Gross</u> Expenditure | <u>Income</u> | <u>Net</u> Expenditure 2000-2001 | | <u>Gross</u> Expenditure | <u>Income</u> | <u>Net</u> Expenditure 2001-2002 | <u>Notes</u> |
|-----------------------------|---------------|--|--|-----------------------------|---------------|--|--------------|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | |
| Continuing Services | | | | | | | |
| 5,353 | 104 | 5,249 | Community Fire Safety | 6,070 | 175 | 5,895 | |
| 45,007 | 478 | 44,529 | Fire Fighting & Rescue Operations | 47,999 | 809 | 47,190 | |
| 14,744 | 3,220 | 11,524 | Fire Fighter Pensions | 15,640 | 3,636 | 12,004 | |
| 502 | 430 | 72 | Emergency Planning | 420 | 393 | 27 | |
| 717 | 0 | 717 | Corporate & Democratic Core | 631 | 0 | 631 | |
| <u>66,323</u> | <u>4,232</u> | <u>62,091</u> | Net Cost of Services | <u>70,760</u> | <u>5,013</u> | <u>65,747</u> | |
| | | (647) | Interest and investment income | | | (527) | |
| | | (12) | Net Surplus on Trading Account | | | (17) | |
| | | 0 | Late Rating Adjustments | | | 0 | |
| | | (830) | Asset management revenue account | | | (904) | |
| | | <u>60,602</u> | Net operating expenditure | | | <u>64,299</u> | |
| | | 1,600 | Contribution to (from) pension reserve | | | 862 | |
| | | 0 | Contribution to (from) Insurance reserve | | | 150 | |
| | | 0 | Contribution to (from) Bellwin reserve | | | 11 | |
| | | (265) | Contribution to (from) capital expenditure reserve | | | 0 | |
| | | 0 | Contribution to (from) FMIS reserve | | | 50 | |
| | | 0 | Contribution to (from) Devolved Budget reserve | | | 32 | |
| | | 0 | Contribution to (from) Friends Expenditure reserve | | | 28 | |
| | | (34) | Contribution from capital financing reserve | | | (1,571) | |
| | | <u>61,903</u> | Amount to be met from government grants and Local taxpayers | | | <u>63,861</u> | |
| | | (15,661) | Income from the Council Tax | | | (16,210) | |
| | | (13) | Transfers from the Collection Funds | | | (319) | |
| | | (13,550) | Distribution from non domestic rate pool | | | (13,281) | |
| | | (31,916) | Revenue Support Grant | | | (33,047) | |
| | | <u>763</u> | DEFICIT (SURPLUS) FOR THE YEAR | | | <u>1,004</u> | |
| | | 4,960 | Revenue Account Balance at start of year | | | 4,197 | |
| | | (763) | (Deficit) Surplus for the year | | | (1,004) | |
| | | <u>4,197</u> | Revenue Account Balance at end of year | | | <u>3,193</u> | |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. ASSET MANAGEMENT REVENUE ACCOUNT

The asset management revenue account records the charges made to services for the use of assets and the actual cost to the Authority of external interest and finance lease payments. The resulting surplus is shown in the consolidated revenue account.

| | 2000-2001 £'000 | 2001-2002 £'000 |
|---|--------------------|--------------------|
| INCOME | | |
| Capital Charges to Revenue Account | (3,669) | (5,117) |
| EXPENDITURE | | |
| Provision for Depreciation | 1,204 | 2,533 |
| External Interest charges | 1,631 | 1,678 |
| Finance Lease Rental | 4 | 2 |
| Surplus to Consolidated Revenue Account | <u>(830)</u> | <u>(904)</u> |

2. LEASE RENTALS

The amounts paid in respect of finance and operating lease rentals and the estimated outstanding undischarged obligations in respect of operating leases are as follows:

| | Finance Lease £'000 | Operating Lease £'000 |
|--|---------------------------|-----------------------------|
| Total rentals paid in 2001-2002 | 2 | 189 |
| Outstanding undischarged lease obligations | | |
| 2002-2003 | | 183 |
| 2003-2004 | | 155 |
| 2004-2005 | | 143 |

3. OFFICER'S REMUNERATION

The Accounts and Audit Regulations 1996, which are issued under section 23 of the Local Government Finance Act 1992, require local authorities to disclose details of employees' remuneration. The number of employees whose remuneration, excluding pension contributions, was £40,000 or more in bands of £10,000 were as follows:

| | No. Of Employees | |
|-----------------|------------------|-----------|
| | 2000-2001 | 2001-2002 |
| £40,000-£49,999 | 6 | 11 |
| £50,000-£59,999 | 0 | 1 |
| £60,000-£69,999 | 3 | 1 |
| £70,000-£79,999 | 1 | 2 |
| £80,000-£89,999 | 0 | 1 |

The increase in numbers in the lower bands has been because of nationally agreed firefighters pay awards, which means that a greater number of officers are now paid within these bands.

4. PUBLICITY EXPENDITURE

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of publicity expenditure.

| | 2000-2001 £'000 | 2001-2002 £'000 |
|--|--------------------|--------------------|
| Advertising | | |
| Recruitment | 10 | 36 |
| Fire Safety Advertising | 15 | 1 |
| Tender Invitations | 2 | 0 |
| Legal Advertising | 1 | 1 |
| Printing of Fire Safety Posters and Leaflets | 10 | 20 |
| | <hr/> | <hr/> |
| | 38 | 58 |

5. PENSIONS

APT&C and Manual Employees

In 2001-2002 the Authority paid an employer's superannuation contribution of £553,385 into the Merseyside Superannuation Fund. This represented 11.7% of employee's pensionable pay. This rate was set by the Fund's actuaries William M. Mercer in the valuation of the Fund as at 31st March 1998.

The Authority has made discretionary payments of £25,657 under the provisions of the Local Government Superannuation Scheme, towards the ongoing pension cost of added years awarded by the Authority to employees retiring in previous years.

Fire-fighters

In 2001-2002 the net cost of pensions and other benefits charged in these accounts amounted to £11.8 million representing 38.02% of pensionable pay. Using research information available, it is estimated that if the cost of pensions under the scheme had been determined in accordance with SSAP 24, "Accounting for Pension Costs", the regular cost of the pension scheme would have been an annual £6.8 million (representing 22% of pensionable pay), whilst the cost of spreading the unfunded liability over a period

equal to the average expected future working lifetime of current fire-fighters would have been an additional annual £25.7 million (representing 83% of pensionable pay).

Of the fire fighters employed at 31 March 2002 17 staff were in a position where they qualified for retirement but had decided to continue working. These staff could leave at short notice and qualify for pension lump sum payments. The Authority does not make specific provision for this future liability but maintains a pensions reserve, which is sufficient to meet any liability.

Details of the Authority's accrued liability in respect of these pension schemes are given in a note to the consolidated balance sheet.

6. MINIMUM REVENUE PROVISION

The Authority is required by statute to set aside a minimum revenue provision for the redemption of debt. For 2001-2002 the amount is £921,000 compared to £874,000 in 2000-2001. The provision has been charged to services as a depreciation charge for fixed assets used by each service. The balance has been transferred to the Capital Financing Reserve.

| | 2000-2001 £'000 | 2001-2002 £'000 |
|---|--------------------|--------------------|
| Amount charged as depreciation | 1,204 | 2,533 |
| Excess transferred to capital financing reserve | (330) | (1,612) |
| Minimum Revenue Provision | 874 | 921 |

7. RELATED PARTIES TRANSACTIONS

The Authority is required to disclose all related party transactions. These are transactions between the Authority and other organisations where there is some element of control or influence by one party over the other.

| | 2000-01 | | 2001-02 | |
|--|------------------|------------------|------------------|------------------|
| | Receipt £'000 | Payment £'000 | Receipt £'000 | Payment £'000 |
| Central Government | | | | |
| Redistributed National Non-Domestic rate | 13,550 | | 13,281 | |
| Revenue Support Grant | 31,916 | | 33,047 | |
| Home Office Civil Defence Grant | 424 | | 393 | |
| Capital Borrowing Approvals | 1,540 | | 2,144 | |
| Employers National Insurance | | 2,758 | | 2,670 |
| Loan of Borrowing Approvals | | | | |
| Liverpool City Council | 500 | | | 300 |
| Local Authority Precept | | | | |
| Knowsley | 1,558 | | 1,607 | |
| Liverpool | 4,665 | | 5,036 | |
| St. Helens | 2,036 | | 2,088 | |
| Sefton | 3,489 | | 3,616 | |
| Wirral | 3,925 | | 4,182 | |
| Pensions | | | | |
| Merseyside Superannuation Fund – Employers Contribution. | | 446 | | 553 |
| Companies | | | | |
| Friends of Merseyside Fire Service | 0 | 0 | 97 | 69 |

From examining existing available sources of information for 2001/2002 in respect of officers and Members, there are no apparent related party transactions.

The Authority's membership comprises councillors from each of the five local authorities shown above.

BUILDING CLEANING TRADING ACCOUNT

| <u>2000-2001</u> | | <u>2001-2002</u> |
|------------------|--|------------------|
| £'000 | | £'000 |
| | <u>EXPENDITURE</u> | |
| 266 | Labour | 272 |
| 5 | Materials | 3 |
| 27 | Overheads | 27 |
| <u>298</u> | Total Expenditure | <u>302</u> |
| | <u>LESS INCOME</u> | |
| (310) | Charges to other accounts of the Authority | (319) |
| <u>(12)</u> | Surplus for the year transferred to Appropriation Account | <u>(17)</u> |
| | <u>APPROPRIATION ACCOUNT</u> | |
| 12 | Surplus for the Year | 17 |
| (12) | Contribution to the Consolidated revenue Account | (17) |
| <u>0</u> | | <u>0</u> |

Financial Objective Statement

Direct Service Organisations (DSO's) were required by the Local Government Act 1988 to meet the financial objective that income shall not be less than expenditure. Expenditure is to include a capital financing charge of 6% of the value of fixed assets employed by the DSO in carrying out the work. The legislation relating to DSO's was repealed in January 2000 because of the introduction of Best Value – it was left to individual Authorities whether to cease the use of trading accounts at this time or to continue with them for existing DSO's. The Authority has maintained a trading account for the Building Cleaning DSO for the full financial year.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2002

| <u>31 March 2001</u> | <u>Notes</u> | <u>31 March 2002</u> |
|-----------------------------|--|-----------------------------|
| £'000 | | £'000 |
| | <u>FIXED ASSETS</u> | |
| | Operational assets | |
| 0 | - Assets Under Construction | 3,223 |
| 35,506 | - Land and Buildings | 35,696 |
| 5,340 | - Vehicles, Plant and Equipment | 4,438 |
| <u>40,846</u> | Total Operational Assets | <u>43,357</u> |
| | | 1 to 6 |
| 138 | Assets Awaiting Lease* | 0 |
| <u>40,984</u> | Total Fixed Assets | <u>43,357</u> |
| | <u>CURRENT ASSETS</u> | |
| 436 | Stock | 446 |
| 2,117 | Debtors | 4,162 |
| 10,650 | Investments (Short Term) | 10,700 |
| 12 | Imprest | 12 |
| | <u>LESS CURRENT LIABILITIES</u> | |
| (1,731) | Borrowing repayable within 12 months | (1,521) |
| (3,569) | Creditors | 7 (4,140) |
| (791) | Cash overdrawn | (1,028) |
| <u>48,108</u> | TOTAL ASSETS LESS CURRENT LIABILITIES | <u>51,988</u> |
| (21,365) | Long term borrowing | 8 (22,885) |
| (975) | Deferred liabilities | (934) |
| (16) | Government Grants Deferred | (14) |
| (683) | Insurance provision | 9 (930) |
| <u>25,069</u> | TOTAL ASSETS LESS LIABILITIES | <u>27,225</u> |
| 20,373 | Fixed asset restatement reserve | 22,723 |
| (3,571) | Capital financing reserve | (4,290) |
| 589 | Usable capital receipts reserve | 984 |
| 3,481 | Earmarked reserve | 4,615 |
| 4,197 | Revenue Account balance | 3,193 |
| <u>25,069</u> | TOTAL EQUITY | <u>27,225</u> |

* Assets awaiting lease were part payment for Fire Appliances purchased by the Authority near the End of 2000-2001. They have been sold onto a leasing company who now lease the equipment back To the Authority under an operational lease

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

Details of the value of assets held at 31 March 2002 are shown below together with details of movements in the year:

| | Assets | | | Total |
|---|-------------------------|---------------------|-------------------------|---------|
| | Under Construction * | Land & Buildings | Vehicles & Equipment | |
| | £'000 | £'000 | £'000 | £'000 |
| Gross book value at 31 March 2001 | 974 | 34,532 | 12,339 | 47,845 |
| Revaluations and restatements | | | | 0 |
| Gains on Revaluation | | 3,712 | | 3,712 |
| Impairments on Revaluation | | (115) | | (115) |
| Building Operational In Year | | | | 0 |
| Value at 31 March 2002 | 974 | 38,129 | 12,339 | 51,442 |
| Additions | 2,249 | 179 | 268 | 2,696 |
| Disposals | | (1,247) | (32) | (1,279) |
| Gross Book Value at 31 March 2002 | 3,223 | 37,061 | 12,575 | 52,859 |
| Accumulated depreciation at 31 March 2001 | | | (6,999) | (6,999) |
| Depreciation for the year | | (1,365) | (1,170) | (2,535) |
| Depreciation on assets sold | | | 32 | 32 |
| Accumulated depreciation at 31 March 2002 | 0 | (1,365) | (8,137) | (9,502) |
| Net Book Value at 31 March 2002 | 3,223 | 35,696 | 4,438 | 43,357 |

*Assets Under Construction relate to the purchase and refurbishment of Fire Service Headquarters Bridle Road which was not officially opened until 22nd April 2002

2. SOURCES OF FINANCE FOR FIXED ASSETS ACQUIRED

The acquisition of fixed assets was financed as follows:

| | 2000-2001 £'000 | 2001-2002 £'000 |
|-----------------------------------|--------------------|--------------------|
| Loan Finance (Credit Approvals) | 2,040 | 1,844 |
| Usable Capital Receipts | 205 | 852 |
| Revenue Contribution | 255 | 0 |
| Other Contribution (Grants) | 0 | 0 |
| Movement in Capital Creditors | 0 | 0 |
| Total Expenditure on Fixed Assets | 2,500 | 2,696 |

3. FIXED ASSET VALUATION

The freehold and leasehold properties, which comprise the Authority's property portfolio, have been valued at 31 March 2002 by an external valuer (Head of Land & Development Services, Liverpool City Council) on the undermentioned basis in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

Properties regarded by the Authority as operational were valued on the basis of open market value for their existing use or, where this could not be assessed because there was no market for the subject asset (e.g. fire stations), the depreciated replacement cost.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value.

4. ASSETS HELD UNDER FINANCE LEASES

The Authority has not acquired assets by means of finance leases during the year. However the Authority has acquired vehicles and equipment by means of finance leases, in previous years. The value of such assets are now fully written off as detailed below: -

| | 2000-2001 £'000 | 2001-2002 £'000 |
|--------------------------|--------------------|--------------------|
| Gross Value at 1 April | 174 | 174 |
| Disposals | 0 | 0 |
| Accumulated Depreciation | (174) | (174) |
| Depreciation In Year | 0 | 0 |
| Net Value at 31 March | <u>0</u> | <u>0</u> |

5. INFORMATION ON ASSETS HELD

Fixed Assets owned by the Authority include the following:

| | <u>No. As at 31 March</u> | |
|-------------------------------|---------------------------|------|
| | 2001 | 2002 |
| Land and Buildings | | |
| Fire Stations | 26 | 26 |
| Brigade HQ | 2 | 1 |
| Command and Control Centre | 1 | 1 |
| Training Establishments | 1 | 1 |
| Vehicle Workshops | 1 | 1 |
| Stores | 2 | 1 |
| Vehicles and Equipment | | |
| Operational Vehicles | 63 | 63 |
| Ancillary Vehicles | 96 | 90 |
| Special Appliances | 24 | 26 |

6. CAPITAL COMMITMENTS

The Authority was contractually committed to make the following payments as the 31 March 2002

| | |
|---|-------|
| | £'000 |
| Retentions on the refurbishment of new Brigade Headquarters Bridle Road | 80 |
| Purchase of new Brigade Vehicles | 834 |

7. ANALYSIS OF CREDITORS AND DEBTORS

An analysis of the Authority's Creditors and Debtors is shown below.

| | 2000-2001 £'000 | 2001-2002 £'000 |
|--------------------------------|--------------------|--------------------|
| <u>Analysis of Debtors</u> | | |
| Pension & Salaries Prepayments | 1,008 | 2,796 |
| Grants | 42 | 0 |
| Other prepayments | 428 | 915 |
| Debtors | 261 | 159 |
| Transfer Values Receivable | 15 | 42 |
| VAT Debtors | 237 | 186 |
| Car Loans | 121 | 60 |
| Pension Debtors | 5 | 4 |
| Total Debtors | 2,117 | 4,162 |

| | 2000-2001 £'000 | 2001-2002 £'000 |
|------------------------------|--------------------|--------------------|
| <u>Analysis of Creditors</u> | | |
| Salaries & Wages Accrual | 1,300 | 1,481 |
| Tax, NI & Pensions | 205 | 254 |
| Other Accruals | 1,619 | 889 |
| Transfer Value Payable | 97 | 62 |
| Loan Interest Payable | 348 | 363 |
| Strike Costs | 0 | 1,091 |
| Total Creditors | 3,569 | 4,140 |

8. ANALYSIS OF BORROWING

The loans outstanding have been raised through the Public Works Loans Board. Loans payable within twelve months of the year-end appear in the balance sheet as short-term borrowing. As regards the dates of maturity, long-term loans are analysed as follows:

| | As at 31 March | |
|---------------------------|----------------|---------------|
| | 2001 | 2002 |
| | £'000 | £'000 |
| Between 1 and 2 years | 1,480 | 1,250 |
| Between 2 and 5 years | 2,250 | 2,060 |
| Between 5 and 10 years | 1,060 | 0 |
| Over 10 years | 16,575 | 19,575 |
| Total Long Term Borrowing | <u>21,365</u> | <u>22,885</u> |

9. INSURANCE PROVISION

The Authority has an insurance provision to meet the 'excess' cost of the first £521,500 of each individual public or employee liability claim subject to a maximum of £1,043,000 in any one year. Amounts above this excess are met by insurance arrangements for which the Authority pays a premium. As claims may not be settled for a considerable length of time after they occur, the level of the insurance provision reflects the estimated liability of the Authority based on previous claims experience. As claims are settled they are charged to this provision. The movement on this provision is as follows:

| | 2000-2001 | 2001-2002 |
|-----------------------------------|------------|------------|
| | £'000 | £'000 |
| Amount brought forward at 1 April | 906 | 683 |
| Claims paid in the year | (144) | (74) |
| Addition/(Reduction) in the year | (79) | 321 |
| Balance at 31 March | <u>683</u> | <u>930</u> |

A provision of £70,000 has been included for 10 claims against the Authority, which have arisen under the Land Compensation Act following the opening of the Queens Drive Fire Station.

10. PROVISIONS FOR CREDIT LIABILITIES (Memorandum Account)

In accordance with legislative requirements, the Authority sets aside an amount for the repayment of loans. The Authority is not required to record these transactions in the accounting records but instead maintains a memorandum account, which is shown below.

| | 2000-2001 | 2001-2002 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Amount brought forward at 1 April | 4,873 | 5,747 |
| Reserved proportion of Capital Receipts | 0 | 0 |
| Minimum Revenue Provision | 874 | 921 |
| Balance at 31 March | <u>5,747</u> | <u>6,668</u> |

11. FRIENDS OF MERSEYSIDE FIRE SERVICE

The Merseyside Fire Authority established the Friends of the Fire Service organisation during 2001/2002. The purpose of the organisation was to advance the education and preserve and protect the health of the public within Merseyside by promoting the issues relating to fire safety and to offer support to any person in need involved in or affected by fire or other emergency.

The Home Office agreed to fund the Authority in working to establish the Friends of the Fire Service and its activities. The money provided amounted to £571,000 over three years (2001/02 to 2003/04) and is payable to the Authority itself. It is the Authority, which is responsible for administering and paying out these monies and accounting for them to the Home Office. These monies have been consolidated within the accounts

In establishing the "Friends of the Merseyside Fire Service" the Fire Authority felt that the best formal structure for the Friends organisation would be that of a company limited by guarantee. At the time it was felt that this form of organisation would enable the Friends of the Merseyside Fire Service to better secure external funding from the private sector. However, at the same time the Fire Authority was concerned to ensure that the activities of the Friends were properly controlled and were wholly consistent with the strategy and activities of the Merseyside Fire Authority itself. Therefore, the Friends of the Merseyside Fire Service Company was established with a Board of three. The Board Members were the Chief Fire Officer, the Chair of the Fire Authority and a representative from Sefton CVS.

Due to (a) this Board structure, and (b) the fact that the Friends Company activities are so closely related to the activities of the Fire Service's, the Friends of the Merseyside Fire Service Company is a "regulated company" as defined by the Local Government and Housing Act 1989, and Orders under that Act. This means that the financial transactions of the Friends Company must be treated as though they were the financial transactions of the Merseyside Fire & Civil Defence Authority, and that those transactions should be consolidated into the Authority's financial accounts. The Friends Company did maintain an independent bank account in 2001/2002 but the total net transactions were minimal and not material. Therefore, the accounts have not been consolidated for this year.

12. PENSIONS – RETIREMENT BENEFITS

In accordance with the requirements of Financial Reporting Standard No.17 – Retirement Benefits (FRS17) the Authority has to disclose its share of assets and liabilities relating to pension schemes for its employees. As explained in note 5 to the revenue account the Authority participates in two schemes, the Fire-Fighters pension scheme for fire-fighters which is unfunded and the Local Government Pension scheme for other employees which is a funded arrangement vested in the Merseyside Pension Fund (MPF) which is administered by the Metropolitan Borough of Wirral. In addition the Authority has made arrangements for the payment of added years to certain retired employees. The Authority's Assets and Liabilities are:

| | £'m |
|---|----------------|
| Estimated Liabilities in Fire-Fighters Pension Scheme | 301.4 |
| Share of Liabilities in MPF | 23.2 |
| Total Liabilities | 324.6 |
| Share of Assets in MPF | 19.6 |
| Net Pensions (Deficit) | <u>(305.0)</u> |

The Firemen's Pension Scheme is a defined benefit pension scheme, governed by the Firemen's Pension Scheme Order 1992 and related regulations. An actuarial valuation has not been carried out as at 31 March 2002. The Authority has followed the approach set out in the joint GAD/CIPFA paper "*Assessment of Pension Liabilities for Disclosures for the Year 2001/02*", as realised in the Government Actuary's Department (GAD) model, in order to satisfy the disclosure requirements of the SORP. The accuracy of the outcome can only be assessed against the results of a full actuarial valuation as at 31 March 2002, and may be materially different from those results. The main financial assumptions adopted for this purpose are as follows:

| | per annum |
|---|-----------|
| Inflation | 3.4% |
| Salary increases | 4.9% |
| Pension Increase for current pensioners ~ non GMP | 3.4% |
| Pension Increase for current pensioners ~ GMP | 3.0% |
| Pension Increase for deferred pensions ~ non-GMP | 3.4% |
| Pension Increase for deferred pensions ~ GMP | 4.9% |
| Rate of Discount | 7.0% |

The Local Government Pension Scheme is a funded, defined budget scheme, governed by the Local Government Pension Scheme Regulations 1997 (as amended). The assessment of the MPF scheme has been carried out on behalf of the Metropolitan Borough of Wirral by the Fund's actuaries William M. Mercer. The last actuarial valuation of the Fund was at 31st March 2001. The main financial assumptions for that purpose were:

| | per annum |
|-----------------------------------|-----------|
| Inflation | 2.5% |
| Salary increases | 3.5% |
| Pension Increase in Pensions | 2.5% |
| Expected Rate of return on Assets | |
| Equities | 8.0% |
| Bonds | 6.0% |
| Other | 6.0% |

The Assets held in MPF are valued at fair value, principally Market value for investments and consist of;

| | £'m |
|----------|-------------|
| Equities | 12.9 |
| Bonds | 3.3 |
| Other | 3.4 |
| | <u>19.6</u> |

THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

| | <u>Capital Reserves</u> | | | <u>Revenue Reserves</u> | | TOTAL |
|---|---|--|---|-----------------------------|--------------------------------|--------------|
| | Fixed Asset Restatement Reserve £'000 | Capital Financing Reserve £'000 | Usable Capital Receipts Reserve £'000 | Revenue Account £'000 | Earmarked Reserves £'000 | |
| Balance at 1 April 2001 | 20,373 | (3,571) | 589 | 4,197 | 3,481 | 25,069 |
| Net (deficit) surplus for year | | (1,571) | | (1,004) | 1,134 | (1,441) |
| Write off of deferred charge | | | | | | 0 |
| Unrealised surplus from Revaluation of fixed assets | 3,597 | | | | | 3,597 |
| Effects of disposals of Fixed assets: | | | | | | |
| Cost or value of asset disposed of | (1,247) | | | | | (1,247) |
| Proceeds of disposals | | | 1,247 | | | 1,247 |
| Net (deficit) surplus on disposal | (1,247) | | 1,247 | | | 0 |
| Financing of fixed assets | | 852 | (852) | | | 0 |
| Balance at 31 March 2002 | 22,723 | (4,290) | 984 | 3,193 | 4,615 | 27,225 |

Notes

1

2

3

4

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. FIXED ASSET RESTATEMENT RESERVE

The Fixed Asset Restatement Reserve represents the balance of surpluses and deficits arising from the revaluation of fixed assets. This balance is written down by the net book value of assets which are disposed of. The Reserve is not available to support capital or revenue spending.

| | 2000-2001 £'000 | 2001-2002 £'000 |
|--|--------------------|--------------------|
| Balance at 1 April | 21,336 | 20,373 |
| Gain (loss) on revaluation of fixed assets | (403) | 3,597 |
| Disposal of Assets | (560) | (1,247) |
| Balance at 31 March | <u>20,373</u> | <u>22,723</u> |

2. CAPITAL FINANCING RESERVE

The Capital Financing Reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid. The Reserve is not available to support capital or revenue spending.

| | 2000-2001 £'000 | 2001-2002 £'000 |
|--|--------------------|--------------------|
| Balance at 1 April | (3,743) | (3,571) |
| Appropriations: | | |
| Provision for external loan repayments | 915 | 962 |
| Provision for depreciation | (1,204) | (2,533) |
| Financing of Fixed Assets | 255 | 0 |
| Write down of deferred charge | 0 | 0 |
| Capital receipts set aside | 0 | 0 |
| Capital receipts applied | 206 | 852 |
| Balance at 31 March | <u>(3,571)</u> | <u>(4,290)</u> |

3. USABLE CAPITAL RECEIPTS RESERVE

The Usable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans. The Reserve can be used to meet expenditure designated as expenditure for capital purposes.

| | 2000-2001 £'000 | 2001-2002 £'000 |
|----------------------------|--------------------|--------------------|
| Balance at 1 April | 336 | 589 |
| Capital receipts set aside | 459 | 1,247 |
| Financing of Fixed assets | (206) | (852) |
| Balance at 31 March | <u>589</u> | <u>984</u> |

4. EARMARKED REVENUE RESERVES

The Authority has set up various ear-marked Revenue Reserves to cover unexpected variations in expenditure.

Pension Reserve

This is to cover fluctuations in pension lump sum payments to fire-fighters and anticipated future lump sum payments. Any revenue underspends on pension commutations are transferred in.

Capital Expenditure Reserve

This reserve was created in previous years to spread the cost of revenue contributions to capital expenditure. The balance was nil at the start of the year and there has been no contribution to it.

Bellwin/Civil Emergency Reserve

This reserve is set aside for expenditure in exceptional circumstances, which is below the threshold for central government assistance under the Bellwin scheme.

Insurance Reserve

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

Devolved Budget Reserve

A devolved budget scheme became operational in 2001-2002 covering all Fire Stations. This scheme has an incentive to allow all savings in the year be re-invested in the Fire Stations which have made those revenue savings. The monies will be spent in 2002-2003.

Friends of the Fire Service Expenditure Reserve

The Authority has set up a volunteer organisation, Friends of the Fire Service, and has received grant funding from the Active Communities Unit to develop this programme. The Home Office have given permission for small underspendings in 2001/02 to be carried forward and an earmarked reserve created accordingly.

Financial Management Information System (FMIS) Reserve

During 2001/02 the Authority's financial system supplier CSC transferred its contract to FOX IT. As part of the agreement FOX IT are reviewing and recommending improvements to the Authorities business process. A reserve has been created in order to pay for the implementation of any recommendations arising.

The balance and movements on these reserves can be seen below:

| | 2000-2001 £'000 | 2001-2002 £'000 |
|--|--------------------|--------------------|
| Pension Reserve | | |
| Balance at 1 April | 1,758 | 3,358 |
| Contribution from (to) revenue account | 1,600 | 862 |
| Balance at 31 March | <u>3,358</u> | <u>4,220</u> |
| Capital Expenditure Reserve | | |
| Balance at 1 April | 265 | 0 |
| Contribution from (to) revenue account | (265) | 0 |
| Balance at 31 March | <u>0</u> | <u>0</u> |
| Bellwin/Civil Emergency Reserve | | |
| Balance at 1 April | 123 | 123 |
| Contribution from (to) revenue account | 0 | 11 |
| Balance at 31 March | <u>123</u> | <u>134</u> |
| Insurance Reserve | | |
| Balance at 1 April | 0 | 0 |
| Contribution from (to) revenue account | 0 | 150 |
| Balance at 31 March | <u>0</u> | <u>150</u> |
| Devolved Budget Reserve | | |
| Balance at 1 April | 0 | 0 |
| Contribution from (to) revenue account | 0 | 32 |
| Balance at 31 March | <u>0</u> | <u>32</u> |
| Friends of the Fire Service Expenditure Reserve | | |
| Balance at 1 April | 0 | 0 |
| Contribution from (to) revenue account | 0 | 28 |
| Balance at 31 March | <u>0</u> | <u>28</u> |
| FMIS* Reserve | | |
| Balance at 1 April | 0 | 0 |
| Contribution from (to) revenue account | 0 | 50 |
| Balance at 31 March | <u>0</u> | <u>50</u> |
| Total of Earmarked Revenue Reserves | <u>3,481</u> | <u>4,615</u> |

* Financial Management Information System

CASH FLOW STATEMENT

| <u>2000-2001</u> | | <u>2001-2002</u> | <u>Notes</u> |
|-------------------------|---|-------------------------|---------------------|
| £'000 | | £'000 | |
| | Revenue Activities | | |
| | Expenditure | | |
| 53,432 | Cash paid to and on behalf of employees | 54,670 | |
| 5,841 | Other Operating Costs | 8,417 | |
| <u>59,273</u> | | <u>63,087</u> | |
| (15,661) | Council Tax Income | (16,210) | |
| (13) | Disbursements from the Collection Funds | (319) | |
| (13,550) | Non Domestic Rate Income | (13,281) | |
| (31,916) | Revenue Support Grant | (33,046) | |
| (417) | Other Government Grants | (480) | 1 |
| (483) | Cash received for goods and services | (700) | |
| <u>(2,767)</u> | | <u>(949)</u> | 2 |
| 1,626 | Interest paid | 1,663 | |
| 4 | Interest element of finance lease rental payments | 2 | |
| (625) | Interest received | (562) | |
| 2,500 | Purchase of Fixed Assets | 2,696 | |
| (235) | Assets Awaiting Lease (net) | (138) | |
| 0 | Capital Grants | 0 | |
| (501) | Sale of Fixed Assets | (1,256) | |
| <u>2</u> | | <u>1,456</u> | |
| 1,041 | Repayments of amounts borrowed | 1,731 | |
| (1,750) | New loans raised | (3,000) | |
| <u>(707)</u> | Net (increase)/decrease in cash | <u>187</u> | 3 |

NOTES TO THE CASHFLOW STATEMENT

1. OTHER GOVERNMENT GRANTS

The Authority receives Government grant in respect of its civil defence function. The amount received in 2001-2002 was £393,398 compared to £423,500 received in 2000-2001.

2. RECONCILIATION TO CONSOLIDATED REVENUE ACCOUNT

| | 2000-2001 £'000 | 2001-2002 £'000 |
|---|--------------------|--------------------|
| Revenue Activities Net Cash Inflow | (2,768) | (949) |
| Non Cash Movements on Revenue Account | | |
| Decrease (Increase) in stock | (44) | (10) |
| Decrease (Increase) in debtors | 1,713 | (2,045) |
| Increase (decrease) in creditors | (1,385) | 572 |
| Increase (decrease) in insurance provision | (222) | 247 |
| Contribution to (from) reserve | 1,335 | 1,133 |
| Minimum revenue provision | 874 | 921 |
| Repayment of MRB debt | 41 | 41 |
| Revenue contribution to capital outlay | 255 | 0 |
| Items classified separately on Cashflow Statement | | |
| Interest Paid | 1,626 | 1,663 |
| Interest element of finance leases | 4 | 2 |
| Capital disposals | (41) | (9) |
| Interest received | (625) | (562) |
| Deficit (surplus) on revenue account | <u>763</u> | <u>1,004</u> |

3. RECONCILIATION OF MOVEMENT IN CASH

| | 31 March 2001 £'000 | 31 March 2002 £'000 |
|----------------------------------|------------------------|------------------------|
| Investments | 10,650 | 10,700 |
| Cash Overdrawn | (791) | (1,028) |
| Cash held in Impress Accounts | 12 | 12 |
| | <u>9,871</u> | <u>9,684</u> |
| Decrease in Cash and Equivalents | | <u>(187)</u> |

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts

THE TREASURER'S RESPONSIBILITIES

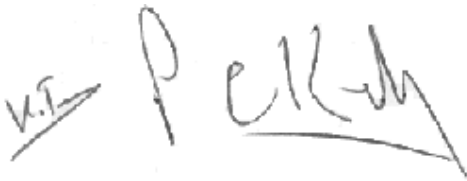
The Treasurer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2002.

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Treasurer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.



Date

26th September 2002 .

P C Kelly
Treasurer

GLOSSARY OF TERMS USED IN STATEMENT OF ACCOUNTS

ASSET MANAGEMENT REVENUE ACCOUNT

An account maintained to record the costs of the Authority's Fixed Assets. It is credited with rentals charged to individual services for the use of those assets.

BALANCE SHEET

A statement of assets, liabilities and other balances at the end of an accounting period. The Consolidated Balance Sheet combines all the accounts of the authority

CAPITAL FINANCING RESERVE

An account maintained to hold the transactions relating to the financing of capital expenditure. The amounts appropriated to it from the Revenue Account surplus were formerly charged directly to the consolidated Revenue Account.

CREDITOR

An amount owed by an authority for work done, goods received or services rendered but for which payment has not been made.

CURRENT ASSETS

Items from which the authority derives a benefit but which will be consumed or realised during the next accounting period e.g. stocks, debtors, cash.

CURRENT LIABILITIES

Amounts falling due for payment in the next accounting period.

DEBTOR

A sum due but not received at the financial year-end.

DEFERRED CHARGES

These represent capitalised assets where no tangible asset exists but where the cost is to be written off to revenue over an appropriate period.

DEFERRED DEBTORS

Amounts due to the authority to be paid in predetermined instalments over more than one accounting period.

DEFERRED LIABILITY

Amounts owed to outside bodies to be paid in predetermined instalments over more than one accounting –period e.g. leasing charges

FIXED ASSET

An item from which the authority will derive benefit over several accounting periods.

FIXED ASSET RESTATEMENT RESERVE

An account which holds the adjustments arising from the revaluation of Fixed Assets.

MINIMUM REVENUE PROVISION

An amount set aside from revenue towards the repayment of loan debt. This is currently 4% of the initial credit ceiling (outstanding loan debt less reserved capital receipts).

PROVISIONS

Amounts set aside to meet potential future liabilities.

PROVISION FOR CREDIT LIABILITIES

This represents the sums set aside for the repayment of debt established under the Local Government and Housing Act 1989, and includes amounts set aside from revenue, the minimum revenue provision and the required portion of capital receipts. It may be used for the repayment of loans or leasing agreements or for Capital expenditure where credit approvals exist. This account is included as a note and it has to a certain extent been superseded by the Capital Financing Reserve with effect from 1 April 1994.

RESERVES

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

REVENUE CONTRIBUTION TO CAPITAL OUTLAY – RCCO

The purchase of fixed assets direct from revenue, rather than by means of loan or lease.

REVENUE EXPENDITURE

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

REVENUE SUPPORT GRANT

This is Government grant in aid of Local authority services generally. It is based upon the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

AUDITOR'S REPORT TO MERSEYSIDE FIRE & CIVIL DEFENCE AUTHORITY

We certify that we have completed the audit of the Statement of Accounts on pages 12 to 29 which have been prepared in accordance with the accounting policies as set out on pages 9 to 11.

Respective Responsibilities of Treasurer and Auditors

As described above, and on page 30, the Treasurer is responsible for the preparation of the Statement of Accounts. It is our responsibility to form an independent opinion, based on our audit, on the statement and to report our opinion thereon.

Basis of Opinion

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards.

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the Authority in the preparation of the Statement of Accounts and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement of Accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Statement of Accounts.

Opinion

In our opinion the Statement of Accounts present fairly the financial position of Merseyside Fire & Civil Defence Authority at 31 March 2002, and its income and expenditure for the year then ended.

Date 23/10/2002

Signature 

Mick Waite
District Auditor