



# Merseyside Fire & Rescue Authority Budget 2021/22

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## Alternative Formats

We are committed to ensuring that all our information is fully accessible for all communities across Merseyside, we have included this document on our website, which can be accessed, from our Webpage [http://www.merseyfire.gov.uk/equality & diversity](http://www.merseyfire.gov.uk/equality%20&%20diversity)

We also provide a free speech, reading and translation service using Browse Aloud to help people who require online reading support access our documents, this can be located on the front page, top left of our website by clicking the button called “listen with Browse aloud”

If you would like a copy in Arabic, Bengali, Chinese, French or Somali please contact us at Diversity Team, Merseyside Fire & Rescue Service Headquarters, Bridle Road , Bootle, Liverpool L30 4YD. Telephone 0151 296 4422 or email [diversityteam@merseyfire.gov.uk](mailto:diversityteam@merseyfire.gov.uk).

This Document is also available in larger print and can be reproduced in Braille on request.

If you have any comments on any aspect of the financial information contained on the website or would like further information please contact Ian Cummins by

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# 1. Finances

The 2021/2022 Government Funding settlement meant the Authority will receive an increase of only 0.2% on its 2020/2021 settlement, in part due to the Government announcing a 2021/2022 Business Rates freeze due to the impact of COVID-19 on businesses. COVID-19 has also impacted on the Authority's Council Tax Base and Collection Fund position. It was anticipated that the 2021/22 Council Tax Base would increase by 1% but it has actually reduced by 1%. The Council Tax & Business Rates Collection Fund has a forecast deficit of £3.787m rather than the assumed neutral position. The Government announced one-off grants towards the impact of COVID-19 in 2021/2022 that have gone some way to compensate for the loss of funding and costs associated with COVID-19.

## **The 2021/2022 Medium Term Financial Plan (MTFP):**

To assist with the Authority's long-term financial planning, a five year plan has been prepared that extends the current approved plan up to and including 2025/2026. As the level of uncertainty over future costs and funding is significant beyond 2021/2022, particularly regarding the level of future Government support, any financial challenge beyond 2021/2022 has simply been noted by the Authority at this point. Future Budget Authority meetings will consider the challenge in and beyond 2022/2023 as the financial information becomes more certain.

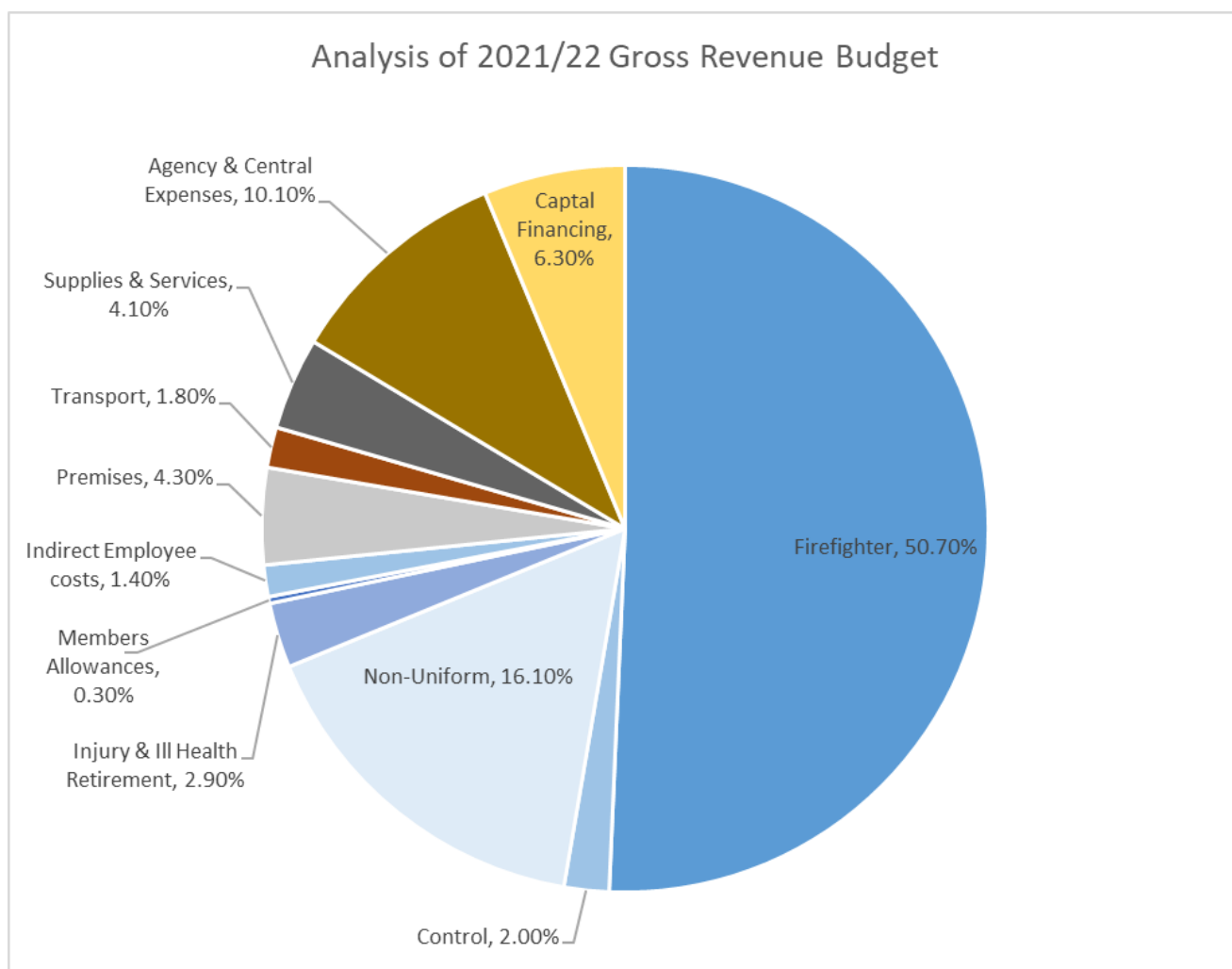
The MTFP deals with the financial challenge arising from the known Government funding support up to 2021/2022, but relies on future actual costs and funding remaining consistent with a number of key assumptions for 2021/2022. The most crucial is around the assumed 2021/2022 public sector pay freeze for all staff.

## 2. How the money is spent

The Authority has managed to set a financial plan that allows investment in line with its Integrated Risk Management Plan (IRMP) and will help maintain its high performing status. The IRMP sets out the future strategic direction for the Authority and is available on our website at [www.merseyfire.gov.uk](http://www.merseyfire.gov.uk).

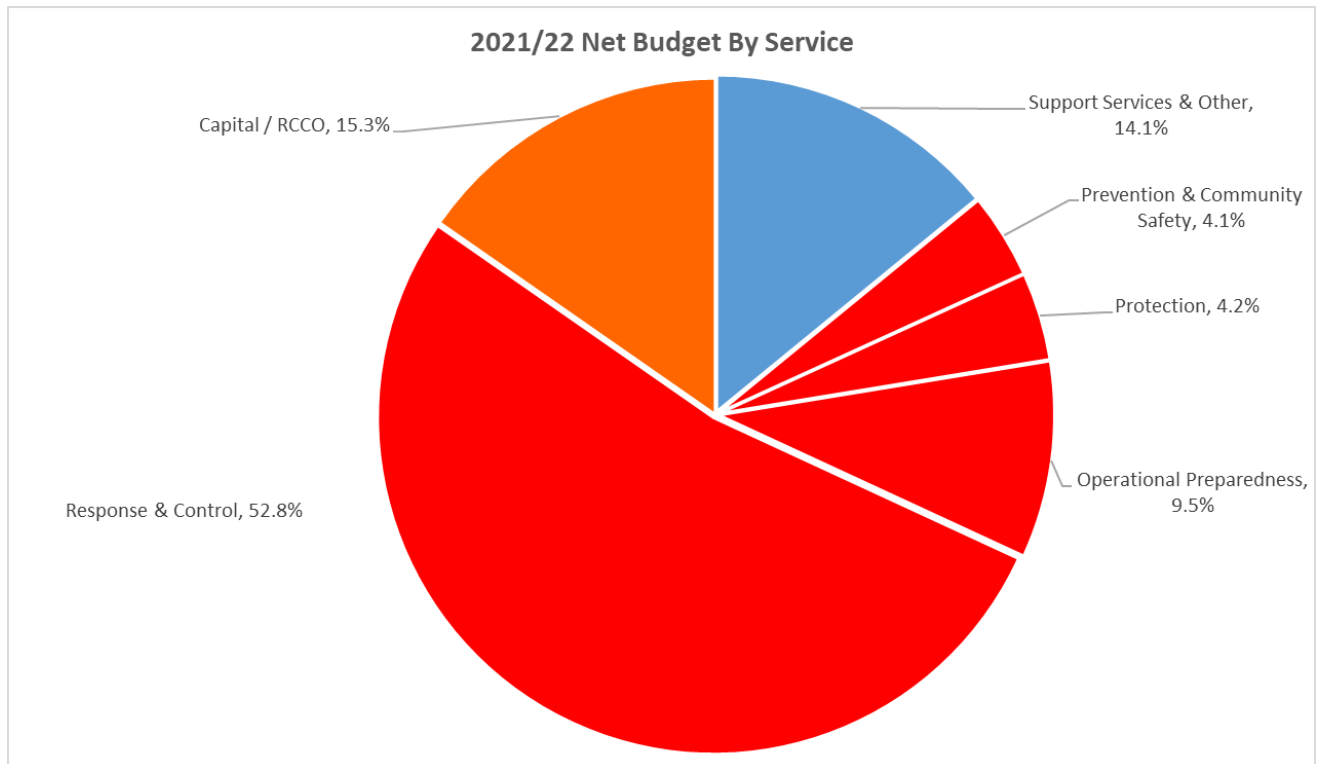
**The Authority has a financial plan that as far as possible maintains the front line response and service to the people of Merseyside.**

Merseyside Fire and Rescue Service expenditure is predominantly employee related as is shown in the pie chart below. (The blue sections relate to employee costs):-



## Analysis of Expenditure by Type of Service

The Authority has an excellent track record of investing in line with its corporate priorities. It can be seen from the pie chart below that most expenditure, 52.8%, goes on emergency and specialist response. In addition, 9.5% goes on Operational Preparedness and 8.3% on Community Risk Management (prevention & community safety and protection). Therefore 70.6% of expenditure is on the “front line” services. In addition, the 15.3% on capital costs relates mostly to previous investment in front line assets, fire stations, vehicles and equipment. The remaining 14.1% is on support services.



### 3. Where the money comes from

The Authority receives 53% of its funding from Central Government in the form of a Revenue Support Grant and Baseline Funding (business rates).

The Authority's remaining income comes from council tax. The Authority issues a precept (based on the required total council tax to be collected) on the five districts of Merseyside. The Authority has kept to its financial plan and increased council tax by the maximum allowable of just under 2%, which equates to an extra £1.60 for a band D property (an increase of 3p per week on the 2020/2021 figure.). This is in order to minimise the long-term impact of government cuts on the services to the Merseyside Community. In 2021/2022, the estimated income from the precept (council tax) is £30.594 million. There has also been an additional one-off £0.115m from the district council's local business rates forecast adjustment. However, the Authority must contribute its share of the NNDR collection fund deficit of £2.360m and the collection fund deficit of £0.476m.

#### **Income 2021/2022 Budget:-**

	<b>£000</b>
<b>Government Funding</b>	
Revenue Support Grant	-11,241
Baseline Funding (Local Business rates & Top-Up Grant)	-20,136
	<hr/>
	-31,377
<b>District Council's Local Business Rates Forecast Adjustment</b>	-115
NNDR Collection Fund (surplus)/deficit	2,360
<b>Council Tax</b>	
2021/2022 Precept	-30,594
<b>Collection Fund (Surplus) / Deficit</b>	476
	<hr/>
	<b>-59,250</b>

## 4. Capital Programme

Each financial year the Authority produces a capital programme to manage major schemes. Owing to the nature of capital expenditure, a large number of schemes span more than one financial year so the programme is a rolling programme covering five financial years. The Authority's five-year capital investment programme 2021/2022 to 2025/2026 totals £51.831m. The programme includes:

- Spending on fire engines and operational equipment in order to ensure Merseyside's Firefighters remain safe
- Investment in maintaining Fire Stations and other buildings
- Investment in Information Technology (IT)

### **Approved Authority Capital Programme for 2021/2022 – 2025/2026**

Capital Expenditure	Total Cost £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Building/Land	30,405,900	8,145,900	20,730,000	330,000	340,000	860,000
Fire Safety	3,175,000	635,000	635,000	635,000	635,000	635,000
ICT	5,201,000	1,052,860	1,457,360	806,460	1,121,460	762,860
Operational Equipment & Hydrants	3,644,900	1,566,900	240,000	474,000	1,133,000	231,000
Vehicles	9,404,320	3,512,270	2,081,550	676,650	1,315,850	1,818,000
<b>Expenditure</b>	<b>51,831,120</b>	<b>14,912,930</b>	<b>25,143,910</b>	<b>2,922,110</b>	<b>4,545,310</b>	<b>4,306,860</b>
Financing Available	Total £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Capital Receipts	2,475,000	275,000	0	2,200,000	0	0
RCCO	6,105,800	480,800	4,875,000	375,000	375,000	0
Capital Reserves	11,000,000	5,000,000	6,000,000	0	0	0
Grants	4,000,000	1,000,000	3,000,000	0	0	0
<b>Total Non Borrowing</b>	<b>23,580,800</b>	<b>6,755,800</b>	<b>13,875,000</b>	<b>2,575,000</b>	<b>375,000</b>	<b>0</b>
Unsupported Borrowing	28,250,320	8,157,130	11,268,910	347,110	4,170,310	4,306,860
<b>Total Funding</b>	<b>51,831,120</b>	<b>14,912,930</b>	<b>25,143,910</b>	<b>2,922,110</b>	<b>4,545,310</b>	<b>4,306,860</b>

Most of the capital programme is funded by borrowing, £28.250m, and is in line with the Authority's approved prudential borrowing limits and treasury management strategy. The balance is funded by specific funding; capital receipts £2.475m; specific reserves £11.000m; grants £4.000m; and revenue contributions of £6.106m.

## 5. Reserves and Balances

The Authority has prudently planned to meet its financial challenges over the medium term. The plan the Authority proposes is based upon the key assumptions around changes to grant, pay, tax and pension costs. To protect and safeguard the Authority from unforeseen changes in circumstances, demands or assumptions made in setting the budget the Authority has an established general fund and specific earmarked reserves. The Authority forecast reserves as at 31.03.21 are £30.171m.

### General Revenue Reserve £3m (5% of Revenue Budget)

As a general rule external audit view an appropriate level for a general reserve as 5% of the forecast Net Operating Expenditure. The Authority's general revenue reserve equates to 5% of the forecast Net Operating Expenditure.

### Committed (Earmarked) Reserves

The Authority has created these reserves for specific purposes and involve funds being set aside to meet known or predicted future liabilities or risks. The anticipated planned use over the MTFP is outlined in the table below:-

	Estimated 2021/22	Estimated 2021/22		Estimated 2022/23	Estimated 2023/24	Estimated 2024/25	Estimated 2025/26	Estimated Future Years
	Opening Balance	Base Budget	During 2021/2022	Expected Use	Expected Use	Expected Use	Expected Use	Expected Use
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Committed Reserves</b>								
<b>Emergency Related Reserves</b>								
Bellwin / Emergency Planning Reserve	222	0	0	0	0	0	0	222
Insurance Reserve	499	0	0	0	0	0	0	499
<b>Modernisation Challenge</b>								
Smoothing Reserve	1,555	0	-555	0	0	0	0	1,000
Recruitment Reserve	2,000	0	-400	-400	-400	-400	-400	0
Invest to Save / Collaboration Reserve	326	0	-326	0	0	0	0	0
Collection Fund	3,730	-2,758	0	-513	-459	0	0	0
<b>Capital Investment Reserve</b>	15,217	-5,000	690	-10,907	0	0	0	0
<b>PFI Annuity Reserve</b>	1,866	-91	0	-100	-120	-140	-160	1,255
<b>Specific Projects</b>								
Community Sponsorship Reserve	33	0	-33	0	0	0	0	0
Equipment Reserve	91	0	-91	0	0	0	0	0
Community Engagement Reserve	7	0	-7	0	0	0	0	0
Training Reserve	150	0	-50	-100	0	0	0	0
Health and Wellbeing Reserve	20	0	-20	0	0	0	0	0
Inflation Reserve	500	0	0	0	0	0	0	500
Clothing Reserve	328	0	-128	-200	0	0	0	0
<b>Ringfenced Reserves</b>								
Princes Trust Reserve	106	-106	0	0	0	0	0	0
Community Risk Management Reserve	308	0	-108	-200	0	0	0	0
Energy Reserve	97	89	-50	-50	-40	-46	0	0
New Dimensions Reserve	116	0	-116	0	0	0	0	0
<b>Total Committed Reserves</b>	<b>27,171</b>	<b>-7,866</b>	<b>-1,194</b>	<b>-12,470</b>	<b>-1,019</b>	<b>-586</b>	<b>-560</b>	<b>3,476</b>
<b>General Revenue Reserve</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,000</b>
<b>Total Reserves</b>	<b>30,171</b>	<b>-7,866</b>	<b>-1,194</b>	<b>-12,470</b>	<b>-1,019</b>	<b>-586</b>	<b>-560</b>	<b>6,476</b>

**Reserves and balances can only be used to finance one-off expenditure. They are not able to fund ongoing revenue expenditure. This is underlined by the Auditor's 'Golden Rule' - that "one off" revenue reserves should not be used to support 'ongoing' revenue expenditure.**