



# Merseyside Fire & Rescue Authority Budget 2022/23

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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 2022/2023 Government Funding Assessment (SFA) means the Authority will receive an increase of 1.1% on its 2021/2022 settlement. This is partly due to a freeze in business rates for 2022/2023, rather than applying the September 2021 CPI increase of 3.1%. This had a significant impact on the 2022/2023 SFA, as the baseline element of the SFA is directly linked to the business rates and any freeze would impact on the amount available to distribute to authorities. The baseline element makes up approximately 64% of the Authority's SFA. The other element that makes up the SFA is the 2022/2023 Revenue Support Grant (RSG). The 2022/2023 allocation increased by £0.343m or 3.1%.

The Government announced a new £822m un-ringfenced one-off Services Grant for 2022/2023. The Authority's services grant allocation was £1.388m. The grant provides funding to all tiers of local government in recognition of the vital services delivered at every level. This grant includes funding the increase of 1.25% in employer National Insurance Contributions from April 2022. Although the Government has stated that this grant is a one-off, the intention is that the Government will work closely with local government on how to best distribute this funding from 2023/2024 onwards.

## **The Financial Plan:**

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 2026/2027. As the level of uncertainty over future costs and funding is significant beyond 2022/2023, particularly regarding the level of future Government support, any financial challenge beyond 2022/2023 has simply been noted by the Authority at this point. Future Budget Authority meetings will consider the challenge in and beyond 2023/2024 as the financial information becomes more certain.

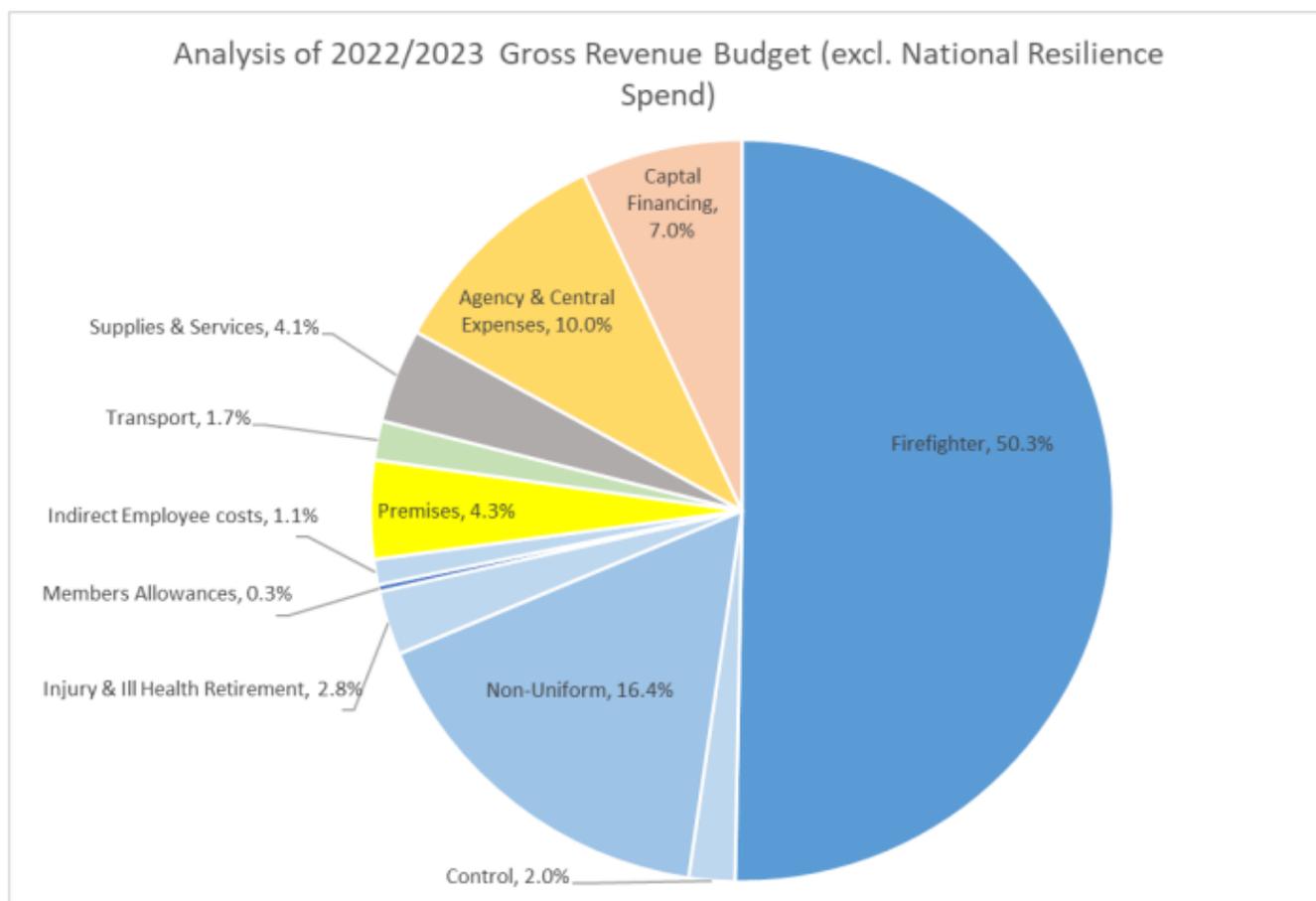
The Medium-Term-Financial-Plan (MTFP) deals with the financial challenge arising from the known Government funding support up to 2022/2023, but relies on future actual costs and funding remaining consistent with a number of key assumptions for 2022/2023. The most crucial is around the 2022/2023 public sector pay award for all staff. The 2021/2022 MTFP had, based on the Government's statement about a public sector pay freeze, assumed no pay award in the year. The firefighters' received a 1.5% increase and other employees received a 1.75% increase in 2021/2022. The current MTFP assumption is for a 2.5% annual pay award increase in 2022/2023 and future years.

## 2. How the money is spent

The Authority has 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).

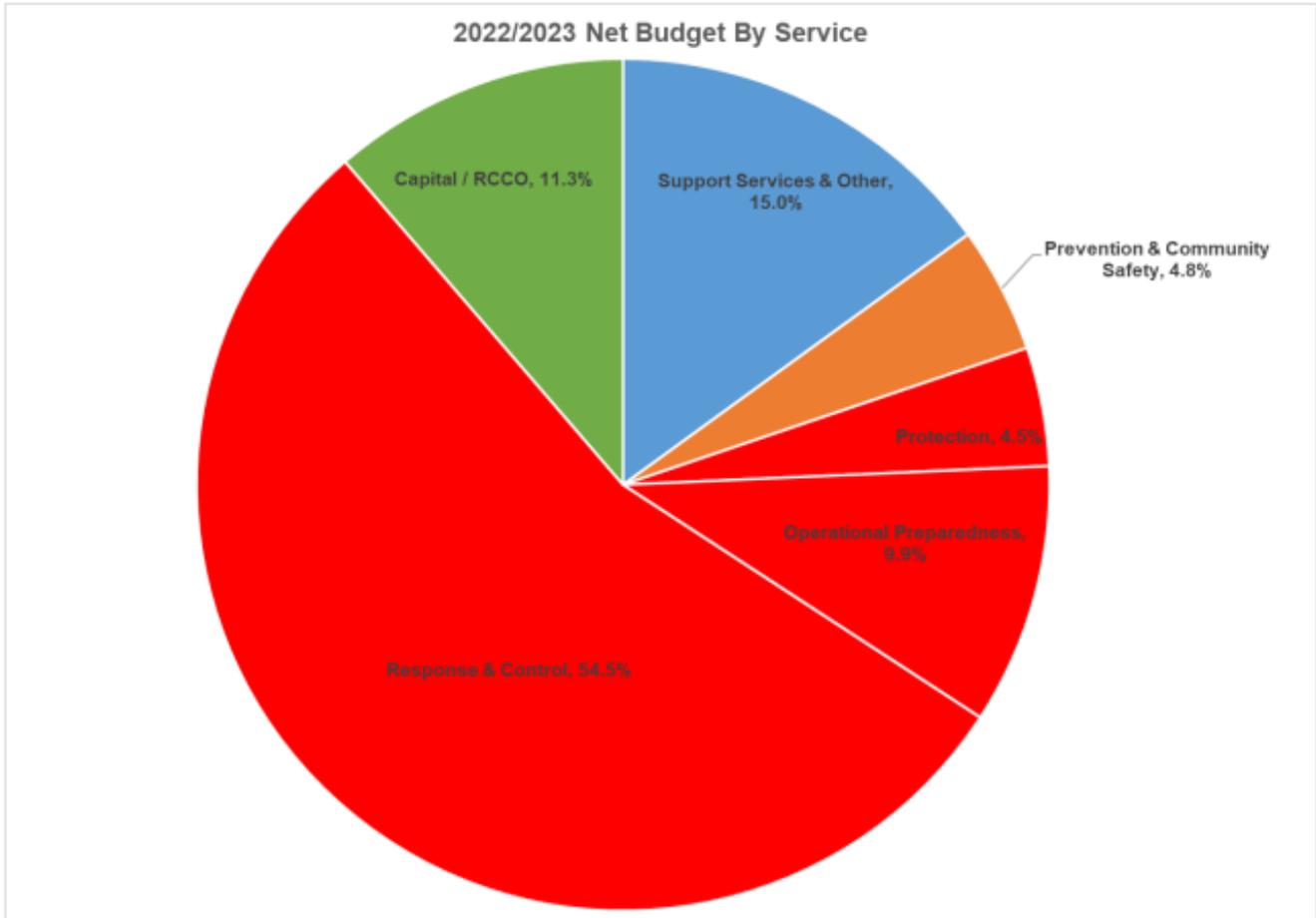
**The Authority has a financial plan that as far as possible maintains the front line response and service to the people of Merseyside.**

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. The pie chart below outlines that most expenditure, 54.5%, goes on emergency and specialist response. In addition, 9.9% goes on Operational Preparedness and 9.3% on Protection, Prevention & Community Safety. Therefore 73.7% of expenditure is on the “front line” services. The 11.3% on capital costs relates mostly to previous investment in front line assets, fire stations, vehicles and equipment. The remaining 15.0% is on support and operational enabling services.



### 3. Where the money comes from

The Authority receives 51% 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 without a referendum of just under 2%, which equates to an extra £1.61 for a band D property (an increase of 3p per week on the 2021/2022 figure.). This is in order to minimise the long-term impact of government cuts on the services to the Merseyside community. In 2022/2023, estimated income from the precept (council tax) is £31.688 million. There has also been an additional £0.159m from the collection fund surplus. However, the Authority must contribute its share of the NNDR collection fund deficit of £1.306m and the district council's local business rates forecast adjustment of £0.469m.

#### **Income 2022/2023 Budget:-**

	<b>£000</b>
<b>Government Funding</b>	
Revenue Support Grant	-11,584
Baseline Funding (Local Business rates & Top-Up Grant)	-20,136
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	-31,720
<b>Business Rates yield adjustment (NNDR1 to SFA)</b>	
<b>Adjustment</b>	469
NNDR Collection Fund (surplus)/deficit	1,306
<b>Council Tax</b>	
2022/2023 Precept	-31,688
<b>Collection Fund (Surplus) / Deficit</b>	-159
	<hr/>
	<b>-61,792</b>

## 4. Capital Investment 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 2022/2023 to 2026/2027 totals £61.815m. The programme includes:

- Spending on fire appliances and operational equipment
- Investment in refurbishment and maintenance of Fire Stations and other buildings
- Investment in Information Technology (IT)

### Approved Authority Capital Programme for 2022/23 – 2026/27

Capital Expenditure	Total Cost £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Building/Land	39,634,200	32,364,200	5,350,000	360,000	880,000	680,000
Fire Safety	3,175,000	635,000	635,000	635,000	635,000	635,000
ICT	7,036,800	3,199,360	828,460	1,121,460	762,860	1,124,660
Operational Equipment & Hydrants	2,784,200	631,200	474,000	1,133,000	316,000	230,000
Vehicles	9,185,775	5,211,275	700,650	1,315,850	1,818,000	140,000
<b>Expenditure</b>	<b>61,815,975</b>	<b>42,041,035</b>	<b>7,988,110</b>	<b>4,565,310</b>	<b>4,411,860</b>	<b>2,809,660</b>
Financing Available	Total £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Capital Receipts	2,475,000	275,000	2,200,000	0	0	0
RCCO	2,470,000	970,000	375,000	375,000	375,000	375,000
Capital Reserves	19,768,000	19,768,000	0	0	0	0
Grants	0	0	0	0	0	0
<b>Total Non Borrowing</b>	<b>24,713,000</b>	<b>21,013,000</b>	<b>2,575,000</b>	<b>375,000</b>	<b>375,000</b>	<b>375,000</b>
<b>Unsupported Borrowing</b>	<b>37,102,975</b>	<b>21,028,035</b>	<b>5,413,110</b>	<b>4,190,310</b>	<b>4,036,860</b>	<b>2,434,660</b>
<b>Total Funding</b>	<b>61,815,975</b>	<b>42,041,035</b>	<b>7,988,110</b>	<b>4,565,310</b>	<b>4,411,860</b>	<b>2,809,660</b>

Most of the capital programme is funded by borrowing, £37.103m, 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 £19.768m; and revenue contributions of £2.470m.

## 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's forecasted reserves as at 31<sup>st</sup> March 2022 are £31.098m.

### 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 involves funds being set aside to meet known or predicted future liabilities or risks. The Director of Finance and Procurement has carried out a review of current reserves based on the latest financial review and known planned future use of the Authority's forecast reserves. The proposed reserves for 2022/2023 and future years are outlined below.

	Estimated Balance to be C/fwd From 2021/22	Increase Approved As part of 22/23 Budget	Estimated 2022/23 Opening Balance	Estimated 2022/23 Use		Estimated 2023/24 Use	Estimated 2024/25 Use	Estimated 2025/26 Use	Estimated 2026/27 Use	Estimated Future Years Use	Held to Cover Risk
				22/23 Planned Budget Use	Potential Further Use in 22/23						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Emergency Related Reserves</b>											
Bellwin / Emergency Planning Res	222		222								222
Insurance Reserve	499		499								499
<b>Modernisation Challenge</b>											
Smoothing Reserve	1,588		1,588								1,588
Pensions Reserve	575		575		-200	-375					0
Recruitment Reserve	1,850		1,850		-300	-300	-300	-300	-300	-350	0
Invest to Save / Collaboration Res	282		282			-282					0
Collection Fund Reserve	2,311		2,311	-1,306	-877	-128					0
<b>Capital Investment Reserve</b>											
New TDA & Station	16,991	2777	19,768	-19,768							0
Other	504		504	0	-154	-150	-200	0	0	0	0
<b>PFI Annuity Reserve</b>	1,775		1,775	-91	-120	-140	-160	-180	-200	-1,004	-120
<b>Specific Projects</b>											
Community Sponsorship Reserve	55		55		-55						0
Equipment Reserve	137		137		-137						0
Community Engagement Reserve	8		8		-8						0
Training Reserve	150		150		-150						0
Health and Wellbeing Reserve	5		5		-5						0
Inflation Reserve	526		526								526
<b>Ringfenced Reserves</b>											
Community Risk Management Res	303		303								303
Energy Reserve	153	75	228		0	0	0	0	0	0	228
New Dimensions Reserve	164		164		-164						0
Forecast Use of Reserves in the year				-21,165	-2,452	-1,093	-660	-480	-500	-1,354	
<b>Total Earmarked Reserves Bal C/fwd</b>	<b>28,098</b>	<b>2,852</b>	<b>30,950</b>	<b>9,785</b>	<b>7,333</b>	<b>6,240</b>	<b>5,580</b>	<b>5,100</b>	<b>4,600</b>	<b>3,246</b>	<b>3,246</b>
<b>General Revenue Reserve</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</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>31,098</b>	<b>2,852</b>	<b>33,950</b>	<b>9,785</b>	<b>7,333</b>	<b>6,240</b>	<b>5,580</b>	<b>5,100</b>	<b>4,600</b>	<b>3,246</b>	<b>6,246</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.**