



Merseyside Fire & Rescue Authority Budget 2019/20

Merseyside Fire & Rescue Service – Finance Department, Bridle Road, Bootle, L30 4YD

www.merseyfire.gov.uk

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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>

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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.

Arabic

Diversity: على بنا الاتصال يرجى الصومالية، أو الفرنسية، أو الصينية، أو البنغالية، أو العربية، بالغة نسخة أردت إذا: Team, MF&RS Headquarters, Bridle Road, Bootle, Liverpool, L30 4YD
diversityteam@merseyfire.gov.uk الإلإكتروني البريد أو 296 0151 4422
كبير طبعاً به حروف أيضاً م توفر

Bengali

আপনি আরবি, বাংলা একটি কিপ চান, চীনা, ফরাসি বা সোমালি করুন যোগাযোগ ডাইভারসিটি দল
আমাদের, MF & আরএস সদর, রশিম রোড, Bootle, লিভারপুল L30 4YD. টেলিফোন এবং মিনি কম
0151 296 4355 বা ইমইল diversityteam@merseyfire.gov.uk. বৃহত্তর মুদ্রণ এছাড়াও
উপলব্ধ.

Chinese

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队, MF&RS总部, 马勒路, 布特尔, 利物浦L30 4YD。电话和小型机0151 296
4422 或电邮diversityteam@merseyfire.gov.uk。在较大的打印也可以。

French

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plaît français ou en Somalie nous à la diversité équipe, siège de MF & RS, Bridle
Road, Bootle, Liverpool L30 4YD. Téléphone et minicom 0151 296 4422 ou par
courriel diversityteam@merseyfire.gov.uk.Egalement disponible en gros caractères.

Somali

Haddii aad rabtid nuqul Carabi, Bangaali, Shinees, Faransiis ama Soomaali fadlan la xiriir kooxda Diversity, Merseyside Fire & Rescue Service, Headquarters Service
Bridle Road, Bootle, Liverpool L30 4YD.

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Sidoo Kale waxaa heli kartaa iyadoo far waaweyn ah.

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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Merseyside Fire & Rescue Authority 2019/2020 Budget

1. Finances

Merseyside Fire and Rescue Authority (the Authority) suffered one of the largest cuts in Government funding of any Fire and Rescue Service in the country between 2010/11 and 2015/16. The 2015 Government Spending Review announced further significant grant cuts for the Authority from 2016/17 up to 2019/20. Over the 2010/11 to 2019/20 period the Authority faces a 50%, in real terms, reduction in the grant support it receives from Government. Over the same period the Authority's total revenue budget will reduce from £73.6m to £60.3m or £13.3m which represents an 18% cash or 40% real reduction. The Authority had set a financial plan in 2016/17 that would deliver the required savings needed as a result of government cuts up to 2019/20. Each year since 2016/17 the Authority reviews the approved plan and amends it for any required adjustments to reflect changes in costs, income or Service needs.

The impact of the 2015 Comprehensive Spending Review meant the Authority had to find over £11m of savings from the forecast planned spend for 2016/17 to 2019/20. The Authority has planned prudently to minimise the impact on frontline services and identified significant efficiency savings of over £9m by reducing management, support services costs and other technical amendments. Despite these efficiencies unfortunately the Authority had no choice but to approve an unavoidable reduction of £1.9m from the operational front line.

The Government have announced the financial settlement for 2019/20 (*the last year of a four year settlement*), and the Settlement Funding Assessment (SFA) has increased by £0.014m compared to last year's 2019/20 indicative figure as the result of the business rates uplift.

The Financial Plan:

In order to balance the financial plan the Authority will adopt the following strategy:

Prepare a five year financial plan based on the final Local Government Finance Settlement figures announced on 29th January 2019, that;

- I. deals with the financial challenge arising from the known Government funding support up to 2019/20, and
- II. Although the financial plan has projected Authority spend and Government funding up to 2023/24, the 2020/21 and future years estimates are based on assumptions that are unpredictable as future Government funding for the Fire and Rescue Service is subject to a number of Government reviews and the national economic performance. Therefore the Authority has agreed to note the outstanding financial challenge from 2020/21 at this point and will deal with any saving requirement in future budget rounds.
- III. Look to realign £1m of current budget to allow investment in frontline response and protection services, and in particular increase the number of firefighters by 22 posts and available appliances from 26 to 30.

To set council tax increases in line with its financial plan of just under 3% for 2019/20 and just under 2% thereafter.

Assumes annual pay increases for its staff will be within the 2% limit set in the plan. This reflects the recent pay offers made by employers.

The Authority will continue if possible to identify additional efficiencies to re-invest in the front line.

The Authority will continue to focus its search for efficiencies on collaboration, management, support services costs and other technical reviews.

The Chief Fire Officer has expressed an operationally focused desire to re-invest £1m back into operational response and protection services in light of an increased risks from fire and other emergencies, particularly the services ability to respond to large and/or protracted incidents as well as the need to enhance protection functions in the light of the Grenfell Tower fire and other major incidents.

The Authority must identify savings from elsewhere in its budget to cover this investment as the Government's 2019/20 settlement has provided no additional funding for the Authority despite a comprehensive lobbying strategy by the Leader and Members' of the Authority and local MP's. The Chief Fire Officer and Director of Finance have identified a strategy to release current debt servicing and pension deficit payment budgets to fund this £1m investment.

Summary of Budget Changes Overall

The Authority has set a budget of £60.282 million for 2019/20, £0.581m higher than that in 2018/19. The main changes between this year's budget and last years are:-

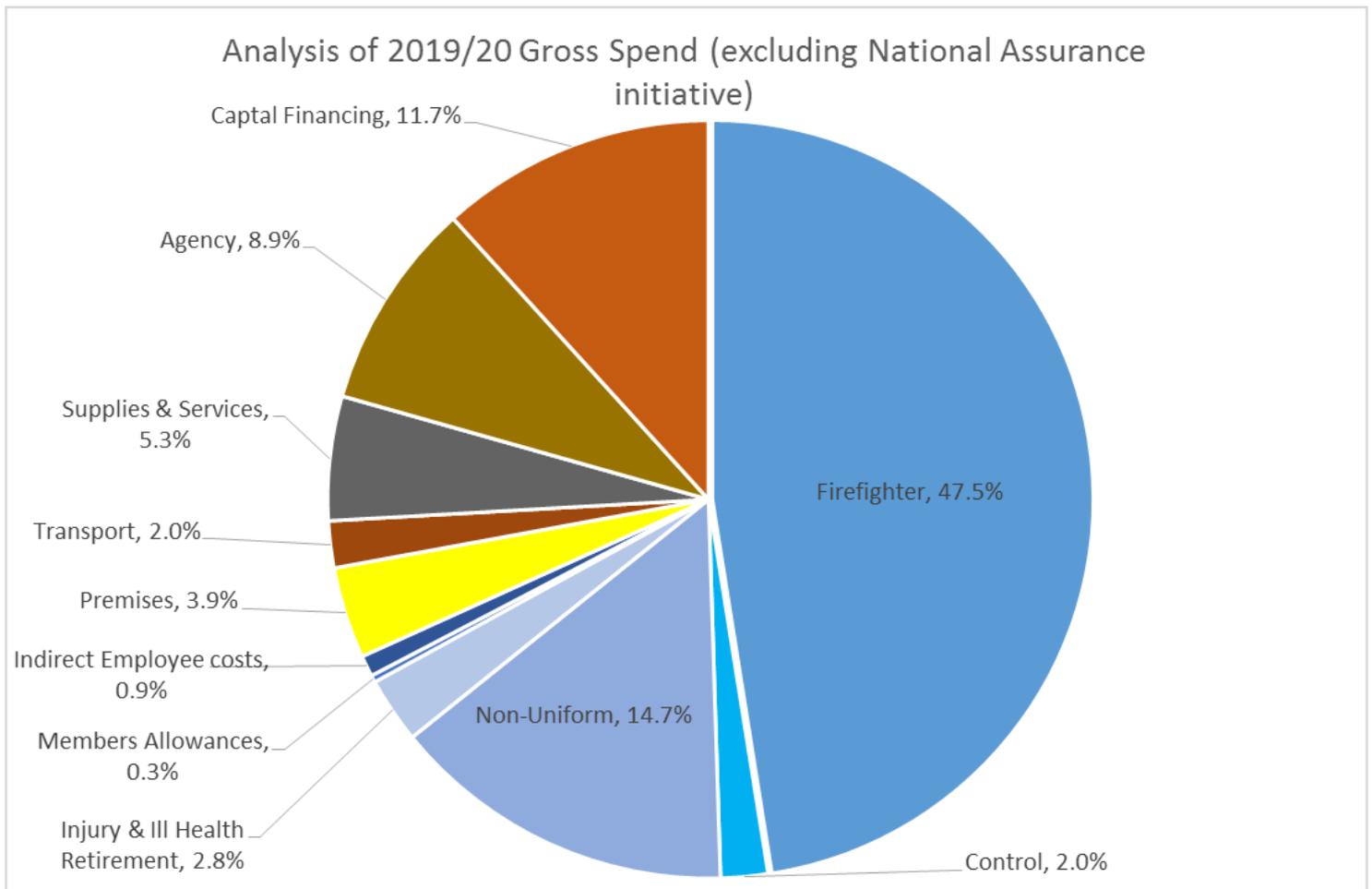
Reductions in support service, management & other costs	(£1.7m)
Increase in specific grant	(£0.4m)
Forecast inflationary cost increases	<u>£2.7m</u>
	£0.6m

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.

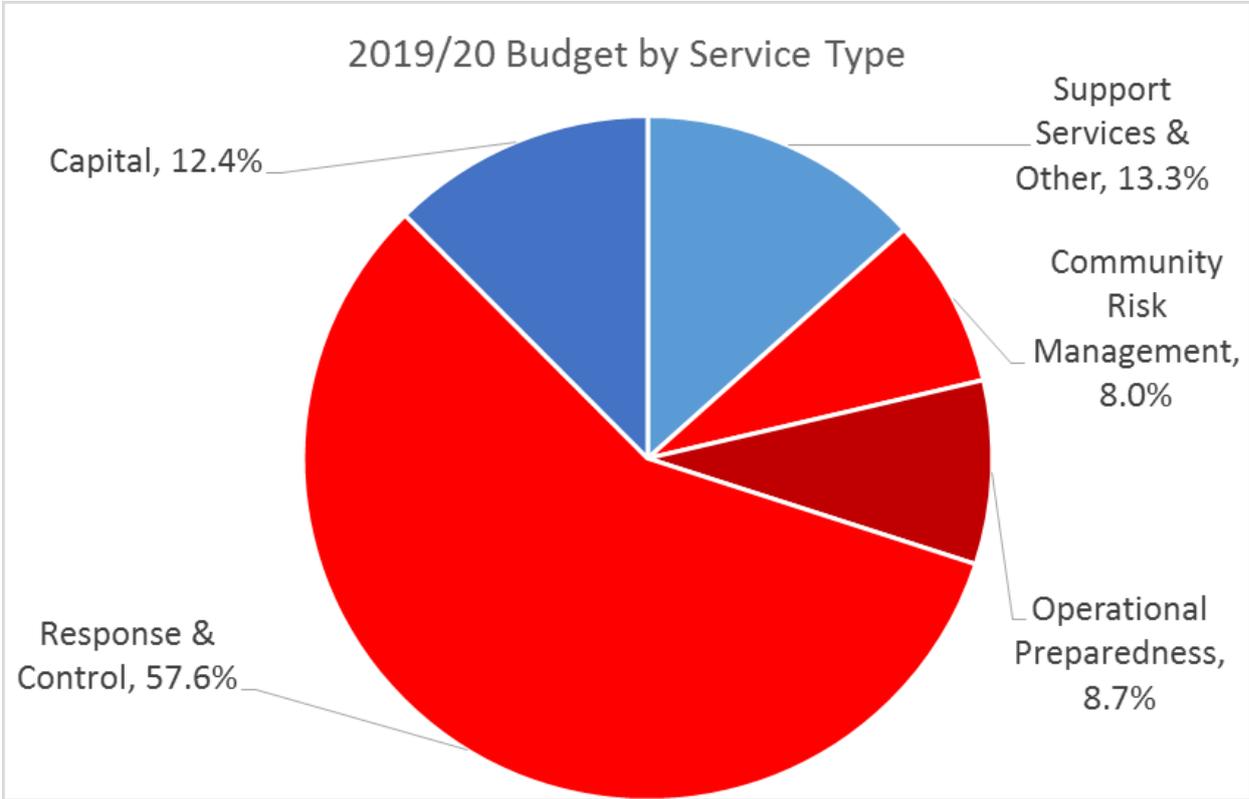
The Authority has a financial plan that as far as possible maintains the front line response and service to the people of Merseyside.

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 (57.6%) goes on emergency and specialist response. In addition 8.7% goes on Operational Preparedness and 8% on Community Risk Management, and therefore over 74.3% of expenditure is on the “front line” services. In addition the 12.4% on capital costs relates mostly to previous investment in front line assets, fire stations, vehicles and equipment. The remaining 13.3% is on support services and other.



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). Since 2010/11 Government has made significant cuts to the level of support it provides to the Authority. The cumulative percentage reduction in Government revenue support for the Authority between 2010/11 (£46.3m) and 2019/20 (£30.8m) equates to a 33% cash reduction or approximately 50% in real terms.

The Authority's remaining income comes from council tax. The Authority issues a precept (a total of all the council tax to be collected) on the 5 districts of Merseyside. The Authority has kept to its financial plan and increased council tax by the maximum allowable of just under 3%, which equates to an extra £2.28 for a band D property (an increase of under 5p per week on the 2018/19 figure.). This is in order to minimise the long term impact of government cuts on the services to the Merseyside Community. In 2019/20 the estimated income from the precept (council tax) is £29.224 million. There has also been an additional one-off £0.238m yield from council tax collection fund surpluses from previous years.

Income 2019/20 Budget:-

	%	£000
Government Funding		
Revenue Support Grant		-11,000
Baseline Funding (Local Business rates & Top-Up Grant)		-19,813
	51.1%	<u>-30,813</u>
District Council's Local Business Rates Forecast Adjustment	0.1%	-7
Council Tax		
2019/20 Precept	48.4%	-29,224
Collection Fund (Surplus) / Deficit	0.4%	-238
		<u><u>-60,282</u></u>

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 2019/2020 to 2023/2024 totals £36.482m. 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 2019/20 – 2023/24

Capital Expenditure	Total Cost £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Building/Land	17,645,500	10,822,700	4,872,900	939,900	705,000	305,000
Fire Safety	3,175,000	635,000	635,000	635,000	635,000	635,000
ICT	4,665,500	1,729,100	914,100	584,100	724,100	714,100
Ops Equip & Hydrants	3,166,500	1,986,000	317,500	189,000	222,000	452,000
Vehicles	7,828,200	2,507,400	1,205,800	1,723,600	1,913,300	478,100
Expenditure	36,480,700	17,680,200	7,945,300	4,071,600	4,199,400	2,584,200

Most of the capital programme is funded by borrowing, £21.436m, 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 £1.875m; specific reserves £8.414m; grants £2.881m; and revenue contributions of £1.875m.

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 31.03.19 are £25.1m;

Reserve Heading	£'m	Purpose
Grant Funded & Contractually Committed Projects	1.1	To cover on-going externally funded schemes or current initiatives commenced in 2018/19 or earlier and for which spend will carry over into 2019/20 or beyond.
Insurance / Catastrophe Reserve	0.7	To cover insurance excess and outstanding risks such as MMI claims, and the need for resources to cope with any major or protracted incident.
Cost Smoothing Reserve – Committed	0.5	Required over 2019/20 and future years to offset timing issues around the current approved savings options and in order to facilitate the service time to deliver future additional savings.
Inflation & Pensions	0.8	In light of risk around 2% firefighter pay bill assumption for 2019/20 (a 2.0% offer has been rejected) a short term reserve will allow time to make the required permanent savings if pay increases exceed 2%. In 2019/20 and future years the financial plan assumes a maximum annual pay increase of 2% p.a. up to 2023/24.
Capital Investment/Other	14.4	To contribute towards the funding of the station merger programme and any unforeseen investment in station; vehicle; ICT and other infrastructure to further modernise the service in light of future financial challenge and associated risk.
Recruitment	3.0	Over the next decade almost two thirds of Merseyside 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 £3m to support some staff recruitment to manage effectively succession planning is recommended.
PFI Annuity	2.0	Used to smooth out the future PFI unitary payments per the approved affordability plan (basically ensuring the PFI grant contributes a similar amount to the unitary charge throughout the PFI contract).
Invest to Save / Collaboration	0.6	The Authority has a duty to consider collaboration opportunities with other blue light emergency service. This reserve will assist in the funding of future business re-engineering costs and investments.
	23.1	
General Fund	2.0	It is normally expected that a General Fund reserve of 5% of net operating expenditure should be maintained by an organisation but this may vary based on individual risk and earmarked reserves available. For MFRA this would be £3.0m. However, as the significant risks are known and are being managed or have a specific reserve, officers recommend maintaining a general fund of £2.0m.
	25.1	

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.