



Merseyside Fire & Rescue Authority Budget 2018/19

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>

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.

Arabic

Diversity: على بنا الاتصال يرجى الصومالية، أو، الفرنسية أو السويدية، أو البنغالية، أو العربية، بالغة نسخة أردت إذا: Team, MF&RS Headquarters, Bridle Road, Bootle, Liverpool, L30 4YD
diversityteam@merseyfire.gov.uk الإلك تروني البريد أو 296 0151 4422
كبير طباعية بحروف أيضًا 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 ইমেইল diversityteam@merseyfire.gov.uk. বৃহত্তর মুদ্রণ এছাড়াও
উপলব্ধ.

Chinese

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French

Si vous souhaitez obtenir une copie en arabe, bengali, chinois, contactez s'il vous 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.

Telefoonka: 0151 296 4422 ama Email: diversityteam@merseyfire.gov.uk

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

e-mail: iancummins@merseyfire.gov.uk

Tel: 0151 296 4244

Merseyside Fire & Rescue Authority 2018/2019 Budget

1. Finances

The Government has confirmed the level of grant it will provide to the Fire and Rescue Authority for 2018/19 and indicative settlement figures for 2019/20. By 2019/20 the Service is facing a cut in the Revenue Support Grant, RSG, it receives from the Government of over £7.7m or 41% compared to the 2015/16 grant. This is approximately a 50% cut in real terms once inflation is taken into account. RSG contributed over 30% of the Authority's revenue budget funding in 2015/16, so this level of cut cannot be contained without a significant cut in the current level of services. Based on the 2016/17 – 2018/19 and indicative settlement figures for 2019/20 the Authority is faced with an £11m financial challenge.

The Authority has set a financial plan that delivers the required savings by 2019/20 and has planned prudently to minimise the impact on frontline services, planning significant efficiency savings of £9.1m by reducing management, support services and other technical costs. Despite these efficiencies the Authority must approve an unavoidable reduction of £1.9m from the operational front line.

Dealing with the Government Cuts and the 2016/17–2019/20 £11.0m saving challenge:

The Authority financial plan assumes savings from:

Technical & Support Services savings totalling £9.1m:-

- I. "Technical" savings of £5.4m from inflation, revenue costs associated with capital expenditure, and non-employee budgets.
- II. A reduction in the Support Services saving £1.9m of which £0.426m is to come from a review of functions in 2018 for implementation in 2019/20. This has placed non-uniform staff at risk of redundancy. Many of the "support service" areas and posts affected provide front line services to the community of Merseyside notably Prevention and Protection.
- III. Increase in the Council Tax Base above the 2015/16 figure projected to 2019/20. Additional income yield of £1.8m by 2019/20.

Operational Savings totalling £1.9m:-

However, this has left **£1.9m of cuts to be found from front line operational response**. The Authority will see the number of fire appliances in Merseyside reduce from 42 wholetime appliances down to 18 wholetime pumps; 6 day crewed; and 2 fully wholetime retained pumps. Which equates to 57% reduction in wholetime pumps. Over the same period the number of firefighter posts will reduce from over a 1,000 wholetime posts to 620 by 2019/20.

The CFO would not be proposing any reduction in operational response resources if it wasn't for the financial position the Authority finds itself in.

The CFO is reviewing the current operational model to assess any additional operational investment requirements in light of the guidance that may come out once the Grenfell review has been completed. At this point the plan assumes no further savings can be taken from the operational budget and any additional investment will have to be met from other budget heads. No additional investment has been assumed

in the 2018/19 financial plan. Any changes to the staffing model deemed necessary by the CFO will be within the existing 620 WTE post allocation and will be broadly cost neutral. The Chief Fire Officer will need to continue to manage appliance availability on a dynamic basis under his delegated powers while the operational options are being worked up. Based on the current firefighter retirement profile and taking into account the required savings in operational response to deliver that scale of saving will take until 2018/19 without compulsory redundancy.

Summary of Budget Changes Overall

The Authority has set a budget of £59.701 million for 2018/19, £0.2m higher than that in 2017/18. The main changes between this year’s budget and last year’s are:-

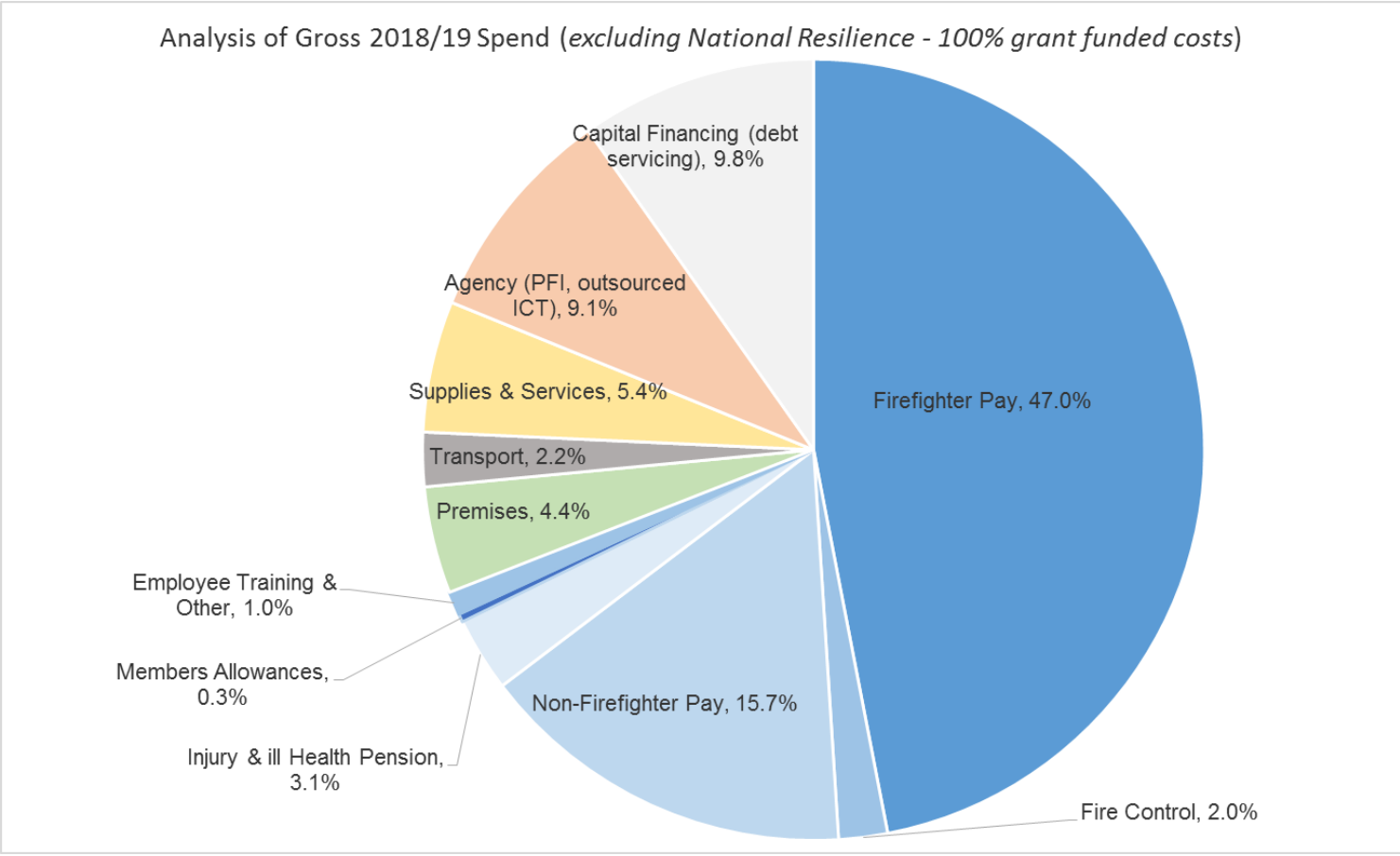
Reductions in support service, management & other costs	(£0.2m)
Unavoidable cuts in front line staffing	(£0.9m)
Forecast inflationary cost increases	<u>£1.3m</u>
	(£0.2m)

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.

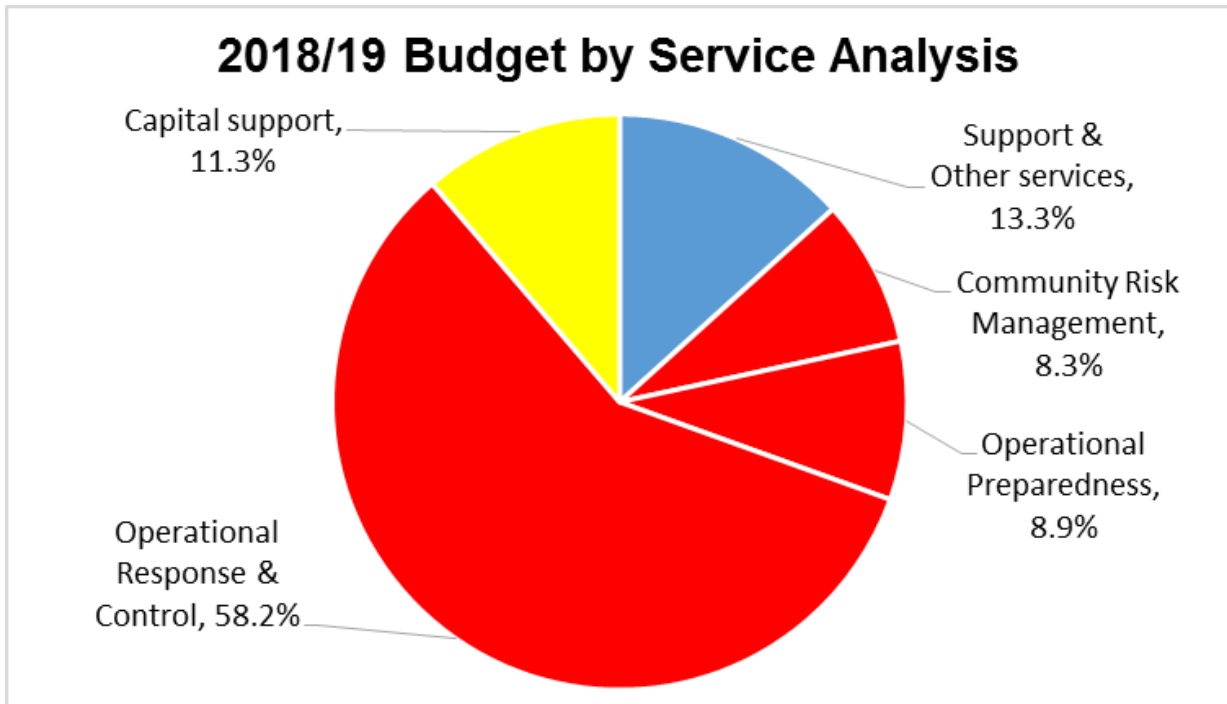
The Authority has a financial plan that as far as possible maintains the front line response and service to the people of Merseyside.

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 58.2% goes on emergency and specialist response. In addition 8.9% goes on Operational Preparedness and 8.3% on Community Risk Management, and therefore over 75.4% of expenditure is on the “front line” services. In addition the 11.3% 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.



3. Where the money comes from

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

Overall Government Grant funding was cut by approximately 35% over the 2011/12 – 2015/16 period, and RSG will be cut in real terms by a further 50% by 2019/20.

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 £1.47 for a band D property (an increase of just under 5p per week on the 2017/18 figure.). This is in order to minimise the long term impact of government cuts on the services to the Merseyside Community. In 2018/19 the estimated income from the precept (council tax) is £27.946 million. There has also been an additional one-off £0.253m yield from council tax collection fund surpluses from previous years.

Income 2018/19 Budget:-

	%	£000
Government Funding		
Revenue Support Grant		-12,050
Baseline Funding (Local Business rates & Top-Up Grant)		-19,369
	52.6%	-31,419
District Council's Local Business Rates Forecast Adjustment	0.2%	-83
Council Tax		
2018/19 Precept	46.8%	-27,946
Collection Fund (Surplus) / Deficit	0.4%	-253
		-59,701

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 2018/2019 to 2022/2023 totals £31.946m. 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 2018/19 – 2022/23

Capital Expenditure	Total Cost £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Building/Land	13,932,500	11,646,500	620,500	905,500	455,000	305,000
Fire Safety	3,175,000	635,000	635,000	635,000	635,000	635,000
ICT	3,930,000	942,600	1,028,100	668,100	563,100	728,100
Operational Equipment & Hydrants	2,082,500	1,309,500	210,000	173,000	179,000	211,000
Vehicles	8,826,000	2,280,200	1,521,550	827,400	1,426,400	2,770,450
Expenditure	31,946,000	16,813,800	4,015,150	3,209,000	3,258,500	4,649,550

Most of the capital programme is funded by borrowing, £20.446m, 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 £2.275m; specific reserves £4.028m; grants £2.722m; and revenue contributions of £2.475m.

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 established general fund and specific earmarked reserves. The Authority forecast reserves as at 31.03.18 are £25.3m;

Reserve Heading	£'m	Purpose
Grant Funded & Contractually Committed Projects	3.3	To cover on-going externally funded schemes or current initiatives commenced in 2017/18 or earlier and for which spend will carry over into 2018/19 or beyond.
Insurance / Catastrophe Reserve	1.0	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	1.8	Required over 2018/19 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	0.5	In light of risk around 1% firefighter pay bill assumption for 2017/18 (a 2.0% offer has been rejected) a short term reserve will allow time to make the required permanent savings if pay increases exceed 1%. In 2018/19 and future years the financial plan assumes a max annual pay increase of 2% p.a. up to 2022/23.
Capital Investment/Other	11.3	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	2.3	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 £2.3m to support some staff recruitment to manage effectively succession planning is recommended.
PFI Annuity	2.1	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	1.0	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.
	23.3	
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.
	25.3	

However, 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.