



# **Merseyside Fire & Rescue Service**

## **2014/15 Summary Statement of Accounts**

## Background to Merseyside Fire and Rescue Service

Merseyside is a metropolitan area in the North West of England covering the District Councils of Knowsley, Liverpool, Sefton, St. Helens and Wirral. It covers an area of 653sq/km and has a resident population of some 1.4 million people.

Merseyside Fire & Rescue Authority (MFRA) is a local authority created by the Local Government Act 1985. It is made up of 18 elected representatives appointed by the constituent District Councils. The number of councillors from each district is determined by statute and in most cases is representative of the political composition of that Council. During 2014/15 this was as follows:

Knowsley	2	(2 Labour)
Liverpool	6	(6 Labour)
Sefton	4	(3 Labour, 1 Liberal Democrat)
St. Helens	2	(2 Labour)
Wirral	4	(3 Labour, 1 Conservative)

The Authority's Mission and Aims are outlined below and the approved 2014/15 financial plan had prioritised the allocation of resources to deliver the Mission.

### **Our Mission;**

**To Achieve; Safer, Stronger Communities - Safe Effective Firefighters**

### **Our Aims;**

#### **Excellent Operational Preparedness**

*We will provide our firefighters with the training, information, procedures and equipment to ensure they can safely and effectively resolve all emergency incidents.*

#### **Excellent Operational Response**

*To maintain an excellent emergency response to meet risk across Merseyside with safety and effectiveness at its core.*

#### **Excellent Prevention and Protection**

*We will work with our partners and our community to protect the most vulnerable.*

#### **Excellent People**

*We will develop and value all our employees, respecting diversity, promoting opportunity and equality for all.*

The Authority's Fire and Rescue Service is led by a Chief Fire Officer supported by a Strategic Management Team comprising of the Deputy Chief Fire Officer, Deputy Chief Executive and other senior managers.

The Authority delivered its services through:

- employing approximately 1,100 staff during the year, most are involved in front line service delivery
- twenty eight frontline fire appliances alongside a range of specialist vehicles and equipment are available to respond quickly to fires and all other emergency incidents
- 26 Community Fire Stations (plus 1 Marine Rescue Station) with a variety of duty systems. These stations act as hubs for providing services to our communities.

## The 2014/15 Approved Financial Plan & Financial Performance for the Year.

The Authority determines its budget requirement by assessing the future years' service commitments that are financed through its General Fund. The General Fund is a statutory account that records only those expenses that regulations allow to be charged against the amount to be collected from council tax payers. The Authority then monitors and manages expenditure throughout the year against the General Fund budget to ensure all expenditure is affordable and planned.

The Authority is facing a significant financial challenge as government addressed imbalances in national public spending. Between 2011/12 and 2012/13 the Authority received the biggest grant cuts for any fire authority in the country from Central Government, a cumulative reduction of in excess of 13%. The Authority approved a saving plan to deliver savings totalling £9.2m to balance the budget over this period.

The Government then announced in December 2012 further reductions in the Authority's funding for 2013/14 and 2014/15 by 8.7% and 7.5% respectively. This resulted in a need to identify a further £10.1m of savings.

When the Government confirmed the final grant allocation for 2014/15 and indicative figure for 2015/16, the Authority faced a further 10% (in real terms) cut to grant funding for 2015/16, requiring a further £6.3m of savings on top of those already identified.

The Authority approved a robust financial plan to meet the deficit, recognising in order to deliver the required level of savings that, as staff costs make up nearly 80% of its budget, then it would have to reduce the number of its staff. At the same time the Authority was and is committed to avoiding compulsory redundancies (if possible) and to seeking to minimise the impact of cuts on service levels to the communities of Merseyside.

The Authority adopted a medium term financial plan that included:-

- An assumption of pay restraint for all staff with a maximum 1% pay bill increase in 2013/14 to 2015/16.
- An assumption that the Authority would generate savings of £4.010m by 2014/15 from other technical savings such as inflation provisions and revenue costs associated with borrowing.
- An assumption that additional income could be generated from shared use of current assets and sales of £0.500m.
- An assumption that the Authority would generate efficiencies from management and back office costs of £2.397m by 2014/15. The savings resulted in a 15% reduction in managerial and back office roles – a reduction of 57 posts.
- A reduction of 90 front line Firefighter posts equal to a 10% reduction in wholetime Firefighter roles.
- A further reduction in the number of appliances (5 had previously been removed from the front line) from 37 to 28.
- Use of reserves.
- Assumptions of Council Tax increase at 2%.

Despite making significant savings from non "frontline budgets" the consequence of the grant reductions has meant inevitable cuts in operational staffing in order to balance the books. After the reduction in fire appliances from 37 to 28 and the loss of 90 front line firefighter posts, there will still be further front line services reductions. In order to deliver a further £6.3m of savings from the budget by 2015/16 there will be a further loss of 100 Firefighter posts and the merger of fire stations resulting in a reduction from 26 fire stations (plus 1 Marine Rescue Station) to 22 fire stations (plus 1 Marine Rescue Station). This relates to a 33% reduction in available appliances since 2011 and approximately 200 Firefighter posts.

The Authority set its General Fund budget for 2014/15 at £64.356m and approved a five year capital investment programme, (2014/15 – 2018/19), of £26.102m with planned expenditure in 2014/15 of £10.038m. The Authority adopted a reserves strategy that maintained a General Reserve of £2.894m and Earmarked Reserves of £21.354m to cater for specific risks, projects and one-off initiatives and in particular to help it manage effectively the financial pressures.

## Revenue Expenditure:

Throughout the year the Authority received regular financial review reports detailing:-

- the service's progress in implementing the approved savings options,
- any additional budget amendments required,
- plus the movements from and to reserves.

The cash savings required to balance the budget were delivered.

The approved General Fund budget remained constant throughout the year at £64.356m. The table below summarises the general revenue fund position at the year-end and compares it to that budget. Overall the Authority was ahead of target in delivering its savings by £2.698 million by the year end.

Type of Expenditure	Budget £m	Expenditure £m	Variance £m
<b>General Fund Movement:</b>			
Net Authority Expenditure (net of service grants and income)	67.281	64.583	(2.698)
Contribution (from) / to Reserves	(2.925)	(227)	2.698
Total	64,356	64,356	-
Central Government Support and Council Tax Income	(64.356)	(64.356)	-
<b>(Surplus) / Deficit for the year</b>	-	-	-
<b>General fund Reserve Movement:</b>			
Balance brought forward at 1 <sup>st</sup> April 2014	(2.894)	-	-
Adjust for Surplus/Deficit for the year	894	-	-
<b>Balance carried forward at 31<sup>st</sup> March 2015</b>	<b>(2.000)</b>	-	-

In light of the recent years of financial pressures, the Authority adopted a strategy that it would aim as far as possible to maximise its level of reserves, in order to provide a temporary resource to enable the service changes that would deliver the required future savings without compulsory redundancy. Therefore throughout the year managers looked at every opportunity to maximise savings against the approved budget to enable an increase in reserves.

In total savings of £2.698m were identified in the year and the Authority was able to increase earmarked reserves from the anticipated position by that amount.

The key areas of under spending were;

- Vacancy management within the employee establishment resulted in a saving of £1.0m
- The actual phasing of PFI unitary payments and other premises costs resulted in a saving of £0.5m
- The management of supplies and services expenditure resulted in a saving of £0.7m
- Increased fees, charges, interest and secondment income of £0.3m
- An inflation provision saving of £0.2m

## What the money was spent on:

	%	£m
Employee Costs	71.33%	51.422
Premises	4.24%	3.054
Transport	2.06%	1.484
Supplies & Services	4.75%	3.426
Agency & External Service Payments	6.57%	4.735
Charges associated with Capital Spend	11.05%	7.964
	100%	72.085
Income		-7.249
Interest Receivable		-0.253
Contribution from Reserves		-0.227
		64.356

## 2014/15 Capital Investment Programme:

The Authority manages its capital investment plans through its capital programme. The approved budget and final expenditure together with the various sources of funding are shown below:

Programme	Final Budget	Actual Expenditure	Re-Phased from 2014/15 into 2015/16	Variance
	£000	£000	£000	£000
<b>Expenditure</b>				
Building/Land	5,681	3,486	2,187	-8
Fire Safety	991	791	200	-
ICT	2,397	1,928	435	-34
Operational Equip & Hydrants	1,306	738	533	-35
Vehicles	1,387	907	481	1
<b>TOTAL</b>	<b>11,762</b>	<b>7,850</b>	<b>3,836</b>	<b>-76</b>
<b>Financing</b>				
Capital Receipts	250	244	-	-6
Revenue Contribution	1,097	1,097	-	-
Capital Investment Reserve	1,266	1,267	-	1
Grants	2,077	2,036	-	-41
External Contributions	1,833	1,333	500	-
Unsupported Borrowing	5,239	1,873	3,336	-30
<b>TOTAL</b>	<b>11,762</b>	<b>7,850</b>	<b>3,836</b>	<b>-76</b>

The most significant items of capital expenditure have been:

- The refurbishment and expansion of the Authority's Headquarters building to accommodate a joint control and command center with Merseyside Police,
- The building of a new training tower at the Authority's Headquarters building,
- Installation of smoke alarms,
- Upgrades and replacement of ICT software and hardware,
- The purchase of new BA equipment,
- The purchase of new appliances and specialist vehicles.

## Authority's Balance Sheet at 31<sup>st</sup> March 2014

The purpose of the balance sheet is to provide a summary of the assets and liabilities of the Authority at the end of the financial year and provide details of what reserves and balances the Authority has available. Basically the statement shows what the Authority owns, is owed, and what it owes.

31 March 2014 £000		31 March 2015 £000
68,076	Property, Plant & Equipment	74,482
340	Intangible Assets	179
-	Assets Held for Sale	-
-	Long Term Investments	-
-	Long Term Debtors	-
<b>68,416</b>	<b>Long Term Assets</b>	<b>74,661</b>
-	Current Intangible Assets	-
10,090	Short Term Investments	13,041
250	Assets Held for Sale	440
396	Inventories	466
3,365	Short Term Debtors	3,416
13,279	Cash and Cash Equivalents	10,400
<b>27,380</b>	<b>Current Assets</b>	<b>27,763</b>
(2,197)	Short Term Borrowing	(1,743)
(5,896)	Short Term Creditors	(5,953)
<b>(8,093)</b>	<b>Current Liabilities</b>	<b>(7,696)</b>
(19,434)	Long Term Creditors	(19,152)
(1,049)	Provisions	(1,221)
(42,100)	Long Term Borrowing	(41,100)
(968,565)	Other Long Term Liabilities	(1,034,777)
<b>(1,031,148)</b>	<b>Long Term Liabilities</b>	<b>(1,096,250)</b>
<b>(943,445)</b>	<b>Net Assets</b>	<b>(1,001,522)</b>
27,796	Usable Reserves	27,755
(971,241)	Unusable Reserves	(1,029,277)
<b>(943,445)</b>	<b>Total Reserves</b>	<b>(1,001,522)</b>

A large liability relating to firefighters pensions makes up most of the "other long term liabilities". It is a notional calculation of the value of fund that would be required to be set up to fully cover the cost of all current firefighter pension liabilities. The firefighters pensions scheme is an "unfunded" scheme which is underwritten by central government grant.

## Contact Us

The Authority values the opinions of the people it serves. Feedback on how useful you found this summary statement or if you feel anything else should have been included would be welcomed. Please do not hesitate to get in touch with me or my team at the contact point below.

If you wish to comment about the services of the Fire Authority, contact Fire Service Headquarters 0151 296 4000.

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