



Merseyside Fire & Rescue Authority

2021/22 Summary Statement of Accounts

Background to Merseyside Fire and Rescue Service

Merseyside is an area in the north west of England, which straddles the Mersey Estuary and includes the metropolitan districts of Knowsley, Liverpool, Sefton, St Helens and Wirral. Merseyside spans 249 square miles (645 Km²) of land containing a mix of high-density urban areas, suburbs, semi-rural and rural locations, but overwhelmingly the land use is urban. It has a focused central business district, formed by Liverpool City Centre, but Merseyside is also a polycentric county and each of the metropolitan districts has at least one major town centre and outlying suburbs. The Office of National Statistics (ONS) 2020 figures showed that Merseyside has a population of 1.434m. The population is split 48.9% male and 51.1% female, with 18.1% of the population being children (0-15), 63.8% being of working age (16-64) and 18.0% above 65. Merseyside has an aging population and is one of the most deprived areas in England, with Knowsley being the third most deprived local authority in England and Liverpool being fourth. There are more affluent areas, for example, in West Wirral and North Sefton, but large areas of Merseyside fall within the highest ratings of social deprivation, which includes high levels of poverty, social exclusion and crime.

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 2021/22, this was as follows:

Knowsley	2	(2 Labour)
Liverpool	6	(5 Labour, 1 Liberal Democrat)
Sefton	4	(3 Labour, 1 Liberal Democrat)
St. Helens	2	(2 Labour)
Wirral	4	(2 Labour, 2 Conservative)

The Authority approved a revised Leadership Message and associated vision, purpose, aims, values and behaviours of the Service, that captures the organisations key people priorities, developed in order to deliver the best possible services to the Merseyside community through the professionalism and capabilities of our people. The Authority's new Vision, Purpose and Aims are:

Our Vision;

To be the best Fire & Rescue Service in the UK. One team, putting its communities first

Our Purpose;

Here to serve. Here to protect. Here to keep you safe.

Our Aims;

Protect

We protect people from harm, provide advice, guidance and when absolutely necessary use enforcement to keep the public and our firefighters safe.

Prevent

We are there for you. We are a visible presence that provides reassurance, support and advice. Alongside our partners, we protect the most vulnerable and reduce inequalities.

Prepare

We will always be the best that we can be by having highly skilled and trained people who plan for every risk and keep our teams safe and effective.

Respond

We will be there when you need us most, pulling out all the stops to save lives. Whether we are taking 999 calls, or attending incidents, we keep our communities safe.

The Authority's Fire and Rescue Service is led by a Chief Fire Officer, supported by a Strategic Leadership Team (SLT) comprising of the Deputy Chief Fire Officer, Assistant Chief Fire Officer, and other senior managers.

The 2021/22 Approved Financial Plan & Financial Performance for the Year

The Authority determines its budget requirement by assessing the 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 taxpayers. The Authority then monitors and manages expenditure throughout the year against the General Fund budget to ensure all expenditure is affordable and planned. The General Fund position for the year is shown in the Movement in Reserves Statement.

Historical Impact of Government's Austerity Plan 2010/11 – 2019/20

The Authority faced an unprecedented financial challenge over the period 2010/11 – 2019/20 as the Government implemented an austerity plan in an attempt to reduce national debt. A significant element of the Government's plan was to reduce the level of funding for local government (including fire and rescue authorities). As the Authority had a relatively low council tax base, it was more reliant upon Government grant funding to support its revenue budget and therefore suffered a greater proportionate financial loss than almost every other fire and rescue authority in the country. The cumulative percentage reduction in Government revenue support for the Authority between 2011/12 and 2019/20 equated to a 33% cash reduction or approximately 50% in real terms. The impact on the Authority's revenue budget was significant, in 2010/11 the budget was £73.3m, if this was uplifted to 2019/20 prices it would equate to approximately £85m, in reality the 2019/20 budget of £60.3m was 29% lower in real terms. This scale of cuts meant unavoidable reductions in the front line operational services over this period. The impact of the required savings over the 2011/12 – 2019/20 period on staffing, fire appliances & fire stations has already been outlined.

2021/22 – 2025/26 Medium Term Financial Plan

If any organisation wants to be successful, its budget setting and medium term financial plan (MTFP) must allocate resources to support its key strategic aims and priorities. This is a vital consideration when organisations face periods of severe financial challenge. For many years now, the Authority has maintained a five-year comprehensive MTFP and Capital Programme. The MTFP is rolled forward each year and plans prudently to deal with all known reductions in Government funding and required investments in the Service. The Authority approved a 2021/2022 – 2025/2026 medium term financial plan (MTFP) at the Budget Authority meeting on 25th February 2021 that set a balanced 2021/2022 budget. The MTFP report is available on the Authority's website and includes all the necessary financial information in a single report. The report considers:-

- Forecast Revenue Estimates
- The Proposed Capital Programme
- Any Revenue Savings and Growth Options
- The Treasury Management Strategy
- The Minimum Revenue Payment Policy for the Authority
- A Reserves Strategy

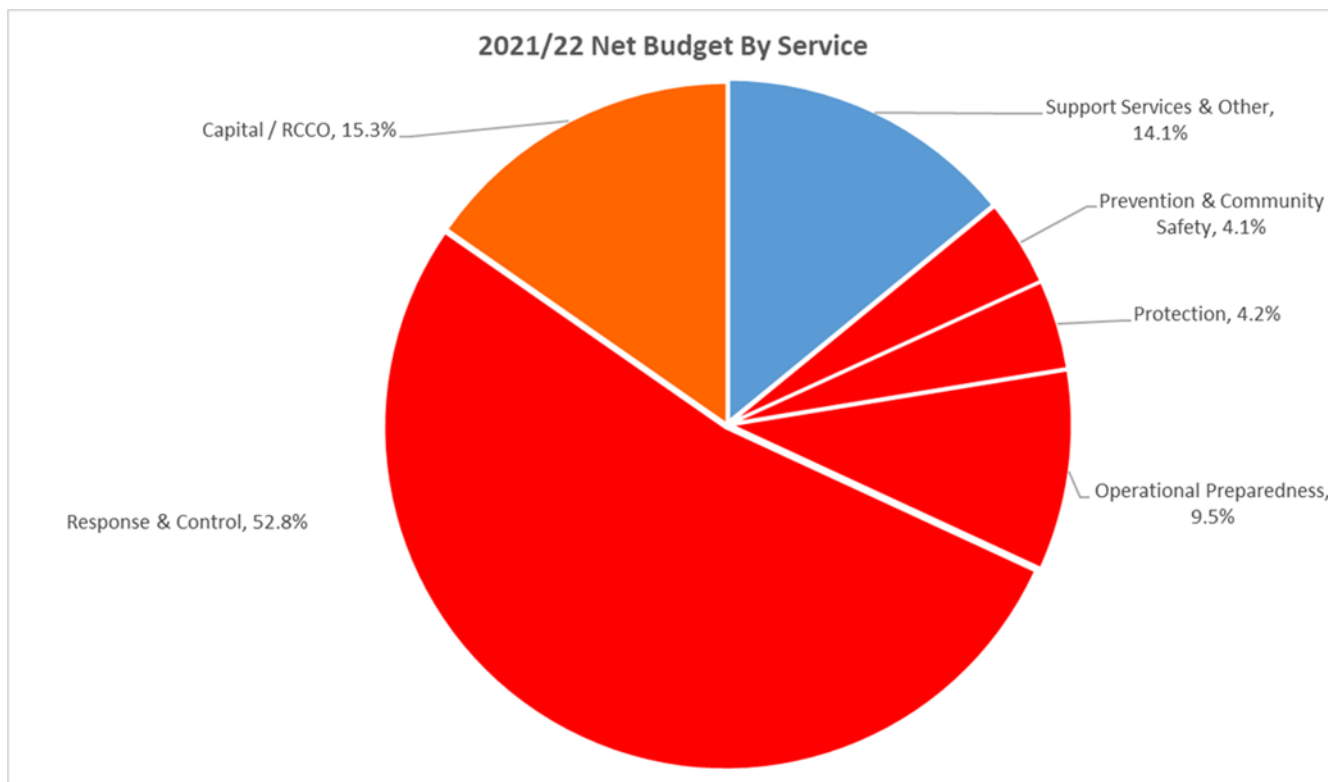
By considering all the financial issues to be taken into account in a single report ensures that the Authority can:-

- Consider the borrowing freedoms available under the prudential code
- Reflect best practice
- Provide value for money
- Focus on the link between capital investment decisions and revenue budgets
- Continue to develop their strategic financial plan

Although the MTFP indicated a potential small financial challenge by 2025/26, the Authority agreed that due to the significant uncertainty over future Government funding it would defer any consideration of the potential future financial challenge at this time. Government grant (*Settlement Funding Assessment, SFA*) funds 50% of the Authority's revenue budget requirement with the balance coming from Council Tax income. The Authority's 2021/22 SFA increased by 0.2% compared to the 2020/21 SFA, and in addition the Government did provide some further one-off grant (£0.955m) to offset the impact of the economic impact of Covid-19 on council tax funds. The approved 2021/22 MTFP revised the previous 2021/22 pay assumption from 2% to 0% in light of the Government's direction on a pay freeze for the public sector.

Overall, the Authority was able to approve a balanced 2021/22 Budget without the need to identify new Service savings, and, in addition, make a one-off £3.035m contribution to the new Training and Development Academy reserve. The

Authority set its General Fund budget for 2021/22 at £59.250m, of which approximately 71% directly funds activities related to fire response or prevention work. An analysis of the budget over the Authority's strategic services is outlined in the chart below, (those activities highlighted in red are deemed frontline services):-



The 2021/22 Revenue Outturn Position

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

- the robustness of the key budget and MTFP assumptions,
- any required budget amendments,
- movements from and to reserves and the revenue budget.

The approved General Fund budget remained constant throughout the year at £59.250million. The table below summarises the actual general revenue fund position at year-end and compares it to the budget.

Programme	Fire Service Budget £'000	Fire Authority £'000	National Resilience £'000	Total Budget £'000	Actual £'000	Variance £'000
Expenditure						
Employee costs	51,696	343	2,571	54,610	53,244	(1,366)
Premises costs	2,643	-	4	2,647	2,394	(253)
Transport costs	1,286	-	6,490	7,776	7,376	(400)
Supplies and services	3,549	21	4,019	7,589	6,928	(661)
Agency services	6,595	-	666	7,261	7,026	(235)
Central support services	505	124	-	629	614	(15)
Capital financing	5,885	-	5	5,890	5,854	(36)
Income	(15,439)	-	(13,755)	(29,194)	(28,532)	662
Net expenditure	56,720	488	-	57,208	54,904	(2,304)
Contingency pay & prices	-	-	-	-	-	-
Interest on balances	(172)	-	-	(172)	(71)	(101)
	56,548	488	-	57,036	54,833	(2,203)
Movement on reserves	2,214	-	-	2,214	4,417	2,203
Overall financial position	58,762	488	-	59,250	59,250	-

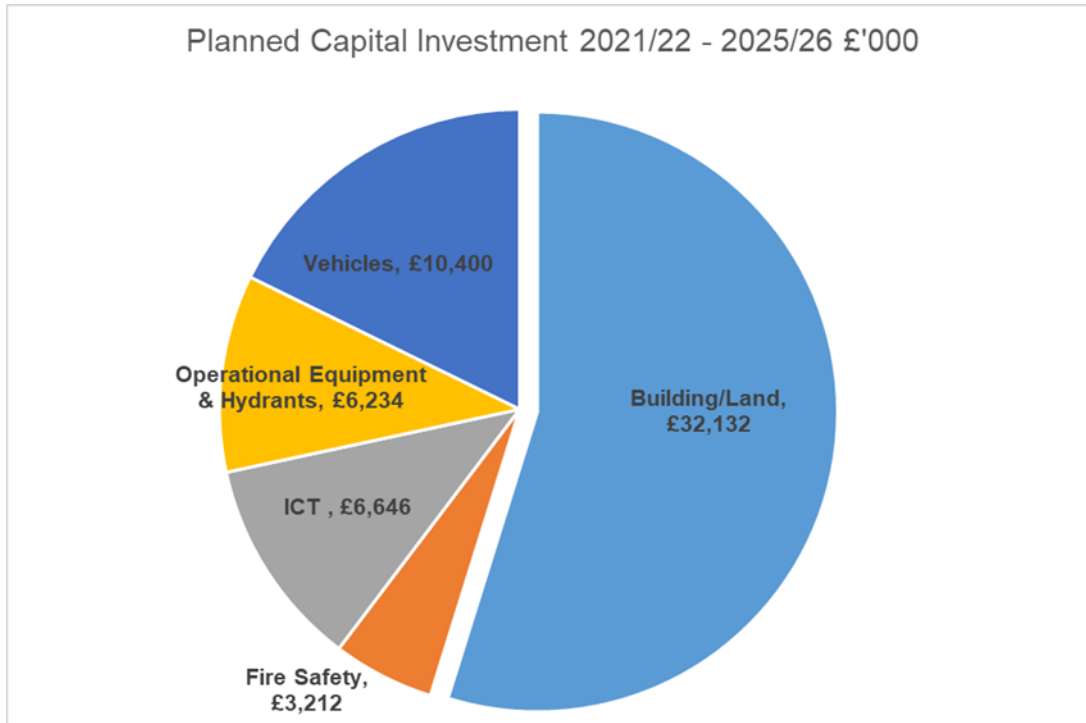
The Authority had adopted a strategy that would aim as far as possible to utilise any in year revenue savings to fund additional debt repayments via the Minimum Revenue Provision, MRP, in order to free up future debt servicing budget to re-invest in front line services. Throughout the year managers looked at every opportunity to maximise savings against the approved budget to enable an increase in the capital reserve. The 2021/22 year-end “underspend” was £2.203m however, after taking into account specific year-end earmarked reserves requests of £0.250m, the available underspend was £1.953m. In April 2022, the Authority was advised that the fixed price electricity contract had ended in March and the Authority faced a potential 200% increase in electricity costs in 2022/23, equating to an estimated £1.0m increase in costs. In addition, pressure on future pay awards is growing with the increase in CPI to 9.1% in May 2022 and potentially higher by the year-end. The current MTFP assumes a 2.5% increase in 2022/23 pay award, each additional 1% would increase costs by £0.5m. Therefore, rather than increase the Capital Reserve with the available £1.953m underspend the Authority will use it to increase the Inflation Reserve to provide a one-off resource in 2022/23 to cover potential higher electricity and pay costs, and review the future budget provision during the 2023/24 budget process.

Capital Strategy and Capital Programme 2021/22 to 2025/26

Each financial year the Authority produces a five-year capital programme to manage major capital schemes. Owing to the nature of capital expenditure, a large number of schemes span more than one financial year, therefore the programme is a rolling programme covering a five-year period.

The starting point for the programme is an assessment of the capital investment requirements for the Authority for future years based upon needs identified by the various expert professionals in areas such as buildings, vehicles, ICT, and operational equipment. The Authority manages its capital investment plans through its asset management plans and capital programme.

The chart below summarises the areas of planned investment over 2021/2022 – 2025/2026 based on the final approved capital budget of £58.624m:



This capital programme has a borrowing requirement of £31.287m across the whole life of the plan. The proposed borrowing is unsupported borrowing or prudential which means the Government no longer provides any revenue grant funding to meet the revenue costs associated with the borrowing. This means all new borrowing is “prudential” and the Authority must determine if it can afford and sustain the servicing of the associated debt and revenue costs. Current and future debt servicing costs as a consequence of the proposed capital programme have been built into the Authority’s financial plan and revenue budget and are therefore deemed as affordable and sustainable.

The most significant items of capital expenditure have been:

- The pre-construction works at the new Training and Development / Superstation site
- Fire station refurbishment at Heswall
- Installation of smoke alarms
- Upgrades and replacement of ICT software and hardware
- Purchase of Home Office National Resilience assets
- The purchase of new appliances and specialist vehicles

2021/2022 Capital Outturn Position

As capital schemes by their very nature take more than one year to complete they are often subject to delays in obtaining planning permission; delays in finalising project specifications; and are subject to supply chain pressures, it is not unusual to have constant re-phasing of the planned spend. The final budget for 2021/2022 was £11.121m but based on the actual spend a further £4.012m planned spend has been re-phased into 2022/2023.

Authority's Balance Sheet at 31st March 2022

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 of the Authority has available. Basically, the statement shows what the Authority owns, is owed and what it owes.

31 March 2021 £000		Notes	31 March 2022 £000
84,936	Property, plant and equipment	12	92,925
142	Intangible assets	13	72
85,078	Long-term Assets		92,997
29,107	Short-term investments	14	33,014
350	Assets held for sale	18	-
1,038	Inventories	15	1,145
25,643	Short-term debtors	16	19,743
5	Cash and cash equivalents	14 & 17	6,688
56,143	Current assets		60,590
(4,082)	Short-term borrowing	14	(1,051)
(16,451)	Short-term creditors	19	(18,792)
(483)	Bank overdraft	14 & 17	-
(21,016)	Current liabilities		(19,843)
(16,858)	Long-term creditors	14	(16,352)
(1,169)	Provisions	20	(1,052)
(33,885)	Long-term borrowing	14	(33,720)
(1,165,303)	Other long-term liabilities	14 & 40	(1,156,357)
(1,217,215)	Long-term liabilities		(1,207,481)
(1,097,010)	Net liabilities		(1,073,737)
(39,465)	Usable reserves	21	(43,791)
1,136,475	Unusable reserves	22	1,117,528
1,097,010	Total reserves		1,073,737

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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For more information regarding the Authority, visit our website www.merseyfire.gov.uk