MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	AUDIT COMMITTEE		
DATE:	14 FEBRUARY 2019	REPORT NO:	CFO/004/19
PRESENTING OFFICER	DIRECTOR OF FINANCE		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	FINANCIAL REVIEW 2018/19 - APRIL TO DECEMBER		

APPENDICES:	APPENDIX A1:	REVENUE BUDGET MOVEMENTS SUMMARY
	APPENDIX A2:	FIRE AND RESCUE SERVICE REVENUE BUDGET MOVEMENTS
	APPENDIX A3:	CORPORATE SERVICE REVENUE BUDGET MOVEMENTS
	APPENDIX A4:	BUDGET MOVEMENTS ON RESERVES
	APPENDIX B:	CAPITAL PROGRAMME 2018/19
	APPENDIX C:	APPROVED AUTHORITY CAPITAL PROGRAMME 2018/19 – 2022/23

Purpose of Report

1. To review the financial position, revenue and capital, for the Authority for 2018/19. The Authority receives regular comprehensive financial reviews during the year which provide a full health check on the Authority's finances. This report covers the period April to December 2018.

Recommendation

2. That Members;
   a) Approve an increase in the Minimum Revenue Provision (MRP) payment of £1.850m funded from the forecast revenue savings identified in this report, and
   b) Instruct the Director of Finance to continue to work with budget managers to maximise savings in 2018/19, and
   c) Approve that any additional savings identified before the year-end be used to increase MRP, as part of a strategy to free-up future debt servicing budget to reinvest in frontline service.
   d) Approve the amendments to the capital programme, and
   e) Note the current planned use of approved reserves.

Executive Summary

Revenue:
The Authority has a detailed medium-term financial plan. The key elements of this are:-

- To continue with its modernisation programme and deliver the Authority's Mission of achieving Safer Stronger Communities – Safe Effective Firefighters
- To deliver the required savings through efficiencies, most of which are employee related, whilst minimising the impact of the cuts.

The Authority is on target to deliver the approved 2018/19 budget savings and is progressing well with the required structural changes in its workforce in order to maintain the required savings on a permanent basis.

The Authority has a strategy of maximising and delivering its savings plan as early as possible in order to fund increases in reserves or other initiatives that would act as a hedge against future financial challenges. Overall this report has identified that as a result of savings being delivered ahead of the planed target date, new one-off savings, and additional income this report has identified a £1.850m favourable revenue forecast. Members are asked to approve utilising this saving to fund an increase in the minimum revenue provision, MRP, in order to pay historic debt commitments early. By increasing the MRP payment the intention is to free-up future debt servicing revenue budget and re-invest it in frontline services or use it to meet any future financial challenges.

The total budget requirement remains at the original budget level of £59.701m. Appendix A1 – A4 outline in detail all the revenue budget and reserve movements between April and December.

Capital:
The capital programme planned spend has increased by £3.123m as the result of an increase in the TDA refurbishment scheme of £3.500m (CFO/079/18), a reduction in planned vehicle spend of £0.672m and increased or new schemes of £0.295m. The revised Capital Programme is outlined in Appendix B and C.

Reserves & Balances:
The general balance remains unchanged at £2.000m. All movements in committed reserves are outlined in Appendix A4.

Treasury Management:
No new long term borrowing has been arranged and the Authority has continued its policy of reducing investments and only taking short term borrowing to cover cash flow requirements

Introduction and Background

3. The purpose of this report is to enable the Authority to monitor its income and expenditure levels against its budget on a regular basis throughout the year to ensure effective financial management.

4. This report is the review of the Authority's position up to the end of December of the financial year 2018/19 (April – December 2018).

5. In order to ensure that the financial reviews provide a regular and effective financial health check on all aspects of the Authority's finances the following structure has been adopted.

Financial Review Structure

Section	Content
A	Current Financial Year Review (Revenue Budget, Capital Programme and movement on Reserves)
B	Treasury Management Review

(A) Current Financial Year – 2018/19

6. The purpose of the financial review report is to provide Members with an assurance that the approved budget remains robust and that the current forecast of expenditure can be contained within the available resources. If actual expenditure or income for the year is inconsistent with the current budget then the report will, if necessary, identify the appropriate corrective action.

Revenue Position:

7. Budget Movements: There have been a number of budget adjustments in the quarter but they have had no impact on the "bottom-line" as they are either self-balancing virements within department budgets or budget adjustments financed by reserves in line with previously agreed Authority decisions.

8. A drawdown from reserves of £0.795m, of which £0.739m was to fund planned spend on the new Saughall Massie fire station and £0.021m for new energy conservation schemes. The balance related to funding planned spend on equipment, training and clothing.

9. Budget virements (adjustments between budget lines), of which £0.417m related to the virement between the inflation contingency to cover pay and non-pay inflation costs.

10. Appendix A1 – A4 attached to this report summarises the movements in the revenue budget. The net budget requirement remains at £59.701m which is consistent with the original budget.

11. Update on Budget Savings Implementation: the **approved pre 2016/17 savings,** totalling £25.597m, are being delivered as expected. However, the structural establishment changes required as part of the station merger initiative will not be formally implemented until the new fire stations at Saughall Massie and St Helens have been built. Saughall Massie station should be completed by the end of 2018/19. The required firefighter saving is being delivered in cash terms as the reduction in the number of firefighters has been achieved.

12. **The 2016/17, 2017/18 & 2018/19 Budget approved savings plan** (equating to £9.216m by 2018/19, rising to £12.008m by 2019/20 and £13.038m by 2022/23), included:-

    - efficiency savings of £8.832m by reducing management and support services costs,
    - a known or anticipated £2.306m increase in the council tax base that the plan assumed is permanent,
    - an unavoidable reduction of £1.900m from the operational response budget in order to balance the financial plan.

    All non-operational 2018/19 saving options in the current plan have been successfully implemented.

    The operational response saving required the budgeted whole-time equivalent (WTE) firefighter establishment to reduce from 669 to 620. The phasing of the saving, (to be delivered by the end of 2018/19), mirrored the anticipated firefighter retirement rates and therefore avoided the need for compulsory firefighter redundancies. The reduction in the firefighter establishment has meant the Authority has had to review its crewing duty systems aligned to demand. Following extensive public consultation as part of the Integrated Risk Management Plan update for 2017-2020, the Authority approved a change in the crewing systems at Aintree, Crosby, Eccleston, Kensington, Liverpool City Centre and Wallasey Fire Stations from full time cover to day crewing whole-time retained duty system (DCWTR) stations. The CFO has committed to maintain night time cover from Liverpool City Centre and Wallasey into the fourth quarter of 2018/19. This cover will be provided by dynamically managing existing staff resources and if necessary the use of part time / secondary contracts / overtime.

13. Actual expenditure in comparison to Revenue Budget**:** The Authority is concerned that any future Government may continue to reduce the level of Government support in real terms post 2019/20. It therefore has directed the Chief Fire Officer to maximise savings in the year to accommodate options to assist with any future challenge. In recent years this meant using these savings to contribute towards the building up of reserves as a hedge against the future financial challenges or to meet one-off expenditure such as capital infrastructure investment. In addition any identified savings could be used to increase the planned minimum revenue provision (MRP) payment so that future debt servicing budget may be freed-up to

fund additional investment in frontline services or contribute to any future financial saving challenge.

After reviewing spend up to the end of December 2018 Officers have identified the following savings:

Employee Costs;

Employee costs make-up approximately 75% of the Authority's revenue budget and is the most risk critical area of the financial plan. As a result these costs are monitored extremely closely.

Firefighter retirements are slightly ahead of the forecast profile adopted for the financial strategy resulting in a forecast £0.500m favourable variance against the £30.334m budget.

Control and non-firefighter employee vacancies arising from staff turnover in the year has resulted in a forecast £0.350m saving on the £12.012m budget.

Other Non-Employee Revenue Costs;

The current approved medium term financial plan assumes a £0.426m saving from support services with effect from 2019/20. The strategic leadership team (SLT) have identified the required saving areas and have implemented the required saving during the year in order to deliver the savings at the earliest opportunity. As a result a £0.400m saving is forecast.

Contingency for 2018/19 Pay & Price Increases;

Members will recall that the budget assumed a 2% pay bill increase in 2018/19 and future years. The non-uniform staff have accepted a 2% pay award for 2018/19 and 2019/20, but a significant risk exists around the 2017/18 – 2019/20 firefighters award that has yet to be settled. The National Joint Council (NJC) agreed to pay a 2% uplift in firefighter pay rates from July 2018 (they had previously agreed to a 1% uplift from July 2017). However, the 2017/18 and 2018/19 firefighter pay award has yet to be agreed. Any settlement above the 2% assumed for 2017/18 to 2019/20 would require the Authority to identify additional permanent savings (approximately £0.3m for each additional 1%), as part of a future budget making process.

Officers are continuing to control the allocation of non-employee inflation. In the first instance any inflationary pressure is expected to be absorbed from within the relevant budget line. The current medium term financial plan assumes non-pay inflation savings will increase over the coming years as a result of this strategy. The latest forecast has identified savings on non-employee lines are ahead of schedule resulting in a favourable forecast of £0.296m.

The Director of Finance is continuing to work with budget holders to maximise savings in 2018/19.

14. Summary of Revenue Forecast Position: The Authority has made good progress in implementing the approved budget saving options and required organisational structure changes.

As expected the implementation of all of the approved station merger proposals have yet to be formally concluded, therefore the required budgetary structural changes remain outstanding. However, as Firefighter retirements remain as expected the Service continues to deliver in "cash" terms the required saving target.

Overall the latest forecast has identified a revenue saving of £1.850m. Members are asked to approve the utilisation of this saving to fund an increase in the minimum revenue provision (MRP) so that future debt servicing budget may be freed-up to fund additional investment in frontline services or contribute to any future financial saving challenge. In addition Members approve that any further savings identified before the end of 2018/19 be used to make additional MRP payments. Table B summarises the revenue year-end forecast position based on spend to the end of December 2018:

Table B: Anticipated Year-End Revenue Position

	FIRE SERVICE BUDGET	Fire Authority	NRAT	TOTAL BUDGET	ACTUAL as at 31.12.18	FORE-CAST	VARI-ANCE
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure							
Employee Costs	45,036	395	1,761	47,192	34,058	46,342	-850
Premises Costs	2,758			2,758	2,016	2,758	0
Transport Costs	1,381		5,880	7,261	5,259	7,261	0
Supplies and Services	4,175	53	1,628	5,856	2,827	5,456	-400
Agency Services	6,040	0	780	6,820	4,849	6,820	0
Central Support Services	436	41	250	727	453	727	0
Capital Financing	9,818	0	0	9,818	0	9,818	0
Income	-8,171	0	-10,299	-18,470	-16,934	-18,774	-304
Net Expenditure	61,473	489	0	61,962	32,528	60,408	-1,554
Contingency Pay&Prices	504			504	0	208	-296
Cost of Services	61,977	489	0	62,466	32,528	60,616	-1,850
Interest on Balances	-172			-172	-112	-172	0
Movement on Reserves	-2,593			-2,593	0	-2,593	0
Total Operating Cost	59,212	489	0	59,701	32,416	57,851	**-1,850**

The Director of Finance is continuing to work with budget holders to maximise savings in 2018/19 and will report in more detail in future financial reviews.

Capital Programme Position:

15. The last financial review report (CFO/073/18) approved a 5 year capital programme worth £43.266m. This has now been updated for scheme additions and changes during quarter 3 of £3.123m, which are summarised in the table below:

Movement in the 5 Year Capital Programme						
	Total Cost	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Expenditure	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amendments to Approved Schemes;						
Re-phasing of Schemes	0.0	-2,988.3	2,038.3	805.0		145.0
Increase in Saughall Massie FS Build	134.0	134.0				
TDA increase (CFO/079/18)	3,500.0			3,500.0		
ICT - ESMCP Remedial Works	137.7	137.7				
Energy Conservation Schemes (Salix)	21.0	21.0				
New ICT schemes funded by Revenue	2.0	2.0				
Reduction in planned spend (vehicles)	-671.7	-373.1			370.0	-668.6
	3,123.0	**-3,066.7**	**2,038.3**	**4,305.0**	**370.0**	**-523.6**
Funding						
Reserves						
Increase in Saughall Massie FS Build	134.0	134.0				
Rephasing Saughall Massie FS Build	0.0	605.2	-605.2			
TDA increase (CFO/079/18)	3,500.0			3,500.0		
Revenue Contribution to Capital Outlay(RCCO)						
ESMCP works funded by revenue grant	137.7	137.7				
Energy Conservation Schemes (Salix)	21.0	21.0				
New ICT equipment	2.0	2.0				
External Contributions						
St Helens FS Transformation Grant re-phasing	0.0	405.0	-405.0			
NRAT National Resilience Grant rephasing	0.0	-1,250.0	1,250.0			
Capital Receipts						
Rephasing	0.0	-1,175.0	1,175.0			
Borrowing						
Rephasing impact	0.0	-1,573.5	623.5	805.0	0.0	145.0
Reduction in planned vehicle spend	-671.7	-373.1			370.0	-668.6
	3,123.0	**-3,066.7**	**2,038.3**	**4,305.0**	**370.0**	**-523.6**

16. The net increase in total planned spend is being funded by specific non-borrowing funding and the actual level of required borrowing has fallen by £0.672m in the quarter as a result of a reduction in planned spend funded by borrowing. Details of the planned changes in quarter 3 are outlined below:

- Following a review of the 2018/19 programme officers have now revised the timing of actual spend and have re-phased £2.988m from 2018/19 into future years. The most significant re-phasing related to:-
  - National Resilience Assurance Team / National Asset Refresh- £1.250m re-phasing. The Authority acts on behalf of the Home Office to co-ordinate and procure the approved asset refresh, however ultimately the procurement of assets has to be signed-off by the

Home Office. Until the HO are satisfied the correct assets have been identified no procurement can take place. Delays in getting agreement on the specific replacement assets has delayed likely spend until 2019/20.

  - Bulk Foam Equipment, £0.120m, and POD Equipment, £0.113m, re-phasing – A review of POD equipment is currently being carried out and this will influence the specification around the type of bulk foam equipment and PODs. Until this review has been concluded no spend can be authorised.
  - Special Vehicles, £0.985m slippage – a review is currently being undertaken to determine what future special vehicles are required by the Service. The review is expected to be completed in the next couple of months and the procurement of these assets will then commence.
  - Technical refresh and upgrade for Control's computer aided despatch, £0.138m slippage – officers are unlikely to complete the due diligence work on the offer from Capita in time to complete the scheme before the end of this year.
  - Delays in ICT network and equipment refresh as a result of giving other projects higher priority will see £0.140m re-phased into 2019/20.
  - Other £0.242m – various ICT, operational equipment and miscellaneous vehicles slippage.

- An increase in the planned TDA refurbishment scheme of £3.500m as reported to the Policy and Resources Committee on 13th December 2018, CFO/079/18. The increase is being funded from the capital investment reserve.

- Saughall Massie – increase in scheme costs of £0.134m due to required United Utilities manhole diversions and changes to the tower foundation design. These additional costs will be funded from the capital investment reserve.

- ESMCP Remedial works of £0.138m are required for current radios and other equipment as the ESMCP project will not be activated until longer than expected, 2022? The cost of this work will be funded by a Government grant.

- Salix is a form of Government funding that pump prime's public capital investment that delivers energy efficient schemes that then repay Salix. A scheme to install additional energy saving works for LED lighting at a number of stations at a cost of £0.021m has been approved and will be managed by the Estates Department and has now been built into the current capital programme.

- Officers have reviewed the vehicle 5 year programme and amended the programme in terms of vehicle type for cars/vans/boat and removed 2 appliances and 7 officer response vehicles from 2022/23 and slipped them into future years. Overall the change to the 5 year programme is -£0.672m

- A number of small increases to the ICT programme have been built into the latest capital budget and are being funded from revenue, £0.002.

17. Overall the revised capital programme has increased by £3.123m. The revised detailed capital programme is attached as Appendix B (2018/19 Capital Programme) and Appendix C (2018/19–2022/23 Capital Programme) to this report for Members information.

Use of Reserves:

18. The analysis in Appendix A4 outlines a 2018/19 £0.795m movement from reserves to the revenue budget in quarter 3. Of this, £0.739m is to cover the additional Saughall Massie costs of £0.134m and the re-phasing of £0.605m of works for Saughall Massie back from 2019/20 to 2018/19. £0.021m is to fund the LED lighting works, identified in paragraph 16 above. The balance, £0.035m relates to planned spend on equipment, training and clothing funded from the relevant reserves.

19. Committed reserves reached a peak at the end of 2016/17 at £29.9m they have now reduced by 23% or £6.8m to 23.1m and are expected to go below £17m by the end of 2019, and less than £5m by the end of 2021/22.

20. The CFO is reviewing the current reserves in order to identify ways in which the Authority can reduce historic debt levels in order to protect, and if possible grow, its operational establishment numbers in light of previous cuts or in order to protect against any further government funding reductions in 2020/21 and beyond (IRMP Proposals considered at Budget Strategy Day 2019).

21. The general revenue reserve has remained unchanged at £2.000m or 3% of the budget.

(B) Treasury Management

22. The Authority continues to “buy in” Treasury Management from Liverpool City Council. The following paragraphs reflect Treasury Management activities in the period October to December 2018.

23. **Prospects for Interest Rates;**

    In the third quarter of 2018/19 the Bank of England Monetary Policy Committee (MPC) held the base rate at 0.75%. This followed the first increase in the base rate above 0.5%, at its meeting on 2 August 2018, since the base rate was reduced to the historically low level in Mar 2009 as part of the monetary policy response to the financial panic of 2008.

    The final quarter of 2018 saw considerable volatility in global equity markets and many market commentators are predicting further disruption for 2019. The markets have faced a number of headwinds ranging from fears over the impact of escalating trade wars, to the withdrawal of accommodative central bank monetary policy. The European Central Bank has now ended the purchase of new securities as part of its quantitative easing programme and the Federal Reserve in the USA is reducing the size of its balance sheet by not reinvesting maturing securities, a process known as quantitative tightening. Given the current monetary policy environment, some market commentators have expressed a negative outlook for the resulting impact on liquidity and asset prices.

Against this backdrop of volatility in the equity markets, PWLB rates and gilt yields have continued to fluctuate. Long Term PWLB rates peaked during the quarter at 2.99% before falling sharply to a low of 2.59%, a spread of 40 bps in a relatively short period of time. The 50 year PWLB rate ended the quarter at 2.69%.
The strategy indicated that the overall structure of interest rates whereby short term rates are lower than long term rates was expected to remain throughout 2018/19. In this scenario, the strategy would be to reduce investments and borrow for short periods and possibly at variable rates when required.

24. **Capital Borrowings and the Portfolio Strategy;**
The borrowing requirement comprises the expected movements in the Capital Financing Requirement and reserves plus any maturing debt which will need to be re-financed. The Authority does not envisage that any new long term borrowing will be required in 2018/19. Current market conditions continue to be unfavourable for any debt rescheduling.

25. **Annual Investment Strategy;**
The investment strategy for 2018/19 set out the priorities as the security of capital and liquidity of investments. Investments are made in accordance with DCLG Guidance and CIPFA Code of Practice. Investments are made in sterling with an institution on the counterparty list.

Extreme caution has been taken in placing investments to ensure security of funds rather than rate of return. The use of deposit accounts with highly rated or nationalised banks and AAA rated money market funds has enabled reasonable returns in a low interest rate environment. In the period 1st Oct to 31 Dec 2018 the average rate of return achieved on average principal available was 0.83%. This compares with an average seven day deposit (7 day libid) rate of 0.58%.

The credit ratings and individual limits for each institution within the categories of investments to be used by the Authority in 2018/19 are as follows:

UK Government (including gilts and the DMADF)	Unlimited
UK Local Authorities (each)	Unlimited
Part Nationalised UK banks	£4m
Money Market Funds (AAA rated)	£3m
Enhanced Money Market (Cash) Funds (AAA rated)	£3m
UK Banks and Building Societies (A- or higher rated)	£2m
Foreign banks registered in the UK (A or higher rated)	£2m

The Authority had investments of £29.4m as at 31st December 2018: (overleaf)

ANALYSIS OF INVESTMENTS END OF QUARTER 3 2018/19						
Institution	Credit Rating	MM Fund*	Bank / Other	Building Society	Local Authority	Average Interest
		£	£	£	£	%
Aberdeen Global	AAA	1,400,000				0.58
Federated Investors UK	AAA	3,000,000				0.68
Close Brothers	A		2,000,000			1.15
Goldman Sachs	A		2,000,000			0.89
Santander UK	A		2,000,000			0.85
Sumitomo/SMBCE	A		2,000,000			0.83
Cumberland BS				1,000,000		0.78
Newcastle B Soc				1,000,000		0.93
Nottingham B Soc				1,000,000		0.90
Principality B Soc				1,000,000		0.96
West Bromwich B Soc				1,000,000		0.96
Gwent BC					1,000,000	0.80
Highland Council					2,000,000	0.96
Lancashire CC					2,000,000	1.05
North Lanarkshire DC					2,000,000	1.05
Slough BC					3,000,000	0.85
South Cambridgeshire DC					2,000,000	0.75
Totals		**4,400,000**	**8,000,000**	**5,000,000**	**12,000,000**	**0.88**
Total Current Investments					**29,400,000**	

**MM Fund - Money Market Funds -these are funds that spread the risk associated with investments over a wide range of credit worthy institutions.*

26. **External Debt Prudential Indicators;**
The external debt indicators of prudence for 2018/19 required by the Prudential Code were set in the strategy as follows:

Authorised limit for external debt: £74 million
Operational boundary for external debt: £57 million

Against these limits, the maximum amount of debt reached at any time in the period 1 October to 31 December 2018 was £38.8 million.

27. **Treasury Management Prudential Indicators;**
The treasury management indicators of prudence for 2018/19 required by the Prudential Code were set in the strategy as follows:

a) Interest Rate Exposures

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 50%

The maximum that was reached in the period 1 October to 31 December 2018 was as follows:

Upper limit on fixed interest rate exposures: 100%
Upper limit on variable interest rate exposures: 0%

b) Maturity Structure of Borrowing

Upper and lower limits for the maturity structure of borrowing were set and the maximum and minimum that was reached for each limit in the period 1 October to 31 December 2018 was as follows: -

Maturity Period	Upper Limit	Lower Limit	Maximum	Minimum
Under 12 months	50%	0%	4%	2%
12 months and within 24 months	50%	0%	0%	0%
24 months and within 5 years	50%	0%	9%	9%
5 years and within 10 years	50%	0%	0%	0%
10 years and above	90%	0%	89%	87%

c) Total principal sums invested for periods longer than 364 days.

The limit for investments of longer than 364 days was set at £2 million for 2018/19. A £1m investment for 365 days was placed during the third quarter of 2018/19.

Equality and Diversity Implications

28. There are no equality and diversity implications contained within this report.

Staff Implications

29. There are no staff implications contained within this report.

Legal Implications

30. There are no legal implications directly related to this report.

Financial Implications & Value for Money

31. See Executive Summary.

Risk Management, Health & Safety, and Environmental Implications

32. There are no Risk Management, Health & Safety and Environmental implications directly related to this report.

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

33. The achievement of actual expenditure within the approved financial plan and delivery of the expected service outcomes is essential if the Service is to achieve the Authority's Mission.

BACKGROUND PAPERS

CFO/004/18 "MFRA Budget and Financial Plan 2018/2019-2022/2023" Authority 22nd February 2018.

CFO/059/18 "Financial Review 2018/19 – April to June" Audit Committee 27th September 2018.

"Financial Review 2018/19 – April to September" Policy and Resources Committee 13th December 2018.

GLOSSARY OF TERMS

ESMCP Emergency Services Mobile Communications Programme – A Government programme to deliver the new Emergency Services Network (ESN) critical communications system. This will replace the current Airwave service used by the emergency services in Great Britain.

CIPFA Chartered Institute of Public Finance and Accountancy

MRP Minimum Revenue Provision. Under the Local Authorities and Accounting Regulations the Authority is required to set aside a sum of money each year to reduce the overall level of debt, this sum is known as the Minimum Revenue Provision (MRP).