

MERSEYSIDE FIRE AND RESCUE AUTHORITY

MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	27 JULY 2023	REPORT NO:	CFO/033/23
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT IAN CUMMINS		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM		
TITLE OF REPORT:	REVENUE & CAPITAL OUTTURN 2022/23		

APPENDICES:	APPENDIX A1- A4:	2022/23 REVENUE BUDGET TO ACTUAL
	APPENDIX B:	2022/23 CAPITAL BUDGET TO ACTUAL

Purpose of Report

1. To report upon the Authority's year-end financial position for 2022/23.

Recommendation

2. It is recommended that Members;
 - a) note that actual revenue spend compared to the approved budget delivered a net underspend of £4.213m before the creation of year-end reserves, as outlined in Appendix A1;
 - b) approve that this underspend be used to;
 - create the required year-end reserves of £0.924m to fund projects that have slipped from 2022/23 into 2023/24,
 - increase in the inflation reserve by £0.382m to mitigate the risk around high inflationary pressures on pay and prices,
 - increase the capital investment reserve by £2.907m in order to offset capital cost inflationary pressures and reduce planned borrowing to free up revenue budget associated with debt servicing costs,
 - c) approve the re-phasing of planned capital spend from 2022/23 into future years of £6.334m, as outlined in Appendix B; and
 - d) approve committed reserves of £19.789m and a general reserve of £3.000m as outlined in Appendix A4.

Executive Summary

The Authority approved a five-year medium-term financial plan (MTFP) at the Budget Authority meeting on 24 February 2022. The approved MTFP delivered a balanced revenue budget of £61.792m for 2022/23 based on key budget assumptions around costs, in particular a 2022/23 pay award of 2.5% for all staff.

The MTFP included a planned £62.380m five year capital programme funded by £37.667m of borrowing with the balance coming from specific resources.

The Authority has a strategy of maximising any savings in the year in order to fund increases in reserves or additional debt payments to free up budget in order to act as a hedge against future financial challenges or fund infrastructure investment.

The final accounts of the Authority have now been completed and after taking into account the need to create £0.924m year-end reserves a £3.289m underspend on the revenue budget has been identified. The report proposes using the underspend to;

- mitigate potential higher price and pay inflation above that assumed in the MTFP by increasing the inflation reserve by £0.382m, and
- increasing the capital investment reserve by £2.907m, in order to offset capital cost inflationary pressures and reduce planned borrowing to free up revenue budget associated with debt servicing costs.

At the year-end committed reserves stood at £19.789m and the General Fund balance remains as anticipated at £3.000m.

Capital spend was £18.951m resulting in a variance of £6.476m against the £25.427m budget for 2022/23. The variance can be broken down into:

- a £6.334m re-phasing of planned spend from 2022/23 into future years, requiring the carry forward of capital budget.
- a net underspend and saving on capital projects of £0.142m.

As expected no new borrowing was taken out in the year.

Introduction and Background

3. This report sets out the actual financial performance of the Authority compared to the approved 2022/23 revenue and capital budgets.
4. The delivery of the 2022/23 budget and approved financial plan was monitored closely during the year and Members received quarterly financial review updates. The last financial review report, CFO/056/22, went to the Audit Committee on 9 February 2023, and covered the period up to December 2022. This report now provides Members with the position up to the end of the 2022/23 financial year, (31 March 2023), and covers the quarter four revenue, capital, and reserve budget adjustments and outturn position.

MTFP / Budget Assumptions:

5. The financial plan made a number of assumptions around future costs and funding, including:-
 - annual pay awards of 2.5% in 2022/23 and thereafter,
 - a 2% per annum general price inflation, and 12% on energy costs,
 - that all approved saving options would continue to deliver the required savings,
 - no unavoidable revenue growth would materialise in the year,
 - capital borrowing costs would be contained within the approved revenue budget,
 - council Tax and local Business Rates income yield would be consistent with the estimated figures provided by billing authorities, and
 - committed reserves would be sufficient to offset the relevant associated risks and planned project spend.
6. The previous quarterly financial review updates advised Members that the expected pay and energy price increases meant the MTFP assumptions would not be achievable. The previous reports advised that the non-operational staff received a £1,925 increase (this ranged from a 1.8% to a 10% increase) adding 6.5% to the pay costs or an additional 4% / £0.465m. For 2022/23 the additional pay cost could be contained within the budget due to vacancy savings. Members were advised that energy costs were likely to be £0.8m above the budget and once the actual increase in costs was known a draw-down would be made from the £3m inflation reserve to cover any cost above the budget. The firefighter pay award was agreed in February 2023, after the last financial review report. Firefighters accepted a 7% increase (with effect from July 2022), and that equated to 4.5% or £1.346m (£1.706m in a full year) above the budget. During quarter four the inflation reserve was used to cover the additional £1.322m firefighter pay and £0.829m energy costs. The 2023/24 Budget includes a permanent provision for the full cost of the 2022/23 pay increases and expected future energy costs.
7. In summary, the key assumptions, with the exception of the pay and energy increases, were found to be robust and all costs were contained within the available budget.
8. The rest of this report will now review the budget movements and the financial performance for 2022/23.

Revenue Budget Movements:

9. The Revenue Budget for 2022/23 was set at £61.792m.
10. Quarter four budget changes included, as outlined in paragraph 6 above, adjustments for the 2022/23 7% firefighter pay award and higher energy costs, but in addition further budget amendments were required to reflect other self-balancing changes. These were;
 - a net reduction in reserves of £2.849m;
 - as mentioned in paragraph 6, £2.151m from the inflation reserve to cover higher firefighter pay and energy costs.
 - as planned, £0.646m was drawn-down from the capital reserve to cover the building costs of the new TDA and fire station, increasing the total contribution from the reserve to £14.431m by 31 March 2023.
 - members approved a roll-out of the new leadership message to all staff and, as planned, £0.050m was drawn-down from the training reserve to cover the final costs associated with the planned training programme.
 - a further £0.02m was drawn-down from the community engagement reserve to cover planned community schemes.

- a number of self-balancing virements within the revenue account;
 - £0.718m was vired from the inflation provision to cover part (2.5%) of the 2022/23 7% firefighter pay award.
 - current policy is to capitalise salary related smoke alarm installation costs, and use the “saving” on the employee line to increase the capital financing line to cover the capital cost via a revenue contribution to capital. As capitalised salary costs exceeded the original estimate by £0.133m, due to the number of alarms being installed, the salary budget was reduced and the revenue funded capital expenditure line increased by £0.133m
 - the Service allows blue light partners (police/NWAS) to locate in the SHQ and some fire stations. Partners pay a service charge to cover running costs, including energy. The impact of higher energy costs meant an increase of £0.467m in the rent/service charge income and this funded an increase in the premises energy budget to cover higher energy costs associated with blue light partner accommodation.
 - the Home Office (HO) announced late in 2022/23 that the Emergency Services Network scheme (ESN, also known as ESMCP) was being put on hold and the HO was looking at alternative potential contracts. The current capital programme included a number of schemes funded through a revenue contribution to capital outlay, financed by a HO grant, that had to be reversed. The quarter four budget has now been realigned to reflect this resulting in a reduction in the capital ESN scheme of £0.618m and an equivalent reduction in the revenue capital financing line.
 - the National Resilience Assurance initiative budget was realigned at the year-end to reflect the final Home Office grant funding and planned spend, £0.712m.
 - a number of small virements were implemented in the year to re-align budgets to reflect actual planned spend.

These changes are summarised in the table below:

	Original Budget	Approved Qtr 3 Budget	Qtr 4 Amendments	Final Budget	Original to Final Budget Movements
	£'000	£'000	£'000	£'000	£'000
Net Expenditure					
Fire Service	78,641	72,776	3,567	76,343	-2,298
Corporate	488	529	0	529	41
National Res. Assurance	0	0	0	0	0
	79,129	73,305	3,567	76,872	-2,257
Interest on Balances	-172	-322	0	-322	-150
Inflation Provision	1,126	883	-718	165	-961
Contribution (from) to Reserves	-18,291	-12,074	-2,849	-14,923	3,368
Total Net Expenditure	61,792	61,792	0	61,792	0
Funded By					
Government Support	-31,251	-31,251	0	-31,251	0
Coll Fund Bus Rates / Council Tax Deficit	1,147	1,147	0	1,147	0
Council Tax	-31,688	-31,688	0	-31,688	0
	-61,792	-61,792	0	-61,792	0

2022/23 Revenue Outturn Position:

11. The table below summarises the actual revenue position for 2022/23, excluding the Home Office National Resilience Assurance (NRAT) as that is 100% funded from the Government and relates to national and international rather than MFRS funded initiatives, *(any year-end variances associated with NRAT are carried forward and belong to the Home Office / Government)*. **Appendix A1 to A3** provides a more detailed analysis of the budget to actual variances:

	Fire Service Budget	Fire Authority / Corporate Mgt	Total Budget	Actual (before Year-end reserves / adjustments)	Variance	Year-End Reserves	Variance Post Reserves / Adjustment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure							
Employee Costs	54,221	367	54,588	53,114	-1,474	632	-842
Premises Costs	4,394	0	4,394	4,054	-340	150	-190
Transport Costs	1,419	0	1,419	1,460	41		41
Supplies & Services	3,966	23	3,989	3,561	-428	120	-308
Agency Services	6,838	0	6,838	6,769	-69		-69
Central Support Services	505	139	644	612	-32	22	-10
Capital Financing	20,161	0	20,161	20,108	-53		-53
	91,504	529	92,033	89,678	-2,355	924	-1,431
Income	-15,161	0	-15,161	-16,258	-1,097		-1,097
Net Expenditure	76,343	529	76,872	73,420	-3,452	924	-2,528
Contingency Pay & Prices	165		165	0	-165		-165
Interest on Balances	-322		-322	-920	-598		-598
	76,186	529	76,715	72,500	-4,215	924	-3,291
Movement on Reserves	-14,923		-14,923	-14,923	0		
Adjustment To Council Tax Yield				2	2		2
Overall Financial Position	61,263	529	61,792	57,579	-4,213	924	-3,289

12. The Authority has a strategy of maximising any savings in the year in order to fund increases in reserves or additional debt payments that may free up future budgets to fund infrastructure investment or act as a hedge against future financial challenges. After taking into account the year-end earmarked reserve requests of £0.924m, net expenditure was £3.289m lower than the budget. The £3.289m underspend on the revenue budget has been used to fund an increase in the inflation reserve of £0.382m to mitigate future inflation risks, and, a £2.907m increase in the capital reserve to reduce future capital borrowing. After taking these reserve adjustments into account the Authority's overall expenditure is consistent with its budget.
13. The main revenue variations after year-end reserve requests, (outlined within the reserve section of this report), were:

Employee Costs, -£0.842m (1.5%) favourable variance –

- **non-operational** vacancies and staff not being at the top of their budget grade meant a direct employee saving of £0.189m.

- **Firefighter overtime saving** - local industrial action during the year contributed to a net saving of £0.499m after taking account of year-end reserve adjustments (retrospective holiday pay).
- The balance is made up from smaller variances over a number of non-direct employee budgets such as employee insurances, training expenses, injury pensions and ill health retirement charges.

Premises Costs, -£0.190m (4.3%) favourable variance –

- The PFI stations final energy and water service charges were less than forecast, £0.114k, in part due to the PFI stations remaining on a fixed price energy contract until March 2024. The balance is made up from backdated business rate revaluation refunds and lower building and site maintenance repair costs.

Transport Costs, £0.041m (2.89%) adverse variance –

- The level of vehicle third party claims in 2022/23 resulted in an estimated liability for MFRS, (the Service pays up to £10k against any liable claim), that exceeded the available budget (£0.032m) by £0.085m. A lot of the claims have yet to be settled so the actual settlement cost may be lower than the provision. Officers will monitor the position during 2023/24 to determine if the vehicle insurance budget needs to be increased. Small underspends on vehicle lease costs and mileage claims reduced the overall transport overspend to £0.041m.

Supplies and Services, -£0.308m (7.7%) favourable variance –

- Officers are continuing to strictly manage controllable expenditure lines such as computing, prevention, and stationary supplies in light of the risk from higher inflation and a future potential financial challenge. A number of small favourable variances totalling of £0.308m have materialised on these controllable budgets.

Agency Services, -£0.069m (1.0%) favourable variance.

- Small one-off efficiency savings on outsourced contracts, (Fire Pension Administration, Facilities Management, and PFI contract), delivered a £0.069m saving.

Capital Financing, -£0.053m (0.3%).

- Interest payments on debt were slightly lower than forecast.

Income (*including interest on balances*), £1.695m (10.9%) favourable variance.

- Increase in specific grants was £0.778m greater than the budget:
 - the Authority received a number of s31 grants over 2020/21 – 2022/23 to compensate it for lower business rate income due to Government covid policies introduced over this period. The actual grant amount paid is only finalised once local authorities have confirmed the actual level of business rates due in the year. The actual s31 grant when compared to the estimated grant was £0.368m higher. In addition the Government hold back some of the business rates income to fund a safety net that is only allocated out when an authority's business rates yield falls below a certain percentage. Any unallocated funds that remain in the safety net are re-distributed at the end of the year. In 2022/23 the Authority received a re-distributed safety net fund grant of £0.169m.
 - the eligible costs that could be funded from the apprenticeship levy at the year-end meant an additional £0.203m could be drawn-down in the year.
 - increase in a number of smaller grant actual payments to estimated, £0.038m.

- fees and charges income was £0.181m higher than expected due to additional costs being charged to Home Office initiatives (new dimensions 2 preparation work), National Resilience Assurance work, International Search and Rescue support, and an increase in special services income.
- the rise in interest rates during the year meant interest earned on investments and balances was significantly higher than the budget, £0.598m.
- the balance, £0.138m, is due to small variances on other income and contributions.

Capital Programme Budget:

14. The Budget Authority meeting approved a five-year capital investment programme (2022/23 – 2026/27), of £62.380m, with a planned expenditure in 2022/23 of £42.605m. During the year members' approved adjustments to the programme to reflect various re-phasing of schemes and other adjustments. Following the approval of the April – December 2022 financial review report the five-year capital programme increased to £70.853m, with a planned spend in 2022/23 of £25.237m.
15. In the last quarter, January to March 2023, the planned spend for 2022/23 increased by £0.190m to £25.427m, however, the 5-year programme actually reduced by £0.455m. Also a number of schemes were re-phased from 2022/23 into future years. A summary of the quarter four changes is outlined below.
 - A net reduction in capital schemes funded by a revenue contribution of £0.455m;
 - as mentioned in paragraph 10, the Home Office (HO) announced that the Emergency Services Network scheme (ESN/ESMCP) was being put on hold and the current capital programme included a number of schemes funded through a revenue contribution to capital outlay financed by a HO grant. The capital programme has now been realigned to reflect this resulting in a reduction in the capital ESN scheme of £0.618m and an equivalent reduction in the revenue capital financing line.
 - a small increase in the capital budget of £0.163m; the ICT equipment £0.018m; smoke alarm installation £0.133m; and operational equipment £0.012m. All increases were funded from the directorate revenue budget contributions.
 - a virement of £0.004m from the ICT to the Building capital programme to cover additional ventilation work at the TDA server room was actioned in quarter 4.
 - the new TDA/fire station expected spend profile required £0.646m being brought back from 2023/24 into 2022/23.
 - the ICT mobile data transfer wireless network replacement was re-phased and £0.025m was slipped from 2024/25 into 2025/26.
 - the total level of budgeted borrowing remained consistent with the approved quarter 3 figure.

16. The overall movement in the capital programme reflects the re-phasing of major schemes over the 2022/23 to 2026/27 period and the approved amendments included within the quarterly financial review reports. These changes are summarised in the table overleaf:

Movement in the 2022/23 – 2026/27 5-Year Capital Programme

	Original Budget	Approved Qtr 3	Qtr 4 Amendments	Final Budget	Original to Final Budget Movements
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Building & Land	39,634.2	45,965.2	4.2	45,969.4	6,335.2
Fire Safety	3,175.0	3,175.0	133.0	3,308.0	133.0
ICT	7,036.8	7,394.6	-604.0	6,790.6	-246.2
NRAT Resilience Assets	0.0	2,172.6	0.0	2,172.6	2,172.6
Operational Equip & Hydrants	2,784.2	3,071.9	11.4	3,083.3	299.1
Vehicles	9,750.2	9,073.4	0.0	9,073.4	-676.8
	62,380.4	70,852.7	-455.4	70,397.3	8,016.9
Funding					
Specific Non-Borrowing	24,713.0	28,525.6	-455.4	28,070.2	3,357.2
Borrowing	37,667.4	42,327.1	0.0	42,327.1	4,659.7
	62,380.4	70,852.7	-455.4	70,397.3	8,016.9

2022/23 Capital Expenditure.

17. Capital spend for the year was £18.951m, resulting in a variance of £6.476m against the £25.427m budget. The reason for the variance can be broken down into:
- a) a £6.334m re-phasing of planned spend from 2022/23 into future years, requiring the carry forward of capital budget.
 - b) a net underspend and saving on capital projects of £0.142m.
18. As expected no new borrowing was taken out in the year. A summarised capital programme outturn position statement is outlined below:

2022/23 Capital Budget Outturn Position

	Final Budget	Actual	Variance	Use of Variance		
				Re-phasing into future years	Saving	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure						
Building & Land	16,551.9	14,821.4	-1,730.5	-1,674.1	-56.4	-1,730.5
Fire Safety	768.0	708.9	-59.1	0.0	-59.1	-59.1
ICT	1,427.2	786.0	-641.2	-640.4	-0.8	-641.2
National Resilience Asset Refresh	2,172.6	920.1	-1,252.5	-1,252.5	0.0	-1,252.5
Operational Equip & Hydrants	637.5	336.6	-300.9	-274.9	-26.0	-300.9
Vehicles	3,870.2	1,378.6	-2,491.6	-2,491.6	0.0	-2,491.6
	25,427.4	18,951.6	-6,475.8	-6,333.5	-142.3	-6,475.8
Funding						
Specific Non-Borrowing	17,225.3	15,936.1	-1,289.2	-1,172.6	-116.6	-1,289.2
Borrowing	8,202.1	3,015.5	-5,186.6	-5,160.9	-25.7	-5,186.6
	25,427.4	18,951.6	-6,475.8	-6,333.5	-142.3	-6,475.8

19. The explanation for the year-end re-phasing of capital schemes into 2023/24 is outlined in the table below

Re-phasing £'m	Scheme	Explanation
0.103	DDA Compliance Work	The Disability Discrimination Act (DDA) made it mandatory for all establishments and service providers that are open to the public to take reasonable steps provide access for disabled people. A report went to the Scrutiny Committee in April 2023 to sign-off access work that will now commence in 2023/24.
0.102	LLAR Accommodation work Newton Le Willows.	Reports went to the Policy and Resources / Community Safety and Protection committees in March / April 2023 to sign-off the contracts for the work to commence in 2023/24.
0.286	Refurbishment of Speke / Garston Fire Station	
0.282	Refurbishment of Old Swan Fire Station	
0.100	Saughill Massie Fire Station "Wig Wags"	Awaiting final authorisation from Wirral Council following public consultation, before work can commence.
0.801	Other Building works.	A number of routine planned fire station and general building investment schemes are commencing slightly later than planned as delays in finalising specifications re-tendering work, and scheme priorities has put completion dates back slightly.

0.092	Capita Vision 3 Update	Additional work has been identified to enable Vision to maintain operation. Once the changes have been made the scheme is expected to be completed in 2023/24.
0.218	I.C.T. Hardware	Audio Visual Refresh at SHQ, £0.171m, was delayed to allow station AV work to be completed and a full survey of SHQ AV needs to be completed. Costs are currently being finalised and work will commence in 2023/24. The balance relates to other investments for which specifications have now been finalised and work will be completed in 2023/24.
0.105	Systems Development Portal	The project was slightly delayed but did commence in 2022/23 and will be completed in 2023/24.
0.225	ICT Schemes	The commencement of other schemes was delayed due to delays in receiving hardware, completion of building / cabling works, or competing demands on limited staff resources resulting in the prioritisation of work.
1.253	NRAT Asset Refresh	The Authority acts as the lead authority for the Home Office for the procurement of national resilience assets. The Home Office are continuing to review capability needs in light of what the future challenge may be, and associated vehicle specifications, this has delayed the commencement of the asset replacement programme.
0.109	Bulk Foam Attack Equipment	Due to changes in legislation the type of foam product has changed and this has delayed the purchase of foam PODs and equipment.
0.166	Operational Equipment	Reviews are ongoing about what the future ask and need of the Service is. Therefore, the equipment requirements will only be known once these reviews are finalised, and orders will be placed for the replacement equipment.
1.726	Special Vehicles	An order has been placed for the "stinger / HRET (High Reach Extendable Turret) vehicle and delivery is expected in 2023/24. Officers are finalising the specification for the prime movers, BA support unit, and water rescue unit, once finalised orders will be placed for these assets. The water bowser appliance is on hold while officers consider options.
0.677	Ancillary Vehicles	Orders for the officer response cars were delayed until the Operations Board had considered the move to petrol hybrid vehicles, which has now been approved so orders can be placed. Orders for the remaining vehicles have been placed and delivery is expected in 2023/24.

0.089	Other Vehicles	Supply chain delays have resulted in the re-phasing of actual spend into 2023/24.
6.334		

20. A full detailed breakdown of the 2022/23 capital budget movements, year-end variances and proposed slippage can be found attached to this report as Appendix B.

Anticipated Reserves:

21. The 2022/23 Budget Authority approved a reserves strategy that maintained a general reserve of £3.000m and had anticipated £28.098m of committed earmarked reserves at the start of 2022/23.
22. After taking into account the committed reserves movements at the end of 2021/22, reserves at the start of 2022/23 increased by £2.401m, and the revised opening committed reserves figure for 2022/23 was £30.499m.

2022/23 Movement on Reserves.

23. The value of committed reserves in the last quarterly financial review report was £18.425m, and the final outturn balance is £19.789m, an increase of £1.364m. The increase relates to;
24. Quarter four planned use of reserves (as outlined in paragraph 10) resulting in a net reduction in reserves of £2.849m. This included a £2.151m drawdown from the inflation reserve to cover higher pay and energy inflation costs. A planned £0.646m drawn-down from the capital reserve to cover the building costs of the new TDA and fire station. A £0.052m draw-down from other reserves to cover planned expenditure.
25. At the year-end budget managers review their year-end position and if relevant request reserves to carry forward funds to meet spend now expected in 2023/24 or future years. Year-end reserves of £0.924m have been created to cover;
- a) the Service will be required to pay a number of years' back-pay to adjust the amount paid for periods of holidays in order reflect normal yearly earning, rather than being paid as flat as has been the case historically. The adjustment may have to go back around 4-years and the estimated liability could be up to £0.530m. A £0.530m retrospective holiday pay reserve has been established.
 - b) any unplanned work at PFI stations incurs a variation charge to the unitary charge payment. In the early stages of the PFI contract these charges were often offset by penalty charges imposed by the Service on the PFI provider. This is not expected to be the case going forward and a reserve for £0.150m has been established within the capital reserve to cover future variation payments.
 - c) some of the current fire behaviour units that are based in the current TDA are in a poor condition and are unlikely to survive the move to the new TDA. The capital reserve has been increased by £0.060m to fund the replacement of some of these units.
 - d) planned spend of the 2022/23 urban search and rescue / marauding terrorist firearms attacks grant of £0.020m, has been re-phased into 2023/24 and will be carried forward as part of the New Dimensions Reserve.

- e) some community initiatives, equipment purchases, health and safety schemes, and special projects have been re-phased into 2023/24 and the relevant existing reserves have been increased by £0.164m to cover this planned spend.
26. The final accounts of the Authority have now been completed and after taking into account the need to create £0.924m year-end reserves a £3.289m underspend on the revenue budget has been identified. The report proposes using the underspend to;
- a) mitigate potential higher price and pay inflation above that assumed in the MTFP by increasing the inflation reserve by £0.382m, and
 - b) increasing the capital investment reserve by £2.907m, in order to offset capital cost inflationary pressures and reduce planned borrowing to free up revenue budget associated with debt servicing costs.
27. This report assumes Members will support the above recommendation and use of the £3.289m favourable variance.
28. The movement on reserves in the year has seen a net reduction in committed earmarked reserves (opening balance £30.499m and a closing balance £19.789m) of £10.710m. The table overleaf summarises the reserve movements in the year and Appendix A4 provides more details on the changes throughout the year;

Budgeted Movement on Reserves 2022/23

	Opening Balance	Qtr 1 Drawdown & changes	Qtr 2 Drawdown & changes	Qtr 3 Drawdown & changes	Qtr 4 Drawdown & changes	Year-End Request	Use Year-End Variance	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Committed Reserves								
Emergency Related Reserves								
Bellwin / Emergency Planning	222							222
Insurance Reserve	499					35		534
Collection Fund Reserve	2,420	-1,306		-864		0		250
Modernisation Challenge								
Smoothing Reserve	1,588		200	-788				1,000
Retrospective Holiday Pay						530		530
Pensions Reserve	652		-62					590
Recruitment Reserve	1,450			300		64		1,814
Invest to Save Reserve	282							282
Capital Investment Reserve	17,720	-17,185	1,316	6,452	-646	217	2,907	10,781
PFI Annuity Reserve	1,442	-69			0	0		1,373
Specific Projects								
Community Sponsorship Res	55							55
Equipment Reserve	205			-10		22		217
Community Engagement Res	8		-6		-2			0
Training Reserve	150		-50	150	-50	12		212
Health and Wellbeing Res	7		-7			30		30
Inflation Reserve	3,019				-2151		382	1,250
Clothing Reserve	90							90
Ringfenced Reserves								
Princes Trust Reserve	15					-15		0
Community Risk Mgt Res	303		-13			10		300
Energy Reserve	133	75	-7					201
New Dimensions Reserve	239	-200				19		58
Total Earmarked Reserves	30,499	-18,685	1,371	5,240	-2,849	924	3,289	19,789

29. The Authority held £15.692m of unapplied Home Office capital monies as at 31 March 2023 for NRAT asset refresh. The Authority is required to include the £15.692m within the Authority's Statutory Financial Statements as a usable reserve, BUT as this money is not available to the Authority to fund any of its own investments it has been excluded from the available reserve balance quoted in this report.

30. The general reserve remained unchanged at £3m or 5% of the operating budget.

Equality and Diversity Implications

31. Resources are invested to support equality and diversity.

Staff Implications

32. Over 70% of revenue expenditure is directly staff related.

Legal Implications

33. None arising from this report.

Financial Implications & Value for Money

34. After taking into account year-end reserve requests of £0.924m, net expenditure was £3.289m lower than the budget. This revenue saving has been utilised to increase the inflation and capital reserves in 2022/23 and therefore, the Authority's overall expenditure is consistent with its budget.
35. Capital spend was £18.951m resulting in a variance of £6.476m against the £25.427m budget for 2022/23. The variance can be broken down into:
- a) a £6.334m re-phasing of planned spend from 2022/23 into future years, requiring the carry forward of capital budget.
 - b) a net underspend and saving on capital projects of £0.142m.
36. The General Fund Balance as at 31st March 2023 was, as anticipated, £3.000m. MFRA committed reserves as at 31st March 2023 stand at £19.789m (excluding the £15.692m unapplied Home Office capital monies held by the Authority for the NRAT asset refresh).

Risk Management, Health & Safety, and Environmental Implications

37. None arising from this report.

Contribution to Our Vision: *To be the best Fire & Rescue Service in the UK.*

Our Purpose: *Here to serve, Here to protect, Here to keep you safe.*

38. 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/007/22** "MFRA Budget and Financial Plan 2022/2023-2026/2027" Authority 24 February 2022.
- CFO/045/22** "Financial Review 2022/23 – April to June" Audit Committee 27 September 2022.
- CFO/048/22** "Financial Review 2022/23 – April to September" Policy and Resources Committee 15 December 2022.
- CFO/056/22** "Financial Review 2022/23 – April to December" Audit Committee 9 February 2023"
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GLOSSARY OF TERMS

CAPITAL EXPENDITURE Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the Authority or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.

RESERVES Amounts set aside to meet future contingencies but the use does not affect the Authority's net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account.

REVENUE EXPENDITURE This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.