

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>POLICY &amp; RESOURCES COMMITTEE</b>		
<b>DATE:</b>	<b>25 JULY 2024</b>	<b>REPORT NO:</b>	<b>CFO/52/24</b>
<b>PRESENTING OFFICER</b>	<b>DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>MIKE REA</b>	<b>REPORT AUTHOR:</b>	<b>MIKE REA</b>
<b>OFFICERS CONSULTED:</b>	<b>STRATEGIC LEADERSHIP TEAM</b>		
<b>TITLE OF REPORT:</b>	<b>REVENUE &amp; CAPITAL OUTTURN 2023/24</b>		

<b>APPENDICES:</b>	<b>APPENDIX A1- A4: 2023/24 REVENUE BUDGET TO ACTUAL</b>
	<b>APPENDIX B: 2023/24 CAPITAL BUDGET TO ACTUAL</b>

### **Purpose of Report**

1. To report upon the Authority's year-end financial position for 2023/24.

### **Recommendation**

2. It is recommended that Members;
  - a. Note that actual revenue spend compared to the approved budget delivered a net underspend of £3.312m 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 £0.803m to fund projects that have slipped from 2023/24 into 2024/25, and
    - increase the General Revenue Reserve by £0.700m, and
    - increase the Capital Investment Reserve by £1.809m to offset capital cost 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 2023/24 into future years of £8.619m, as outlined in Appendix B.
  - d. Approve committed reserves of £12.174m and a general reserve of £3.700m as outlined in Appendix A4.

## Executive Summary

The Authority approved a five-year medium-term financial plan (MTFP) at the Budget Authority meeting on 23<sup>rd</sup> February 2023. The approved MTFP delivered a balanced revenue budget of £67.921m for 2023/24 based on key budget assumptions around costs, in particular a 2023/24 pay award of 5% for all staff.

The MTFP included a planned £54.951m five year capital programme funded by £42.845m 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 £0.803m year-end reserves a £2.509m underspend on the revenue budget has been identified. The report proposes using the underspend to;

- Increase the General Revenue Reserve £0.700m, and
- Increasing the capital investment reserve by £1.809m, in order to offset capital cost pressures and reduce planned borrowing to free up revenue budget associated with debt servicing costs.

At the year-end committed reserves stood at £12.174m and the General Fund balance will increase to £3.700m following the above adjustment.

Capital spend was £34.895m resulting in a variance of £8.711m against the £43.606m budget for 2023/24. The variance can be broken down into:

- A £8.619m re-phasing of planned spend from 2023/24 into future years, requiring the carry forward of capital budget.
- A net underspend and saving on capital projects of £0.092m.

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 2023/24 revenue and capital budgets.
4. The delivery of the 2023/24 budget and approved financial plan was monitored closely during the year and Members received quarterly financial review updates. The last financial review report, CFO/11/24, went to the Audit Committee on 8<sup>th</sup> February 2024, and covered the period up to December 2023. This report now provides Members with the position up to the end of the 2023/24 financial year, (31 March 2024), 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 5% in 2023/24 and 2.5% thereafter,
  - Impact of higher energy, price inflation, contracts etc £1.332m reducing to £0.882m in 2026/27 as supply markets improve.
  - 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 increases meant the MTFP assumptions would not be achievable. The previous reports advised that the non-operational staff received a £1,925 or 3.88% increase (whichever was the highest). This equates to a +6% increase on the non-uniformed employee budget or an additional 1% / £0.140m. For 2023/24, the additional pay cost could be contained within the budget due to vacancy savings. The firefighter pay award was agreed and is consistent with the 5% budget assumption. The 2024/25 budget includes a permanent provision for the full cost of the 2023/24 pay increases.
7. In summary, the key assumptions, with the exception of the non-operational pay, 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 2023/24.

### **Revenue Budget Movements:**

9. The Revenue Budget for 2023/24 was set at £67.921m.
10. Further minor budget amendments have been made since the last financial review report CFO/11/24. These were;
  - A net reduction in reserves of £0.018m;
    - £0.014m drawdown from the Equipment Reserve for Operational Support Room TV and Clever Touch Display Equipment.
    - A further drawdown of £0.011m from the Capital Investment Reserve for the CFRMS application and contribution of £0.007m to the Capital Asset Investment Reserve for Hydro Water Software.
  - A number of self-balancing virements within the revenue account;
    - 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 £0.375m by £0.115m to £0.490m, due to the number of alarms being installed, the salary budget was reduced and the revenue funded capital expenditure line increased by £0.115m.
    - Non-operational staff budget increase £0.097m for Street Intervention Teams employees.
    - The Service encourages blue light partners (Merseyside 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 resulted in an increase

of £0.316m 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.

- As planned £0.581m was vired from the inflation provision towards the increase in premises energy budget for MFRS.
- The National Resilience Assurance initial budget was realigned at the year-end to reflect the final Home Office grant funding and planned spend, £0.460m.
- 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 Amend-ments	Final Budget	Original to Final Budget Movements
	£'000	£'000	£'000	£'000	£'000
<b>Net Expenditure</b>					
Fire Service	70,576	77,773	599	78,372	7,796
Corporate	528	549	0	549	21
National Res. Assurance	0	0	0	0	0
	71,104	78,322	599	78,921	7,817
Interest on Balances	-172	-950	0	-950	-778
Inflation Provision	3,306	758	-581	177	-3,129
Contribution (from) to Reserves	-6,317	-10,209	-18	-10,227	-3,910
<b>Total Net Expenditure</b>	<b>67,921</b>	<b>67,921</b>	<b>0</b>	<b>67,921</b>	<b>0</b>
<b>Funded By</b>					
Government Support	-33,249	-33,249	0	-33,249	0
Coll Fund Bus Rates / Council Tax Deficit	-301	-301	0	-301	0
Council Tax	-34,371	-34,371	0	-34,371	0
	<b>-67,921</b>	<b>-67,921</b>	<b>0</b>	<b>-67,921</b>	<b>0</b>

#### 2023/24 Revenue Outturn Position:

11. The table below summarises the actual revenue position for 2023/24, excluding the Home Office National Resilience Assurance (NRAT) and Foreign, Commonwealth and Development Office International Search & Rescue (ISAR) as these are 100% funded from the Government and relates to national and international rather than MFRS funded initiatives, *(any year-end variances associated with NRAT and ISAR are carried forward and belong to the 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
<b>Expenditure</b>							
Employee Costs	57,427	378	57,805	56,558	-1,247	407	-840
Premises Costs	4,255	0	4,255	4,185	-70	70	0
Transport Costs	1,402	0	1,402	1,324	-78	18	-60
Supplies & Services	3,617	22	3,639	3,342	-297	161	-136
Agency Services	7,166	0	7,166	7,038	-128	57	-71
Central Support Services	567	139	706	735	29	0	29
Capital Financing	19,975	10	19,985	19,978	-7	0	-7
<b>Income</b>	-16,037	0	-16,037	-17,279	-1,242	90	-1,152
Net Expenditure	<b>78,372</b>	<b>549</b>	<b>78,921</b>	<b>75,881</b>	<b>-3,040</b>	<b>803</b>	<b>-2,237</b>
Contingency Pay & Prices	177		177	0	-177		-177
Interest on Balances	-950		-950	-1,045	-95		-95
	<b>77,599</b>	<b>549</b>	<b>78,148</b>	<b>74,836</b>	<b>-3,312</b>	<b>803</b>	<b>-2,509</b>
Movement on Reserves	-10,227		-10,227	-10,227	0		
Overall Financial Position	<b>67,372</b>	<b>549</b>	<b>67,921</b>	<b>64,609</b>	<b>-3,312</b>	<b>803</b>	<b>-2,509</b>

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 £0.803m, net expenditure was £2.509m lower than the budget. The £2.509m underspend on the revenue budget has been used to fund an increase in the General Revenue Reserve £0.700m and increase the Capital Investment Reserve £1.809m. As a general rule, external audit view an appropriate level for a General Revenue Reserve as 5% of the forecast Net Operating Expenditure unless the organisation has a financial risk management process operating which justified a lower level of reserves. In addition, the Fire & Rescue National Framework requires a statement within the Reserves Strategy outlining the justification for a general reserve larger than 5%. The increase in the Capital Investment Reserve of £1.809m is to offset capital cost pressures and reduce planned borrowing, to free up revenue budget associated with debt servicing costs. 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, -£0.840m (1.45%) favourable variance –**

- **Firefighter** vacancies and firefighters being in Trainee or Development roles contributed to a net saving of £0.309m after taking account of year-end reserve adjustments (retrospective holiday pay).
- **Non-operational** vacancies and staff not being at the top of their budgeted grade led to a direct employee saving of £0.224m after taking into account year end reserve adjustments (retrospective holiday pay and Princes Trust).
- **Local Government Pension Scheme** surplus of contributions £0.320m against non-operational employer contributions.

- **Employee Insurance Provision** increase for 2023/24 £0.120m, to cover potential insurance claims.
- 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.

**Transport Costs, -£0.060m (4.28%) favourable variance –**

- Small underspends on vehicle lease costs £0.063m, mileage claims £0.011m and other transport costs £0.033m - the level of vehicle third party claims in 2023/24 resulted in an estimated liability for MFRS, (the Service pays up to £10k against any liable claim), that exceeded the available budget by £0.043m.

**Supplies and Services, -£0.136m (3.74%) favourable variance –**

- Officers are continuing to strictly manage controllable expenditure lines such as computing, training, printing and stationary supplies. A number of small favourable variances totalling of £0.136m have materialised on these controllable budgets.

**Agency Services, -£0.071m (0.99%) favourable variance.**

- Small one-off efficiency savings on outsourced contracts, (Fire Pension Administration, ICT Service Provider, Facilities Management, and PFI contract), delivered a £0.071m saving. The Authority received credit on the provision of resources for the implementation of 'McCloud' Immediate Detriment as part of the savings.

**Central Support Services, £0.029m (4.11%) adverse variance.**

- Small adverse variance due to increase in External Audit fees.

**Capital Financing, -£0.007m (0.03%) favourable variance.**

- Interest payments on debt were slightly lower than forecast.

**Income (including interest on balances), £1.247m (6.8%) favourable variance.**

- Increase in specific grants was £0.367m greater than the budget, the additional grant income received was pension grant, services grant and section 31 grant. Additional eligible costs funded from the Apprenticeship Levy allowed for additional funds to be drawn down in the year. These were offset by a reduction in the Protection Uplift Programme grant.
- Fees and charges income was £0.282m higher than expected. The additional work on National Resilience, Long Term Capability Management and International Search & Rescue support generated addition fees and charges income. These were offset by a reduction in commercial training income whilst the Training and Development Academy prepared for the move to the new site.
- Rents were £0.238m higher than expected due to additional income from shared accommodation with NWAS and Merseyside Police.
- Recharge secondments was £0.216m higher than expected. The Authority had a greater number of officers on secondment than originally budgeted for.
- The rise in interest rates during the year meant interest earned on investments and balances was higher than the budget, £0.095m.
- The balance, £0.049m, is due to small variances on other income and contributions.

14. Debtor accounts under £5,000 may be written off by the Director of Finance and Procurement. Two debtor accounts were written off in the quarter totalling £943.00 plus VAT as the service was likely to incur more costs than the value of the debt, in an attempt to recover the debt.

**Capital Programme Budget:**

15. The Budget Authority meeting approved a five-year capital investment programme (2023/24 – 2027/28), of £54.951m, with a planned expenditure in 2023/24 of £36.262m. 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 2023 financial review report, the five-year capital programme increased to £69.816m, with planned spend in 2023/24 of £43.275m.
16. In the last quarter, January to March 2024, the planned spend for 2023/24 increased by £0.331m to £43.606m, however, the five-year programme actually increased by £0.089m. Also, a number of schemes were re-phased from 2023/24 into future years. A summary of the quarter four changes is outlined below.
  - A small increase in the capital budget of £0.291m; increase in ICT equipment £0.010m; smoke alarm installation £0.115m funded from directorate revenue budget contribution; and National Resilience Asset Refresh (Enhanced Logistics Support) £0.166m funded from National Resilience grant.
  - The ICT Network Secondary Fire Control £0.040m brought forward from 2024/25 into 2023/24 funded through borrowing.
  - The total level of budgeted borrowing for 2023/24 increased by £0.040m when compared against the approved quarter 3 figure.
17. The overall movement in the capital programme reflects the re-phasing of schemes over the 2023/24 to 2027/28 period and the approved amendments included within the quarterly financial review reports. These changes are summarised in the table overleaf:

### Movement in the 2023/24 – 2027/28 5-Year Capital Programme

Capital Expenditure	Original Budget	Approved Qtr 3 Budget	Qtr 4 Amendments	Final Budget	Original to Final Budget Movements
	£'000	£'000	£'000	£'000	£'000
Building & Land	32,991,000	34,927,995	6,750	34,934,745	1,943,745
Fire Safety	3,175,000	3,175,000	115,000	3,290,000	115,000
ICT	6,899,840	7,828,295	-135,750	7,692,545	792,705
NRAT Resilience Assets	0	9,182,900	166,100	9,349,000	9,349,000
Operational Equip & Hydrants	4,107,300	4,392,200	0	4,392,200	284,900
Vehicles	7,778,650	10,310,250	-63,000	10,247,250	2,468,600
	<b>54,951,790</b>	<b>69,816,640</b>	<b>89,100</b>	<b>69,905,740</b>	<b>14,953,950</b>

  

Capital Funding	Original Budget	Approved Qtr 3 Budget	Qtr 4 Amendments	Final Budget	Original to Final Budget Movements
	£'000	£'000	£'000	£'000	£'000
Specific Non-Borrowing	12,105,900	27,285,850	290,600	27,576,450	15,470,550
Borrowing	42,845,890	42,530,790	-201,500	42,329,290	-516,600
	<b>54,951,790</b>	<b>69,816,640</b>	<b>89,100</b>	<b>69,905,740</b>	<b>14,953,950</b>

#### **2023/24 Capital Expenditure.**

18. Capital spend for the year was £34.895m, resulting in a variance of £8.711m against the £43.606m budget. The reason for the variance can be broken down into:
- a. A £8.619m re-phasing of planned spend from 2023/24 into future years, requiring the carry forward of capital budget.
  - b. A net underspend and saving on capital projects of £0.092m.
19. As expected, no new borrowing was taken out in the year. A summarised capital programme outturn position statement is outlined below:

### 2023/24 Capital Budget Outturn Position

	Final Budget	Actual	Variance	Use of Variance		
				Rephasing into future years	Saving	Total
				£'000	£'000	£'000
<b>Capital Expenditure</b>	£'000	£'000	£'000	£'000	£'000	£'000
Building & Land	27,188,745	24,753,917	-2,434,828	-2,421,100	-13,728	-2,434,828
Fire Safety	750,000	694,585	-55,415	0	-55,415	-55,415
ICT	3,604,165	2,031,314	-1,572,851	-1,572,400	-451	-1,572,851
NRAT Resilience Assets	9,349,000	6,109,928	-3,239,072	-3,239,100	28	-3,239,072
Operational Equip & Hydrants	983,200	483,218	-499,982	-477,500	-22,482	-499,982
Vehicles	1,730,600	822,013	-908,587	-908,600	13	-908,587
	<b>43,605,710</b>	<b>34,894,974</b>	<b>-8,710,736</b>	<b>-8,618,700</b>	<b>-92,036</b>	<b>-8,710,736</b>
<b>Capital Funding</b>						
Specific Non-Borrowing	21,711,450	18,472,378	-3,239,072	-3,239,072	0	-3,239,072
Borrowing	21,894,260	16,422,597	-5,471,663	-5,379,628	-92,036	-5,471,663
	<b>43,605,710</b>	<b>34,894,974</b>	<b>-8,710,736</b>	<b>-8,618,700</b>	<b>-92,036</b>	<b>-8,710,736</b>



20. The explanation for the year-end re-phasing of capital schemes into 2024/25 is outlined in the table below;

Re-phasing £'m	Scheme	Explanation
0.764	Ongoing external & internal building repairs / replacement / refurbishment works	Re-scheduling of programme due to the current asset conditions, works are commencing slightly later due to review of programme which has put completion dates back slightly.
0.216	Refurbishment of Bromborough Fire Station	Works delayed due to tender clarifications, works to start June 2024.
0.284	Other major fire station refurbishments	Re-scheduling of fires station refurbishment programme due review of asset conditions, and on going works.
1.084	New TDA build	Remaining final payments in 2024/25 and future retention payments.
0.073	Electric Vehicle Infrastructure works & other general capital works	Rescheduled tender specification to ensure compatibility with the system installed at the new build at TDA.
0.170	ICT Software	SQL now 2024/2025 due to Telent resource being focused on New TDA.
0.255	ICT Hardware	Extra Vision Clients for Secondary Control and Airwave expected beginning of 2024 financial year.
0.299	ICT Network	Cradlepoint Refresh order placed March 2024; £132,000 Wireless Access Points order placed late Jan 2024; £25,000 Backup Telephony TDA order placed mid Feb 2024: Delivery early 2024/25.
0.383	ICT Operational Equipment and System Projects	Telent are in process of validation quotes and awaiting costs of new MDT model expected May 2024; SharePoint online migration, currently progressing through the project. The project started during 2022/2023, expected to be completed 2024/2025.
0.325	Command & Control Suite	Orders placed March 2024, completion 2024/25.
0.140	ICT Enhanced Mobilisation	Rescheduled into 2024/25 whilst Telent resource focussed on new TDA.
3.239	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.
0.478	Operational Equipment	Re-scheduled. Three extra appliances require kitting out, and awaiting tender for breathing apparatus equipment replacement.

0.416	Special Vehicles	Combined platform ladder (CPL) Aerial Appliance HRET 20m - chassis delivered, remaining build works to be completed 2024/25.
0.417	Ancillary Vehicles	13 Toyota Corolla Hybrid vehicles, order placed Jan 2024, for delivery June 2024.
0.076	Other Vehicles	Balance of Marine Rescue boat purchase to be used for additional equipment.
<b><u>8.619</u></b>		

21. A full detailed breakdown of the 2023/24 capital budget movements, year-end variances and proposed slippage can be found attached to this report as Appendix B.

**Anticipated Reserves:**

22. The 2023/24 Budget Authority approved a reserves strategy that maintained a general reserve of £3.000m and had anticipated £17.006m of committed earmarked reserves at the start of 2023/24.
23. After taking into account the committed reserves movements at the end of 2022/23, reserves at the start of 2023/24 increased by £2.783m, and the revised opening committed reserves figure for 2023/24 was £19.789m.

**2023/24 Movement on Reserves.**

24. The value of committed reserves in the last quarterly financial review report was £9.580m, and the final outturn balance is £12.174m, an increase of £2.594m. The increase relates to;
25. Quarter four planned use of reserves (as outlined in paragraph 10) resulting in a small net reduction in reserves of £0.018m.
26. 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 2024/25 or future years. Year-end reserves of £0.803m have been created to cover;
- a. The Service is required to pay several years' back-pay to adjust the amount paid for periods of holidays in order to reflect normal yearly earning, rather than being paid as flat as has been the case historically. The adjustment must go back 5-years and a Retrospective Holiday Reserve was created at the end of the 2022/23 financial year. An additional £0.150m has been requested for the 2023/24 financial year commitment.
  - 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 the Capital Investment Reserve has been increased by £0.057m to cover future variation payments.
  - c. Security measures at the new Training & Development Academy £0.071m, removal costs to relocate staff, additional equipment, a new Driving License application and additional security at the old Training & Development Academy £0.104m. The Capital Reserve has been increased by £0.175m.

- d. The Equipment Reserve has been increased by £0.145m to cover various items of equipment including extendable reels for fuel pumps, fire appliance parking sensors, camera and ICT equipment. Additional Control of Major Accident Hazard (COMAH) exercise income received in 2023/24 has been carried forward to help meet expected reduction in income in 2024/25 and 2025/26.
  - e. The Training Reserve has been increased by £0.220m to fund additional training on Hazardous Materials Advisors, new appliance and equipment training for Workshop and Training & Development staff, additional training requirements following changes in Senior Officers and Watch Managers and appraisal training.
  - f. The 2023/24 underspend £0.037m from the Princes Trust has been re-instated into the Community Risk Management Reserve.
  - g. Planned spend of the 2023/24 urban search and rescue / marauding terrorist firearms attacks grant of £0.019m, has been re-phased into 2024/25 and will be carried forward as part of the New Dimensions Reserve.
27. The final accounts of the Authority have now been completed and after taking into account the need to create £0.803m year-end reserves a £2.509m underspend on the revenue budget has been identified. The report proposes using the underspend to;
- A. increase the General Revenue Reserve by £0.700m, and
  - B. increase the Capital Investment Reserve by £1.809m in order to offset capital cost pressures and reduce planned borrowing to free up revenue budget associated with debt servicing costs.
28. This report assumes Members will support the above recommendation and use of the £2.509m favourable variance.
29. The movement on reserves in the year has seen a net reduction in committed earmarked reserves (opening balance £19.789m and a closing balance £12.174m) of £7.615m. The table below summarises the reserve movements in the year and Appendix A4 provides more details on the changes throughout the year;

**Budgeted Movement on Reserves 2023/24**

	Opening Balance	Qtr 1 Draw-down & changes	Qtr 2 Draw-down & changes	Qtr 3 Draw-down & changes	Qtr 4 Draw-down & changes	Year-End Request	Use Year-End Variance	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Committed Reserves</b>								
<b>Emergency Related Reserves</b>								
Bellwin / Emergency Planning Reserve	222							222
Insurance Reserve	534							534
Collection Fund Reserve	250	-150						100
<b>Modernisation Challenge</b>								
Smoothing Reserve	1,000			400	0			1,400
Retrospective Holiday Pay	530					150		680
Pensions Reserve	590	-290						300
Recruitment Reserve	1,814							1,814
Invest to Save / Collaboration Reserve	282	-282						0
<b>Capital Investment Reserve</b>	10,781	-8,120	-1,246	-248	-4	232	1,809	3,204
<b>PFI Annuity Reserve</b>	1,373	-69						1,304
<b>Specific Projects</b>								
Community Sponsorship Reserve	55							55
Equipment Reserve	217				-13	145		349
Training Reserve	212		-132			220		300
Health and Wellbeing Reserve	30							30
Inflation Reserve	1,250	-550		500	0			1,200
Clothing Reserve	90							90
<b>Ringfenced Reserves</b>								
Princes Trust Reserve	0							0
Community Risk Management Reserve	300		-69	-10	-1	37		257
Energy Reserve	201	68	-11					258
New Dimensions Reserve	58					19		77
<b>Total Earmarked Reserves</b>	<b>19,789</b>	<b>-9,393</b>	<b>-1,458</b>	<b>642</b>	<b>-18</b>	<b>803</b>	<b>1,809</b>	<b>12,174</b>

30. The Authority held £21.138m of unapplied Home Office capital monies as at 31<sup>st</sup> March 2024 for NRAT asset refresh. The Authority is required to include the £21.138m within the Authority's Statutory Financial Statements as a usable reserve, however, 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.

31. The general reserve has been increased by £0.700m to £ 3.700m or 5% of the operating budget.

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**Equality and Diversity Implications**

32. Resources are invested to support equality and diversity.

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**Staff Implications**

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

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**Legal Implications**

34. None arising from this report.

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## Financial Implications & Value for Money

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35. After taking into account year-end reserve requests of £0.803m, net expenditure was £2.509m lower than the budget. This revenue saving has been utilised to increase the General Reserve and the Capital Investment Reserve in 2023/24 and therefore, the Authority's overall expenditure is consistent with its budget.
36. Capital spend was £34.895m resulting in a variance of £8.711m against the £43.606m budget for 2023/24. The variance can be broken down into:
- a. A £8.619m re-phasing of planned spend from 2023/24 into future years, requiring the carry forward of capital budget.
  - b. A net underspend and saving on capital projects of £0.092m.
37. The General Fund Balance as at 31<sup>st</sup> March 2024 has been increased to £3.700m. MFRA committed reserves as at 31<sup>st</sup> March 2024 stand at £12.174m (excluding the £21.138m unapplied Home Office capital monies held by the Authority for the NRAT asset refresh).

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## Risk Management and Health & Safety implications

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38. There are no Risk Management and Health and Safety implications directly related to this report.

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## Environmental Implications

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39. There are no Environmental implications directly related to this report.

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**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.*

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40. 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.

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## BACKGROUND PAPERS

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- |                  |                                                                                                                  |
|------------------|------------------------------------------------------------------------------------------------------------------|
| <b>CFO/63/22</b> | "MFRA Budget and Financial Plan 2023/2024 - 2027/2028" Authority 23 February 2023.                               |
| <b>CFO/38/23</b> | "Financial Review 2023/24 – April to June" Community Safety Committee and Protection Committee 7 September 2023. |
| <b>CFO/53/23</b> | "Financial Review 2023/24 – July to September" Policy and Resources Committee 14 December 2023.                  |
| <b>CFO/11/24</b> | "Financial Review 2023/24 – October to December" Audit Committee 8 February 2024"                                |

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## **GLOSSARY OF TERMS**

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**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.