MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	23 JULY 2026	REPORT NO:	DFP/06/2627
PRESENTING OFFICER	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA		
RESPONSIBLE OFFICER:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA	REPORT AUTHOR:	DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA
OFFICERS CONSULTED:	STRATEGIC LEADERSHIP TEAM (SLT)		
TITLE OF REPORT:	REVENUE & CAPITAL OUTTURN 2025/26		

APPENDICES:	APPENDIX A1- A4: APPENDIX B:	2025/26 REVENUE BUDGET TO ACTUAL 2025/26 CAPITAL BUDGET TO ACTUAL

Purpose of Report

1. The purpose of this report is to report upon the Authority’s year-end financial position for 2025/26.

Recommendation

2. It is recommended that Members;

   a) note that actual revenue spend compared to the approved budget delivered a net underspend of £2.998m before the creation of year-end reserves, as outlined in Appendix A1;

   b) approve that this underspend be used to;

      i. create the required year-end reserves of £0.596m to fund projects that have slipped from 2025/26 into 2026/27,

      ii. increase the General Revenue Reserve by £0.400m,

      iii. increase the Clothing Reserve by £0.500m, to contribute towards the future uniform solution, following any recommendations put forward by the current service review, and

      iv. increase the Capital Investment Reserve by £1.502m, 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 2025/26 into future years of £28.430m, (£24.962m relates to National Resilience Asset Refresh), as outlined in Appendix B; and

d) approve committed reserves of £15.541m and a General Revenue Reserve of £4.300m as outlined in Appendix A4.

Executive Summary

The Authority approved a five-year medium-term financial plan (MTFP) at the Budget Authority meeting on 27th February 2025. The approved MTFP delivered a balanced revenue budget of £77.934m for 2025/26 based on key budget assumptions around costs, in particular a 2025/26 pay award of 2.5% for all staff.

The MTFP included a planned £43.191m five-year capital programme funded by £39.601m 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 £0.596m year-end reserves, a £2.402m underspend on the revenue budget has been identified. The report proposes using the underspend to;

i. increase the General Revenue Reserve by £0.400m, and

ii. increase the Clothing Reserve by £0.500m, to contribute towards the future uniform solution, following any recommendations put forward by the current service review, and

iii. increase the Capital Investment Reserve by £1.502m 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 £15.541m and the General Revenue Reserve will be increased to £4.300m following the above adjustment.

Capital spend was £15.283m, resulting in a variance of £29.404m against the £44.687m budget for 2025/26. The variance can be broken down into:

- A £28.430m re-phasing of planned spend from 2025/26 into future years, requiring the carry forward of capital budget.

- A net underspend and saving on capital projects of £0.974m.

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 2025/26 revenue and capital budgets.

4. The delivery of the 2025/26 budget and approved financial plan was monitored closely during the year and Members received quarterly financial review updates. The last financial review report, DFP/17/2526, went to the Policy & Resources Committee on 19th March 2026, and covered the period April to December 2025. This report now provides Members with the position up to the end of the 2025/26 financial year (31st March 2026) and covers the Qtr. 4 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 2025/26 and 2.5% in 2026/27 and future years,
- A 2.5% per annum general price inflation, 4% for outsourced services and 2.5% on energy costs and fuel,
- 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 update advised Members that the expected pay increases meant the MTFP assumptions would not be achievable. The previous reports advised that the firefighters pay award was agreed at 3.2% and the Green Book pay award was agreed at 3.2%, 0.7% higher than the 2.5% included as a budget assumption for 2025/26. The Redbook (craftworkers) pay award for 2025/26 is yet to be agreed. The additional pay awards for firefighters and non-operational staff equate to an additional cost of £0.348m in 2025/26 and £0.430m in 2026/27. For 2025/26 the additional pay cost could be contained within the budget due to vacancy savings.

7. In summary, the key assumptions, with the exception of the 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 2025/26.

Revenue Budget Movements:

9. The Revenue Budget for 2025/26 was set at £77.934m.

10. Further budget amendments have been made since the last financial review report DFP/17/2526. These were;

- A small net reduction in reserves of £0.012m.

  - £0.006m was drawn down from the Equipment Reserve to cover the annual maintenance of the high-rise building at the Training and Development Academy. The budget has been increased to cover this maintenance from 2026/27 onwards.
  - £0.006m was drawn down from the Community Risk Management Reserve to contribute towards the partnership work in engaging young people.

- 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 of £0.375m by £0.108m, due to the number of alarms being installed, the salary budget was reduced and the revenue funded capital expenditure line increased by £0.108m.
  - The Service encourages blue light partners (Merseyside Police/NWAS) to locate their services in SHQ and fire stations. Partners pay a service charge to cover running costs, including utilities. The additional running cost recharge led to an increase of £0.138m in the rent/service charge income and this funded an increase in the premises utility budget to cover costs associated with blue light partner accommodation.
  - The Premises budget has been realigned/increased by £0.171m during the final quarter to take account of the reduction in energy costs and increased rates at the new Training and Development Academy and Aintree Fire Station.
  - The income budget has increased by £0.575m due to additional income from the Service's partnership work with Beacon and Street Intervention Team, grant income from the Building Safety Regulator, additional income generated by various departments with the Service.
  - The National Resilience Assurance budget was increased by £1.670m within Qtr. 4 to reflect additional commitments.
  - 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 overleaf:

Revenue Budget Movements 2025/26

	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	75,606	78,844	-71	78,773	3,167
Corporate	640	653	135	788	148
National Res. Assurance	0	0	0	0	0
	76,246	79,497	64	79,561	3,315
Interest on Balances	-300	-1,100	0	-1,100	-800
Inflation Provision	1,823	152	-52	100	-1,723
Contribution (from) to Reserves	165	-615	-12	-627	-792
Total Net Expenditure	**77,934**	**77,934**	**0**	**77,934**	**0**
Funded By					
Government Support	-39,007	-39,007	0	-39,007	0
Coll Fund Bus Rates / Council Tax Deficit	-217	-217	0	-217	0
Council Tax	-38,710	-38,710	0	-38,710	0
Total Funding	**-77,934**	**-77,934**	**0**	**-77,934**	**0**

2025/26 Revenue Outturn Position:

11. The table overleaf summarises the actual revenue position for 2025/26, excluding the National Resilience Assurance (NRAT) as that is 100% funded by Central 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 Central Government)*. **Appendix A1 to A3** provides a more detailed analysis of the budget to actual variances:

Revenue Outturn Position 2025/26

	Fire Service Budget	Fire Authority / Corporate Mgmt	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	65,158	440	65,598	64,967	-631	315	-316
Premises Costs	4,401	0	4,401	4,306	-95	0	-95
Transport Costs	1,570	0	1,570	1,334	-236	60	-176
Supplies and Services	3,572	27	3,599	3,279	-320	56	-264
Agency Services	7,862	0	7,862	7,802	-60	62	2
Central Support Services	742	321	1,063	977	-86	79	-7
Capital Financing	11,302	0	11,302	11,295	-7	0	-7
Income	-15,835	0	-15,835	-16,530	-695	24	-671
Net Expenditure	**78,772**	**788**	**79,560**	**77,430**	**-2,130**	**596**	**-1,534**
Contingency Pay&Prices	100	0	100	0	-100	0	-100
Interest on Balances	-1,100	0	-1,100	-1,868	-768	0	-768
Cost of Services	**77,772**	**788**	**78,560**	**75,562**	**-2,998**	**596**	**-2,402**
Movement on Reserves	-626	0	-626	-626	0	0	0
Overall Financial Position	**77,146**	**788**	**77,934**	**74,936**	**-2,998**	**596**	**-2,402**

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 £0.596m, net expenditure was £2.402m lower than the budget. The £2.402m net underspend on the revenue budget has been used to fund an increase in the General Revenue Reserve of £0.400m, to increase the Clothing Reserve by £0.500m, to contribute towards the future uniform solution, following any recommendations put forward by the current service review, and increase the Capital Investment Reserve by £1.502m in order to offset capital cost inflationary 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, -£0.316m (0.48%) favourable variance –

- **Non-operational** vacancies and staff not being at the top of their budgeted grade meant a direct employee saving of £0.118m.

- **Firefighter** vacancies, staff not being at the top of the budgeted grade and a saving from a number of roles being funded by the Protection Uplift Grant and secondments meant a direct employee saving of £0.451m.

- **Employee Insurance:** A £0.315m increase in the Insurance and Legal Reserve following a review of MMI's latest accounts by Gallaghers, MFRA's insurance brokers. It is recommended that the Authority increase its reserve to provide for a potential additional 15% levy, reflecting ongoing long-term uncertainties.

- The balance is made up of smaller variances across a number of non-direct employee budgets, including training expenses, injury pensions and ill health retirement charges.

Premises Costs, -£0.095m (2.15%) favourable variance –

- The favourable variance on premises costs is the result of various small underspends across all premises budgets.

Transport Costs, -£0.176m (11.12%) favourable variance –

- Favourable variance on vehicle lease costs £0.133m due to certain costs now being charged to capital, other transport costs £0.037m (which was predominantly a saving on fuel), mileage claims £0.015m and direct transport costs £0.021m which includes repairs and servicing to plant and conversion work, offset by an increase in insurance costs.

Supplies and Services, -£0.264m (7.33%) favourable variance –

- Savings on Operational Supplies, the main area being stock adjustments for Operational Equipment, Professional Fees, including health & safety provision and computing, were offset by a small overspend on uniforms, resulting in a net saving.

Agency Services, £0.002m (0.02%) adverse variance.

- Small adverse variance on ICT service provider for additional works required in 2025/26 offset by a small underspend on Estates Service Provider variable costs.

Central Expenses, -£0.007m (0.65%) favourable variance.

- Small favourable variance on Finance & Computing offset by a small increase in Audit Fees.

Capital Financing, -£0.007m (0.06%) favourable variance.

- Payments on debt were slightly lower than forecast.

Income (*including interest on balances*), £1.439m (4.23%) favourable variance.

- Increase in specific grants was £0.074m greater than the budget due to additional funding for Marauding Terrorist Firearms Attack, Street Intervention Team, Finance support, Fire Champions Project, the Apprentice Levy and Beacon.

- Fees and charges income was £0.482m greater than the budget:
    - The Authority received additional income for the work it carried out on behalf of National Resilience, Long Term Capability Management and International Search & Rescue. Additional income was also received for work the Protection Department carried out as part of the Primary Authority Scheme. The Authority received additional funding towards ICT and Fire Control for the additional work on National Resilience. Additional income was also generated from Commercial Training Courses and Chargeable Special Services.

- Rents were £0.192m higher than budget due to additional income from shared accommodation with NWAS and Merseyside Police.

- Secondment Recharge Income £0.140m was down on the budget projection but the Service still achieved £0.303m income from secondment in 2025/26.

- With interest rates remaining high during the year and the excellent work from the Treasury Management Team the Authority has increased the interest earned on investments and balances significantly higher than the budget, £0.768m.

- The balance, £0.063m, is due to small variances on other income, internal recharges and other contributions.

Capital Programme Budget:

14. The Budget Authority meeting approved a five-year capital investment programme (2025/26 – 2029/30), of £43.191m, with a planned expenditure in 2025/26 of £13.157m. 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 2025 financial review report the five-year capital programme increased to £62.843m, with a planned spend in 2025/26 of £34.089m.

15. In the last quarter, January to March 2026, the planned spend for 2025/26 increased by £10.598m to £44.687m, however, the five-year programme increased by £17.205m to £80.048m. A summary of the Qtr. 4 changes is outlined below.

    - The Authority manages the National Resilience uplift programme, which supports National Resilience. The programme is authorised and funded by the UK Government via the Ministry of Housing, Communities and Local Government (MHCLG). The Authority receives 100% funding for the scheme. Key expenditure commitments within the last quarter include the following items:
        - Members of the Policy & Resources Committee in January approved the procurement of New Dimension 2 Flood Pumps £1.793m CFO/34/2526 and Next Generation Suits £0.450m CFO/35/2526.
        - Members of the Community Fire Safety Committee in February approved the procurement of High-Volume Pump Hose £0.886m CFO/38/2526 and Prime Mover vehicles £13.365m CFO/37/2526.
        - Members of the Policy & Resources Committee in March approved additional High Volume Pump Hose £0.770m CFO/48/2526 and

Detection, Identification and Monitoring equipment £0.780m CFO/47/2526.

In the last quarter the capital budget has increased by £17.182m to contribute towards the expenditure above.

- As part of the budget-setting process in February, officers reviewed the 2025/26 Capital Programme to identify opportunities to defer expenditure and extend the useful life of existing capital assets, thereby achieving better value for money. Following this review, officers agreed to reprofile £6.608m of capital expenditure into 2026/27 and future years.

16. The overall movement in the capital programme reflects the re-phasing of major schemes over the 2025/26 to 2029/30 period and the approved amendments included within the quarterly financial review reports. These changes are summarised in the table below:

Movement in the 2025/26 – 2029/30 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	9,394	9,701	10	9,711	317
Fire Safety	3,175	3,175		3,175	
ICT	10,148	10,613	13	10,626	478
NRAT Resilience Assets		18,226	17,183	35,409	35,409
Operational Equip & Hydrants	8,229	8,273		8,273	45
Vehicles	12,346	12,854		12,854	508
	43,291	**62,843**	**17,206**	**80,049**	**36,758**

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	3,590	24,671	17,205	41,876	38,286
Borrowing	39,701	38,172	1	38,173	-1,528
	43,291	**62,843**	**17,206**	**80,049**	**36,758**

2025/26 Capital Expenditure.

17. Capital spend for the year was £15.283m, resulting in a variance of £29.404m against the £44.687m budget. The reason for the variance can be broken down into:

a) A £28.430m re-phasing of planned spend from 2025/26 into future years, requiring the carry forward of capital budget. The majority of this relates to National Resilience £24.962m.

b) A net underspend and saving on capital projects of £0.974m.

18. As expected, no new borrowing was taken out in the year. A summarised capital programme outturn position statement is outlined below:

2025/26 Capital Budget Outturn Position

Capital Expenditure	Final Budget	Actual	Variance	Rephasing into future years	Year-End Variance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Building & Land	1,520	524	996	487	509	996
Fire Safety	635	631	4	0	4	4
ICT	2,105	837	1,268	1,118	150	1,268
NRAT Resilience Assets	35,409	10,447	24,962	24,962	0	24,962
Operational Equip & Hydrants	2,449	1,752	697	405	292	697
Vehicles	2,569	1,092	1,477	1,458	19	1,477
	44,687	**15,283**	**29,404**	**28,430**	**974**	**29,404**

Capital Funding	Final Budget	Actual	Variance	Rephasing into future years	Year-End Variance	Total
	£'000	£'000	£'000	£'000		£'000
Specific Non-Borrowing	40,376	15,130	25,247	25,282	-35	25,247
Borrowing	4,310	153	4,157	3,148	1,009	4,157
	44,687	**15,283**	**29,404**	**28,430**	**974**	**29,404**

19. The explanations for the year-end re-phasing of capital scheme amounts over £0.050m into 2026/27 and future years are outlined in the table below:

Scheme	Re-phasing £'m	Explanation
Conference Facilities H/Q	0.054	Conference facilities at service Headquarters were due refurbishment in 2025/26. This works has been rephased into 2026/27 to allow for the specification of works to be completed and tendered for.
F.S. Refurbishment Crosby	0.068	Crosby Fire Station refurbishment work is due to be completed in 2026/27 with the final payment being made in 2026/27.
F.S. Refurbishment City Centre	0.050	City Centre Fire Station works have been rephased into 2026/27 due to the finalisation of specification and design requirements.
FMIS/Eproc/Payroll/HR Replacement	0.150	FMIS/Eproc upgrade options are planned for 2026/27.
ICT Software	0.120	The planned replacement of 20 Vision and 20 ICCS client devices will not be completed within the current financial year and therefore requires rephasing into 2026/27. The refresh forms part of the ongoing

		support arrangements for the CAD and ICCS systems pending a full replacement programme, the timing of which is subject to agreement by the Senior Leadership Team. Windows 11 licences required for the replacement Vision and ICCS client devices is also to be rephased into 2026/27.
ICT Hardware	0.300	The planned upgrade of CAD and ICCS operating systems and associated client hardware will not be completed within the current financial year and therefore requires rephasing into 2026/27. The investment supports the continued operation of the CAD and ICCS platforms pending a full replacement programme, the timing of which remains subject to agreement by the Senior Leadership Team. Rephasing of expenditure relating to the Windows 11 rollout and ICT asset refresh programme. Delivery has moved into 2026/27 as devices are configured and deployed, with rollout expected to complete during 2026/27
ICT Servers	0.065	Rephasing of expenditure for CAD and ICCS operating system and hardware upgrades into 2026/27. The work is required to maintain security updates and vendor support for existing servers pending delivery of the wider CAD and ICCS replacement programme
ICT Network	0.110	Rephasing of the Fire Control SIP replacement project into 2026/27 pending BT delivery dates. Infrastructure and design approvals are complete, with expenditure relating to existing commitments and associated implementation works. Rephasing of the Public Wi-Fi project into 2026/27 due to supplier capacity constraints and prioritisation of higher-risk projects. Rephasing of the Vesty Road network link refresh into 2026/27 as existing assets remain operational and replacement can be deferred without impacting service delivery.
ICT Operational Equipment	0.074	Rephasing of station UPS replacement to 2026/27. Existing infrastructure remains operational, allowing the scheme to be deferred while higher-priority projects were delivered following mobilisation of the managed services contract.

ICT Security	0.100	Rephasing of the PF Sense firewall replacement project into 2026/27. Planning and options appraisal are ongoing, with requirements currently being finalised by the managed service provider. Procurement and implementation are now expected to take place during 2026/27
Tranman Renewal / Replacement	0.100	The current contract remains in place until November 2026, allowing implementation of a replacement solution to be deferred without impacting service delivery. Work to identify and procure the most appropriate replacement option is ongoing and is expected to be completed before contract expiry.
Improvements to Fleet	0.134	Rephasing of the high-pressure lifting air bag replacement scheme into 2026/27. Existing equipment is due to reach the end of its serviceable life and replacement is required to maintain safe and effective technical rescue capability.
CCTV Equipment	0.090	Rephasing of the Body Worn Camera (BWC) project into 2026/27. Implementation planning and procurement activity are ongoing, and a route to market now established. The funding remains required to support delivery of this Service priority. The provision also includes funding for CCTV on fire appliances and, without rephasing, the budget available may be insufficient to meet the anticipated BWC implementation costs.
Fire Appliances	1.377	Expenditure has been rephased into 2026/27 to reflect the revised delivery profile of the fire appliance replacement programme. Chassis were received in 2025/26, with completion of build works and final vehicle delivery scheduled for 2026/27.
Ancillary Vehicles	0.080	Rephasing of ancillary vehicle replacement expenditure into 2026/27. Replacement has been deferred as the existing fleet remains operational and asset life has been extended, allowing resources to be prioritised towards higher-priority vehicle and equipment investments.
National Resilience Assurance Team Asset Refresh	24.962	Expenditure has been rephased into 2026/27 to reflect the delivery schedule for nationally procured resilience assets. As lead authority for MHCLG National Resilience procurement, the Authority has

		committed the majority of the budget towards the acquisition of Urban Search and Rescue First Response vehicles, prime mover vehicles and high-volume pumps and hose, with delivery now expected during 2026/27.

20. A full detailed breakdown of the 2025/26 capital budget movements, year-end variances and proposed slippage can be found attached to this report as Appendix B.

Anticipated Reserves:

21. The 2025/26 Budget Authority approved a reserves strategy that maintained a General Reserve of £3.700m and had anticipated £9.833m of committed earmarked reserves at the start of 2025/26.

22. After taking into account the committed reserves movements at the end of 2024/25, reserves at the start of 2025/26 increased by £3.736m, and the revised opening committed reserves figure for 2025/26 was £13.569m. The General Reserve was also increased by £0.200m to £3.900m.

2025/26 Movement on Reserves.

23. The value of committed reserves in the last quarterly financial review report was £12.954m, and the final outturn balance is £15.541m, an increase of £2.587m. The increase relates to;

24. Qtr. 4 planned use of reserves (as outlined in paragraph 10) resulting in a net reduction in reserves of £0.012m. (£0.006m annual maintenance of the high-rise building at the Training and Development Academy; £0.006m contribution towards the partnership work in engaging young people).

25. At year-end, budget managers review their financial position and where appropriate request reserves to carry forward funding to meet expenditure now expected in 2026/27 or future years. Year-end reserves of £0.596m have been created to cover;

    a) £0.315m increase in the Insurance and Legal Reserve following a review of MMI's latest accounts by Gallaghers, MFRA's insurance brokers. It is recommended that the Authority increase its reserve to provide for a potential additional 15% levy, reflecting ongoing long-term uncertainties. Based on the latest statement, MFRA's levy base is £2.094m, and a 25% levy (£0.524m) has already been paid. A further 15% levy would amount to approximately £0.315m; consequently, it is proposed that the reserve be increased.

    b) The Equipment Reserve has been increased by £0.255m to cover various items of ICT equipment, ICT Mobilisation Costs and software upgrades.

    c) A small increase of £0.002m in the Training Reserve to cover training commitments in April 2026. The Community Risk Management Reserve has been increased by £0.005m for the purchase of VR headsets for the Road Safety Team, which were unable to be purchased in 2025/26.

d) Planned spend of the 2025/26 urban search and rescue grant of £0.019m has been re-phased into 2026/27 and will be carried forward as part of the New Dimensions Reserve.

26. The final accounts of the Authority have now been completed and after taking into account the need to create £0.596m year-end reserves, a £2.402m underspend on the revenue budget has been identified. The report proposes using the underspend to;

a) increase the General Revenue Reserve by £0.400m, and

b) increase the Clothing Reserve by £0.500m, to contribute towards the future uniform solution, following any recommendations put forward by the current service review, and

c) increase the Capital Investment Reserve by £1.502m 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 £2.402m favourable variance.

28. The movement on reserves in the year has seen a net increase in committed earmarked reserves (opening balance £13.569m and a closing balance £15.541m) of £1.972m. 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 2025/26

	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
Commmitted Reserves	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Emergency Related Reserves								
Bellwin Reserve	222							222
Insurance and Legal Reserve	534					315		849
Collection Fund Reserve	100							100
Modernisation Challenge								
Smoothing Reserve	1,400							1,400
Severance / Holiday Pay Reserve	0							0
Pensions Reserve	300							300
Recruitment Reserve	1,814							1,814
Carbon Net Zero Reserve	2,000							2,000
Capital Investment Reserve	3,381	-1,766	422				1,502	3,540
PFI Annuity Reserve	1,235	-69						1,166
Specific Projects								
Health & Safety Reserve	57							57
Equipment Reserve	500		-34		-6	255		715
Clothing Reserve	90		850				500	1,440
Health & Wellbeing Reserve	7							7
Training Reserve	270					2		272
Inflation Reserve	1,200							1,200
Ringfenced Reserves								
Community Risk Management Reserve	253		-18		-6	5		234
Energy Reserve	110							110
New Dimensions Reserve	96					19		115
Total Earmarked Reserves	**13,569**	**-1,835**	**1,220**	**0**	**-12**	**596**	**2,002**	**15,541**
General Revenue Reserve	**3,900**	**0**	**0**	**0**	**0**	**0**	**400**	**4,300**
Total Reserves	**17,469**	**-1,835**	**1,220**	**0**	**-12**	**596**	**2,402**	**19,841**

29. The General Revenue Reserve has been increased by £0.400m to £4.300m or 5% of the operating budget.

Equality and Diversity Implications

30. Resources are invested to support equality and diversity.

Staff Implications

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

Legal Implications

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

Financial Implications & Value for Money

33. After taking into account year-end reserve requests of £0.596m, net expenditure was £2.402m lower than the budget. This revenue saving has been utilised to increase the General Revenue Reserve, the Clothing Reserve and the Capital Investment

Reserve in 2025/26 and therefore, the Authority's overall expenditure is consistent with its budget.

34. Capital spend was £15.283m, resulting in a variance of £29.404m against the £44.687m budget for 2025/26. The variance can be broken down into:

    a) A £28.430m re-phasing of planned spend from 2025/26 into future years, requiring the carry forward of capital budget.

    b) A net underspend and saving on capital projects of £0.974m.

35. The General Fund Balance at 31st March 2026 amounted to £4.300m. MFRA committed reserves at 31st March 2026 amounted to £15.541m.

Risk Management and Health & Safety Implications

36. There are no risk management and health and safety implications directly related to this report.

Environmental Implications

37. There are no environmental implications directly related to 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 Vision.

BACKGROUND PAPERS

CFO/85/25	"MFRA Budget and Financial Plan 2025/26-2029/30" Authority 27th February 2025.
DFP/09/2526	"Financial Review 2025/26 – April to June" Community Safety and Protection Committee 4th September 2025.
DFP/12/2526	"Financial Review 2025/26 – July to September" Policy and Resources Committee 11th December 2025.
CFO/34/2526	"New Dimensions 2 Procurement of Flood Pumps" Policy and Resources Committee 20th January 2026.
CFO/35/2526	"Procurement of Next Generation Suits" Policy and Resources Committee 20th January 2026.
CFO/38/2526	"ND2 Procurement: HVP Hose" Community Safety and Protection Committee 5th February 2026.

CFO/37/2526	“ND2 Procurement – Prime Movers” Community Safety and Protection Committee 5th February 2026.
CFO/48/2526	“New Dimensions 2 – HVP Hose” Policy and Resources Committee 19th March 2026.
CFO/47/2526	“ND2 Procurement: Award of Contract for CBRN DIM Equipment” Policy and Resources Committee 19th March 2026.
DFP/17/2526	“Financial Review 2025/26 – October to December” Policy and Resources Committee 19th March 2026.

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 each 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.