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Nottinghamshire and City of Nottingham Fire and Rescue Authority
Finance and Resources Committee

Date: Friday, 16 June 2023 **Time:** 10.00 am

Venue: Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP

Members are requested to attend the above meeting to be held at the time, place and date mentioned to transact the following business

Clerk to the Nottinghamshire and City of Nottingham Fire and Rescue Authority

Agenda		Pages
1	**Appointment of Chair for the meeting**	
2	**Apologies for Absence**	
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5	**2022-23 Revenue and Capital Outturn** Joint Report of the Treasurer and Chief Fire Officer	9 - 26
6	**Revenue, Capital and Prudential Monitoring Report to April 2023** Report of the Chief Fire Officer	27 - 40
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Any councillor who is unable to attend the meeting and wishes to submit apologies should do so via the Personal Assistant to the Chief Fire Officer at Fire Services Headquarters on 0115 967 0880

If you need any advice on declaring an interest in any item above, please contact the Governance Officer shown on this agenda, if possible before the day of the meeting.

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Nottinghamshire and City of Nottingham Fire and Rescue Authority Finance and Resources

Minutes of the meeting held at Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP on 31 March 2023 from 10.01 am - 10.49 am

Membership

Present
Councillor John Clarke MBE (Chair)
Councillor Callum Bailey
Councillor Sybil Fielding
Councillor Nicola Heaton
Councillor Mike Quigley MBE
Councillor Roger Upton
Councillor Patience Uloma Ifediora (substitute)

Absent
Councillor Steve Battlemuch

Colleagues, partners and others in attendance:
Craig Parkin – Chief Fire Officer
Becky Smeathers - Head of Finance and Treasurer to the Authority
Matt Reavill - Corporate Risk management
Catherine Ziane-Pryor – Governance Officer

26 Apologies for Absence

Councillor Steve Battlemuch, Councillor Patience Uloma Ifediora substituting.

27 Declarations of Interests

None.

28 Minutes

The minutes of the meeting held on 20 January 2023 were confirmed as a true record and signed by the Chair.

29 Revenue, Capital and Prudential Code Monitoring Report to January 2023

Becky Smeathers, Head of Finance and Treasurer to the Authority, presented the report which informs members on the 2022/23 financial performance of the Service and Prudential Code monitoring to the end of January 2023.

The following points were highlighted and members' questions responded to:

a) Further to the report submitted to the last meeting there have been significant changes, which are set out in table 1 of the report, and present a £515k underspend against the revised budget of £46.297m:

b) This level of underspend is significant, especially when taking into consideration the 7% pay settlement and the resulting impact on the Service;

c) Table 2 of the report sets out the financial variances since last reported to the committee in January 2023. This identifies an additional £147k, which includes grant funding for a Fire Protection Officer, but the Service is struggling to recruit to the post, due to a national shortage. As a result, this figure is likely to be moved into next year's budget;

d) A significant number of vacancies has resulted in underspend and is contributed to by the reduction of 12 posts since the last report;

e) There has also been an underspend on anticipated over time of £206k;

f) The decrease in energy and fuel prices against the predicted cost, has provided an underspend of approximately £182k;

g) It is proposed that a new £300k earmarked reserve for the Replacement of the Mobilising System is created using the surplus business rates relief grant and £193k of the revenue underspend. Since Leicestershire Fire rescue service have withdrawn from the initially proposed tri-service purchasing agreement, cost to both Nottinghamshire and Derbyshire will increase;

h) There is an anticipated £180k of income from the apprenticeship levy, which is built into the budget;

i) Due to significantly increased interest rates, investments have generated £164k as at the time the budget was set interest rates were anticipated at only 0.5%, and have risen to 3.5%;

j) Table 1 of the report sets out the estimated movement in reserves during this financial year, and it is noted that any underspend will feed through and support next year's general fund reserve and budget setting for 2024/25;

k) There are some minor adjustments to projects within the capital programme due to delays and issues around the supply chains, along with access to and rising cost of parts, most specifically regarding vehicles;

l) Table 5 of the report sets out slippage, for which approval is sought, along with the proposed reallocation of capital budget underspend;

m) It is proposed that £117k of the underspend is reallocated to Worksop Fire Station where there has been an increase in costs and retention costs, and that £50k is allocated to extending the life of breathing apparatus by 10 years by the replacement of the valves;

n) The original overtime and basic pay costs budget was expected to overspend following increased activity during the hot summer. However, on-call turnouts has dropped by 25% since then which has resulted in an underspend position. ,;

o) The Service maintains a 10 year rolling capital programme, but the budgets report only anticipates the next four years ahead as future funding is unknown, and may change. Equipment and vehicles have been prioritised within the 10 year capital programme, and whilst the estates program was temporarily paused, in the current circumstances it is anticipated that it will be possible to provide more accurate future projections for next year's estate budget setting;

p) Within the estates capital programme, progress of the training school capital bid has been delayed until the Service can be sure that the project can be met within a financially stable model;

q) Although major capital projects may have been paused as part of the proportional approach to potential available funds, the Service still strives to be considered by HMICF&RS as outstanding, which will require environmental investments around estate, whilst maintaining focus on the commitments to communities in the community risk management plan.

Members welcomed the healthier financial position of the Service compared to only a few months ago, but reiterated the importance of having a longer term view of the funding settlement from Central Government to better enable financial planning.

Resolved to:

1) approve the transfer of the £147k fire protection grant to earmarked reserves (as set out in sections 2.2 & 2.15 of the report);

2) approve the creation of a £300k earmarked reserve for the replacement mobilisation system project (as set out in section 2.4 of the report);

3) approve £285k of slippage to the capital programme as detailed in the table below.

Capital Project - Request for Approval of Slippage to 2023/24	Amount to be slipped to 2023/24 £'000
Mobile Computing (Surface Go's for the Appliances)	48
Community Fire Risk Management Information	100
Worksop Fire Station retention	117
Light Vehicles	20
Total	285

4) note the capital programme underspends detailed in the table below:

5) approve the reallocation of £117k from this underspend to fund the retention and other costs of £117k for Worksop Station;

6) approve the addition of a new £50k 2023/24 project to extend the life of existing Breathing Apparatus, to be funded from the 2022/23 underspends.

Capital Budget Underspends and Reallocations 2022/23	Underspend 2022/23 £'000
Cloud Migration	87
Switch Upgrades	97
Occupational Health - ICT Capital	18
Newark Fire Station	10
Replacement Duty Rig	250
Foam Branches	30
Water Rescue	20
Light Vehicles	192
Reallocation to Worksop Station	(117)
Reallocation to Breathing Apparatus 2023/24 project	(50)
Total	537

30 Internal Audit Report 2021/22 Update

Becky Smeathers, Head of Finance and Treasurer to the Authority, presented the report which provides the committee with an update on progress against the annual audit plan 2022/23.

The following points were highlighted and members' questions responded to:

a) Four audit reports have been completed, one has been postponed to next year, and another three are in progress;

b) Auditing of performance management had previously been a struggle but now the team is resourced appropriately, significant progress has been made, with 'reasonable' assurance issued and nine recommendations made;

c) Fleet maintenance received a 'reasonable' assurance, with two priority one recommendations made which are being addressed. It had been a struggle to keep within the budgets in this area;

d) Asset disposal was awarded 'limited' assurance last year, so the team worked hard and this too has now been issued as 'reasonable' assurance, with work ongoing in some areas;

e) Budget management was issued with substantial assurance as risk levels have lowered. Regular reports are received by the Strategic Leadership Team and reported back;

f) With regard to managing the asset register, particularly regarding ICT and people moving more towards home working, the move from the old HQ provided an opportunity for asset clearance, which included the disabling of devices to be disposed of and reducing the risk of any data breaches. Members concerns regarding the detailed ICT asset register will be reported back to the ICT team;

g) Members should be assured that all assets are included on the register and have an allocated assets number. This register included for inspection by internal audit colleagues. It is recognised that ICT colleagues to maintain strict asset controls.

Resolved to note the report.

31 Corporate Risk Management

Matt Reavill, Head of Corporate Risk and Assurance, presented the report which will continue to be brought to the committee on a regular basis for monitoring and scrutiny, following members concerns at the high number of high-level risks identified.

The following points were highlighted and members' questions responded to:

a) Since the initial report of concern was presented to the committee, the 6 very high risks have now reduced to 3, mainly due to many external factors, including the risk of industrial action, which has reduced now that the pay of the has been accepted;

b) The current 'very high' risks are summarised within the report and updated as follows:

   i. Inability to set a balanced budget– this risk has eased, but the Authority has had to use reserves to achieved a balanced budget within this year next year and onwards;

   ii. firefighter pension scheme -there is still some uncertainty and no further update on the legal case;

   iii. mobilising -this is a complex issue, although the risk of strike has subsided, there is a continuing risk around implementation of the new mobilising system which includes an increased financial risk now that Leicestershire have withdrawn from the project;

c) Risk 15, reputation, is a new area of risk and has emerged following reports of inappropriate cultural behaviours within some specific Fire and Rescue Services and the publication of the HMICFRS report on culture within the fire and rescue service. The Service continues work in line with the Community Risk Management Plan's (CRMP) commitment to 'support and develop our workforce and promote an inclusive culture'. From the staff survey, 12% of respondents said that they had felt bullied and/or harassed in some way at some time. Work is ongoing to ensure that this behaviour is addressed by way of an an action plan to ensure some of the sector's cultural improvement areas identified are implemented. There is concern that with a negative impact on reputation, this may result in citizens feeling less comfortable with firefighters in the homes, so this behaviour must stop and citizens be reassured;

d) It is intended to de-escalate some levels of risk, re-examine the threshold of the medium and above risks, and propose that only risks above the medium level are put before the committee, with all lower level risks dealt with departmentally;

e) It is noted that the Emergency Services Network development is not on the risk register as progress has been paused nationally for the past two years;

f) The risk level summary table within the report is to be amended to remove the very high risk rating for ‘availability of resources’, which is listed correctly as medium risk;

g) Where identified, risks are incorporated into the CRMP.

Members welcomed:

h) The committee’s future focus on only very high, high and medium risk areas for monitoring and scrutiny;

i) The work to eradicate any culture within the Service which could have a negative impact on staff, the Services’ reputation with citizens, and following on from that, the confidence that citizens may have in the Service which could restrict the Service’s protection, prevention and rescue work.

Resolved

1) to endorse the Service’s approach to managing the key risks to the Authority;

2) to note the most recent version of the Corporate Risk Register (attached at Appendix A to the report) specifically the risk area of Mobilising, Budgets and Pensions that are rated as ‘very high’ and new risk area of Service Reputation;

3) to approve the removal of the following risk areas from the CRR and endorse these risks will now be monitored at departmental level:

- **Emergency Services Network**
- **Legal Knowledge**
- **Programme Governance**
- **Environmental;**

4) to approve that the corporate risk management report returns to a six-monthly reporting frequency following the de-escalation of three areas of risk previously reporting as ‘very high’.

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

2022/23 REVENUE AND CAPITAL OUTTURN

Joint Report of the Treasurer and Chief Fire Officer

Date: 16 June 2023

Purpose of Report:
To report to Members on the provisional financial performance of the Service for 2022/23, analysing significant variances against the original revenue and capital budgets. The outturn position gives Members an overview of the financial position following the completion of the unaudited Statement of Accounts for 2022/23.

Recommendations:

It is recommended that Members:

- Note the contents of this report.

- Approve the transfer of £236k of underspends to Earmarked Reserves to support ongoing projects (section 2.2):

Earmarked Reserve	**Amount £'000**
Mobilising Reserve	213
iTrent Reserve	23
Total	**236**

- Approve the slippage of £980k on the capital programme as detailed in Section 2.43 and Table 5.

CONTACT OFFICER

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1. BACKGROUND

1.1 The purpose of this report is to give Members information regarding of the Authority's financial performance in 2022/23. The outturn position may be subject to change if any issues are identified by the finance team prior to the audit of the accounts, or by the auditors which require amendments to revenue or capital expenditure. Any changes will be reported to Finance and Resources Committee at a future date.

1.2 Members will be aware that the audit of the 2021/22 accounts has been delayed and is not due to commence until July. Due to events that have occurred since the 2021/22 accounts were completed it has been necessary to make some changes to them in accordance with IAS 10 *Events After the Reporting Period.* These changes include updating the LGPS defined benefit pension liability to reflect the recent triennial valuation, and the reversal of some accruals that are no longer required. Some of these accruals related to capital expenditure. This has impacted on the slippage of the 2021/22 capital budget into 2022/23.

2. REPORT

2.1 The 2022/23 revenue budget of £46.006m was approved by the Fire Authority in February 2022.

2.2 Total expenditure for 2022/23 was £45.170m, £352k of which was funded from earmarked reserves. This represents an underspend position of £836k (1.82% of the annual budget). After previously approved transfers to Earmarked Reserves have been actioned, the underspend is reduced to £236k. It is proposed that the remaining £236k is also transferred to Earmarked Reserves: £213k to the reserve for the Replacement Mobilising System and £23k to the reserve for iTrent Support (see Table 2 for details).

2.3 Table 1 below shows a summary of expenditure and funding, assuming that approval is given for the transfers to Earmarked Reserves outlined in Table 2.

Table 1 – Summary Expenditure and Funding Position

	Revised Budget 2022/23	Actual 2022/23	Variance 2022/23
	£000's	**£000's**	**£000's**
Employees	36,983	36,886	(97)
Premises	3,466	3,487	21
Transport	1,817	2,250	433
Supplies & Services	4,015	3,895	(120)
Third Party Payments	908	980	72
Support Services	166	105	(61)
Capital Financing	2,620	2,842	222
Income	(4,217)	(4,923)	(706)
Contribution from Earmarked Reserve in-year	(352)	(352)	0
Contribution to Earmarked Reserve	600	600	0
Net Expenditure	**46,006**	**45,770**	**(236)**
Proposed contribution to Earmarked Reserves (section 2.2)	0	236	236
Revised Net Expenditure	**46,006**	**46,006**	**0**

Funded by:	Annual Budget 2022/23	Actual 2022/23	Variance 2022/23
	£000's	**£000's**	**£000's**
General Fund Reserves	(153)	(47)	106
Business Rate Covid Relief Grant	(600)	(706)	(106)
Pension Grant	(2,340)	(2,340)	0
Revenue Support Grant	(5,619)	(5,619)	0
Non-Domestic Rates	(9,602)	(9,602)	0
Council Tax	(27,692)	(27,692)	0
Total Funding	**(46,006)**	**(46,006)**	**0**

2.4 Details of ongoing major variances have been reported on to Finance and Resources Committee throughout the year and are updated in the paragraphs below.

2.5 **Wholetime Pay:** Before the proposed transfers to earmarked reserves are taken into consideration, the wholetime pay budget has underspent by £438k (1.8%). This is due a decision to delay recruitment. As a result of this decision, the number of posts was 23.7 FTE below the approved establishment at 31 March. The latest training course started in April.

Should the transfers to earmarked reserves be approved, this underspend will be reduced by £236k to £202k.

2.6 **On-Call Pay:** the overall On-Call pay budget has underspent by £15k. Turnout costs overspent by £120k due to a significant increase in activity caused by the hot, dry weather during the summer. This overspend has been offset by underspends in other areas, including drills and training which underspent by £96k due to lower than expected levels of recruitment.

2.7 **Non-Uniformed Pay**: the non-uniformed pay budget has overspent by £38k. The budget included planned in-year savings of £250k which have not been fully achieved within the current year. However, there has been a high level of vacant posts, and the savings from these vacancies have largely offset the overspend on the £250k savings target.

2.8 **Redundancy costs:** the budget for redundancy costs has overspent by £84k. Members approved the deletion of two roles from the non-uniformed establishment, which has resulted in these costs.

2.9 **Pension costs:** Pension costs have overspent by £223k. Significant variances include:

- The budget for ill health charges has overspent by £128k. There were two upper tier ill health retirements, one of whom was a dual contracted employee, plus a deferred ill health pension was awarded. The budget calculation assumed that there would only be two retirements, which was in line with recent experience.
- The pension strain budget overspent by £72k. This expenditure related to the deletion of two posts from the non-uniformed establishment.
- The budget for pensions paid from revenue overspent by £38k. £40k of irrecoverable debtors relating to the overpayment of tax were written off during the year, and this has impacted on this budget.

2.10 **Premises costs**: there is a net overspend on premises costs of £22k. There are, however, some large variances on individual budgets:

- The budgets for reactive repairs and maintenance and planned repairs and maintenance overspent by £126k and £81k respectively. A number of issues have caused the overspend on the reactive maintenance budget, including the supply of heaters at Highfields, the replacement of a water main at Stockhill, a new boiler at Bingham, and the replacement or repair of a number of appliance bay doors and gates. The overspend on the planned maintenance budget is due to the re-piping of the heating system at Stockhill.
- The electricity budget underspent by £103k. Whilst electricity expenditure was 54% higher than the previous year, it did not increase in line with budgeted assumptions.
- The budget for premises hire underspent by £51k. This mostly relates to the revenue charges for the joint headquarters. These charges were

reduced as the allocated office space was not fully occupied for part of the year.

2.11 **Supplies and Services:** Supplies and Services are underspent by £120k. Significant variances within this category include:

- A £72k overspend relating to insurance premiums (excluding premises and transport insurance). This overspend has been caused in part by an increase in the cost of cyber security premiums, and a transfer of £40k from the budget to fund new cyber security software.
- A £61k underspend on external audit fees. This is mainly due to the delay in the audit for the 2021/22 accounts, which is now not due to take place until 2023/24.
- A £78k overspend on software maintenance contracts. This is mainly due to an increase in the cost of licenses for the payroll and HR system.
- A £43k underspend on non-contracted ICT services. This is due to the first year costs of the cyber security project being met from the capital budget.
- A £38k underspend on consultancy fees. Due to resourcing issues it was not possible to deliver the planned programme of leadership activities. This led to an underspend in the consultancy fees budget.
- A £45k underspend on protective clothing. Fire kit is being reused where possible in order to keep costs to a minimum, and this has resulted in some savings. Additionally, some orders were not fulfilled during the year due to issues with supply chain disruption and long lead times.
- A £36k underspend relating to partnership working. This budget included funding to support the Emergency Services Network (ESN) Dimetra Communications Service, but this has not been spent due to delays to the project.

2.12 **Transport:** Transport is overspent by £433k. The main variances are outlined below:

- The fleet maintenance budget has overspent by £240k. This is due to increased maintenance costs and an ageing fleet. The capital replacement programme for vehicles will help to reduce unplanned maintenance costs in the future. However, longer than expected lead times are causing delays to the delivery of vehicles. It is now expected that three new appliances will arrive before the end of the 2023/24 financial year. It is possible that these delays in the replacement programme will impact the fleet maintenance budget in 2023/24. The budget will be monitored closely, and members will be informed of any likely variances in due course.
- The budget for fuel has overspent by £209k. This overspend is lower than the previously reported estimate as diesel prices have decreased by over 20% from the peak seen earlier in the financial year. Prices at the end of March had returned to levels similar to those seen prior to the invasion of Ukraine.

2.13 **Third Party Payments:** Third party payments have overspent by £72k. This is mainly due to costs recharged by Derbyshire Fire and Rescue Service for the replacement mobilising system, which were not included in the budget.

2.14 **Support Services**: Support Services are underspent by £61k, this is largely due to overcharges for committee services in 2021/22 being rectified in 2022/23.

2.15 **Sales, fees and charges:** There is a surplus of £112k on sales, fees and charges. Of this, £83k relates to recovered costs and is largely a result of an increase in the amount recharges to the Police for fuel usage. This is largely offset by the increased costs of supplying the fuel.

2.16 **Other Income:** There is a surplus of £593k other income. Significant variances are outlined below:

- There is a £76k deficit on the budget for government revenue grants. This mainly relates to the Firelink grant, as we received less than initially expected.
- There is a surplus of £179k relating to income from the apprenticeship levy. Whilst the Service has to demonstrate that it does not profit from the receipt of income from the levy, the majority of the costs associated with delivering the training are already accounted for in the revenue budget (e.g. the salaries of the training staff). This income therefore represents a budgetary surplus.
- There is a surplus of £52k relating to secondment income, as a result of secondments that have been agreed during the year and were therefore not included in the budget.
- There is an estimated surplus of £200k relating to interest receivable. Capital slippage means that surplus cash balances can be invested for longer, and interest rates have risen as a result of the increases in the Bank of England base rate.
- There is a surplus of £170k relating to non-specific government grants. The majority of this relates to the Business Rate Covid Relief grant, for which we received more than anticipated.

2.17 **Capital financing**: There is a £161k overspend on capital financing costs. This largely related to the funding of capital expenditure on the joint headquarters from the revenue budget, as approved by members in October 2022.

2.18 The provisional underspend position for 2022/23 was £236k (see section 2.3). It is proposed that this be transferred to Earmarked Reserves (see Table 2). The budgeted contribution from general reserves of £153k has taken place as planned, with £106k of this contribution coming from the surplus Business Rate Covid Relief grant.

Table 2 – Request for Transfers to Earmarked Reserves

Earmarked Reserve	£'000	Requirement
Unused Grants		
Mobilising Reserve	213	Additional Funding for the Mobilising Project
iTrent Reserve	23	Additional Consultancy required for the project
Total contribution to Earmarked Reserves	**236**	

RESERVES

2.19 Details of the movement in reserves during 2022/23 can be found in Appendix A. A net total of £331k has been transferred to reserves during the year. Total general fund and earmarked reserves as at 31 March 2023 were £10.298m.

Table 3 – Breakdown of Reserve Movement during 2022/23

Reserves	Balance 01/04/22 £'000	Net Movement 2022/23 £'000	Balance 31/03/23 £'000	
Earmarked	4,853	484	5,337	
General Fund	5,114	(153)	4,961	
Total	**9,967**	**331**	**10,298**	

2.20 After a contribution of £153k from general reserves for 2022/23 (£106k funded from the surplus Business grant), general fund reserves stand at £4,961m as at 31 March 2023.

CAPITAL BUDGET OUTTURN

2.21 Details of project expenditure can be found in Appendix B. Provisional expenditure as at 31 March 2023 was £2.265m, which is an underspend within the year of £1.820m against the Revised Budget of £4.084m. This includes £298k of funding from Earmarked Reserves and revenue contribution to capital.

2.22 A summary of variances is shown in Appendix A.

Table 4 – Capital Outturn Position 2022/23

	Revised Budget 2022/23	Actual 2022/23	(Under) / Overspend 2022/23	Slippage to 2023/24
	£000's	**£000's**	**£'000**	**£000's**
Transport	192	0	(192)	0
Operational Equipment	396	207	(189)	50
Property	2,011	1,537	(475)	304
IT & Communications	1,485	521	(964)	626
Total	**4,084**	**2,265**	**(1,820)**	**980**
Funded by:				
Borrowing		1,454		980
Earmarked Reserves and Revenue contribution to Capital		298		0
Capital Receipts		513		0
Total		**2,265**		**980**

2.23 An update on the major projects and variances is considered below.

TRANSPORT

2.24 A review of the current fleet has been undertaken and there is adequate provision in the 2023/24. Slippage of the underspend is not required 2023/24.

EQUIPMENT

2.25 The Duty Rig project has been delayed due to the procurement process and the long lead times within the supply chain. Members of the Finance and Resources Committee gave approval for £167k of the budget to be allocated to other budgets in the programme. The remaining budget £83k is no longer required and will not be slipped into 2023/24.

2.26 Foam Branches: the tender came in under budget at £40k.The project was completed by the end of the financial year with an underspend of £30k. This budget is not required to be slipped into 2023/24.

2.27 The Water Rescue project: the procurement of the thermal base layers, water/flood rescue boots, helmet lights and water rescue poles is now complete. The remaining budget of £29k is longer required.

2.28 The £50k Breathing Apparatus replacement valve project was identified as an invest to save scheme and got approval from this Committee in March 23. Expenditure will not be incurred until 2023/24 and slippage of the £50k budget is requested.

PROPERTY

2.29 Joint Head Quarters (HQ) Project - It is likely the overall project budget will be overspent in the region of £500k on completion, largely due to the tender for phase 4 works being higher than originally estimated at the commencement of the project. The Service's contribution is capped at £3.461m. The slippage of £230k is requested to be slipped into 2023/24.

2.30 Worksop Station was opened in May 2022. The final account has now been agreed. The sale of the former station is complete and was reported to Finance and Resources Committee separately. It was approved by the Finance and Resources Committee that £117k would be slipped into 2023/24 from other underspends. The remaining budget of £75k is requested to be slipped into 2023/24.

2.31 The Command Training Suite at Mansfield Fire Station is officially open. The new facilities include an office space and a control room to facilitate the incident command simulated scenarios, as well as four training rooms. An earmarked reserve of £175k has been used to part fund this project. The remaining budget of £160k is no longer required.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

2.32 The delays in the national Emergency Services Mobile Communication Project (ESMCP) have had a knock-on effect on anticipated expenditure on project related equipment, resulting in an overall underspend of £241k across the related projects. Slippage of the £241k is requested to be slipped into 2023/24.

2.33 The Tri Service Control and mobilising system work is an ongoing project. Slippage of the £103k is requested to be slipped into 2023/24.

2.34 The Replacement Equipment budget included a project to improve digital storage in preparation for the Headquarters move. The remainder of the budget was utilised to procure new computing equipment such as new Tablet PCs and Desktop PCs as part of a Service wide equipment refresh. It is requested that the £160k underspend be slipped into 2023/24.

2.35 HQ - Link ICT Replacement is for the enabling works at Joint Headquarters. The ICT structure is now in place. Some of the works were allocated to the main HQ project and therefore the £42k underspend is no longer required.

2.36 SharePoint: the underspend of £13k is required for the completion of Accessibility, Electronic Forms, and T drive Migration. It is requested that this is slipped into 2023/24.

2.37 HQ Project - Cloud Migration Work: this project is still ongoing and some of the applications still need to migrate into the cloud, it is requested that £30k of the underspend be slipped into 2023/24.

2.38 The cyber security project has an underspend of £1k it is requested that this be slipped into 2023/24 and added to the 2023/24 approved budget.

2.39 Occupational Health: this project is now complete and the underspend of £28k is no longer needed.

2.40 The project to upgrade switches is now complete. Some switches have been recycled, and the underspend of £98k is no longer required.

2.41 Business process automation: this budget can be contained with the replacement ICT replacement budget and is no longer required.

2.42 The Mobile Data Terminals Project is ongoing. It is requested that the remaining budget of £77k is slipped into 2023/24 to fund the completion of the project.

2.43 Members are requested to approve capital slippage into 2023/24 as detailed in the table below:

Table 5 – Capital Slippage into 2023/24

Scheme	Slippage already Approved £'000	Requested Slippage £'000	Underspend not required £'000
Transport			
Rescue Pumps	2,006		
Light Vehicle Replacement	160		192
Special Appliances	755		
ICT Projects			
Business Process Automation			37
Mobile Computing	48		
HQ - Link ICT Replacement			42
ICT SharePoint Internet/Intranet		13	
ESMCP Grant from DCLG (ESN)		41	
Tri-Service Control Project		103	
Replacement Equipment		160	40
HQ Project - Cloud Migration		30	93
Emergency Services Mobile Communication Programme ESN		100	
Rostering Project - ICT			1
CFMIS Quick Screens and accessibility	250		
Cyber Security	45	1	
Occupational Health - ICT			28
HQ Core Switch Upgrade			50
Upgrade of Switches – Estate Wide			48
Airwave - Mobilisation system DCS		60	
Tri Service Mobilisation Infrastructure Replacement		40	
MDT Replacement Project		77	
Equipment			
Duty Rig Replacement			83
Foam Branches			30
Water Rescue - Capital			29
BA Quick Connect Cylinder Valve		50	
Premises			
Command Training Suite			160
Newark			10
Eastwood			1
Worksop	117	75	
Joint Head Quarters		230	
Total	**3,381**	**980**	**844**

DEBTS WRITTEN OFF IN 2022/23

2.44 One debt to the value of £747.76 has been written off during the 2022/23 financial year. This related to an overpayment of pension to a deceased pensioner.

3. FINANCIAL IMPLICATIONS

The financial implications are set out within the main body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report summarises only the financial impact of activities undertaken in 2022/23. Equality impacts arising from new policies implemented in the year will have been identified in other reports.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications that arise specifically from this report however the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. Throughout the year, finance department staff work collaboratively with budget holders towards keeping expenditure within budget and improving financial performance and reporting to Finance and Resources Committee at regular intervals.

9. COLLABORATION IMPLICATIONS

This report includes income and expenditure from several collaboration agreements. Opportunities for collaboration are continually being investigated.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the contents of this report.

10.2 Approve the transfer of £236k of underspends to Earmarked Reserves to support ongoing projects (section 2.2):

Earmarked Reserve	**Amount £'000**
Mobilising Reserve	213
iTrent Reserve	23
Total	**236**

10.3 Approve the slippage of £980km on the capital programme as detailed in Section 2.43 and Table 5.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Becky Smeathers
TREASURER TO THE FIRE AUTHORITY

Craig Parkin
CHIEF FIRE OFFICER

APPENDIX A

Reserve Position at 31 March 2023

Reserve	Opening Balance 01/4/22 £'000	Movement into Reserve £'000	Use of Reserve £'000	Reallocation of Reserve Approved in MTFS £'000	Closing Balance 31/3/23 £'000
Resilience Crewing and Training	36	0	(1)	0	35
Prevention and Partnerships	245	16	0	0	261
Business Systems and Development	59	0	0	0	59
ESN Reserve	1,243	377	0	0	1,620
Transformation and Collaboration	552	0	(192)	0	360
Operational	444	36	0	0	480
Estates	0	62	0	0	62
Covid - 19	30	0	(15)	0	15
Other	356	14	0	0	370
Headquarters Move	50	0	(1)	0	49
Budget Pressures Support	936	190	0	0	1,126
Efficiency Programme	900	0	0	0	900
Total Earmarked Reserves	**4,851**	**695**	**(209)**	**0**	**5,337**
General Reserve	**5,114**	**331**	**(484)**	**0**	**4,961**
Total Reserves	**9,965**	**1,026**	**(693)**	**0**	**10,298**

APPENDIX B

CAPITAL EXPENDITURE 2022/23

Scheme	Revised Budget 2022/23 £'000	Actual Expenditure 2022/23 £'000	(Under) / Overspend £'000	Slippage required to 2023/24 £'000
Transport				
Special Appliances	0	0	0	0
Light Vehicle Replacement	192	0	(192)	0
Rescue Pumps	0	0	0	0
	192	**0**	**(192)**	**0**
Equipment				
Replacement Duty Rig	83	0	(83)	0
Foam Branches	70	40	(30)	0
Water Rescue	156	127	(29)	0
Breathing Apparatus Cylinder Valve	50	0	(50)	50
CCTV - vehicles	0	1	1	0
New Threats / MTFA	0	2	2	0
Fire Gloves	37	37	**0**	**0**
	396	**207**	**(189)**	**50**
Estates				
Joint Headquarters	788	558	(229)	229
Newark Fire Station	10	0	(10)	0
Eastwood Fire Station	1	0	(1)	0
Command Training Suite	526	367	(160)	0
Worksop Fire Station	686	611	(75)	75
	2,011	**1,536**	**(475)**	**304**
IT & Communications				
Business Process Automation	40	3	(37)	0
HQ - Link ICT Replacement	90	48	(42)	0
Sharepoint	20	7	(13)	13
Emergency Services Mobile Communication Project	41	0	(41)	41
Tri Service Control	144	41	(103)	103
Replacement Equipment	309	109	(200)	160
HQ Project - Cloud Migration Work	137	14	(123)	30
Emergency services Network	100	0	(100)	100
Rostering Project	188	187	(1)	0
CFMIS	13	13	0	0
Cyber Security	30	29	(1)	1
HQ Core Switch upgrade	50	0	(50)	0
Upgrade of Switches - Estate Wide	100	52	(48)	0
Airwave - Mobilisation system DCS	60	0	(60)	60

Scheme	Revised Budget 2022/23 £'000	Actual Expenditure 2022/23 £'000	(Under) / Overspend £'000	Slippage required to 2023/24 £'000
Tri Service Mobilisation Infrastructure Replacement	40	0	(40)	40
MDT Replacement Project	80	3	(77)	77
Occupational Health system	43	15	(28)	0
	1,485	**521**	**(964)**	**626**
Total	**4,084**	**2,264**	**(1,820)**	**980**
		Actual Expenditure 2022/23 £'000		
Financed by:				
Capital Grant		0		
Capital Receipts		513		
Revenue/Earmarked Reserves		298		
Borrowing		1,453		
Total		**2,264**		

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

REVENUE, CAPITAL AND PRUDENTIAL CODE MONITORING REPORT TO APRIL 2023

Report of the Chief Fire Officer

Date: 16 June 2023

Purpose of Report:

To report to Members on the 2023/24 financial performance of the Service and Prudential Code monitoring to the end of April 2023.

Recommendations:

- To note the contents of the report, including the changes to the fire appliance capital budget outlined in sections 2.32 – 2.34.
- To approve the addition of a new £12k Marauding Terrorist Attack Equipment project to be funded from Capital Grant (section 2.30).

CONTACT OFFICER	
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1. BACKGROUND

1.1 Budget monitoring is a key aspect of financial management for the Fire Authority. Regular reporting of spending against the revenue budgets is a check that spending is within available resources and if necessary, allows for financial resources to be re-assigned to meet changing priorities.

1.2 This report covers those areas with a higher risk of significant variance. An assessment of this risk has been made in the light of the size of the budgets selected and/or previous experience of variances, as well as the emergence of actual variances. It is vital that an overview of the budgetary position during the year is maintained, so that appropriate action can be taken in respect of significant variances and the budget is managed as a whole.

1.3 Monitoring against the revised prudential indicators is also included in this report, as required in the Prudential Code published by the Chartered Institute of Finance and Accountancy (CIPFA).

2. REPORT

2.1 The revenue monitoring position is set out in Table 1 below. It shows a forecast outturn position of £48.660m, which is an £1.323m underspend against the revised budget of £49.984m. The approved budget of £49.965m included a £404k contribution from the earmarked reserve for Budget Pressure Support to address a funding deficit. As things currently stand, this contribution may not be required, although it should be noted that it is difficult to accurately predict year end year expenditure at this early stage. The revised budget reflects the planned use of £19k of earmarked reserves relating to various projects.

Table 1 – Summary Expenditure and Funding Position

	2023/4 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	49,965	49,984	48,660	(1,323)
Revenue Support Grant	(6,189)	(6,189)	(6,189)	0
Business Rates (including related grants)	(11,286)	(11,286)	(11,286)	0
Pension Grant	(2,340)	(2,340)	(2,340)	0
Council Tax	(29,746)	(29,746)	(29,746)	0
General Fund	0	0	1,323	1,323
Earmarked Reserves	(404)	(423)	(423)	0
Total	**0**	**0**	**0**	**0**

2.2 A more detailed analysis of expenditure can be found at Appendix A. Major variances on specific budgets are shown below.

2.3 **WHOLETIME PAY:** Wholetime pay is forecasted to underspend by £525k in total. We are currently expecting the number of posts to be below the approved establishment throughout the financial year, with the level of under establishment ranging from 16 to 28 FTE.

2.4 **ON-CALL PAY:** On-call pay can vary significantly from month to month depending on levels of activity and so it is difficult to forecast with any certainty. This budget will be closely monitored throughout the year and reported to members.

2.5 **NON-UNIFORMED PAY**: Non-Uniformed pay is expected to underspend by £45k due to there being a higher level of vacancies than anticipated. The vacancy factor currently stands at 9.1% compared with the budgeted level of 7.5%.

2.6 **PENSIONS:** The pension budgets are expected to overspend by £16k overall. The largest variance relates to injury allowance payments, which has a forecasted underspend of £33k. This is due to the number of recipients being lower than budgeted.

2.7 **SALES, FEES AND CHARGES:** there is an expected surplus of £93k. This relates to recovered costs and reflects the amount that we expect to receive from Derbyshire Fire and Rescue Service to cover costs incurred on the joint mobilising project. The costs associated with this project are pay related and are reflected in the estimated outturns for the pay budgets.

2.8 **OTHER INCOME**: there is an expected surplus of £416k. The significant variances in this category are as follows:

- There is a forecast surplus of £36k relating to secondment income, as an employee has been seconded to the National Fire Chiefs Council.

- There is a £163k surplus relating to government grants. £147k of this relates to the Protection Uplift grant which will be received from the Home Office. Spending plans are being put in place for this grant, and approval will be sought to transfer any unspent balances to earmarked reserves.

- There is an estimated surplus of £217k relating to interest receivable. Capital slippage means that surplus cash balances can be invested for longer, and interest rates have risen as a result of the recent increases in the Bank of England base rate.

2.9 **CAPITAL FINANCING COSTS**: there is an underspend of £212k relating to the budget for minimum revenue provision. This has been caused by slippage and underspends of £5.205m in the 2022/23 capital programme, details can be found in the 2022/23 Revenue and Capital outturn report which is also on the agenda.

RESERVES

2.10 Details of the use of reserves during 2023/24 can be found in Appendix B.

2.11 Expected levels of reserves at 30 April 2024 are £11.6m as detailed in Table 3 below.

Table 3 – Anticipated Movement in Reserves 2022/23

Reserves	Balance 01/04/23 £'000	Anticipated Use 2023/24 £'000	Expected Balance 31/03/24 £'000
Net contributions from earmarked reserves	5,236	(20)	5,216
General Fund	4,961	1,323	6,284
Total	**10,197**	**1,303**	**11,500**
ESMCP[1] Regional Reserve	101	0	101
Total	**10,298**	**1,303**	**11,601**

[1] Emergency Services Mobile Communications Programme

2.12 The Emergency Services Mobile Communications Programme (ESMCP) regional reserve has been shown separately to those reserves held by the Authority to reflect that the funds are to be allocated regionally and do not belong to Nottinghamshire Fire and Rescue Service (NFRS).

2.13 The general reserve is predicted to be £6.284m at the end of the financial year, which is above the minimum level of £4.5m general fund reserve agreed by Fire Authority in December 2022.

CAPITAL PROGRAMME

2.14 The 2023/24 Capital Programme approved by Fire Authority in February 2023 was £6.336m. The programme has since been amended to take account of slippage approved by Finance and Resources Committee in March 23 which takes the programme value up to £6.621m. The capital outturn report is elsewhere on the agenda and an additional £980k has been requested to be slipped into 2023/24. The total capital spend to the end of April 23 was £149k. The current capital programme is shown at Appendix C. The most significant areas of variances are detailed below.

ICT

2.15 The ICT programme includes replacement equipment and software and supports specific schemes which underpin the Community Risk Management Plan (CRMP). Overall spend has been slower than originally anticipated due to vacancies within the ICT team. Spend is expected to pick up as this year progresses.

2.16 The Mobile Computing project (£48k) is for the purchase of additional ICT equipment (Surface Go's) to sit on the appliances. This project is dependent on the outcome of the Mobile Data Terminal project and the equipment is yet to be purchased.

2.17 Replacement Equipment £220k – This budget will be for the purchase of Projectors (£40k), Battery Back Up Systems at all stations (£25k), WIFI access points (£50k), Surface Replacement (£50k), Incident Recording System Automation (£25k), and Distribution Servers (£30k). The slippage from 2022/23 recommended for approval elsewhere on this agenda will fund any replacement equipment that is required to keep the equipment robust and sustainable.

2.18 CFRMIS (Community Fire Risk Management Information System) – These 2 projects are still in the scoping stage due to priorities of other projects. Work is planned to commence early in the year. Progress on the project will be reported as the project progresses.

2.19 The Cyber Security project involves the implementation of a system to restrict access to the NFRS network. A consultant will be appointed to implement the system. Progress on the project will be reported to members as the project progresses.

2.20 MDT Replacement - This budget will purchase the Mobile Data Terminals (Hardware) in the appliances, these are expected to be purchased early this financial year.

2.21 Appliance Handheld Airwave Radio – this project is to purchase 30 handheld radios for business continuity and resilience.

2.22 System upgrades – a budget of £30k is set aside to upgrade core systems to enables them to be maintained and supported.

ESTATES

2.23 Worksop Station was opened in May 2022. The retention of £85k and some additional costs are still outstanding.

2.24 Access and Inclusion (£500k. The budget is for the construction works for the alterations to NFRS estate, ensuring that compliance for accessibility and inclusion. Planning is underway with all surveys for each site complete. Design and project management consultants have been appointed and will commence the design works once the scope for each site has been confirmed.

2.25 Training and Development Centre – (£500k). This project is for alterations and refurbishment of existing welfare and training facilities including replacement of the antiquated Fire House control system. Design and project management consultants have been appointed with the initial design meeting with stakeholders taking place in June 2023.

2.26 Electric Charging Points – (£25k) 2023/24, (£100k) 2024/25. This is for the cost of the installation of vehicle charging points throughout the estate. This project includes the introduction of a centralised management system for all existing electric vehicle (EV) charging points with the removal of any closed protocol devices. Any remaining funds will be used to install additional EV charging points throughout the Estate. Meetings with potential suppliers are scheduled for June 2023.

2.27 Energy Reduction and Decarbonisation – (£50k 2023/24, £250k 2024/25). A consultant to determine NFRS' roadmap to Net '0' Carbon has been appointed and the data gathering exercise is underway with a plan to complete the report by September 2023. A further analysis of indirect carbon use (schedule 3) such as supply chain usage is planned to be commissioned early summer. From these reports works to reduce energy and decarbonise the estate will be identified and planned to be undertaken early 2024 to March 2025.

EQUIPMENT

2.28 Replacement Duty Rig – The order is anticipated to be placed before the end of the year. The procurement process is taking longer than anticipated with suppliers not getting the premarket samples to NFRS in a timely manner which has impacted again on the timing of the trials. Bulk purchases lead times are also impacting on the project as lead times are between 7-9 months. It is now anticipated that this project will not be able to be fully completed until 2024/25. Members will be kept up to date and it may mean that the budget be rephased during the budget process, 2024/25 and 2025/26.

2.29 Gas Tight Suits – these will be purchased in year for operational use.

2.30 A capital grant previously received for Marauding Terrorist Attack (MTA) equipment is held in the Capital Grant Unapplied reserve. It is requested that a new project is added to the capital programme to purchase Digital Voice Recorders and MTA Training Skeds to be funded from the MTA grant.

TRANSPORT

2.31 Light Vehicle budget - this budget is for the replacement of the Chief and the Assistant Chief Fire Officer cars, 5 Flexi Duty Officers cars, 2 vans and blue light fits. The Flexi Duty cars have been delivered for the blue light installation. The delivery of the 2 vans is expected July 2023. Orders have yet to be placed for the Chief Officers' car.

2.32 Fire Appliances (£2.840m 2023/24, £2.820m 2024/25) – The replacement programme for fire appliances is split over 2 years. Four appliances were due to be replaced in 2023/24 but the latest delivery schedule suggests that only 3 of the appliances will be delivered by end of March 2024. The final stage payment for the 4th appliance (£82k) will now be in paid in 2024/25 and not 2023/24.

2.33 The 2024/25 Fire Appliance programme includes funding for equipment such as ladders and PPVs (fans) and LPPs (light portable pumps). Reduced lead times mean that some of this equipment can now be delivered this financial year. Furthermore, we have been made aware from the suppliers that costs for LPPs are expected to increase from July. It is proposed to bring forward the £141k from the 2024/25 programme to allow the Service to take advantage of the change in circumstances. This will be partly offset by the delayed expenditure outlined in paragraph 2.32.

2.34 This budget will be monitored throughout the year and any necessary adjustments to the timing of the budget between the 2 years will be requested at a later date should this be necessary.

PRUDENTIAL CODE MONITORING

2.35 The Fire Authority approved the prudential indicators for 2023/24 at its meeting on 24 February 2023. The Prudential Code requires that performance against these indicators is reported to Members.

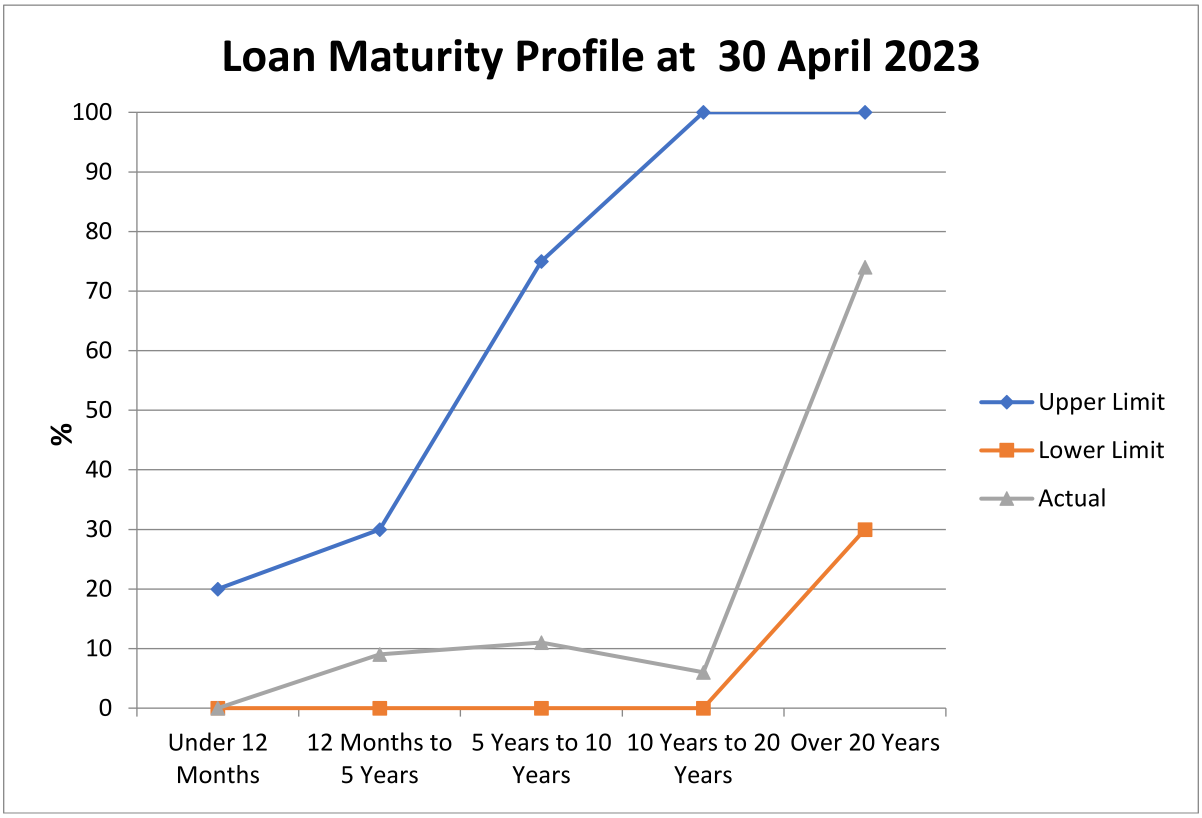
2.36 The approved indicators along with performance as of 30 April 2023 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Table 4 - Prudential Code Monitoring

Prudential Indicator	**Approved Indicator**	**As of 30 April 2023**
Estimate of Ratio of Financing Costs to Net Revenue Stream	8%	Year End Only
Estimate of Total Capital Expenditure to be Incurred	£3,995,000	Year End Only
Actual Borrowing		£32,900,000
Estimate of Capital Financing Requirement	£30,646,000	£30,646,000
Operational Boundary	£36,901,000	£36,901,000
Authorised Limit	£41,591,000	£40,591,000
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	30%
Loan Maturity:	Limits:	
Under 12 months	Upper 20% Lower 0%	See Graph
12 months to 5 years	Upper 30% Lower 0%	See Graph
5 years to 10 years	Upper 75% Lower 0%	See Graph
Over 10 years	Upper 100% Lower 0%	See Graph
Over 20 years	Upper 100% Lower 30%	See Graph
Upper Limit for Principal Sums Invested for Periods Longer than 365 Days	£2,000,000	0
Upper limit for internal borrowing as a % of the Capital Financing Requirement	20%	16.48%

2.37 The total borrowing at the end of April 2023 was £32.9m. This is within the Operational and Authorised Limits set out in Table 4. It does, however, exceed the Capital Financing Requirement of £30.646m. This is because borrowing has been taken out earlier than the funding is required to avoid expected rises in interest rates. There is a £3m loan repayment due in March 24 which will bring the borrowing level back below the CFR by the end of the year. This is permitted within the Code of Practice guidance which states that the Authority should ensure that gross debt does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimate of any additional capital financing requirement for the current and next two financial years.

2.38 The loan maturity profiles are all within the limits set. These are best demonstrated by graph:



2.39 Investments as of 30 April 2023 totalled £6m. Investment rates are monitored by a benchmarking group including councils and police which is supported by Link Asset Services. As at the end of March 2023, NFRS weighted average rate of return was 3.55%, compared with a group average of 3.93%.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report. Some of the efficiency targets will have had staffing implications which were considered as part of the decision-making process at the time.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget which reflects existing policies.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure, as are the management actions which are stimulated by such reporting.

9. COLLABORATION IMPLICATIONS

This report identifies several areas where collaboration is taking place between NFRS, other fire authorities, East Midland Ambulance Service and Nottinghamshire Police. Opportunities for collaboration around asset use and ownership are continually being investigated.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the contents of the report, including the changes to the fire appliance capital budget outlined in sections 2.32 – 2.34.

10.2 Approve the addition of a new £12k Marauding Terrorist Attack Equipment project to be funded from Capital Grant (section 2.30).

Craig Parkin
CHIEF FIRE OFFICER

APPENDIX A

REVENUE BUDGET MONITORING POSITION AS AT 30 APRIL 2023

Budget Area	**Annual Budget £'000**	**Revised Budget £'000**	**Exp to Date £'000**	**Forecast Outturn £'000**	**(Under) / Over Spend Against Revised budget £'000**
Employees	39,942	39,958	3,176	39,371	(586)
Premises	4,111	4,111	97	4,111	0
Transport	2,220	2,221	124	2,221	0
Supplies & Services	4,392	4,394	411	4,378	(16)
Third Party	951	951	(62)	951	0
Support Services	171	171	43	171	0
Capital Financing Costs	2,692	2,692	20	2,480	(212)
Fees and Charges	(425)	(425)	(397)	(519)	(93)
Other Income	(4,088)	(4,108)	(5,134)	(4,524)	(416)
Net Cost	**49,965**	**49,965**	**(1,722)**	**48,641**	**(1,323)**
Financed by:					
Revenue Support Grant	(6,189)	(6,189)	(2,063)	(6,189)	0
Non-Domestic Rates	(11,287)	(11,287)	(368)	(11,287)	0
Council Tax	(29,746)	(29,746)	(2,975)	(29,746)	0
Pension Grant	(2,340)	(2,340)		(2,340)	0
Business Rates Covid Relief Grant	0	0	0	0	0
Earmarked Reserves	(404)	(423)	(20)	(423)	0
General Reserve	0	0	0	1,323	1,323
Funding Total	**(49,965)**	**(49,986)**	**(5,426)**	**(48,663)**	**1,323**
Total	**0**	**0**	**0**	**0**	**0**

APPENDIX B

ESTIMATED RESERVE POSITION AT 30 April 2023

Reserve	Opening Balance* 01/4/23 £'000	Movement During 2023/24 £'000	Closing Balance 31/3/24 £'000
Resilience Crewing and Training	36	0	36
Prevention Protection and Partnerships	261	(2)	259
Business Systems Development	59	0	59
Transformation and Collaboration	360	(5)	355
Operational	480	0	480
Covid-19	15	0	15
ESN Reserve	1,620	0	1,620
Headquarters move	49	0	49
Budget Pressure Support	1,126	0	1,126
Efficiency Programme	900	(13)	887
Other	370	0	370
Estates	62	0	62
Total	**5,338**	**(20)**	**5,318**
General Reserve	4,961	1,323	6,284
Total Reserves	**10,299**	**1,303**	**11,602**

*Provisional opening balance figures

APPENDIX C

CAPITAL - BUDGET MONITORING REPORT – APRIL 2023

Scheme	Revised Budget 2023/24 £'000	Actual Expenditure 2023/24 £'000	(Under) / Overspend £'000	Forecast Outturn 2023/24 £'000
Transport				
Special Appliances	1,355	0	(1,355)	1,355
Light Vehicle Replacement	346	121	(225)	346
Rescue Pumps	2,840	0	(2,840)	2,840
Rural Unit	100	0	(100)	100
	4,641	**121**	**(4,520)**	**4,641**
Equipment				
Replacement Duty Rig	100	0	(100)	0
Gas Tight Suits	50	0	(50)	50
	150	**0**	**(150)**	**50**
Estates				
Access and Inclusion	500	0	(500)	500
Training Development Centre	500	0	(500)	500
Electric Vehicle charging points	25	0	(25)	25
Estate Energy Reduction and Decarbonisation	50	0	(50)	50
Worksop Fire Station	117	28	(89)	117
	1,192	**28**	**(1,164)**	**1,192**
IT & Communications				
Replacement Equipment	220	0	(220)	220
CFRMIS Quick Screens	100	0	(100)	100
CFRMIS Accessibility	150	0	(150)	150
Mobile Computing	48	0	(48)	48
MDT Replacement	15	0	(15)	15
Cyber Security	45	0	(45)	45
Appliance Handheld Airwave Radio Addition	30	0	(30)	30
Payroll, Finance and Occ health Upgrade	30	0	(30)	30
	638	**0**	**(638)**	**638**
Total	**6,621**	**149**	**(6,472)**	**6,521**
Financed by:				
Capital Grant	0	0		0
Capital Receipts	3,310	0		3,310
Revenue Contribution to Capital and Earmarked Reserves	0	0		0
Borrowing	3,311	149		3,211
Total	**6,621**	**149**		**6,521**

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

UNAUDITED FINAL ACCOUNTS 2022/23

Report of the Treasurer to the Fire Authority

Date: 16 June 2023

Purpose of Report:

To present the 2022/23 draft Statement of Accounts of Nottinghamshire Fire and Rescue Authority to Finance and Resources Committee prior to audit.

Recommendations:

That Members note the draft Statement of Accounts for 2022/23, as attached at Appendix A.

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1. BACKGROUND

1.1 The draft accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The draft accounts were published on the Authority's website and made available to the External Auditors, Ernst & Young LLP, on 31 May 2023 in line with the statutory deadline in the Accounts and Audit Regulations 2015.

1.2 The draft final accounts are being presented to Finance and Resources Committee in its role as Audit Committee to provide opportunity for scrutiny prior to the audit of the accounts. The draft final accounts are appended in full as Appendix A.

2. REPORT

THE CORE STATEMENTS IN THE ACCOUNTS

2.1 There are four core statements in the Statement of Accounts, and these are on pages 20 to 25 of the Accounts. The core statements show references to disclosure notes within the Accounts which give further information and explanations about the figures within the core statements.

2.2 The **Movement in Reserves Statement** shows the movement in the year on the Authority's various reserves, analysed into "usable" and "unusable" reserves. The usable reserves total £10.571m at 31 March 2023. These include the General Fund Reserve (£4.959m) and Earmarked Reserves (£5.338m) which are available to be spent by the Authority in the future.

2.3 The provisional 2022/23 revenue and capital outturn report is considered elsewhere on the agenda for this meeting. This report identified a provisional underspend of £236k and requested approval to transfer this underspend into earmarked reserves, which has been reflected in the Movement in Reserves Statement.

2.4 The **Comprehensive Income and Expenditure Statement** shows all of the items of income and expenditure which constitute the accounting cost in the year of providing services. This Statement shows a deficit of £14.941m, which represents the accounting cost of providing the service. This does not represent the cost to taxpayers, as the accounting cost includes accounting adjustments such as depreciation and pension liabilities which are not chargeable to the Authority's taxpayers in the current year.

2.5 The **Balance Sheet** shows the value of the Authority's assets and liabilities at 31 March 2023. The Authority's net assets are matched by the Authority's reserves.

2.6 On pages 104 and 105 of the Accounts are the Pension Fund Statements which show the transactions in the year on fire-fighter pensions and the assets and liabilities as at 31 March 2023.

2.7 The Firefighters' Pension Schemes are unfunded, and the annual cost of benefits is paid for mainly by current employee contributions and employer contributions. Central Government meets any annual shortfall if the contributions into the fund do not meet the cost of pensions paid in the year. The Authority is required to continue to show the liability in respect of the Firefighter Pension Schemes in its Balance Sheet and notes to the core financial statements.

2.8 The **Cash Flow Statement** shows the changes in cash (and cash equivalents) during the year and shows how the Service's activities generate and use cash.

THE NARRATIVE STATEMENT

2.9 The Narrative Statement gives a useful overview of both the Accounts themselves and the Authority's activities during the year and beyond from a financial viewpoint. It sets the context for the Accounts and is therefore a useful starting point for someone reading the Authority's accounts for the first time.

AUDIT OF THE ACCOUNTS

2.10 The draft Statement of Accounts was published on the website and made available to the Authority's external auditors (Ernst & Young LLP - EY) prior to the deadline of 31 May.

2.11 The publication date for audited accounts is 30 September 2023. EY have not yet commenced the audit of the 2021/22 accounts due to resourcing issues which means that this date is highly unlikely to be met for the fourth consecutive year. A note will be published alongside the draft accounts stating the reason for not being able to publish the final Statement of Accounts including the certificate of audit opinion in line with the deadlines set out in the Accounts and Audit (Amendment) Regulations 2022.

3. FINANCIAL IMPLICATIONS

The annual audit fee for auditing the 2022/23 accounts was originally set at £23,909. However, the Public Sector Audit Appointment (PSAA), who are responsible for issuing audit contracts, have reviewed the audit fee scales and adjusted them to take account of a change to the scope of audit work required and an inflationary adjustment of 5.2%. The expected charge for the 2022/23 audit is now expected to be in the region of £32,648 plus any further charges for additional work agreed through PSAA.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no specific human resources or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this is a report of the Authority's financial performance for the 2022/23 financial year rather than a new or amended policy.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

8.1 The production of Final Accounts is fundamental in demonstrating a sound financial position for any organisation. The "snapshot" provided by annual accounts which can be independently audited provides both stakeholders and elected Members with a significant level of assurance in this area.

8.2 The level of reserves, as shown in the accounts, will enable the position set out in the medium-term financial strategy to be sustained.

8.3 Detailed aspects of financial risk management are set out within the body of the report.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members note the draft Statement of Accounts for 2022/23, as attached at Appendix A.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Becky Smeathers
TREASURER TO THE FIRE AUTHORITY

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Statement of Accounts

2022/23 - Unaudited Accounts

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY
STATEMENT OF ACCOUNTS 2022/23

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NARRATIVE STATEMENT

Introduction

The Narrative Statement introduces the Statement of Accounts 2022/23 for the Nottinghamshire and City of Nottingham Fire Authority, which was formed as an independent body on 1st April 1998 following local government reorganisation. I write it as the Treasurer to the Fire Authority and as the Officer designated under Section 112 of the Local Government Act 1972. My role is to act on behalf of the Authority in providing oversight and ensuring legal compliance and governance in respect of accounting and financial matters which affect the Authority.

The Narrative Statement is intended to give the reader of these accounts a clear overview of the Authority's financial performance in the year and to put the Authority's non-financial performance into the context of the financial results.

I recognise that the accounts of the Authority can be quite daunting for readers, especially those who are unfamiliar with accounts in general and local government accounts in particular, so I hope that in taking the time to read the narrative statement, readers will be able to better understand how these accounts are constructed and how best to read and interpret them. It also explains more about what the core financial statements mean and explains how the notes to the accounts provide the reader with the detailed information to support the core statements.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is published by CIPFA.

Links to any documents referred to in this Narrative Statement can be found at the foot of the document.

Background

The County of Nottinghamshire covers 838 square miles with a mixture of urban and rural areas. It has a population 1.15m, 28% of which around half of which live in and around the City.

The Fire Authority has 24 Fire Stations, 8 of which are wholetime. 12 stations are crewed by on call staff and the remaining 4 have a mixture of wholetime and on call crews.

The Authority has a number of key plans and strategies which together enable the organisation to deliver its overall objective of creating safer communities.

The Community Risk Management Plan 2022-2025 (CRMP) sets out the key priorities for the Authority for the three years 2019/20 to 2022/23. This is broken down into 3 Annual Delivery Plans. Progress against the Plan and relevant performance data can be found in the Annual Statement of Assurance which was presented to Fire Authority in July 2023 and can be found on the Authority's website.

The Medium Term Financial Strategy includes budgets for the next four years which support the delivery of services but within the context of financial sustainability.

Performance during 2022/23

2022/23 is the first year of our Community Risk Management Plan 2022-25 (CRMP). Performance against the Plan is reported to Fire Authority each year in the Annual Statement of Assurance (ASOA). The 2022/23 ASOA can be found on our webite. The service attended 11,343 incidents during 2022/23, which was a 12% increase from 2021/22.

The unprecedentedly hot weather experienced in July and August 2022 led to a 136% increase in fires when compared to the same months in 2021, and the declaration of two major incidents. This busy period also saw significant utilisation of our Fire Engines and regular mobilisations beyond normal 'turn-out-areas'. This significantly contributed to the average time it took for a Response Crew to attend an emergency (from the time mobilised by our Joint Control) being 15 seconds outside of our eight-minute target in 2022/23.

The service conducted 13,913 Save and Well visits, 1,024 fire safety audits, and 531 business safety checks, all of which have significantly increased since 2021/22 and reflect the commitments made in the CRMP, although it should be recognised that some activity was restricted during 2021/22 as a result of Covid-19 restrictions. The increase in the number of Business Safety Checks is due to a change in the way they are delivered, with some fire crew now being trained to deliver these checks. Fire Safety Audits have also increased due to an increase in the number of Fire Safety Inspectors employed by the service as a result of additional funding being provided by the government following Grenfell.

A summary of the Service's performance can be found in the table below.

Analysis of Performance during 2021/22 and 2022/23

Emergencies	**2021/22**	**2022/23**	**Increase**
Fires	3,390	4,024	18.7%
False Alarms	4,127	4,626	12.1%
Rescues	2,016	2,111	4.7%
Road Traffic Accidents	563	582	3.4%
Total Emergencies	10,096	11,343	12.4%
Average Response Time	7 mins 51 secs	8 mins 14 secs	
Other Activity			
Safe and Well Visits	13,018	13,913	6.9%
Fire Safety Audits	559	1,024	83%
Business Safety Checks	119	531	446.2%

More information on this data can be found in the Annual Statement of Assurance.

Prevention

Our targeted Safe and Well visits offer advice on factors which increase vulnerability to fire and injury. This includes advice on stopping smoking, alcohol addiction, preventing falls, keeping warm in winter and general fire safety.
Our intelligence-led profile, CHARLIE-P, identifies the main factors that could increase a person's risk to a fire occurring in their home. This stands for Care and cooking needs; Hoarding and mental health issues; Alcohol and medication; Reduced mobility; Living alone; Inappropriate smoking; Elderly and electrical and Previous signs of fire.

We use this profile to help improve the way partners notify us of people who may be at risk and to identify homes where we should target our Safe and Well visits.
The Service undertake Community Reassurance and Engagement visits in communities that have experienced a serious fire. They offer safe and well visits to homes as well as general fire safety advice. We also proactively target communities most at risk from have a fire through our Data Intelligence Community Engagement visits.

Protection

Our protection work is focused on keeping people safe from fire in the buildings they live and work in. This includes business premises, hospitals and care homes, high-rise buildings, and apartment blocks. Our Protection department oversees a programme of activities and is responsible for enforcing fire safety legislation.

We have upheld our statutory function as regulator of fire safety standards and have issued 8 Prohibition Notices to premises where safety standards were unacceptable and people were being placed at risk.

Our work has continued to improve fire safety standards across the county in non-domestic premises as we engage and consult with other regulators including Building Control, Environmental Health, the Health and Safety Executive, Nottinghamshire Police, the Care Quality Commission, Ofsted and the Food Standards Agency.

As part of our statutory duty to educate and advise businesses, our business support team have used a range of activities and methods to engage with local businesses to provide guidance, support and advice on fire safety matters.

HMICFRS inspection

We welcomed an inspection team from Her Majesty's Inspectorate of Fire and Rescue Services in October 21, when we were able to demonstrate the improvement we have made since our last full inspection in 2019, which found the service to be Requiring Improvement in all three areas of effectiveness, efficiency and how the service looks after its people. The 2019 report identified 25 Areas for Improvement. The 2022/23 report was published on 27 July 2022 and can be found on the service's website. It rated the service as Good in all areas and acknowledged that the service had worked hard on the areas identified for improvement in the 2019 report. It did identify a further 4 Areas for Improvement. The Service is working hard to ensure these issues are addressed.

HMICFS published a report on values and culture in the fire and rescue sector on 30 March 23. The report was sector wide and did not specifically relate to NFRS. It identified evidence of bullying, harassment and discrimination, a lack of fairness and diversity along with poor reporting and handling of concerns. The report contained 35 recommendations which NFRS have reviewed and has already commenced in delivering changes to reflect the recommendations.

Grenfell

We recognise the importance of learning from the tragedy that occurred at Grenfell Tower.

Since the Grenfell Tower inquiry, additional training and equipment have been provided to ensure that we are better prepared to deal with complex incidents in tall buildings. A new tall buildings procedure has been fully implemented and ongoing training exercises with regional partners continues to improve our preparedness for major incidents.

We continue to work with all UK fire and rescue services to develop working practices in response to Grenfell. We work particularly closely with regional partners to ensure interoperability and aligned practice, so we are prepared for significant incidents if they were to occur.

More details and performance statistics on all of the above can be found in the Annual Statement of Assurance.

Risk Management

Risk management processes are well embedded in the Authority. A comprehensive set of risk registers is monitored regularly by senior managers and elected members. These are brought together in the Corporate Risk Register which identifies the highest overall risks to the Service.

The Service had been planning for industrial action over firefighter pay during the latter half of 2022/23. This had been one of the highest risks identified in the risk register but was removed following the pay award settlement in March 23.

The highest risks currently identified on the Corporate Risk Register are:

- **Inability to set a balanced budget and to contain spending within existing budgets** - Risk of not being able to set a balanced budget in 2024/25 due to an uncertain funding position and economic climate. Risk of not delivering savings through the Futures 25 Efficiency Programme.

- **Firefighter's Pension scheme** – impact of McCloud and Matthews / O'Brien remedies. Legislation is due to be laid before parliament in October 2023 after which the Service will have 18 months to comply with the new legislation. The impact on pension valuations and funding remains uncertain.

- **Mobilising** – The Service is in the process of replacing its current mobilising system. The Service's current mobilising supplier remains under the supervision of the French courts, due to challenging financial and operational environments, consequently increasing the risk of mobilisation failure.

- **Service Reputation** – The fire sector as a whole is under scrutiny following a review of London Fire Brigade culture review and the HMICFRS report on value and culture in the fire sector.

- **Availability of Resources** - This relates to the risk that the Service will lose widespread access to key resources such as premises, equipment, ICT systems / employees.

By its nature, risk will change over time and in response to both external and internal pressures. It is important, therefore, that the Authority's managers remain alert to these developments and the emerging risks. In times of austerity and organisational restructuring, there is a possibility that control measures which had previously been seen as satisfactory may become eroded as resources reduce.

Value for Money / Efficiency Strategy

Reducing levels of government grant funding, uncertainty about future business rate income, restrictions on the level of council tax which can be raise, and inflationary pressures have resulted in an increased emphasis on seeking value for money in all that we do. The Service has had to find a balance between economy (spending less money), efficiency (working smarter), effectiveness (delivering relevant services).

The Service made temporary savings in the region of £1.6m to enable a balanced budget to be set for 2022/23 and allow more time to identify savings of a more permanent nature in the future. These temporary savings predominantly related to the delay in recruiting both firefighters and support staff so that the service was in a position to avoid redundancies given the need to reduce service levels. This has put pressure on existing staff and is clearly not sustainable long term but has allowed the service some breathing space to develop its Futures 25 efficiency strategy which was initially presented to the Policy and Strategy Committee in May 2022 to address the shortfall, with a further update report being considered by the Authority in September 22. Savings of £250k have been identified through the disestablishment of support staff posts and further work is underway to identify and address more efficient ways of working across the Service.

The Authority set a balanced budget for 2022/23 (£46.006m) and 2023/24 (£49,965m). These required the use General Fund reserves of £153k and £404k respectively. The Service is predicting that it will need allocate further General Fund reserves to balance the budget in 2024/25 and beyond and has created a £1.126m budget pressure support earmarked reserve for this purpose. It is intended that by the end of this period the savings delivered through the Futures 25 Efficiency Strategy will put the Service in a strong financial position moving forward.

The Home Office required all services to submit Efficiency and Productivity Plans by the end of March 23.

The 2022/23 Band D Council Tax level was set at £84.57 (£1.63 per week). Council Tax levels for other property bands can be found in the table below.

2022/23 Council Tax levels

Band	Council Tax 2020/21 £	Weekly Charge £
A	56.38	1.08
B	65.78	1.27
C	75.17	1.45
D	84.57	1.63
E	103.36	1.99
F	122.16	2.35
G	140.95	2.71
H	169.14	3.25

The Service continues to seek collaboration opportunities with other emergency services and local councils to ensure value for money for Nottinghamshire residents. During 2022/23 the Service finalised its move into a Joint Headquarters with Nottinghamshire Police. This has completed a collaboration project which has been a three-year strategic action. This will enable the services to work more closely in the future which is expected to deliver some efficiencies.

The service has a number of stations which are jointly occupied with the police and ambulance crews.

Work continues to improve the use of technology across the organisation to enable improved efficiency.

The Core Statements

The Statement of Accounts contains several core statements. Details of these are included in the section below.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority analysed into usable reserves, which can be applied to fund expenditure or reduce local taxation, and other reserves. The Authority holds reserves for two reasons. There are always issues which may arise for which the Authority has no specific budget but in order that these "one off" type events do not unduly impact upon a single year's budget it is wise to maintain some money to deal with these events should they occur. These are what are known as General Fund Reserves. The General Fund Reserve decreased by £153k during the year to £4.961m.

Similarly, the Authority may wish to hold back sums of money because it knows that certain items of expenditure will occur but that these are of a "one off" nature and it is uncertain as to when they will occur. These are called earmarked reserves because they are for a specific purpose. A net figure of £0.484m was put into Earmarked Reserves during 2022/23, making a balance of £5.337m. The increase was due to allocations of the underspending during the year as reported as part of budget monitoring to Finance and Resources Committee.

The Treasurer is required to assess the adequacy of these reserves to meet future events and issue a statement annually to that effect.

It is important to note that some of the Authority's reserves which appear on the balance sheet cannot be used to fund expenditure. An example of an unusable reserve would be the Revaluation Reserve, which contains the notional gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

At its meeting on 16 December 2022, Fire Authority set a minimum level of general fund reserves of £4.5m as part of its Medium Term Financial Strategy. The service has budgeted to use £404k of general fund reserves to meet expenditure in 2023/24.

Comprehensive Income and Expenditure Statement (CIES)

This statement brings together all the items of income and expenditure which constitute the *accounting cost* in the year of providing services in accordance with generally accepted accounting practices. This is not the same as the amount of expenditure to be charged to the General Fund as reported to Finance and Resources Committee in the Revenue and Capital Outturn report on 16 June 2023. This is because the CIES includes accounting adjustments such as depreciation and changes in the valuation of assets, including pensions, in an attempt to show the full cost of service provision rather than just those costs which require funding from taxation.

The Total Comprehensive Income and Expenditure shows a surplus of £212.990m (compared to a surplus of £38.310m in 2021/22. Whilst this figure is very large it needs to be considered in the context of the total pension fund liability of £417.866m shown in the Balance Sheet.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis reconciles the expenditure shown in the CIES (the *accounting cost* of services) with the expenditure to be funded from taxation (shown in the column entitled Net expenditure chargeable to the General Fund). Whilst the Expenditure and Funding Analysis is not a core statement it has been included in the core statement section as it provides a useful link between the CIES and the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority at 31st March. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority and thus the Balance Sheet is "in balance". The reader will notice that the total on the Balance Sheet is a negative figure of £368.831m, which means that the Authority's liabilities exceed its assets. This would usually be a cause for concern, however in this case the large liability in question relates to future pension liabilities (£417.866m) which at present are funded by Central Government. The underlying financial position of the Fire Authority is a strong one because when this pension liability is excluded, assets exceed liabilities by £49.035m.

Cash Flow Statement

This statement, as its name suggests, shows the changes in cash and cash equivalents of the Authority during the year. The starting point for this statement is the net surplus or deficit on the provision of services shown in the CIES, as this might suggest what the movement in cash balances has been. There are however a number of charges that are made to the revenue account that are not cash transactions and that merely result in a transfer of funds between the balance sheet and the revenue account.

The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

The resultant figure shows the real movement in cash during the year, which is an increase in cash of £0.544m.

Pension Fund Account

This statement shows the income and expenditure for the year relating to the Firefighters' Pension Schemes. The net amount payable for the year i.e. the extent to which pension benefits payable exceeded contributions, is £9.893m.

Pension Net Assets Statement

This statement shows the net current assets and liabilities arising from the operation of the Firefighters' Pension Schemes. This statement does not take account of liabilities to pay future pensions and other benefits after the period end. Such liabilities are shown in the Authority's Balance Sheet, as explained above.

Annual Governance Statement

This statement sets out the Authority’s responsibilities with regard to corporate governance and gives details of key elements of corporate governance in place during the year. It also summarises the Authority’s review of the effectiveness of its governance framework, measured against the CIPFA / SOLACE framework, and in which issues for action are highlighted.

Summary of the Year

A summary of the Fire Authority’s overall financial results is given in the following paragraphs:

Revenue Income and Expenditure

The 2022/23 revenue budget for of £46.006m was approved by the Fire Authority in February 2022. Expenditure on budgeted activity for the year was £46.006m – an initial underspend of £236k to be transferred to Earmarked Reserves.

A summary of expenditure following movements to Earmarked Reserves is shown below.

	Annual Budget 2022/23	Actual 2022/23	Variance 2022/23
	£000's	**£000's**	**£000's**
Employees	36,983	36,885	(98)
Premises	3,466	3,487	21
Transport	1,818	2,250	432
Supplies & Services	4,015	3,895	(120)
Third Party Payments	908	1,000	92
Support Services	166	85	(81)
Capital Financing	2,621	2,842	221
Income	(4,217)	(4,923)	(706)
Budgeted contribution from Earmarked Reserve	(352)	(352)	0
Contribution from Earmarked Reserve in-year	597	600	3
Contribution to Earmarked Reserve	0	236	236
Net Expenditure	**46,005**	**46,005**	**0**
Funded by:			
General Fund Reserves	(153)	(47)	106
Business Rate Covid Relief Grant	(600)	(706)	(106)
Pension Grant	(2,340)	(2,340)	0
Revenue Support Grant	(5,619)	(5,619)	0
Non-Domestic Rates	(9,602)	(9,602)	0
Council Tax	(27,692)	(27,692)	0
Total Funding	**(46,006)**	**(46,006)**	**0**

Capital Expenditure

Capital expenditure describes the purchasing, upgrading and improvement of Fire Authority assets. These assets are known as “non-current assets" and they provide a benefit to the Authority over a longer period of time than the current financial year. A summary of the Capital Programme and actual expenditure for the year is shown below.

	Revised Budget 2022/23	Actual 2022/23	(Under) / Over spend 2022/23	Slippage to 2023/24
	£000	**£000**	**£000**	**£000**
Transport	192	0	(192)	0
Operational Equipment	396	207	(189)	50
Property	2,011	1,537	(475)	304
IT & Communications	1,485	521	(964)	626
Total	**4,084**	**2,265**	**(1,820)**	**980**
Funded by:				
Borrowing		1,454		980
Earmarked Reserves/Revenue		0		0
Revenue Contribution to Capital		298		0
Capital Receipts		513		0
Total	**0**	**2,265**	**0**	**980**

The main areas of spend are detailed below:

- One of the largest schemes in the 2022/23 capital programme related to the new Joint Head Quarters with Nottinghamshire Police - £558k expenditure during the year. £229k has been requested to be slipped to 2023/24 as there are still some unknown fees until the sale of Bestwood Lodge.

- Worksop expenditure in 2022/23 is £611k with £117k already approved to be slipped into 2023/24. There are still some outstanding bills and the retention of £90k to be paid therefore an additional £75k is requested to be slipped.

- £521k was spent on ICT equipment – some of this was work for the Cloud Migration at HQ and Link Replacement (£62k) Replacement Equipment (£109k) Rostering Project (£187k) Cyber Security (£29k) and Switch Upgrades (52k).

- Expenditure on Equipment of £207k is for the following Foam Branches (£40k), Fire Gloves (£37k) Water Rescue (£127k).

Total slippage for the capital programme was £980k. Again, more information can be found in the Revenue and Capital Outturn report.

Treasury Management Activity

During the year, £1.467m of capital expenditure was funded from borrowing. The Authority was not required to borrow long term loans from the Public Work Loans Board (PWLB). The Authority's level of borrowing at the year end was £32.948m. The capital financing requirement as at 31 March 2023 is £30.533m, which demonstrates that the current level of net borrowing is prudent.
There was no temporary borrowing outstanding at year end to cover cashflow shortfalls, so total borrowing was £32.948m as at 31 March 2023. This remains within the Operational Boundary set by Fire Authority of £36.907m.

Reserves

Earmarked reserves are held either for unspent grant or set aside to fund specific areas of expenditure, usually of a one off nature. Earmarked Reserves are reviewed annually in the Reserves Strategy which can be found appended to the Medium Term Financial Strategy . Earmarked reserves totalled £5.337m at 31 March 2023. A further breakdown can be found in note 11.

General Reserves

£4.961m were held at 31 March 2023, against a minimum level set in the Reserves Strategy of £4.5m. The use of general fund reserves is not expected to be required in 2023/24. The service has set a balanced budget for the year. The service has sufficient reserve levels to enable it to plan for any reductions in funding in a measured way.

Pension Funds

Standard accounting practice requires the Authority to show the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary has assessed the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme. The schemes are currently in deficit, which shows as a total liability of £417.866m on the balance sheet. The largest element of this liability relates to the Firefighters' Pension Schemes and stands at £410.372m.

The Firefighters' Pension Schemes are unfunded and the annual cost of benefits is paid for by employee contributions and employer contributions. The Home Office meets any annual shortfall ie if the contributions into the fund do not meet the cost of pensions paid in the year. The Authority is required to continue to show the liability in respect of the Firefighter Pension Schemes in its Balance Sheet and notes to the core financial statements.

An employment tribunal case was brought against the Government in relation to possible discrimination in relation to the introduction of the 2015 Firefighters' Pension Scheme. The scheme included transitional protection arrangements between the old scheme and the new scheme. These transitional arrangements were found to be unlawful as they discriminated on the grounds of age. Fire Authorities are in a difficult position as they are required to implement the remedy in a timely manner whilst the discriminatory part of the pension legislation is not expected to be updated until October 2023. Following the ruling, the Fire Brigades Union (FBU) commenced legal proceedings in the High Court for three test cases, two of which were against Nottinghamshire Fire and Rescue Authority. These were settled out of court.

After the withdrawal of its Immediate Detriment guidance, the government are not recommending that Immediate Detriment cases are addressed until new legislation is in place due to the difficulties particularly around tax arrangements. However, due to the risk of future litigation, the Authority approved continuation of applying immediate detriment remedy at its Policy and Strategy meeting on 1 April 2022. It is not yet clear what future costs the Authority will face in implementing the McCloud remedy and whether there will be any new burden grant available from the government to cover these costs, which could be significant. The Authority approved the creation of a £200k earmarked reserve to cover potential McCloud costs in April 2022 and McCloud has been identified as a contingent liability in the Accounts.

Other Significant, Material and Unusual Items

Plans for 2023/24

Elected Members of the Fire Authority approved a council tax increase of £5.00 (5.9%) for 2023/24 with a Band D council tax of £89.57 (£84.57 2022/23) in the Budget Report approved by Fire Authority in February 2023. The revenue budget for 2023/24 has been set at £49.965m (£46.006m 2022/23) with a planned use of general fund reserves of £404k (£153k 2022/23).

A firefighter pay award of 7% was agreed for 2022/23 and 5% for 2023/24. Both these have been built into these budget figures. Support staff received a flat rate increase of £1,925 for 2022/23. The budget assumes a 4% pay award has been assumed for 2023/24.

The £5.00 increase in Band D Council Tax provided an increase in funding of £1.66m compared to a Council Tax freeze. The additional funding has helped avoid making cuts to front line services, which had been expected – Fire Authority approved a consultation exercise regarding proposed changes in the Autumn of 2022.

The budget supports the CRMP and Annual Delivery Plans which outline the priorities for 2022- 2025. Key projects include:

- Undertake a programme of work to improve accessibility and inclusion across the Service
- Deliver safe and well visits to 14,000 homes.
- Complete 1,500 fire safety audits.
- Complete 1,000 business safety checks.
- Review its resourcing to risk with particular focus on the fire cover in the Ashfield area.
- Undertake phase 2 of our Futures 25 programme, looking at service redesign and financial efficiencies.
- The replacement of our mobilising system.

The Community Risk Management Plan sets out our long-term ambition to be one of the best fire and rescue services in England by 2032, with a continued focus on preventing incidents, protecting you and responding when you need us.

In 2022/23 the Service took early action to reduce costs by delaying recruitment and holding vacant posts in preparation for potential reductions in front line service. The additional funding secured through the increase in Council Tax precept has meant that cuts to front line services is no longer necessary. However, the number of occupied posts remain below the establishment figure due to the time lag in recruiting and training firefighters. This is expected to extend into 2024/25.

Funding for 2023/24 to 2025/26 will be determined as part of the Government's spending review which will not be announced until Autumn 2023. Despite some ongoing uncertainty, the service is confident that it is in a position to react should it find itself needing to reduce expenditure in order to balance the budget in future years. The service is currently underspending against with the 2023/24 approved budget and reserves are sufficient to allow a period of transition whilst savings are identified through the Futures 25 Efficiency Strategy.

The Service submitted an Efficiency and Productivity Plan to the Home Office in March 23 which brought together:

- the Service's Efficiency Plan
- a summary of future years budgets
- an outline of the reasoning behind increasing Band D Council Tax by £5
- Productivity data
- Collaboration activity
- Transformation plans
- Local Initiatives

Inflation / Interest Rate Risk / Cost of Living Crisis

The impact of high inflation levels has been built into the Service's budgets for 2023/24 – 2025/26. Inflation reduced to 8.7% in April 2023 (from 10.1% in March 23). The ongoing Services Grant, strong Business Rate income growth and the £5.00 increase in Council Tax enabled the Service to set a realistic budget for 2023/24. This included the firefighter pay award for 2023/24 which had been agreed in advance of the budget being set - given that pay accounts for approximately 80% of the total budget, the impact of inflation on other costs is expected to be manageable.

Interest rate risk is considered as part of the Authority's Treasury Management Strategy which includes a number of measures for limiting the impact of increases / decreases in interest rates for both loans and investments. The Authority only holds long term debt to finance capital expenditure. This is currently all held on fixed rates of interest which protects the Authority against interest rate rises, although there may be an impact on future year borrowing. Investments covering the Authority's reserves are generally held for less than one year and have benefited from the increase in interest rates.

The impact of the cost of living crisis may lead to an increase in referrals for safe and well visits. The service is planning year on year increases in safe and well visits and is expected to have sufficient capacity to meet any increases in demand.

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HMICFRS Inspection

The Service is due its next HMICFRS inspection in the Autumn of 2023. The regime for undertaking inspections is changing for this third national inspection programme with the removal of the 3 pillars of Efficiency, Effectiveness and People with service's now being awarded a single overall grade. There will also be an additional grade of "adequate" added to the previous grades of outstanding, good, requires improvement and inadequate.

Becky Smeathers

Becky Smeathers CPFA
Treasurer to the Nottinghamshire and City of Nottingham Fire Authority

Links to Supporting Douments

Community Risk Management Plan 2022-2025

Annual Delivery Plan

Annual Statement of Assurance

Medium Term Financial Strategy

HMICFRS Inspection

Corporate Risk Register

Revenue and Capital Outturn

Budget Report

Efficiency and Productivity Plan

Furtures 25 Efficiency Strategy

Futures 25 Efficiency Strategy Update

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS STATEMENT OF ACCOUNTS 2022/23

The Authority's Responsibilities

The Authority is required to:

- i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- iii) approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Treasurer has:

- i) selected suitable accounting policies and then applied them consistently;
- ii) made judgements and estimates that were reasonable and prudent;
- iii) complied with the local authority Code.

The Treasurer has also:

- i) kept proper accounting records which were up to date;
- ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Treasurer to the Authority is Mrs Becky Smeathers.

This Statement of Accounts is that upon which the auditor should enter his opinion and certificate. It presents a true and fair view of the financial position of the Authority at 31st March 2023 and its income and expenditure for the year then ended.

This Statement of Accounts is authorised for issue on XXXXXXX by the Treasurer to the Authority. This is the date up to which events have been considered for recognition in the Statement of Accounts.

Signed ____

Becky Smeathers CPFA
(Treasurer)

Dated ____________

STATEMENT OF APPROVAL OF THE STATEMENTS OF ACCOUNTS
STATEMENT OF ACCOUNTS 2022/23

I confirm that these accounts were approved by the Nottinghamshire and City of Nottingham Fire Authority at the meeting held on the XXXXXXXX.

Signed on behalf of the Nottinghamshire and City of Nottingham Fire Authority.

Signed ____

(Chair of the Fire Authority)

Dated ____

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE STATEMENT OF ACCOUNTS 2022/23

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INTRODUCTION TO THE CORE STATEMENTS

Movement in Reserves Statement - Page 21

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can not be applied to fund expenditure or reduce local taxation) and 'other reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Expenditure and Funding Analysis - Page 23

Whilst not a core statement, the Expenditure and Funding Analysis (EFA) demonstrates the relationship between the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement and the movement in the general fund balance shown in the Movement in Reserves Statement. The EFA shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and

Comprehensive Income and Expenditure Statement - Page 24

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

IAS 1 requires that where the Statement includes amounts in "Other Comprehensive Income and Expenditure" which will not be reclassified subsequently to the Surplus or Deficit on the Provision of Service as well as amounts which will be, then these two types of transactions should be shown separately on the face of the Statement. The Authority does not have transactions which will be reclassified subsequently to the Surplus or Deficit on the provision of Services, so the items in "Other Comprehensive Income and Expenditure" have not been separated in this way.

Balance Sheet - Page 25

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority as at the Balance Sheet date. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations' .

Cash Flow Statement - Page 26

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

CORE ACCOUNTING STATEMENTS

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves during 2021/22	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unuseable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2021 carried forward	**4,989**	**5,711**	**0**	**347**	**11,047**	**(631,176)**	**(620,129)**
Movement in Reserves during 2021/22							
Total Comprehensive Income and Expenditure	(14,622)	0	0	0	**(14,622)**	52,931	**38,309**
Adjustments between accounting basis and funding basis under regulations (Note 10)	13,888	0	0	(16)	**13,872**	(13,872)	**0**
Increase or Decrease in 2021/22 before Transfers to Earmarked Reserves	**(734)**	**0**	**0**	**(16)**	**(750)**	**39,059**	**38,309**
Transfers to/from Earmarked Reserves (Note 11)	857	(857)	0	0	**0**	0	**0**
Increase/(Decrease) in 2021/22	**123**	**(857)**	**0**	**(16)**	**(750)**	**39,059**	**38,309**
Balance at 31 March 2022 carried forward	**5,112**	**4,854**	**0**	**331**	**10,297**	**(592,117)**	**(581,820)**

<u>**Movement in Reserves during 2022/23**</u>	**General Fund Balance £000**	**Earmarked Reserves £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Total Useable Reserves £000**	**Unuseable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2022 carried forward	**5,112**	**4,854**	**0**	**331**	**10,297**	**(592,117)**	**(581,820)**
Movement in Reserves during 2022/23							
Total Comprehensive Income and Expenditure	**(14,941)**	0	0	0	**(14,941)**	227,930	**212,989**
Adjustments between accounting basis and funding basis under regulations (Note 10)	**15,272**	0	0	(57)	**15,215**	(15,215)	**0**
Increase or Decrease in 2022/23 before Transfers to Earmarked Reserves	**331**	**0**	**0**	**(57)**	**274**	**212,715**	**212,989**
Transfers to/from Earmarked Reserves (Note 11)	**(484)**	**484**	0	0	**0**	0	**0**
Increase/(Decrease) in 2022/23	**(153)**	**484**	**0**	**(57)**	**274**	**212,715**	**212,989**
Balance at 31 March 2023 carried forward	**4,959**	**5,338**	**0**	**274**	**10,571**	**(379,402)**	**(368,831)**

EXPENDITURE AND FUNDING ANALYSIS

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	**£000**	**£000**		**£000**	**£000**	**£000**
24,675	(4,449)	29,124	Firefighting and Rescue	25,624	(4,091)	29,715
1,831	(371)	2,202	Community Safety	1,757	(269)	2,026
1,433	(311)	1,744	Fire Protection	1,401	(258)	1,659
(248)	(7)	(241)	Resilience	(176)	(7)	(169)
			Corporate and Centralised Services:			
3,795	(2,285)	6,080	Estates and Procurement	4,930	(904)	5,834
3,236	(692)	3,928	Equipment	3,228	(518)	3,746
4,072	(647)	4,719	People and Organisational Development	3,681	(557)	4,238
732	(106)	838	Finance	895	(98)	993
3,447	(81)	3,528	ICT	2,902	(444)	3,346
3,880	(871)	4,751	Other	3,747	(907)	4,654
46,853	**(9,820)**	**56,673**	**Net Cost of Services**	**47,989**	**(8,053)**	**56,042**
(46,119)	(4,068)	(42,051)	Other Income and Expenditure	(48,320)	(7,219)	(41,101)
734	**(13,888)**	**14,622**	**(Surplus) or Deficit**	**(331)**	**(15,272)**	**14,941**
(4,990)			**Opening General Fund Balance**	**(5,113)**		
734			**Less/Plus (Surplus) or Deficit on General Fund Balance in Year**	**(331)**		
(857)			**Less/Plus Net Transfers to/(from) Earmarked Reserves**	**484**		
(5,113)			**Closing General Fund Balance**	**(4,960)**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure		Notes	2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure
£000	**£000**	**£000**			**£000**	**£000**	**£000**
29,506	(382)	29,124	**Firefighting and Rescue**		30,059	(344)	29,715
2,414	(212)	2,202	**Community Safety**		2,101	(75)	2,026
2,073	(329)	1,744	**Fire Protection**		1,811	(152)	1,659
95	(336)	(241)	**Resilience**		80	(249)	(169)
			Corporate and Centralised Services:				
6,237	(157)	6,080	Estates and Procurement		6,006	(172)	5,834
4,120	(192)	3,928	Equipment		4,032	(286)	3,746
4,724	(5)	4,719	People and Organisational Development		4,242	(4)	4,238
977	(139)	838	Finance		1,007	(14)	993
3,571	(43)	3,528	ICT		3,379	(33)	3,346
4,996	(245)	4,751	Other		4,837	(183)	4,654
58,713	**(2,040)**	**56,673**	**Cost of Services**		**57,554**	**(1,512)**	**56,042**
0	(64)	(64)	Other Operating Expenditure	12	1,081	0	1,081
14,810	(14)	14,796	Financing and Investment Income and Expenditure	13	18,625	(220)	18,405
0	(56,783)	(56,783)	Taxation and Non-Specific Grant Income	14	0	(60,587)	(60,587)
73,523	**(58,901)**	**14,622**	**Surplus (-) or Deficit on Provision of Services**		**77,260**	**(62,319)**	**14,941**
		(3,072)	Surplus or deficit on revaluation of property, plant and equipment assets				(1,034)
		0	Impairment Losses on Non-Current Assets Charged to Revaluation Reserve				0
		(49,860)	Remeasurements on the net defined benefit pension liability				(226,897)
		(52,932)	**Other Comprehensive Income and Expenditure**				**(227,931)**
		(38,310)	**Total Comprehensive Income and Expenditure**				**(212,990)**

BALANCE SHEET

31 March 2022		Notes	31 March 2023
£000			£000
	Property, Plant & Equipment		
58,432	- Land and Buildings	15	60,895
5,964	- Vehicles, Plant and Equipment	15	5,590
6,013	- Assets Under Construction	15	0
175	Surplus Assets	15	190
336	Intangible Assets	16	143
17	Intangible Assets Under Construction	16	17
0	Asset Held For Sale	15/21	2,393
284	Long Term Debtors	19	227
71,221	**TOTAL LONG TERM ASSETS**		**69,455**
2,061	Short Term Investments	17	3,116
342	Inventories	18	257
6,393	Short Term Debtors	19	6,585
7,687	Cash and Cash Equivalents	20	8,231
16,483	**TOTAL CURRENT ASSETS**		**18,189**
(52)	Short Term Borrowings	17	(48)
(4,970)	Short Term Creditors	22	(5,182)
(365)	Short Term Provisions	23	(397)
(5,387)	**TOTAL CURRENT LIABILITIES**		**(5,627)**
0	Long Term Provisions	23	0
(32,900)	Long Term Borrowing	17	(32,900)
0	Long Term Creditors	22	0
(82)	Receipts in Advance - General	22	(82)
(631,155)	Pensions Liability	39	(417,866)
(664,137)	**TOTAL LONG TERM LIABILITIES**		**(450,848)**
(581,820)	**TOTAL NET ASSETS/(LIABILITIES)**		**(368,831)**
	Useable Reserves		
5,114	- General Fund Balance	24	4,961
4,853	- Earmarked Reserves	24	5,337
0	- Capital Receipts Reserve	24	0
331	- Capital Grants Unapplied	24	274
	Unuseable Reserves		
14,590	- Capital Adjustment Account	25	13,953
25,537	- Revaluation Reserve	25	24,667
(631,155)	- Pension Reserve	25	(417,866)
0	- Financial Instruments Adjustment Account	25	0
(822)	- Collection Fund Adjustment Account	25	111
(268)	- Accumulated Absences Adjustment Account	25	(268)
(581,820)	**TOTAL RESERVES**		**(368,831)**

CASH FLOW STATEMENT

2021/22 £000		2022/23 £000
14,622	**Net (Surplus)/Deficit on the Provision of Services**	**14,941**
(15,975)	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	(19,400)
473	Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	513
(880)	Net Cash Flows from Operating Activities (Note 26)	(3,946)
4,062	Investing Activities (Note 27)	3,396
(5,948)	Financing Activities (Note 28)	6
(2,766)	Net (Increase) or Decrease in Cash and Cash Equivalents	(544)
(4,920)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(7,686)
(7,686)	**Cash and Cash Equivalents at the End of the Reporting Period (Note 20)**	**(8,230)**

INDEX OF NOTES TO THE CORE ACCOUNTING STATEMENTS
STATEMENT OF ACCOUNTS 2022/23

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and the Service Reporting Code of Practice 2020/21 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments. All figures in the Statement have been rounded to the nearest £1k, which may result in some discrepancies due to roundings.

Going Concern

The concept of a going concern assumes that the functions of Nottinghamshire Fire and Rescue will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which Fire and Rescue services operate. These provisions confirm that, as Fire and Rescue services cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Fire and Rescue services carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If a Fire Authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the functions it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the financial statements to be provided on anything other than a going concern basis. The Statement of Accounts drawn up under the Code therefore assume that a Fire authority will continue to operate for the foreseeable future.

The Authority set a balanced budget for 2022/23 which relied on the use of £153k of General Fund Reserves. The service took early action to reduce costs during the year by delaying recruitment and holding vacant posts. This has helped absorb the costs of the firefighter pay award which was higher than anticipated in the budget and also set aside funding in Earmarked Reserves for future costs related to the replacement mobilising system.

Fire Authority approved its Medium Term Financial Strategy (MTFS) for 2023/24 to 2026/27 in December 2022. The final budget was approved by Fire Authority in February 2023. This explored a number of financial scenarios which demonstrate that the service has long term sustainability with sufficient reserves to manage any short term deficits.

Useable Reserves were £10.6m at 31 March 2023. The General Fund balance of £5.0m remained above the £4.5m minimum level set in the Reserves Strategy.

The 2023/24 and 2024/25 budgets require the use of General Fund reserves of £404k and an estimated £1.1m respectively. The 2023/24 budget monitoring is already anticipating an underspend due to difficulties in recruiting and training sufficient firefighters to bring it back to full establishment. This indicates that the £404k may not be required from General Fund Reserves in its entirety. A £1.126m budget pressure support earmarked reserve has also been set up to support the deficit position.

The Service's Futures 25 Efficiency Strategy was initially outlined at Policy and Strategy Committee in May 22 and updated in September 22. £250k of savings have already been delivered and work is underway to identify a range of savings to help balance the budget and enable it to meet the financial challenges expected in the coming years. The Service has set aside £900k in Earmarked Reserves to support this programme of works.

Based upon the latest assumptions cash flow forecasts have been prepared out to the end of March 2024 which indicate the service will maintain a strong cash position.

Based on our assessment of the financial and liquidity position of Nottinghamshire Fire and Rescue Service, there are no material uncertainties or concerns on the basis of preparing the 2022/23 financial statements or on the ability to continue to operate as a going concern for a period of 12 months from the date of approval of these financial statements.

Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. In particular:

a) Supplies are recorded as expenditure when they are consumed. Some supplies are carried as Inventories on the balance sheet, where they are held in Stores prior to being distributed and used.

b) Where goods are supplied to or by the Fire Authority in the financial year, but payment does not occur until the following financial year, a Short Term Creditor or Short Term Debtor for the relevant amount is shown on the Balance Sheet. Exceptions are made to this policy for certain recurring items that cover a specific period, e.g. quarterly energy bills. These items are brought into the accounts in the year they are paid and are not apportioned over the years to which they relate.

c) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. However, due to a policy change which came into effect on 1 April 2017 an exception is now made to this policy for overtime payments and payments claimed in arrears by retained duty system staff. This expenditure is recognised in the year it is paid rather than the year in which the work was carried out.

d) Fees and charges due from customers are recognised as income at the date the Fire Authority provides the relevant services. Debts outstanding at the year end are assessed for evidence of uncollectability based on past events and a charge is made to revenue where the total value of debts for which there is evidence of impairment exceeds a £5,000 de minimis threshold. The impairment is assessed using the Expected Credit Loss Model. This model uses a provision matrix and calculates a fixed provision rate based on the number of days that a receivable is past due, assessed on the basis of historical experience from the previous five years and adjusted (if necessary) to reflect current conditions and forecasts of future conditions.
Impairment loss allowances are not recognised for debts where the counterparty is central government or a local authority, as statutory provisions prevent default. This policy applies to debts from unpaid fees and charges – council tax debtors are subject to a different policy (see below).

e) Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than on the basis of cash flows determined by the contract.

Allocation of Support Service Costs

Support services are provided primarily by the Authority itself although some are purchased directly from the constituent authorities. The provision of a Clerk to the Authority is purchased from Nottingham City Council and some limited financial services are provided by Nottinghamshire County Council and Bradford Metropolitan District Council.

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred in connection with the borrowing of funds to finance the acquisition, creation or enhancement of non current assets.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Contingent Liabilities and Contingent Assets

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Council Tax Income and Non Domestic Rates

Council tax and non domestic rates are collected from taxpayers by billing authorities both for themselves and substantively as agents, collecting council tax and non domestic rates on behalf of precepting authorities and central government and distributing it to them.

This authority is a precepting authority, and council tax and non domestic rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account on the Balance Sheet and shown within the Movement in Reserves Statement.

Billing authorities prepare a Collection Fund balance sheet for council tax and non domestic rates activities, which is disaggregated and shared between the billing authority and its precepting authorities. This Authority's Balance Sheet contains the following items:

a) Council tax and non domestic rates arrears apportioned in relation to the following year's precept proportions are included as Short Term Debtors

b) Impairment allowance for doubtful debts apportioned as for council tax and non domestic rates arrears and deducted from council tax and non domestic rates arrears debtors

c) Council tax and non domestic rates overpayments and prepayment apportioned in relation to the following year's precept proportions are included as Short Term Creditors

d) Collection Fund surplus / deficit – the reversing entry to the Comprehensive Income and Expenditure Account adjustment is included in the Collection Fund Adjustment Account

e) Collection Fund cash surplus / deficit held on the authority's behalf by the billing authority is included in Short Term Debtors or Short Term Creditors

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service when the Authority can no longer withdraw the offer of those benefits. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits are not actually payable until the employees retire, the Authority has a commitment to make these payments in the future. This commitment needs to be disclosed at the time that the employees earn their future entitlement.

The Authority participates in five pension schemes, all of which are defined benefit schemes:

- The Local Government Pension Scheme (LGPS) is for administrative and support staff and is administered by Nottinghamshire County Council. This is a funded scheme, which means that contributions are paid into a fund with the intention of balancing pension liabilities with pension assets.
- The Firefighters' Pension Scheme 1992 has been closed to new entrants since 6 April 2006. Its members are wholetime firefighters. It is an unfunded pension scheme, meaning that there are no investment assets to meet the cost of pension liabilities and cash has to be generated to meet pension payments as they fall due. The cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office. Any surplus funding is paid over to the Home Office. Active members were transferred to the Firefighters's Pension Scheme 2015 on 1 April 2022.

- The Firefighters’ Pension Scheme 2006 is also an unfunded pension scheme. This scheme came into being with effect from April 2006 and its members are retained firefighters and wholetime firefighters. Like the 1992 Scheme, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office and any surplus being paid over to them. The Firefighters' Pension Scheme (England)(Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to 5 April 2006. The modified version of the scheme has different benefits to the main 2006 Scheme. The 2006 Scheme has been closed to new entrants since April 2015 and active members were transferred to the Firefighters' Pension Scheme 2015 on 1 April 2002.
- The Firefighters' Pension Scheme 2015 came into effect on 1 April 2015. Like the 2006 and 1992 Schemes, the cost of the scheme is met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office and any surplus being paid over to them. Unlike the other firefighters' schemes, it is a career average rather than a final salary scheme. Its members are retained firefighters and wholetime firefighters who were first appointed by an English fire and rescue authority on or after 1 April 2015, and firefighters who were transferred from the 1992 or 2006 Schemes.
- The Firefighters’ Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a fire and rescue authority. The Firefighter Compensation Scheme (FFCS) is treated as an unfunded defined benefit scheme. The cost of this scheme is met by the Authority.

The arrangements for the three Firefighters’ pension schemes and the Firefighters’ Compensation Scheme are determined by the Home Office. In order to identify the amount of top-up grant receivable from / surplus payable to the Home Office the Authority is required to produce separate Pension Fund Statements for the firefighters’ pension schemes (excluding the Compensation Scheme, which is funded from the Authority's revenue budget). Additional accounting policies can be found in the notes to these statements.

The Authority is required by the CIPFA Code of Practice to account for pensions in accordance with International Accounting Standard 19 Employee Benefits (IAS 19). One of the objectives of IAS 19 is to ensure that an employer’s financial statements reflect a liability when employees have provided services in exchange for benefits to be paid in the future.

All five pension schemes are accounted for as defined benefit schemes:
The liabilities of the LGPS and the firefighters' schemes are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date be employees, based on assumptions about mortality rates, employee turnover rates etc, and estimates of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using discount rates of 4.8% for both the LGPS and firefighters' schemes respectively. The discount rates for all schemes are based on the yields of AA-rated corporate bonds of currency and term appropriate to the currency and term of the scheme's liabilities.
- The assets of the LGPS pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities - current bid price
    - unquoted securities - professional estimate
    - property - market value

- The change in the net pensions liability is analysed into the following components:
    - Service cost comprising:
        - Current service cost - the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
        - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
    - Net interest on the net defined benefit liability, i.e. the net interest expense for the Authority - the change during the period in the net defined benefit liability that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
    - Remeasurements comprising:
        - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
        - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
    - Contributions paid to the pension fund - cash paid as employer's contributions to the pension funds in settlement of liabilities.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further detail on post employment benefits accounting policies is given in note 39 to the core financial statements.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Exceptional Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. The amortised cost will include any interest accrued and not paid as at the Balance Sheet date. Where the transaction costs of borrowing are immaterial and there is no premium or discount on borrowing and the interest rate is fixed for the loan term, then the actual interest rate has been used to calculate interest payable as this is the same as the effective interest rate. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal of interest (i.e. where the cash flows do not take the form of a basic debt instrument).
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The recognition of an impairment in the CIES is subject to a collective de minimis threshold of £10k. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Impairment loss allowances are not recognised for expected credit losses on a financial assets where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

Government Grants and Contributions (Revenue)

Grants and contributions relating to revenue expenditure are accounted for on an accruals basis, when there is reasonable assurance that the grant or contribution will be received, and they are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Authority has not satisfied.

A condition requires the grant funder or donor to have a right to the return of their monies (or asset or similar equivalent compensation) if the Authority fails to meet a stipulation under the terms of the transfer. If there are conditions attached to grants and contributions:

> where there is no reasonable assurance that the conditions will be met, the grant or contribution received is recorded in Cash and held on the Balance Sheet as a Creditor.
>
> where there is reasonable assurance that the conditions will be met but this has not yet occurred, the grant or contribution is held in the Grants Receipts in Advance account as a liability on the Balance Sheet and recorded in Cash (if received) or Debtors (if receivable). When the conditions have been satisfied, the income will be credited to the Comprehensive Income and Expenditure Statement.

Revenue grants are matched in the Comprehensive Income and Expenditure Statement with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to Taxation and Non-Specific grant income within the Comprehensive Income and Expenditure Statement

Government Grants and Contributions (Capital)

Grants and contributions relating to capital expenditure are accounted for on an accruals basis, when there is reasonable assurance that the grant or contribution will be received, and they are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Authority has not satisfied.

A condition requires the grant funder or donor to have a right to the return of their monies (or asset or similar equivalent compensation) if the Authority fails to meet a stipulation under the terms of the transfer. If there are conditions attached to grants and contributions:

- where a capital grant or contribution has been received and conditions remain outstanding at the Balance Sheet date, the grant or contribution is recorded in Cash and held in the Capital Grants Receipts in Advance account as a liability on the Balance Sheet. When the conditions have been satisfied, the income will be credited to Taxation and Non-Specific Grant Income within the Comprehensive Income and Expenditure Statement.

- where no conditions remain outstanding and expenditure has been incurred, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

- where no conditions remain outstanding and expenditure has not yet been incurred, the grant or contribution is transferred to the Capital Grants Unapplied Account to reflect its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed is incurred the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Inventories (Stocks)

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In, First Out (FIFO) costing formula.

Leases

Finance Leases (the Authority as Lessee)

The Fire Authority accounts for leases as finance leases when substantially all of the risks and rewards relating to the leased asset transfer to the Authority. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Lease rentals payable are apportioned between:

A charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and;

A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Non current assets recognised under finance leases are accounted for using the policies generally applied to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. Finance charges are accounted for on a straight line basis over the term of the lease.

Operating Leases (the Authority as Lessee)

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease (unless the arrangement specifies a rental pattern which is not straight line, in which case this will be disclosed).
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets, and where the costs are material.

Operating Leases (the Authority as Lessor)

Income from operating leases is recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, with the exception of the lease relating to the property at Clifton. In this instance, as the annual payments vary, the income is recognised based on the specific cash flows as notated in the lease agreement.

Non Current Assets

Property, Plant and Equipment

Non current assets which have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits for more than one financial year. Expenditure on repairs and maintenance is charged as an expense when it is incurred.

Measurement

The value of assets shown is subject to a £30,000 de minimis level. Assets with a value less than £30,000 will, however, be capitalised if they form part of a larger asset e.g. a piece of IT equipment which forms part of the IT infrastructure.

Assets are initially measured at cost, comprising the purchase price plus all expenditure directly attributable to bringing the asset to the location and condition for its intended use. Donated assets are measured initially at fair value with the difference between fair value and any consideration paid being credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held on the Balance Sheet in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.
Assets are then carried in the balance sheet using the following measurement bases:

Land and Buildings

These assets are classified as either operational or non operational and valued at current value in existing use, which is deemed to be the amount that would be paid for the asset in its existing use in an arm's-length transaction and disregarding potential alternative uses (Existing Use Value - EUV). Specialised, operational assets (e.g. Fire Stations) and specialised, non operational assets are valued at Depreciated Replacement Cost (DRC) which is a proxy for EUV and recognises that for specialised assets there is no market based evidence of fair value. Surplus assets are valued at Fair Value under IFRS. Non operational assets under construction are valued at historical cost. All assets are revalued every 5 years on a rolling basis by the Nottingham Valuation Office, or more if there have been material changes in value. All buildings are revalued subsequent to major refurbishment works being completed.

Furniture and Fittings

Furniture and fittings which form part of major refurbishments are classed as non current assets and are shown in the balance sheet at depreciated historic cost.

Vehicles and Plant

Vehicles and plant are classified as non current assets and are shown at a value which represents cost less depreciation charged on a straight line basis over the length of their useful lives.

All other Assets

All other assets are shown in the Balance Sheet at a valuation which represents their cost less depreciation charged on a straight line basis over the length of their useful lives.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (although see section below: Revaluation and Impairment Losses). Where decreases in value and impairments are identified, they are accounted for by:

a) Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
b) where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Charges to Revenue for Non Current Assets

Services and support services are charged annually with the following amounts to record the real cost to the Authority of holding non current assets during the year:

a) depreciation attributable to the assets used by the relevant service.

b) revaluation and impairment losses on assets used by the service, where there are insufficient accumulated gains in the Revaluation Reserve balance for that asset against which the losses can be written off.

c) amortisation of intangible non current assets attributable to the service.

The Authority is not required to raise council tax to cover these charges. It is, however, required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is known as the Minimum Revenue Provision (MRP) and the Authority's policy is to charge an amount of MRP equal to 4% of the Capital Financing Requirement relating to assets purchased on or before 31 March 2007 plus an amount of MRP calculated on the basis of asset lives relating to assets purchased on or after 1 April 2007. The charges listed in a) to c) above are replaced by a Minimum Revenue Provision charge, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Depreciation and Amortisation

Depreciation is provided for on non current assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Buildings: straight line allocation over the remaining useful life as estimated by the Valuation Office
- IT and Communications Equipment: straight line allocation over estimated remaining useful life
- Land, assets under construction and assets held for sale: not depreciated
- Fire Appliances: straight line allocation over the estimated useful life
- Furniture and Fittings: 20% of the balance at the beginning of the financial year
- Intangible Non Current Assets (software): amortisation equal to straight line allocation over the useful life.

Part year depreciation is charged from the start of the month of acquisition.
Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The de minimis threshold for componentisation is a current net book value of £150k - individual assets with a value of less than £150k will be disregarded for componentisation. To be separately identified as a component, an element of an asset must meet the following criteria:

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or
- have a different depreciation method that materially affects the amount charged

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Revaluation and Impairment Losses

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of that asset and thereafter in the Surplus or Deficit on Provision of Services.

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, any impairment losses for that asset, which have been charged to the Surplus or Deficit on Provision of Services in previous years, shall be reversed in the current year as a credit to the Surplus or Deficit on Provision of Services. The balance of the revaluation increase is credited to the Revaluation Reserve, but this amount represents the difference between the revalued amount and what the carrying amount net of depreciation would have been if no impairment loss had occurred in previous years. This means that the previous impairment loss reversal may not reverse the full amount of the loss.

Disposals and Non Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Amounts received from disposals are credited to the Usable Capital Receipts Reserve, which will then be used for new capital investment or set aside to reduce the borrowing requirement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Any accumulated balance of gains in the Revaluation Reserve, relating to an asset which has been disposed of, are written out to the Capital Adjustment Account.

When an existing building is demolished and replaced with a new build, the existing building would be treated as a disposal, the new building being added to Assets Under Construction at cost and then moved to Operational Buildings and revalued at Fair Value from the date it becomes operational.

The written-off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement

Donated Assets

Donated assets are defined as assets transferred at nil value or acquired at less than fair value. Donated assets from other public bodies which meet the definition of “government” in IAS 20 are accounted for as a government grant.

Donated assets are recognised immediately on receipt as Property, Plant and Equipment and are valued at fair value, which in this case is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm’s-length transaction. The gain to the Authority on receipt of the asset is recognised as income in the relevant service line in the Comprehensive Income and Expenditure Statement. The exception to this is to the extent that the Authority has not met any conditions attached to the donated asset, the gain relating to the asset is recognised in the Donated Assets Account on the Balance Sheet. The income will subsequently be recognised in the Comprehensive Income and Expenditure Statement when the conditions of donation have been satisfied.

After initial recognition, donated assets are measured in accordance with the accounting policies for Property, Plant and Equipment.

Re-classification of Assets Under Construction to Operational Assets

Assets under construction which are subsequently identified as being operational will be reclassified in the quarter following the date when the asset became operational.

Intangible Assets

Intangible assets are identifiable, non financial, non current assets controlled by the Authority which do not have physical substance. This Authority has one type of intangible non current asset, which is software. Expenditure on the acquisition of intangible non current assets is capitalised on an accruals basis, provided that it yields benefits for more than one financial year.

The value of assets capitalised is subject to a £30,000 de minimis level. Assets with a value of less than £30,000 will, however, be capitalised if they form part of a larger asset e.g. an ICT project to implement a new system with both hardware and software. Where an asset incorporates both hardware and software, it will be classified as an intangible asset when the majority of the cost is attributable to software – otherwise it will be classified as Equipment within Property, Plant and Equipment.

Software is initially measured at cost and subsequently shown in the Balance Sheet at amortised historic cost. Amortisation is charged to the Comprehensive Income and Expenditure Account over the economic life of the asset. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are charged to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Provisions

Provisions are made where an event has taken place which gives the Fire Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year and a provision may then be reversed and credited back to the relevant service if the requirement has changed.

Reserves

The Fire Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure, to be financed from a reserve is incurred, it is charged to the appropriate service in that year in that year to score against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Two useable reserves are shown on the face of the Balance Sheet. These are:

General Reserve

This reserve is the surplus or deficit of income over expenditure in the 2021/22 financial year, and the cumulative effect of such surpluses or deficits carried forward from previous years. See note 24.

Earmarked Reserve

This reserve contains funds built up to meet expected liabilities. The movement of this reserve is shown in note 11.

Capital Reserves
There are four capital related reserves shown in the Balance Sheet. Of these four reserves the Useable Capital Receipts Reserve and the Capital Grants Unapplied Reserve are cash backed; the remaining two are non cash backed.

The Revaluation Reserve

This represents the total of all fixed asset revaluation gains since 1 April 2007, less any revaluation losses since 1 April 2007 which have been offset against prior revaluation gains for the same asset.

The Capital Adjustment Account

This account is credited with amounts set aside to finance capital expenditure and absorbs any timing differences between the setting aside of resources and accounting for depreciation and impairment losses. This reserve was created on 1 April 2007, replacing the Capital Financing Account. Its opening balance was an amalgamation of the closing balances as at 31 March 2007 of the Fixed Asset Restatement Account and the Capital Financing Account.

The Useable Capital Receipts Reserve

This reserve is credited with the disposal proceeds when fixed assets are sold. It is ring fenced for supporting new capital expenditure or for reducing the underlying need to borrow against the capital financing requirement.

The Capital Grants Unapplied Reserve

This reserve is credited with capital grants received, which have yet to be used to finance capital expenditure.

Movements on these reserves are shown in notes 24 and 25.

Pensions Reserve
This reserve represents the full future pensions liabilities at the time that these liabilities are earned by employees. An independent actuary assesses the liabilities for pension schemes in which the Authority participates, namely the Firefighters' Pension Schemes and the Local Government Pension Scheme.

Accumulated Absences Adjustment Account
This reserve absorbs the differences that would otherwise arise on the General Fund balance from accruing for accumulated absences earned but not taken in the year.

Collection Fund Adjustment Account
This reserve manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers, compared with the statutory arrangements for paying across amounts due to the General Fund from the billing authorities.

Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice requires the disclosure of the impact of an accounting change arising from a new accounting standard which has been issued but not yet adopted by the Code for the relevant financial year.

The standards introduced by the 2023/24 Code of Practice and relevant for additional disclosures that will be required in the 2022/23 financial statements in accordance with the requirements of the Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2 issued in February 2021.

Whilst it is likely that both these changes will lead to improved reporting, they will not have a significant impact on the amounts anticipated to be reported in the financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

The Government will provided indicative settlement figures for future years as part of the funding settlement in Autumn 2022. There remains the possibility that funding for local government organisations may be reduced. Despite this there is no indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Authority has a balanced budget for 2023/24 and is anticipating to contain spending within this budget. The Authority is in a good financial position to allow it to properly plan for any reductions in budgets over the next three years should this be required.

The Authority has valued its Fire Stations at depreciated replacement cost, as there is no market based evidence of fair value due to the specialised nature of the assets.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that which are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £64k for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. A sensitivity analysis showing the impacts of changes in the discount rates used is included in note 39

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Within the Comprehensive Income and Expenditure Statement are a number of material items of income and expense in Net Cost of Services which are not disclosed separately. These are as follows:

2021/22	Description of Item	Income or Expense	2022/23
£000			£000
3,458	Depreciation and Amortisation of Non Current Assets	Expense	3,296
(473)	Capital Receipt	Income	(513)

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Treasurer to the Authority on XXXXXXXX. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2022/23

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amount 2021/22	Adjustment for Capital purposes	Net change for the Pension Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Firefighting and Rescue	0	(4,149)	58	(4,091)
Community Safety	0	(276)	7	(269)
Fire Protection	0	(259)	1	(258)
Resilience	0	(7)	0	(7)
Corporate and Centralised Services				
Estates & Procurement	(811)	(91)	(2)	(904)
Equipment	(427)	(91)	0	(518)
People and Organisation Development	0	(531)	(25)	(556)
Finance	0	(93)	(5)	(98)
Information Communication and Technology	(279)	(163)	(3)	(445)
Other Corporate and Centralised Services	0	(877)	(30)	(907)
	(1,517)	**(6,537)**	**1**	**(8,053)**
Other income and expenditure	(1,081)	(7,071)	933	(7,219)
	(2,598)	**(13,608)**	**934**	**(15,272)**

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amount 2020/21	Adjustment for Capital purposes	Net change for the Pension Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Firefighting and Rescue	0	(4,412)	(37)	(4,449)
Community Safety	0	(367)	(4)	(371)
Fire Protection	0	(340)	29	(311)
Resilience	0	(7)	0	(7)
Corporate and Centralised Services				
Estates & Procurement	(2,179)	(107)	0	(2,286)
Equipment	(580)	(110)	(2)	(692)
People and Organisation Development	0	(666)	19	(647)
Finance	0	(107)	1	(106)
Information Communication and Technology	142	(226)	3	(81)
Other Corporate and Centralised Services	0	(887)	17	(870)
	(2,617)	**(7,229)**	**26**	**(9,820)**
Other income and expenditure	69	(5,214)	1,077	(4,068)
	(2,548)	**(12,443)**	**1,103**	**(13,888)**

8. EXPENDITURE AND INCOME ANALYSIS BY NATURE

2021/22 £000		2022/23 £000
	Expenditure	
57,942	Employee Benefits Expenses	60,747
425	Other Employee Expenses	356
2,707	Premises Related Expenses	3,487
1,951	Transport Related Expenditure	2,250
3,971	Supplies and Services	3,895
876	Third Party Payments	1,000
104	Support Services	85
4,696	Depreciation, amortisation, impairment and loss on disposal of non-current assets	4,496
851	Interest Payments	944
73,523	**Total Expenditure**	77,260
	Income	
(1,018)	Fees, charges and other service income	(754)
(14)	Interest and investment income	(220)
(37,062)	Income from council tax and non-domestic rates	(38,513)
(20,743)	Government grants	(22,832)
(64)	Income from profit on disposal of non-current assets	0
(58,901)	**Total Income**	(62,319)
14,622	**(Surplus)/Deficit on Provision of Services**	14,941

9. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients

2021/22 £000		2022/23 £000
1,231	Revenue from contracts with service recipients	927
	Impairment of receivables or contract assets	
1,231	**Total Included in Comprehensive Income and Expenditure Statement**	**927**

Amounts included in the Balance Sheet for contracts with Service Recipients

2021/22 £000		2022/23 £000
22	Receivables which are included in debtors	0
22	**Total Included in Balance Sheet**	**0**

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.
The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Useable Reserves

2021/22				2022/23		
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
£000	£000	£000		£000	£000	£000
			Adjustments to the Revenue Resources			
			Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
(12,444)			Pension costs (transferred to (or from) the Pensions Reserve)	(13,608)	0	
1,077			Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	933		
27			Holiday pay (transferred to the Accumulated Absences Reserve)	1		
(5,099)		0	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,009)		
(16,439)	**0**	**0**	**Total Adjustments to Revenue**	**(17,683)**	**0**	**0**
			Adjustments between Revenue and Capital Resources			
473	(473)		Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	513	(513)	
			Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)			
1551			Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1600		
527			Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	298		
2,551	**(473)**	**0**	**Total Adjustments between Revenue and Capital Resources**	**2,411**	**(513)**	**0**
			Adjustments to Capital Resources			
	473		Use of the Capital Receipts Reserve to finance capital expenditure		513	
		17	Application of capital grants to finance capital expenditure			57
			Cash payments in relation to deferred capital receipts			
0	**473**	**17**	**Total Adjustments to Capital Resources**	**0**	**513**	**57**
(13,888)	**0**	**17**	**Total Adjustments**	**(15,272)**	**0**	**57**

11 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves either to meet General Fund expenditure in the year, or because the earmarked reserve was no longer required.

Balance at 31 March 2021	Transfers out 2021/22	Movements 2021/22	Transfers in 2021/22		Balance at 31 March 2022	Transfers out 2022/23	Movements 2022/23	Transfers in 2022/23	Balance at 31 March 2023
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**	**£000**
(1,184)	0	2	(7)	**Information Communication and Technology**	(1,189)	4	225	(619)	(1,578)
(428)	140	149	(106)	**Prevention, Protection and Partnerships**	(245)	89	0	(105)	(261)
(349)	15	332	(35)	**Resilience**	(37)	1	0	0	(35)
(673)	129	100	0	**Operational**	(444)	123	(159)	0	(480)
0	0	(50)	0	**Transition**	(50)	1	0	0	(49)
(42)	23	(1,836)	(337)	**Other**	(2,192)	0	(190)	(76)	(2,458)
(1,053)	454	617	(47)	**Covid - 19**	(29)	15	0	0	(15)
(1,800)	571	688	(13)	**Transformation and Collaboration**	(554)	106	122	(36)	(360)
(181)	80	(2)	(10)	**Regional Funds**	(113)	13	0	0	(101)
(5,710)	**1,412**	**0**	**(555)**	**Sub Total**	**(4,853)**	**352**	**(2)**	**(836)**	**(5,337)**

12 OTHER OPERATING EXPENDITURE

2021/22 £000		2022/23 £000
65	Gains/(Losses) on the disposal of non-current assets	1,081
65	**Total**	**1,081**

13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021/22 £000		2022/23 £000
851	Interest payable and similar charges	944
0	Interest paid in relation to Finance Leases	0
13,960	Net interest on defined pension liability	17,681
(14)	Interest receivable and similar income	(220)
0	Other investment income	0
14,797	**Total**	**18,405**

14 TAXATION AND NON-SPECIFIC GRANT INCOME

2021/22 £000		2022/23 £000
26,841	Council tax income and surplus on collection	27,692
2,944	Non domestic rates	3,544
8,745	Pension top up grant	10,610
38	Council Tax Income guarentee scheme	23
5,452	Non ringfenced government grants	5,619
7,277	Non domestic rates tax top-up grant	7,277
925	Business Rates Tax Loss Reimbursement Grant	2,676
8	Transparency grant	8
2,213	Covid-19 Funding	707
2,340	Fire Pension Grant	2,340
0	Levy Account Surplus Grant	91
56,783	**Total**	**60,587**

15 PROPERTY PLANT AND EQUIPMENT

Comparative Movements in 2021/22							Movements in 2022/23					
Other Land and Buildings £000	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Asset Held for Sale £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**		**Other Land and Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Asset Held for Sale £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
						Cost or Valuation						
57,762	**21,481**	**160**	**380**	**1,989**	**81,772**	**At 01 April**	**59,363**	**21,045**	**175**	**0**	**6,013**	**86,596**
125	819	0	0	5,609	**6,553**	Additions	367	724	0	0	1,133	**2,224**
0	0	0	0	0	**0**	Donations	0	0	0	0	0	**0**
1,178	0	15	0	0	**1,193**	Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(1,002)	0	15	0	0	**(987)**
347	0	0	0	(1,585)	**(1,238)**	Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(120)	0	0	0	0	**(120)**
(49)	(1,045)	0	0	0	**(1,094)**	Derecognition - Disposals	0	(117)	0	0	0	**(117)**
0	(210)	0	(380)	0	**(590)**	Derecognition - Other	(1,630)	(53)	0	0	0	**(1,683)**
0	0	0	0	0	**0**	Assets reclassified (to)/from Held for Sale	(2,575)	0	0	2,575	0	**0**
0	0	0	0	0	**0**	Assets reclassified (to)/from Assets Under Construction	6,948	198	0	0	(7,146)	**0**
0	0	0	0	0	**0**	Correction of classification	0	0	0	0	0	**0**
59,363	**21,045**	**175**	**0**	**6,013**	**86,596**	**At 31 March**	**61,351**	**21,797**	**190**	**2,575**	**0**	**85,913**

Accumulated Depreciation & Impairment 2021/22							Accumulated Depreciation & Impairment 2022/23					
Other Land and Buildings £000	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Asset Held for Sale £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**		**Other Land and Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Surplus Assets £000**	**Asset Held for Sale £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
(1,131)	**(14,803)**	**(28)**	**0**	**0**	**(15,962)**	**At 01 April**	**(931)**	**(15,081)**	**0**	**0**	**0**	**(16,012)**
(1,694)	(1,510)	(5)	0	0	**(3,209)**	Depreciation & Impairment Charges	(1,767)	(1,287)	(7)	0	0	**(3,061)**
1,845	0	33	0	0	**1,878**	Depreciation written out to the Revaluation Reserve	2,014	0	7	0	0	**2,021**
0	0	0	0	0	**0**	Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
0	0	0	0	0	**0**	Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	**0**
0	0	0	0	0	**0**	Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	**0**
49	1,045	0	0	0	**1,094**	Derecognition- Disposals	0	107	0	0	0	**107**
0	187	0	0	0	**187**	Derecognition- Other	46	53		0	0	**99**
0	0	0	0	0	**0**	Other movements in Depreciation & Impairment	182		0	(182)	0	**0**
(931)	**(15,081)**	**0**	**0**	**0**	**(16,012)**	**At 31 March**	**(456)**	**(16,208)**	**0**	**(182)**	**0**	**(16,846)**
58,432	**5,964**	**175**	**0**	**6,013**	**70,584**	**Net Book Value at 31st March**	**60,895**	**5,589**	**190**	**2,393**	**0**	**69,067**

Capital Commitments

At 31 March 2023 the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years, budgeted to cost £255k. Similar commitments at 31 March 2022 were £255k. The major commitment for 2022/23 was:

Worksop Fire Station	£85k
Appliances	£1.522m

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by the Valuation Office, the last valuation took place on the 31 March 2023, covering 13 properties via an inspection,12 by applying a tender price index, and carried out by Aimee Eliis MRICS. Valuations of the buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The basis of valuation for various types of property is given in Accounting Policies Note 1.

The following table shows the progress of the Authority's rolling programme for the revaluation of non-current assets.

	Other Land & Buildings £000	Vehicles, Plant, Equipment £000	Assets under Construction £000	Surplus Assets £000	Assets Held for Sale £000	Total £000
Carried at Historical cost	0	5,589	0	0	0	**5,589**
Valued at Fair Value as at:						
31 March 2023	57,999			15	2,393	**60,407**
31 March 2022	2,891	0	0	175		**3,066**
31 March 2021	0	0	0	0	0	**0**
31 March 2020	0	0	0	0	0	**0**
31 March 2019	0	0	0	0	0	**0**
31 March 2018	0	0	0	0	0	**0**
Total Cost or Valuation	**60,890**	**5,589**	**0**	**190**	**2,393**	**69,062**

16 INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

The basis of valuation and amortisation of intangible assets is outlined in Accounting Policies Note 1.

Software 2021/22	Software Under Construction 2021/22		Software 2022/23	Software Under Construction 2022/23
£000	£000		£000	£000
		Balance at start of year:		
2,705	0	• Gross carrying amounts	2,574	17
(2,185)	0	• Accumulated amortisation	(2,238)	0
520	0	Net carrying amount at start of year	336	17
0	0	Adjustments to bring fixed asset register and statutory accounts into alignment	0	0
0	0	Assets Reclassified	0	0
64	17	Purchases	42	0
(195)	0	Disposals	(15)	0
(249)	0	Amortisation for the period	(234)	0
195	0	Other Changes - Disposal Amortisation	15	0
335	**17**	**Net carrying amount at end of year**	**144**	**17**
		Comprising:		
2,574	17	• Gross Carrying Amounts	2,601	17
(2,238)	0	• Accumulated amortisation	0	0
336	**17**		**2,601**	**17**

17 FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:

31 March 2022 Non-current	31 March 2022 Current		31 March 2023 Non-current	31 March 2023 Current
£000	£000		£000	£000
		Financial assets		
0	2,061	Investments measured at amortised cost	0	3,116
0	7,687	Cash & cash equivalents measured at amortised cost	0	8,231
284	5,234	Debtors measured at cost	227	5,085
0	0	Financial assets measured at fair value through profit or loss	0	0
0	0	Financial assets measured at fair value through other comprehensive income	0	0
284	**14,982**	**Total financial assets**	**227**	**16,432**
		Financial liabilities		
(32,900)	(52)	Loans measured at amortised cost	(32,900)	(48)
(82)	(4,303)	Creditors measured at cost	(82)	(4,345)
0	0	Financial liabilities measured at fair value	0	0
(32,982)	**(4,355)**	**Total financial liabilities**	**(32,982)**	**(4,393)**

Note: the figures for debtors and creditors in the above table include grant receipts in advance but exclude Council Tax and Non Domestic Rates (NDR) debtors and creditors because Council Tax is a statutory debt not arising from a contract and therefore falls outside the scope of financial instruments. The table below provides a reconciliation between the figures in the above table and those on the Balance Sheet.

Short term debtors and creditors are carried at cost rather than amortised cost as this is a fair approximation of their value.

The values for financial instruments in the above table, and on the Balance Sheet, are all gross figures i.e. no netting of financial instruments has taken place.

31 March 2022		31 March 2023
£000		£000
	Current Debtors	
6,393	Debtors - as shown on Balance Sheet	6,585
(1,159)	Less: Council Tax and NDR debtors	(1,500)
5,234	**Current Debtors Classified as Financial Instruments**	**5,085**
	Non-current Debtors	
284	Long term debtors - as shown on Balance Sheet	**227**
	Current Creditors	
(4,970)	Creditors - as shown on Balance Sheet	(5,182)
667	Less: Council Tax NDR prepayments / overpayments	837
(4,303)	**Current Creditors Classified as Financial Instruments**	**(4,345)**
	Non-current Creditors	
0	Creditors - as shown on Balance Sheet	0
(82)	Grant Receipts in Advance - as shown on Balance Sheet	(82)
(82)		**(82)**

Income, Expense, Gains and Losses

2021/22 Surplus or Deficit on the Provision of Services £000	2021/22 Other Comprehensive Income and Expenditure £000		2022/23 Surplus or Deficit on the Provision of Services £000	2022/23 Other Comprehensive Income and Expenditure £000
		Interest revenue:		
(14)	0	Financial assets measured at amortised cost	(220)	0
0	0	Financial assets measured at fair value through other comprehensive income	0	0
(14)	**0**	**Total interest revenue**	**(220)**	**0**
849	**0**	**Interest expense**	**941**	**0**

Fair Value of Financial Assets and Financial Liabilities

The fair value of financial instruments has been determined by calculating the net present value (NPV) of future cashflows. The discount rates used in the NPV calculations are equivalent to the current rates in relation to the same or similar instruments of the same remaining duration from comparable lenders on the date of the valuation. A more detailed explanation of the rates used is given below. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair value of Public Works Loan Board (PWLB) loans of £21.6m is based on new PWLB borrowing rates. This fair value measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for new PWLB loans undertaken at the balance sheet date. The difference between the carrying value and the fair value measures the interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing PWLB rates.

The Authority also has the ability to prematurely repay its PWLB loans, however the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would not be paid. The fair value of PWLB loans calculated using premature repayment rates is £24.6m. This fair value is £3.0m higher than that calculated using the PWLB new loans rates because the discount rate is lower and hence the premium payable would be higher.

There have been limited trades in the Lender Option Borrower Option (LOBO) market during the financial year ended 31 March 2023, so comparable market rates are not available. A proxy LOBO new loans rate has been derived by applying a margin of 90 basis points above the corresponding gilt rates. The fair value of the non-PWLB LOBO loan calculated using PWLB premature repayment rates as a market illustration is £4.8m. This fair value is £1.0m higher than that calculated using new loan rates (£3.8m) because the discount rate is lower and hence the premium payable would be higher.

31 March 2022 Carrying Amount	31 March 2022 Fair Value		31 March 2023 Carrying Amount	31 March 2023 Fair Value
£000	£000	**Financial Liabilities at amortised cost**	£000	£000
(28,940)	(29,581)	**- PWLB Loans**	(28,936)	(21,585)
(4,011)	(6,102)	**- Other Loans**	(4,011)	(3,833)

The fair value of borrowings is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

31 March 2022 Carrying Amount	31 March 2022 Fair Value		31 March 2023 Carrying Amount	31 March 2023 Fair Value
£000	£000		£000	£000
2,061	2,061	**Investments held at amortised cost**	3,116	3,116
7,687	7,687	**Cash and cash equivalents held at amortised cost**	8,231	8,231

All of the investments and cash equivalents held by the Authority have a maturity of less than 12 months. The carrying value is therefore taken to be a reasonable approximation of the fair value.

The 2022/23 CIPFA Accounting Code of Practice ("the Code") requires authorities to maximise the use of relevant observable inputs and minimise the use of unobservable inputs when measuring fair value. To achieve this objective, authorities are required to follow a fair value hierarchy, which categorises the inputs to valuation techniques used to measure fair value into three levels as follows:

- **Level 1 inputs** - quoted prices (unadjusted) in active markets for identical assets or liabilities that an authority can access at the measurement date.
- **Level 2 inputs** - inputs other than quoted prices included within level 1 that are *observable* for the asset or liability, either directly or indirectly.
- **Level 3 inputs** - *unobservable* inputs for the asset or liability.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value in the Balance Sheet

31 March 2023

Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£100	**£100**	**£100**	**£100**
Financial liabilities				
Loans held at amortised cost	0	(25,418)	0	(25,418)
Financial assets				
Investments, cash & cash equivalents held at amortised cost	0	11,347	0	11,347
Total	**0**	**(14,071)**	**0**	**(14,071)**

31 March 2022 Comparative Year

Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£100	**£100**	**£100**	**£100**
Financial liabilities				
Loans held at amortised cost	0	(35,683)	0	(35,683)
Financial assets				
Investments, cash & cash equivalents held at amortised cost	0	9,748	0	9,748
Total	**0**	**(25,935)**	**0**	**(25,935)**

The fair value for financial liabilities and financial assets that are not measured at fair value included in level 2 in the previous table have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial assets	Financial liabilities
• no early repayment or impairment is recognised • estimated ranges of interest rates as 31 March 2023 of 0.00% to 4.20% for short term investments and cash equivalents, based on new lending rates for equivalent assets at that date • the fair value of trade and other receivables is taken to be the invoiced or billed amount	• no early repayment is recognised • estimated ranges of interest rates at 31 March 2023 of 4.26% to 4.78% for loans payable based on new lending rates for equivalent loans at that date

18 INVENTORIES

31 March 2022 £000		31 March 2023 £000
427	**Balance Outstanding at start of year**	**342**
395	Purchases	410
(482)	Recognised as an expense in year	(504)
2	Written off balances	9
342	**Balance outstanding at year end**	**257**

19 DEBTORS

31 March 2022 £000		31 March 2023 £000
3,343	NNDR and council tax	4,349
149	Trade Debtors	231
4,509	Other debtors	3,935
(2,145)	Provision for bad debts	(2,399)
537	Prepayments and Accrued Income	468
6,393	**Total Short Term Debtors**	**6,584**
284	Prepayments and Accrued Income	227
284	**Long Term Debtors**	**227**
6,677	**Total**	**6,811**

20 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2022 £000		31 March 2023 £000
	Cash held by the Authority	
85	Bank Current Accounts	41
7,602	Short-term deposits	8,190
7,687	**Total Cash and Cash Equivalents**	**8,231**

21 ASSETS HELD FOR SALE

There were no Non Current Assets held for sale as at 31st March 2022.
As at 31st March 2023 Head Quarters was held for sale with a net book value of £2.393m

22 CREDITORS

31 March 2022 £000		31 March 2023 £000
(2,145)	Trade Creditors	(1,832)
(1,723)	NNDR and Council Tax	(1,562)
(1,102)	Other Creditors	(1,787)
(4,970)	**Short Term Creditors**	**(5,181)**
0	Other Creditors	0
(82)	Receipts in Advance - General (long term)	0
(82)	**Long Term Creditors**	**0**
(5,052)	**Total**	**(5,181)**

23 PROVISIONS

	Short Term				
	Joint Headquarters	Gold Book Pay Award	Ill Health	Domestic Rates Appeals	Total Provison
	£000	£000	£000	£000	£000
Balance at 1 April 2022	**0**	**0**	**(21)**	**(344)**	**(365)**
Additional provisions made in 2022/23	0	0	0	0	**0**
Amounts used in 2022/23	(50)	(34)	21	31	**(32)**
Unused amounts reversed in 2022/23	0	0	0	0	**0**
Balance at 31 March 2023	**(50)**	**(34)**	**0**	**(313)**	**(397)**

Joint Headquarters

Changes to the scope of the new Joint Headquarters in the later stages to create additional offices cause a delay in the completion of the project. The £50k provison is to cover this extected charge from the supplier.

Non Domestic Rates Appeals

From 2013/14, a proportion of Non Domestic Rates collected by Nottinghamshire collecting authorities is retained locally, rather than paid directly to central government. Part of these retained rates are collected on behalf of NFRS, and so a portion of any related provisions must now be recognised by NFRS. This provision allows for possible losses arising from any successful appeals of business premises rateable values in 2022/23.

Gold Book Pay Award

The provision allows for the Gold Book payaward that has yet to have been agreed. The provison is based on the current offer of 4% from January 2022 and 3.5% from January 2023.

24 USEABLE RESERVES

Useable reserves contain resources which the Authority can apply to the provision of services, either by incurring expenditure or by undertaking capital investment

31 March 2022		31 March 2023
£000		£000
5,114	General Fund	4,961
4,853	Earmarked Reserves	5,337
0	Capital Receipts Reserve	0
331	Capital Grants Unapplied	274
10,298	**Total Useable Reserves**	**10,572**

General Fund

The General Fund reserve contains accumulated surplus funds which have arisen either as a result of general underspending against the revenue budget or as a result of decisions to transfer revenue resources to the General Fund reserve. This reserve contains resources which could be used to fund any future unforeseen and unbudgeted significant expenditure.

2021/22		2022/23
£000		£000
4,991	**Balance at 1 April**	**5,114**
(734)	Transfer (to)/from General Fund Reserve	331
857	Transfer from General Fund Reserve to Earmarked Reserves	(484)
5,114	**Balance at 31 March**	**4,961**

Earmarked Reserves

Earmarked Reserves contain resources set aside for specific purposes such as future projects. The reserves are created by appropriating amounts out of the General Fund Balance (shown in the Movement in Reserves Statement). When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

2021/22		2022/23
£000		£000
5,710	**Balance at 1 April**	**4,852**
(1,413)	Application of Earmarked Reserves to finance expenditure	(352)
555	Transfer from General Fund Reserve	836
4,852	**Balance at 31 March**	**5,336**

Capital Receipts Reserve

The Capital Receipts Reserve holds resources arising from capital receipts which have not yet been applied to finance new capital expenditure or to repay debt.

2021/22 £000		2022/23 £000
0	**Balance at 1 April**	**0**
472	Capital Receipts in Year	513
(472)	Capital Receipts applied in year to finance capital	(513)
0	**Balance at 31 March**	**0**

Capital Grants Unapplied

The Capital Grants Unapplied Account holds capital grants received in the year, which have not yet been applied to finance new capital expenditure.

2021/22 £000		2022/23 £000
347	**Balance at 1 April**	**331**
0	Capital Grants received in Year	0
(16)	Capital Grants applied in year to finance capital	(57)
331	**Balance at 31 March**	**274**

25 UNUSEABLE RESERVES

31 March 2022		31 March 2023
£000		**£000**
25,537	Revaluation Reserve	24,667
14,590	Capital Adjustment Account	13,953
(631,155)	Pensions Reserve	(417,866)
(822)	Collection Fund Adjustment Account	111
(268)	Accumulated Absences Account	(268)
(592,118)	**Total Unuseable Reserves**	**(379,403)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/22		2022/23
£000		**£000**
23,365	**Balance at 1 April**	**25,537**
3,331	Upward revaluations of assets	1,759
(259)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(725)
3,072		1,034
26,437	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**26,571**
(660)	Difference between fair value depreciation and historical cost depreciation	(748)
(240)	Accumulated gains on assets disposed of	(1,155)
(900)	Amount written off to the Capital Adjustment Account	(1,903)
25,537	**Balance at 31 March**	**24,668**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains gains recognised on donated assets that have yet to be consumed by the Authority, and also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22		2022/23
£000		£000
16,223	**Balance at 1 April**	**14,590**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account (CIES)	
(3,209)	• Charges for depreciation and impairment of non-current assets	(3,061)
(1,239)	• Revaluation losses on Property, Plant and Equipment and reversal of previous impairments	(119)
(250)	• Amortisation of intangible assets	(234)
0	• Revenue expenditure funded from capital under statute	0
(163)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(439)
(4,861)		**(3,853)**
660	Adjusting amounts written out of the Revaluation Reserve	748
(4,201)	Net written out amount of the cost of non-current assets consumed in the year	**(3,105)**
	Capital financing applied in the year:	
473	• Use of Capital Receipts Reserve to finance new capital expenditure	513
16	• Capital grants and contributions credited to the CIES that have been applied to capital financing	57
1,551	• Statutory provision for the financing of capital investment charged against the General Fund balance	1,600
0	• Voluntary provision for the financing of capital investment charged against the General Fund balance	0
0	• Application of grants to capital financing from Capital Grants Unapplied Account	0
528	• Capital expenditure charged against the General Fund balance	298
2,568		2,468
0	Movement in the Donated Assets Account credited to the CIES	0
14,590	**Balance at 31 March**	**13,953**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement (CIES) as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/22		2022/23
£000		£000
(668,571)	**Balance at 1 April**	**(631,155)**
49,860	Remeasurements on the net defined benefit pension	226,897
(28,279)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(30,905)
15,835	Employers pensions contributions and direct payments to pensioners payable in the year	17,297
(631,155)	**Balance at 31 March**	**(417,866)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22		2022/23
£000		£000
(1,899)	**Balance at 1 April**	**(822)**
1,077	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	933
(822)	**Balance at 31 March**	**111**

Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2021/22		2022/23
£000		**£000**
(294)	**Balance at 1 April**	**(268)**
294	Settlement or cancellation of accrual made at the end of the preceding year	268
(268)	Amounts accrued at the end of the current year	(268)
26	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**0**
(268)	**Balance at 31 March**	**(268)**

26 CASHFLOW STATEMENT - OPERATING ACTIVITIES

2021/22 £000		2022/23 £000
14,622	**Net (Surplus) or Deficit on the Provision of Services**	**14,941**
	Adjust net surplus or deficit on the provision of services for non cash movements	
(3,209)	Depreciation	(3,061)
(1,238)	Impairment and revaluations	(120)
(250)	Amortisation	(234)
(194)	(Increase)/Decrease in impairment for bad debts	(254)
(997)	(Increase)/Decrease in Creditors	(455)
2,577	Increase/(Decrease) in Debtors	(11)
(84)	Increase/(Decrease) in Inventories	(85)
(12,444)	Pension Liability	(13,608)
299	Contributions (to)/from Provisions	(31)
(408)	Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(1,594)
(27)	Accrued Interest	53
(15,975)		**(19,400)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
473	Proceeds from the sale of property plant and equipment, investment property and intangible assets	513
473		**513**
(880)	**Net Cash Flows from Operating Activities**	**(3,946)**

CASHFLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2021/22 £000		2022/23 £000
(14)	Interest received	(220)
851	Interest paid	944
0	Dividends received	0

27 CASHFLOW STATEMENT - INVESTING ACTIVITIES

2021/22		2022/23
£000		£000
6,035	Purchase of property, plant and equipment, investment property and intangible assets	2,909
3,000	Purchase of short-term and long-term investments	6,000
(473)	Proceeds from the sale of property, plant and equipment, investment property and intangible asset	(513)
(4,500)	Proceeds from short-term and long-term investments	(5,000)
0	Other receipts from investing activities	0
4,062	**Net cash flows from investing activities**	**3,396**

28 CASHFLOW STATEMENT - FINANCING ACTIVITIES

2021/22		2022/23
£000		£000
(6,000)	Cash receipts of short and long-term borrowing	0
52	Repayments of short and long-term borrowing	6
(5,948)	**Net cash flows from financing activities**	**6**

29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 April 2022	Financing cash flows	Non-cash changes	31 March 2023
	£000	£000	£000	£000
Long-term borrowings	(32,901)	6	(6)	(32,901)
Short-term borrowings	(52)	0	4	(48)
Total liabilities from financing activities	**(32,953)**	**6**	**(2)**	**(32,949)**

	1 April 2021	Financing cash flows	Non-cash changes	31 March 2022
	£000	£000	£000	£000
Long-term borrowings	(26,906)	(5,948)	(47)	(32,901)
Short-term borrowings	(63)	0	11	(52)
Total liabilities from financing activities	**(26,969)**	**(5,948)**	**(36)**	**(32,953)**

30 POOLED BUDGETS

The Authority has a pooled budget arrangement with the Local Resilience Forum, which is a multi-agency project for planning and coordinating response to major incidents. This forum involves various public bodies from the Nottinghamshire area including Health Bodies and Local Government Authorities.

The Authority has a pooled budget arrangement for the Multi-Agency Coordination Centre, which is a premise at which a coordinated response to major incidents can be managed. Various Nottinghamshire public bodies, including Health Bodies, Local Government, and Police Authorities are parties to this arrangement.

	Local Resilience Forum	Multi Agency Co-ordination Centre	2021/22
			£000
Opening Balance	68	14	82
Income in Year	0	0	0
Expenditure in Year	0	0	0
Balance carried forward	68	14	82
			2022/23
			£000
Opening Balance	68	14	82
Income in Year	0	0	0
Expenditure in Year	0	0	0
Balance carried forward	68	14	82

31 MEMBERS' ALLOWANCES

The following amounts were paid to Members of the Authority during the year

2021/22		2022/23
£000		£000
127	Allowances	133
0	Expenses	2
127	**Total**	**135**

32 OFFICERS' REMUNERATION

The remuneration paid to the Authority's senior employees is as follows:

		Salary, Fees and Allowances	Expenses Allowances	Compensation for loss of employment	Total Remuneration excluding Pension Contributions	Pension Contribution	Total
		£	£	£	£	£	£
Chief Fire Officer John Buckley	2022/23	6,747	2	0	6,749	1,943	8,692
Left 15/04/2022	2021/22	162,523	52	0	162,575	46,807	209,382
Chief Fire Officer Craig Parkin	2022/23	139,885	50	0	139,935	40,211	180,146
Started 16/04/2022	2021/22	0	0	0	0	0	0
Deputy Chief Fire Officer	2022/23	5,566	2	0	5,568	1,614	7,182
Left 15/04/2022	2021/22	134,150	52	0	134,202	38,615	172,817
Assistant Chief Officer	2022/23	121,449	52	0	121,501	22,346	143,847
	2021/22	121,893	52	0	121,945	22,428	144,373
Assistant Chief Officer	2022/23	109,487	52	0	109,539	24,748	134,287
Started 14/03/2022	2021/22	5,349	2	0	5,351	1,198	6,549
Head of Finance and Treasurer	2022/23	73,646	52	0	73,698	13,322	87,020
	2021/22	72,598	52	0	72,650	13,278	85,927
Total	**2022/23**	**456,780**	**210**	**0**	**456,990**	**104,184**	**561,174**
	2021/22	**496,513**	**210**	**0**	**496,723**	**122,326**	**619,048**

Notes:

1) "Expense Allowances" shows taxable benefits. Employer's National Insurance contributions are excluded from the above table

The table below shows the number of employees whose remuneration was £50,000 or more, in bands of £5,000. It includes the senior officers shown in the previous table. Remuneration is defined as pay, taxable expenses allowances and the monetary value of any benefits such as a provided car. Employer's pension contributions are excluded.

2021/22 Number of employees	Remuneration Band	2022/23 Number of employees
26	£50,000-£54,999	21
19	£55,000-£59,999	18
22	£60,000-£64,999	21
5	£65,000-£69,999	10
9	£70,000-£74,999	8
2	£75,000-£79,999	2
1	£80,000-£84,999	2
	£85,000-£89,999	1
3	£90,000-£94,999	2
	£95,000-£99,999	
	£100,000-£104,999	1
1	£105,000-£109,999	2
	£110,000-£114,999	
	£115,000-£119,999	
1	£120,000-£124,999	1
	£125,000-£129,999	
1	£130,000-£134,999	
	£135,000-£139,999	
	£140,000-£144,999	
	£145,000-£149,999	1
	£150,000-£154,999	
	£155,000-£159,999	
1	£160,000-£164,999	

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band £000's	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0-£20,000	0	0	3	0	3	0	5	0
£20,001 - £40,000	0	1	1	0	1	1	25	28
£40,001 - £60,000	0	0	1	0	1	0	42	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	127
Total	**0**	**2**	**5**	**0**	**5**	**2**	**72**	**155**

33 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections provided by the Authority's external auditors and other services provided by the Authority's external auditors.

2021/22 £000		2022/23 £000
24	Fees payable with regard to external audit services carried out by the appointed auditor for the year	33
24	**Total**	**33**

34 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. Other grants have been credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. These grants are detailed in note 14.

2021/22 £000		2022/23 £000
	Credited to Services	
(369)	Firelink grant (part of the Fire Revenue grant DCLG)	(319)
(81)	New Dimension grant (part of the Fire Revenue grant DCLG)	(81)
	New Risk Programme	
	Enhanced Logistical Support	
	Control Room Research	
(55)	New Risks grant	(19)
0	Emergency Services Mobile Communications grant	0
0	Fire Protection and Recognised prior learning Grant	0
0	Fire Protection Building Risk Review Grant	0
(165)	Fire Protection Protection Uplift Grant	(147)
(215)	Apprenticeship Levy	(179)
0	Grenfell infrastructure Grant	0
(125)	Pension admin Grant	0
(12)	Rise in Audit fees Grant	0
0	Redmond Review Implementation	(14)
(1,022)	**Total**	**(759)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income because they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the year-end are as follows:

31 March 2022		31 March 2023
£000		£000
	Grants Receipts in Advance (Revenue Grants)	
(68)	Local Resilience Forum	(68)
(14)	Multi Agency Coordination Centre	(14)
(82)	**Total**	**(82)**

As these balances are expected to be held for more than 12 months they have been categorised as non-current liabilities on the 2022/23 balance sheet.

35 RELATED PARTIES

The Authority is required to disclose material transactions with related parties, which are bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills). Grants received from government departments are set out in the analysis in Note 34 and Note 14.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. Details of members' allowances and expenses are shown in Note 31.

Officers

Some senior employees have significant influence over the Authority's activities. Details of senior officers' remuneration are shown in Note 32.

Nottinghamshire County Council and Nottingham City Council

The Authority is made up of 12 members from Nottinghamshire County Council and 6 members from Nottingham City Council, and so a related party relationship exists between the Authority and these Councils by way of common control. Significant transactions are detailed below, and include expenditure on cleaning and maintenance services and income from partnership working. The Police and Crime Commissioner attends the Combined Fire Authority meetings in a non voting capacity.

	Nottinghamshire County Council		Nottingham City Council		Nottinghamshire Police & Crime Commissioner	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000	£000	£000
Expenditure during year	590	538	126	23	1,901	455
Income during year	78	32	17	51	376	383
Creditor at 31 March	31	6	49	71	126	8
Debtor at 31 March	0	1	7	41	14	0

Other Public Bodies

Some members of the Authority are also members of other local Borough or District Councils in Nottinghamshire. Other public bodies such as Fire Authorities are subject to varying degrees of common control or significant influence by central government. The Authority carries out transactions with such bodies from time to time, including income and expenditure from the provision of goods or services, partnership working and pooled budgets, including transactions at other than commercial value. Note that council tax receipts from collecting authorities and transactions with tax authorities are considered to be agency arrangements, and do not qualify as related party relationships.

	Derbyshire Fire & Rescue Service		Leicestershire Fire & Rescue Service	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Expenditure during year	982	1,272	152	94
Income during year	62	51	0	18
Creditor at 31 March	36	657	1	0
Debtor at 31 March	2	15	0	15

36 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The change in the CFR is analysed in the second part of this note.

2021/22 £000		**2022/23 £000**
26,667	**Opening Capital Financing Requirement**	**30,735**
0	Capital receipt not applied in year	0
	Capital Investment	
5,609	Property, Plant and Equipment - (Operational and under Construction)	1,500
944	Property, Plant and Equipment - (Non Operational)	724
82	Intangible Assets (including under construction)	42
	Sources of Finance	
(472)	Capital Receipts	(513)
(16)	Government grant and other contributions	(57)
	Sums set aside from revenue:	
(528)	Direct revenue contributions	(298)
(1,551)	Minimum / Voluntary Revenue Provision	(1,600)
30,735	**Closing Capital Financing requirements**	**30,533**
	Explanation of Movements in Year	
0	Decrease in underlying need to borrow (unsupported by government financial assistance)	0
4,068	**(Decrease) / Increase in Capital Financing Requirement**	**(202)**

37 LEASES

Authority as Lessee

The Authority currently has no assets which would be defined as assets subject to operating lease arrangements. This was also the case in 2021/22.

Authority as Lessor

Operating Leases

The Authority has entered into an operating lease arrangement with Nottinghamshire Police in respect of two of its properties, one property is currently not required for operational purposes. Annual rentals are varied therefore the straight line method of accounting for rental income to the Comprehensive Income and Expenditure Statement, is not used. (See item in the Statement of Accounting Policies - Note 1). Rent received in 2021/22 £65k and 2022/23 £50k

Future contracted receipts are:

	£000
Within 1 year	50
Within 2 to 5 years	22
Over 5 years	0

The lease for property not currently used for operational purposes expires 2022/23.

38 TERMINATION BENEFITS

In 2022/23 the Authority has funded termination benefits totalling £155k from its revenue budget, including £72k in pension strain payments. Termination benefits have been received by 2 individuals.

39 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make these payments in the future.

As at 31 March 2023 the Authority participates in four post-employment schemes, all of which are defined benefit schemes:

1) The Local Government Pension Scheme (LGPS)

This scheme is for administrative, support and Control employees. It is a funded scheme, which means that contributions are paid into a fund with the intention of balancing pension liabilities with pension assets. It is administered in accordance with the Local Government Pension Scheme Regulations 2013, and it provides benefits based on career average revalued earnings.

The administering authority for the fund is Nottinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day Fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisors. The administering authority is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund’s performance and funding.

By participating in the Local Government Scheme, the Authority is exposed to a number of risks:

a) Investment risk: The Fund holds investments in assets such as equities which have volatile market values and, while these asset are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

b) Interest rate risk: The Fund’s liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities, the value of assets and liabilities may not move in the same way.

c) Inflation risk: All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

d) Longevity risk: In the event that the members live longer than assumed, a deficit will emerge in the fund. There are also other demographic risks.

e) “Orphan” liability risk: As many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk that employers may leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers

These risks are mitigated to a certain extent by the requirement to charge the General Fund with the amounts payable to the pension fund or pensioners at the year end, in accordance with statute.

2) The Firefighters' Pension Scheme 1992 (1992 FPS)

The Firefighters' Pension Scheme 1992 is an unfunded pension scheme. This scheme has been closed to new entrants since 6 April 2006. Its members are wholetime firefighters. It is a defined benefit, final salary scheme and its arrangements are governed by statute (the Firemen's Pension Scheme Order 1992). All active members were transferred to the Firefighters' Pension Scheme 2015 on 1 April 2022.

3) The Firefighters' Pension Scheme 2006 (2006 NFPS)

The Firefighters' Pension Scheme 2006 is also an unfunded pension scheme. This scheme came into effect from April 2006 and its members are retained firefighters and wholetime firefighters. Like the 1992 FPS it is a defined benefit, final salary scheme and its arrangements are governed by statute (the Firefighters' Pension Scheme (England) Order 2006). The Firefighters' Pension Scheme (England) (Amendment) Order 2014 introduced a new modified version of the 2006 Scheme which is available to individuals who were employed as retained firefighters during the period 1 July 2000 to 5 April 2006. Although this modified version does not constitute a scheme on its own, it has different benefits to the main 2006 Scheme. The 2006 Scheme has been closed to new entrants since 1 April 2015. All active members were transferred to the Firefighters' Pension Scheme 2015 on 1 April 2022.

4) The Firefighters' Pension Scheme 2015 (2015 FPS)

The Firefighters' Pension Scheme 2015 came into effect on 1 April 2015. Like the 1992 FPS and the 2006 NFPS, it is an unfunded defined benefit scheme and its arrangements are governed by statute (the Firefighters' Pension Scheme (England) Regulations 2014). However, unlike the other two firefighters' schemes, it is a career average rather than a final salary scheme.

The three Firefighters' Schemes are very similar in nature. They are unfunded pension schemes, meaning that there are no investment assets to meet the cost of pension liabilities and cash has to be generated to meet pension payments as they fall due. The Authority has primary responsibility for meeting the costs and managing the risks relating to the firefighters' pension arrangements. However, there is currently an arrangement in place whereby the cost of the schemes are met from contributions paid by employees and the Authority, with any deficit in the funding required being met by a top-up grant from the Home Office. Any surplus funding is paid over to the Home Office.

The 1992 FPS and 2006 NFPS provide benefits based on final salary and length of service at retirement, and the 2015 FPS provides benefits based on revalued average salary. The governance arrangements are managed by the Authority, and this essentially involves managing the cash flows and being responsible for the administration of the schemes. The day to day administration is carried out by West Yorkshire Pension Fund on behalf of the Authority.

Given that the pension schemes are unfunded, the contributions payable are simply those which are sufficient to meet the benefit outgo as and when it arises. As mentioned above, this benefit outgo is largely underwritten by the Home Office. By participating in these pension schemes, the Authority is exposed to some risks:

a) There are no investment risks in relation to these schemes as they are unfunded. The greatest single risk is that the government could change the arrangements for meeting part of the benefit outgo, which could increase the Authority's contributions.
b) There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

A Pension Top-up Grant is received annually from the government to meet the cost of the net funding deficit for the three firefighters' schemes. It is paid directly to the Firefighters' Pension Fund (see the Pension Fund statements on pages 103 to 104) and it is therefore not the Authority's income. However, in IAS 19 terms it is a current contribution towards the Authority's liabilities for retirement benefits. The grant is therefore credited to other operating income in the Comprehensive Income and Expenditure Statement. The grant is not treated as an asset of the firefighters' pension schemes, but as a source of income to the schemes it does reduce the year end pension liability.

The Authority also participates in the Firefighters' Compensation Scheme. The Firefighters' Compensation Scheme (England) Order 2006 makes provision for the payment of pensions, allowances and gratuities to and in respect of persons who die or are permanently disabled as a result of an injury sustained or disease contracted while employed by a fire and rescue authority. The level of benefits payable is dependent on salary, service and the degree of disablement of the individual at the time the injury is incurred. Therefore the level of long term benefits can be both material and volatile. For this reason the Compensation Scheme is treated as an unfunded defined benefit scheme and accounted for, under International Accounting Standard 19 (IAS 19), in the same manner as for the Firefighters' Pension Schemes.

The Compensation Scheme is administered by the Authority in accordance with statutory arrangements. The cost of the scheme is met solely by the Authority. The risks arising from the Authority's participation in this scheme are as follows:

a) There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

b) There is a risk that the government could change the arrangements of the scheme in such a way that the costs incurred by the Authority are significantly increased.

c) Historically the number of firefighters who are permanently disabled or who die as a result of injuries sustained or diseases contracted whilst in the employment of the Authority is very low, so the number of injury pension recipients is relatively small. However, the Authority is committed to pay benefits as and when they fall due, so if the number of occurrences were to increase it could have a significant impact on the amounts payable.

Court of Appeal ruling for Firefighters/Judges Pension Schemes (the Sargeant and McCloud cases)

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to as the "McCloud Judgment") ruled that the transitional protections afforded to older members when public service pension schemes were amended constituted unlawful age discrimination. The remedy for the McCloud decision will be delivered in two phases, prospective and retrospective, through the Public Service & Judicial Offices Act and secondary legislation.

The first phase is the prospective remedy which entails closing the legacy final salary schemes and transferring members to the reformed career average scheme (the 2015 FPS) from 1 April 2022. This phase was delivered by the Police and Firefighters' Pension Schemes (Amendment) Regulations 2022.

The second phase is the retrospective remedy, which will move all members' service back into the legacy final salary scheme for the remedy period (1 April 2015 - 31 March 2022) and allow a choice of benefits for this period. It is intended that the legislation to implement this phase will take effect by 1 October 2023 at the latest.

When assessing the potential implications of McCloud in the March 2019 IAS 19 exercise the actuaries calculated the additional liability that would have arisen had members who were not afforded protection continued to accrue benefits in the older final salary schemes. The approximate costs were included in the overall pension liability figure as at 31 March 2019 as a past service cost. In preparing the 31 March 2023 accounting figures, the actuaries have continued to reflect the potential costs arising from the McCloud Judgement on an approximate basis. Once the details of the remedy are finalised the actuaries will reassess the accounting position in full across the schemes to reflect the actual impact and costs.

Transactions Relating to Post-employment Benefits

Past service costs of £333k are recognised under Corporate and Centralised Services in the Comprehensive Income and Expenditure Statement. £221k of this relates to the 2006 NFPS, and is for the purchasing of back service credits by members of the modified version of the Scheme. The remaining £112k relates to two members of the LGPS who became entitled to unreduced early retirement benefits.

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund to the Pension Reserve via the Movement in Reserves Statement.

Following the triennial funding valuation of the LGPS in 2019, the Authority opted to prepay its secondary contributions for the three years to March 2023 by making a single lump sum payment of £548k in April 2020, thus achieving a saving of £40k. Whilst the full payment of £548k has been recognised in the opening net pension liability, only the amount relating the 2022/23 has been charged to the general fund.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

LGPS £000 2021/22	Firefighters' schemes £000 2021/22		LGPS £000 2022/23	Firefighters' schemes £000 2022/23
		Comprehensive Income and Expenditure Statement		
		Cost of Services		
		Service cost comprising:		
2,717	11,358	- current service costs	2,325	10,549
0	223	- past service costs, including curtailments	112	221
0	0	(Gains)/losses on settlements	0	0
21	0	Administration expenses	17	0
		Financing and Investment Income and Expenditure		
679	13,281	Net interest expense	833	16,848
3,417	24,862	*Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services*	3,287	27,618
		Other Post-employment Benefit charges to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
(2,624)	0	Return on plan assets (excluding the amount included in the net interest expense)	2,211	0
(3,313)	(5,633)	Actuarial (gains) and losses arising on changes in demographic assumptions	0	(3,244)
(3,880)	(13,065)	Actuarial (gains) and losses arising on changes in financial assumptions	(28,455)	(236,353)
(701)	(20,867)	Experience (gains) and losses	4,902	34,042
223	0	Other actuarial gains and losses	0	0
(6,878)	(14,703)	*Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement*	(18,055)	(177,937)
		Movement in Reserves Statement		
(3,417)	(24,862)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,287)	(27,618)
		Actual amount charged against the General Fund Balance for pensions in the year:		
1,023	14,092	Employers' contributions payable to the scheme	999	15,587
	720	Retirement benefits payable to pensioners		711

	Firefighters' Pension Scheme 1992		Firefighters' Pension Scheme 2006		Firefighters' Pension Scheme 2015		Firefighters' Compensation Scheme	
	£000 2021/22	£000 2022/23	£000 2021/22	£000 2022/23	£000 2021/22	£000 2022/23	£000 2021/22	£000 2022/23
Comprehensive Income and Expenditure Statement								
Cost of Services								
Service cost comprising:								
current service cost	4,736	0	3,780	0	1,745	8,900	1,097	1,649
past service cost	0	0	223	221	0	0	0	0
Financing and Investment Income and Expenditure								
Net interest expense	10,567	13,232	1,546	2,035	309	629	859	952
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	15,303	13,232	5,549	2,256	2,054	9,529	1,956	2,601
Other Post-employment Benefits charges to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability comprising:								
Actuarial (gains) and losses arising on changes in demographic assumptions	(4,492)	(2,174)	(631)	(554)	(139)	(249)	(371)	(267)
Actuarial (gains) and losses arising on changes in financial assumptions	(9,085)	(166,809)	(2,407)	(37,205)	(715)	(17,952)	(858)	(14,387)
Experience (gains) and losses	(13,496)	29,149	(1,798)	1,472	1,613	2,432	(7,186)	989
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(11,770)	(126,602)	713	(34,031)	2,813	(6,240)	(6,459)	(11,064)
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(15,303)	(13,232)	(5,549)	(2,256)	(2,054)	(9,529)	(1,956)	(2,601)
Actual amount charged against the General Fund Balance for pensions in the year:								
Employers' contributions payable to the scheme (inclusive of government top-up grant)	15,291	17,664	(719)	180	(480)	(2,257)		
Retirement benefits payable to pensioners							720	711

Pension Assets and Liabilities Recognised in the Balance Sheet

Reconciliations of the amounts included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans:

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Firefighters' Schemes:

	Unfunded Liabilities: Firefighters' Pension Scheme 1992		**Unfunded Liabilities: Firefighters' Pension Scheme 2006**		**Unfunded Liabilities: Firefighters' Pension Scheme 2015**		**Unfunded Liabilities: Firefighters' Compensation Scheme**	
	£000 2021/22	**£000 2022/23**	**£000 2021/22**	**£000 2022/23**	**£000 2021/22**	**£000 2022/23**	**£000 2021/22**	**£000 2022/23**
Opening balance at 1 April	**(508,475)**	**(481,414)**	**(71,348)**	**(72,780)**	**(13,583)**	**(16,876)**	**(40,716)**	**(33,537)**
Current service cost	(4,736)	0	(3,780)	0	(1,745)	(8,900)	(1,097)	(1,649)
Past service cost	0	0	(223)	(221)	0	0	0	0
Interest cost	(10,567)	(13,232)	(1,546)	(2,035)	(309)	(629)	(859)	(952)
Contributions from scheme participants	(1,053)	(49)	(1,014)	(41)	(389)	(2,225)	0	0
Remeasurement gains and (losses):								
Actuarial gains/losses arising from changes in demographic assumptions	4,492	2,174	631	554	139	249	371	267
Actuarial gains/losses arising from changes in financial assumptions	9,085	166,809	2,407	37,205	715	17,952	858	14,387
Experience gains/losses on defined benefit obligation	13,496	(29,149)	1,798	(1,472)	(1,613)	(2,432)	7,186	(989)
Benefits paid net of transfers (in)/out	16,344	17,713	295	221	(91)	(32)	720	711
Closing balance at 31 March	**(481,414)**	**(337,148)**	**(72,780)**	**(38,569)**	**(16,876)**	**(12,893)**	**(33,537)**	**(21,762)**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)
Local Government Pension Scheme:

Funded Liabilities: Local Government Pension Scheme

2021/22 £000		2022/23 £000
(73,544)	**Opening balance at 1 April**	**(68,645)**
(2,717)	Current service cost	(2,325)
0	Past service cost	(112)
0	Settlements	0
(1,459)	Interest cost	(2,171)
(372)	Contributions from scheme participants	(361)
	Remeasurement gains and (losses):	
3,313	Actuarial gains/losses arising from changes in demographic assumptions	0
3,880	Actuarial gains/losses arising from changes in financial assumptions	28,455
701	Experience gains/losses on defined benefit obligation	(4,902)
1,530	Benefits paid net of transfers (in)/out	1,937
23	Unfunded pension payments	22
(68,645)	**Closing balance at 31 March**	**(48,102)**

Reconciliation of the Movements in the Fair Value of the Local Government Pension Scheme Assets

Local Government Pension Scheme

2021/22 £000		2022/23 £000
39,095	**Opening fair value of scheme assets**	**42,097**
780	Interest income	1,338
0	Settlements	0
	Remeasurement gain/(loss):	
2,624	The return on plan assets, excluding the amount included in the net interest expense	(2,211)
(223)	Other actuarial gains/(losses)	0
1,023	Contributions from employer	999
372	Contributions from employees into the scheme	361
(1,553)	Benefits paid (including unfunded benefits)	(1,959)
(21)	Administration expenses	(17)
42,097	**Closing fair value of scheme assets**	**40,608**

Local Government Pension Scheme assets comprised:

Fair value of scheme assets at 31 March 2022				Fair value of scheme assets at 31 March 2023		
£000	**% Quoted**	**% Unquoted**		**£000**	**% Quoted**	**% Unquoted**
			Equities:			
8,525	21%		• UK investments	6,937	17%	0%
14,208	35%		• Overseas investments	16,731	41%	
2,526		4%	• Private equity investments – unspecified origin	1,509	0%	4%
25,259	56%	4%	Equities subtotal	25,177	58%	4%
			Gilts:			
842	3%		• UK fixed interest gilts	839	2%	0%
842	3%		Gilts subtotal	839	2%	
			Other Bonds:			
962	2%		• UK corporate bonds	401	1%	0%
2,406	5%		• Overseas corporate bonds	2,004	5%	0%
3,368	7%		Bonds subtotal	2,405	6%	
5,304		13%	Property	4,820	0%	12%
842		5%	Cash / temporary investments and credit	2,125	0%	5%
2,357		6%	Inflation-linked pooled fund	2,050	0%	5%
4,126		6%	Infrastructure	3,192	0%	8%
42,098	**66%**	**34%**	**Total**	**40,608**	**66%**	**34%**

Further information about the Fund's assets can be obtained from the Pension Fund Annual Report, which can be accessed online at www.nottspf.org.uk.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities of the Local Government Pension Scheme and the Firefighters' schemes have been assessed by Barnett Waddingham and Mercer Limited respectively, both of whom are independent firms of actuaries.

The most recent full actuarial valuations for the Local Government Pension Scheme and the Firefighters' schemes were both carried out at 31 March 2022. Both firms of actuaries have adopted a roll-forward approach to updating the net liabilities as at 31 March 2023. This approach takes into account the cashflows paid into and out of each scheme before taking into consideration any changes in assumptions.

The rate of interest used to discount the post-employment benefit obligations is based on the market yields at the reporting date on high quality corporate bonds of equivalent currency and term to the scheme liabilities. In assessing the liabilities for retirement benefits at 31 March 2023 Barnett Waddingham has used a discount rate of 4.80% for the Local Government Pension Scheme (compared with 3.20% at 31 March 2022), and Mercer Ltd has used a rate of 4.8% for the Firefighters' Schemes (compared with 2.8% at 31 March 2022). These relatively large increases in the discount rates has led to significant decreases in the liabilities.

The principal assumptions used by the actuaries in their calculations were:

	Local Government Pension Scheme		Firefighters' Schemes 1992, 2006 and 2015		Firefighters' Compensation Scheme	
	2021/22	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**
Mortality assumptions:						
Longevity at 65 for current pensioners (LGPS) and at 60 for current pensioners (FF Schemes):						
Men	20.7	20.7	26.1	26.0	23.6	23.4
Women	23.5	23.5	28.4	28.2	25.7	25.6
Longevity at 65 for future pensioners (LGPS) and at 60 for future pensioners (FF Schemes):						
Men	21.9	22.0	28.4	27.9	25.7	25.3
Women	24.9	25.0	30.6	30.1	27.9	27.4
Rate of inflation (CPI)	3.20%	2.85%	3.30%	2.70%	3.30%	2.70%
Rate of increase in salaries	3.20%	2.50%	4.80%	4.20%	4.80%	4.80%
Rate of increase in pensions	3.20%	2.85%	3.40%	2.80%	3.40%	2.80%
Rate of revaluation of CARE pensions (2015 Scheme only)			4.55%	3.95%		
Rate for discounting scheme*	3.20%	4.80%	2.80%	4.80%	2.80%	4.80%

*The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. This approach is not necessarily realistic, since some assumptions are related: for example, if inflation were to increase it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

Sensitivity analysis for the Firefighters' Schemes

	Firefighters' Schemes (consolidated)		
	Impact on the defined benefit liability £000	Impact on the projected service cost £000	Impact on the projected interest cost £000
Increase discount rate by 0.5% p.a.	-29,726	-715	428
Increase inflation by 0.25% p.a.	16,603	414	808
Increase pay growth by 0.25% p.a.	3,280	36	158
Increase life expectancy by 1 year	9,306	120	451

Sensitivity analysis for the LGPS	**LGPS**	
	Impact of an increase of +0.1%/+ 1 year* £000	Impact of an decrease of -0.1%/- 1 year* £000
Adjustment to discount rate:		
Impact on the defined benefit liability	-813	834
Impact on the projected service cost	-35	36
Adjustment to long term salary increase:		
Impact on the defined benefit liability	69	-69
Impact on the projected service cost	0	-1
Adjustment to pension increases and deferred revaluation:		
Impact on the defined benefit liability	780	-760
Impact on the projected service cost	36	-35
Adjustment to mortality age rating assumption:*		
Impact on the defined benefit liability	1,624	-1,568
Impact on the projected service cost	38	-37

Asset and Liability Matching Strategy

The Local Government Pension Scheme does not use any asset and liability matching strategies to manage risk. The Pension Fund Annual Report details the nature and extent of risks arising from financial instruments, and the Fund's Risk Management Strategy and Risk Register details the measures taken to mitigate those risks. These documents are available at www.nottspf.org.uk.

Impact on the Authority's Cash Flows

The defined benefit liability shows the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £418m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, however statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The net liability on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The aims of the Fund are to keep employer contribution rates as constant as possible. Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The most recent actuarial valuation of the Fund was carried out as at 31 March 2022 and has set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities.

- Finance is only required to be raised to cover firefighter pensions when the pensions are actually paid, and any shortfalls are currently met by the Home Office.

- Finance is only required to be raised to cover the costs of the firefighters' compensation scheme when the pensions are actually paid, and these costs are included in the Authority's annual budget. The amount spent in 2022/23 was £769k.

The total contributions expected to be made by the Authority to the Local Government Pension Scheme in the year to 31 March 2024 is £1.2m. The total expected contributions for the Firefighters' Pension Schemes and Compensation Scheme are £16.3m inclusive of government top-up grant.

The weighted average duration of the defined benefit obligation for the Local Government Pension Scheme is 18 years. The weighted average durations of the defined benefit obligations of the 1992 FPS, 2006 NFPS, 2015 FPS and the Firefighters' Compensation Scheme are 17 years, 28 years, 36 years and 22 years respectively.

40 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2023, the Authority had no contingent assets

At 31 March 2023, the Authority has a contingent liability relating to the 2015 Firefighters' Pension Scheme. An employment tribunal case was brought against the Government in relation to possible discrimination in relation to the introduction of the 2015 Firefighters' Pension Scheme. The scheme included transitional protection arrangements between the old scheme and the new scheme. These transitional arrangements were found to be unlawful as they discriminated on the grounds of age. Fire Authorities are in a difficult position as they are required to implement the remedy in a timely manner whilst the discriminatory part of the pension legislation is not expected to be updated until at least October 2023. After the withdrawal of its Immediate Detriment guidance, the government recommended that the application of Immediate Detriment should cease new legislation is in place due to the difficulties particularly around tax arrangements. However, due to the risk of future litigation, the Authority approved continuation of applying immediate detriment remedy at its Policy and Strategy meeting on 1 April 2022. It is not yet clear what future costs the Authority will face in implementing the McCloud remedy and whether there will be any new burden grant available from the government to cover these costs. The Authority approved the creation of a £200k earmarked reserve to cover potential McCloud costs in April 2022.

An issue with Continual Professional Development (CPD) payments to on-call firefighters has been identified, with some individuals being underpaid since the inception of CPD in July 2007. Until the scope of the exercise to identify these underpayments has been agreed, it is difficult to estimate the amount of arrears that may be outstanding. The Authority will work with representatives of the Fire Brigades Union to reach an agreement, but the ability to deliver a solution will depend upon the availability of the necessary data.

41 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Authority may be required to renew a financial instrument on maturity at less advantageous interest rates or terms
- Market risk – the possibility that financial loss might arise as a result of changes in, for example, interest rates.

Overall procedures for managing risk

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Finance Team, in conjunction with treasury advisors from Link Asset Services. Risk Management policies are approved by the Authority.

The procedures for managing risk are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Authority's overall borrowing;
    - Its maximum and minimum exposures to the maturity structures of its debt;
    - Its management of interest rate exposure;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

The annual treasury management strategy and prudential code indicators for 2022/23 were approved by the Authority on 25 February 2022. The key issues within the treasury management strategy were:

- The Authorised Limit for 2022/23 was set at £40.6m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £36.9m. This is the expected maximum level of debt and other long term liabilities during the year.
- The maximum proportions of fixed and variable interest rate exposure were set at 100% and 30% respectively.
- Maximum and minimum exposures to the maturity structure of debt were set, which restricted the amount of short term debt as a way of reducing exposure to re-financing risk.
- An upper limit of £2.0m was set for principal sums invested for longer than 365 days.

The Authority has adopted the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (updated) and sets prudential and treasury indicators each year to control the key risks arising from financial instruments.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The risk is minimised through the Annual Investment Strategy, which is contained within the Annual Treasury Management Strategy.

The Annual Investment Strategy required that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's, and Standard & Poor's Credit Rating Services. The Authority has a list of approved banks and financial institutions to which it will lend surplus cash. The list is based on minimum independent credit ratings from the Credit Rating Services, which are overlaid by credit outlooks, credit default swap spreads and sovereign ratings to give an overall rating for each counterparty which indicates a maximum term for investments. The annual investment strategy also considers maximum amounts to be deposited with any one institution. The Authority is advised of ratings changes by Link Asset Services and the list is updated accordingly on an ongoing basis.

The Authority’s maximum exposure to credit risk in relation to its investments with banks and other local authorities cannot be assessed generally as the risk of any institution failing to make interest payments or to repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments, and there was no evidence at 31 March 2023 that any of the Authority’s deposits might not be repaid.

Invoices to customers for chargeable services are usually of relatively low value. The Authority actively pursues outstanding debts, and the Debt Recovery Policy provides for non emergency services to be ceased to non paying customers.

<u>Amounts arising from Expected Credit Losses</u>

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses, particularly where risk has increased significantly since the investment or debtor was initially recognised. Impairment is based on the principle of credit loss, which is defined as cash shortfalls measured by the difference between the cash flows that are contractually due to the Authority, and the cash flows that the Authority expects to receive.

Changes to credit risk relating to investments are assessed based on information obtained from Credit Rating Services, the financial press, and the Authority’s treasury advisors. Credit risk relating to investments will also be deemed to have increased significantly should contractual payments of principal or interest become more than 30 days overdue.

Since the Annual Investment Strategy prohibits the use of investment counterparties that do not meet minimum creditworthiness criteria, all investments are considered to have low credit risk upon initial recognition.

Credit risk relating to trade receivables is not deemed to have increased significantly until payments become more than 120 days overdue. The Authority is very successful at collecting trade debtors, which is reflected by the fact that no debts have been written off during the past seven years. Experience therefore shows that debts are highly likely to be recovered.

In accordance with the Authority's accounting policies, lifetime expected credit losses have been calculated for trade receivables and 12-month expected credit losses have been calculated for investments.

The lifetime expected credit losses were assessed using a provision matrix which calculates a fixed provision rate based on the number of days that a receivable is past due, assessed on the basis of historical experience from the previous five years and adjusted (if necessary) to reflect current conditions and forecasts of future conditions. A loss allowance is not recognised for expected credit losses on a financial instrument where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

The calculation for the 12-month expected credit losses was based on the historic default rate for A-rated investments which was produced by combining multi-year historic default rate data up to the end of December 2022 from the three main credit rating agencies. The credit losses were found to be immaterial and have therefore not been recognised.
During the year the Authority has not written off any financial assets.

The Authority has the following exposure to credit risk at 31 March 2023:

	Credit risk rating / Provision matrix category	Historical experience of default	Gross Carrying amount £000
12-month expected	AAA	0.04%	0
	AA	0.02%	0
	A	0.05%	11,346
Simplified approach (lifetime credit losses for trade receivables)	Not due	0.00%	23
	1-30 days	0.00%	1
	31-60 days	0.00%	0
	61-90 days	0.00%	0
	91-120 days	0.00%	0
	121+ days	0.00%	1

Liquidity Risk

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures outlined above (the setting and approval of prudential indicators and the approval of the treasury management strategy), as well as through cash flow management processes. This ensures that sufficient cash balances are maintained to meet daily revenue requirements without recourse to borrowing other than short term borrowing to deal with temporary cash flow deficits.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow needs and is able to access borrowings from the Public Works Loan Board for longer term funds so there is no significant risk that it will be unable to raise funds in order to meet its commitments relating to financial liabilities.

Re-financing and Maturity Risk

The risk to which the Authority is exposed is that it will need to replenish its borrowings when interest rates are unfavourable. The Authority's strategy is to place limits on the percentage of borrowings due to mature within 10 years, as follows: maturing within 12 months – less than 20%; maturing 12 months to 5 years – less than 30%; maturing 5 years to 10 years – less than 75%. Between 0% and 100% of borrowings may fall due for repayment after 10 years, and between 30% and 100% of borrowings may fall due for repayment after 20 years. This strategy allows the Authority time to restructure debt when interest rates are favourable.

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above ensure adequate liquidity, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Finance team manages the risk within the approved parameters by:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved minimum limits	**Approved maximum limits**	**Actual 31 March 2022 £000**	**Actual 31 March 2023 £000**
Less than 1 year	0%	20%	52	48
Between 1 and 5 years	0%	30%	4,000	5,000
Between 5 and 10 years	0%	75%	2,500	1,500
Between 10 and 20 years	0%	100%	4,000	4,000
Over 20 years	30%	100%	22,400	22,400
Total			**32,952**	**32,948**

Market Risk

Price risk

The Authority has no investments in equity shares and therefore has no exposure to loss arising from movements in share prices.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from exchange rate movements.

Interest rate risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The strategy is to set a maximum proportion of interest on borrowing which is subject to variable rates. This maximum is determined annually, kept under review and reported to the Fire Authority through the Treasury Management Strategy. In 2022/23 this maximum was set at 30%. In addition, the annual Treasury Management Strategy includes an expectation of interest rate movements, which can be taken into account when planning borrowing and investment activities and when determining whether fixed or variable rate instruments are appropriate. The portfolio of long term borrowings is kept under review and may be restructured when interest rate changes make it advantageous to do so.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Decrease in fair value of fixed rate borrowings	3,238

The impact of a 1% fall in interest rates would be an equivalent increase in fair value.

PENSION FUND ACCOUNT

2021/22 £000		2022/23 £000
	Contributions Receivable	
	Fire Authority:	
(5,348)	Contributions in relation to pensionable pay	(5,214)
(210)	Other (Ill Health Retirements)	(301)
(2,453)	Firefighters’ contributions	(2,419)
(8,011)	**Total Contributions Receivable**	**(7,934)**
	Transfers in from other authorities	
(73)	Transfers in from other schemes	(35)
	Benefits Payable	
14,459	Pensions	15,135
2,924	Commutations and lump sum retirement benefits	2,552
0	Lump sum death benefits	0
59	Other	175
17,442	**Total Benefits Payable**	**17,862**
9,358	**Net Amount payable for the year before top-up grant from Central Government**	**9,893**
(6,174)	Top-up grant received from Central Government	(7,430)
(3,184)	**Balance of top-up grant for the year (receivable from)/payable to Central Government**	**(2,463)**

PENSION NET ASSETS STATEMENT

The net current assets and liabilities arising from the operation of the pension fund are shown in this statement. This statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the core accounting statements and are explained in more detail in note 39.

2021/22 £000		2022/23 £000
	Current Assets	
0	Contributions from employer	237
0	Contributions due from members	113
37	Transfer into Scheme Receivable	0
1,059	Prepaid Pensions	1,122
3,195	Pension top-up grant receivable from Central Government	2,463
4,291	**Total**	**3,935**
	Current Liabilities	
(635)	Unpaid pension benefits	(337)
(121)	Tax payable on behalf of members	(59)
(3,535)	Amount owing (to)/from General Fund	(3,539)
(4,291)	**Total**	**(3,935)**
0	**Net Current Assets**	**0**

NOTES TO THE PENSION STATEMENTS

1. The Firefighters’ Pension Fund

The Firefighters' Pension Fund was established for Fire Authorities in England under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.

All Firefighters' Pension Schemes are unfunded, and consequently the fund holds no investment assets. Benefits are payable to pensioners in accordance with the regulations. Benefits payable are funded by contributions from employees and from the Authority, and any deficit in the funding required is met by a top-up grant from the Home Office. If the amounts receivable exceed the amounts payable then the surplus is paid over to the Home Office. Employees' and employer's contribution rates are set nationally by central government and are subject to a triennial review by the Government Actuary's Department.

The fund is administered by the Authority in accordance with the regulations. The primary objective of the Pension Fund Statements is to demonstrate the balance of transactions taking place over the year in order to identify the amount of top-up grant payable from, or surplus payable to, the Home Office.

Details of the firefighters' pension schemes can be found in note 39 on pages 86-98.

2. Accounting Policies for the Pension Fund

General Principles
The Pension Fund Account and Net Assets Statement summarise the Pension Fund transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Accruals
Activity is generally accounted for in the year that it takes place, not simply when cash payments are made or received. This is known as the accruals basis. Ordinarily, employee and employer contributions are not accounted for on an accruals basis as the effect of doing so is not material. However, the pay award for July 2022 was not agreed until March 2023, and as a result the arrears relating to the period from July to March were not paid until April. The resulting arrears of the employee and employer contributions relating to the period up to 31 March have been accrued in the 2022/23 Statements. Accruals are shown as debtors and creditors in the Net Assets Statement. In all cases, reasonably accurate calculations of accruals have been possible with the information available at the time of preparing the financial statements.

Administration Costs
The cost of managing pension activities, which includes part of the costs of Human Resources, Payroll and Finance staff as well the cost of pension administration services and actuarial services, are not accounted for within the Pension Fund but are included in the Authority’s Comprehensive Income and Expenditure Statement.

The Liability to Pay Pensions
The Pension Fund financial statements show the income and expenditure for the year. They do not take account of the liability to pay future retirement benefits. This liability has been assessed by an independent firm of actuaries and is shown in the Authority's balance sheet. Further details of this liability can be found in note 39 to the core financial statements.

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY STATEMENT OF ACCOUNTS 2022/23

1 SCOPE OF RESPONSIBILITY

1.1 Nottinghamshire Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively, and equitably. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, use of its resources and including arrangements for the management of risk and the maintenance of an effective internal control environment.

1.3 In 2017 the Authority approved and adopted a new local code of corporate governance, which is consistent with the principles of the 2016 CIPFA (Chartered Institute of Public Finance and Accountancy) / Solace framework *Delivering Good Governance in Local Government:*

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

1.4 This statement sets out how the Authority has complied with the Code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems, processes, cultures and values for the direction and control of the Authority and the activities through which it is accountable to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is part of an on-going process designed to identify and prioritise the risks to the achievement of Nottinghamshire Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

3.0 THE GOVERNANCE FRAMEWORK

3.1 In addition to the Annual Governance Statement the Authority has a Code of Corporate Governance that the Authority will commit to in carrying out its duties and responsibilities. In this document, officers have identified against each of the Code's principles what source documentation or existing practice demonstrates how the Authority complies with the principles that make up the Code.

3.2 In developing a code of corporate governance, the Authority had the aim of seeking compliance with the CIPFA / Solace guidelines and recognised that these constitute good practice for local authority organisations.

3.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017. This Annual Governance Statement, and the annual review of governance is against this framework.

3.4 Summarised below are some of the key elements of the systems and processes that underlie the Authority's governance arrangements:

Identifying and Communicating the Authority's vision and outcomes for citizens and service users

3.5 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority is required to prepare an Integrated Risk Management Plan (IRMP) that sets out the vision and Service objectives for the organisation. The IRMP is delivered via the Community Risk Management Plan 2022-25 (CRMP) which was approved by Fire Authority in February 2022.

3.6 The CRMP sets out how the Service aims to achieve its vision of creating safer communities by being one of the best fire and rescue services in England. Our ambition is focused around four strategic pillars:

- Community Outcomes,
- Equality Diversity and Inclusion,
- Strong governance and financial sustainability,
- Our professional and committed workforce.

3.7 The Plan sets out to achieve these aims using annual action plans which detail the key objectives for the year ahead. These cascade down to departmental business plans. Progress is monitored by the CRMP Assurance Board and reviewed through Fire Authority governance. Every year a Statement of Assurance is produced which outlines how the Service has performed against the Strategic Plan. The 2022/23 Statement of Assurance will be presented for approval by Fire Authority in July 2023.

The Internal Control Environment

3.8 The Authority's internal control environment comprises many systems, policies, procedures, and operations. These can be broadly split into risk management, internal check/financial control, and internal audit. Internal check and financial control are targeted towards financial matters whereas risk management has a much broader brief and is more associated with the risk of non-achievement of objectives and targets. The system cannot eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority, where possible, will eliminate that risk. If this is not possible or not cost effective then procedures are established to manage the risk effectively, efficiently, and economically. Some of the significant control processes are outlined below.

Policy and Decision-Making Process

3.9 The Authority has democratic control over its activities via an approved committee structure with agreed powers and duties that are periodically reviewed. The Authority has a written constitution that sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent, and accountable. There is a formal briefing process prior to reports being finalised for Committee or Fire Authority meetings thus allowing key Members an opportunity to scrutinise proposed reports in detail. The Authority also runs Member seminars and training sessions to help Members discuss issues in more detail and in an informal environment.

Management Structure

3.10 The Authority has a clear management structure with defined roles and responsibilities. The Strategic Leadership Team (SLT) includes all department heads as well as the Principal Officers. The current structure empowers managers to make appropriate decisions but also places accountability at the centre of this process.

3.11 The Authority has an approved scheme of delegation to officers that is reviewed periodically by the Chief Fire Officer and the Clerk to the Fire Authority, with any changes being approved by the Fire Authority.

Established Policies, Procedures & Regulations

3.12 The Authority ensures compliance with established policies, procedures, laws, and regulations. The information regarding policies and procedures is held on the intranet, and these are continually enhanced and developed through the introduction of new policies and procedures as and when required. The Authority has established policies on anti-fraud and whistleblowing. The Authority carries out a regular review of financial regulations which clearly define how decisions are taken and the processes and controls required to manage risk. The list below outlines some of the key policies and process in place to enhance the internal control system, which are reviewed as and when required:

- Treasury Management Strategy.
- Procurement Strategy.
- Financial Regulations & Standing Orders.
- Scheme of Delegation.
- Counter Fraud, Money Laundering, Corruption and Bribery policy.
- Whistleblowing Policy.
- Complaints procedure.
- Code of Corporate Governance.
- Constitution.
- Code of Conduct.
- Code of Ethics.
- Equality and Diversity framework.
- Workforce plan.
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedures, discipline processes, through to performance development reviews.

Internal Audit Function

3.13 The requirement for an Authority to maintain an Internal Audit function is derived from local government legislation, including Section 112 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015 in that a relevant body must:

> “maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”

3.14 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.

3.15 The Authority has a strong Internal Audit function arrangement with Nottinghamshire County Council and has well-established protocols for working with External Audit. Finance and Resources Committee review all internal audit reports and receive an annual internal audit report providing an audit opinion on the Authority’s arrangements for governance, risk management and control as well as details of audits to be completed in the forthcoming year.

3.16 The Authority reviews Internal Audit as an integral part of the corporate governance framework

Risk Management Strategy

3.17 The Authority has a well-established and embedded risk management strategy. This is managed at the corporate/strategic level by The Finance and Resources Committee which receive regular reports on risk exposures both in terms of existing and emergent risk. Members scrutinise the Corporate Risk Register and receive explanations for changes. The Committee is advised by the Head of Finance and the Head of Risk and Assurance on behalf of the Chief Fire Officer.

3.18 The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Service policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and facilitate a risk management culture to enable risks to be effectively assessed, managed, monitored and reported.

Business Continuity Management (BCM)

3.19 Under the Civil Contingencies Act (2004) (Part 1. Para 2(1) (C)) and The Fire and Rescue Services Act 2004 there is a duty for all Category 1 Responders to prepare plans to ensure so far as reasonably practicable, that if in an emergency the Service can perform its core functions.

Best Value Duty/Efficiency

3.20 The Local Government Act 1999 requires that the Authority makes arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Fire and Rescue National Framework for England also requires that the Authority to produce an Efficiency Plan, which is currently delivered through our Futures 2025 Efficiency Strategy. The requirement to deliver services within a reducing budget over recent years has increased the focus on Best Value. The Authority has procurement policies in place, providing a framework within which to buy goods and services which offer good value for money.

Financial Management

3.21 Financial management in the Authority and the reporting of financial standing is undertaken through a financial system which integrates the general ledger, sales ledger and purchase ledger functions and facilitates good budgetary control. Budget Managers are supported by Finance Officers in the use of this system for monitoring financial performance.

3.22 The timetable for publishing and auditing the Authority's Statement of Accounts is set out in the Accounts and Audit Regulations 2015. These were amended for the 2020/21 and 2021/22 Statement of Accounts to allow additional time to prepare the accounts in the light of Covid-19. The deadline for publishing the unaudited accounts for 2022/23 has now gone back to 31 May (from 31 July in the previous 2 years) and the approval by Fire Authority of the audited accounts back to 31 July (from 30 September).

Financial Management Code

3.23 In October 2019, CIPFA issued a new Financial Management Code. The purpose of the code is to support good practice in financial management and to assist authorities in demonstrating their financial sustainability. It contains a set of minimum standards for financial management for local authorities, including fire authorities. These cover the areas of:

- Organisational leadership – clear strategic direction.
- Accountability – based on medium term financial planning.
- Transparency – using consistent, meaningful and understandable data.
- Adherence to professional standards.
- Assurance.
- Long term sustainability.

3.24 The Financial Management Code was adopted by the Authority in July 2021.

4 REVIEW OF EFFECTIVENESS

4.1 The Authority has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control, at least annually. The review of effectiveness is informed by the work of the Strategic Leadership Team and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Maintaining and reviewing the effectiveness of the governance framework throughout the financial year has been carried out by the following:

- The Authority and its Committees
- Management Review
- Internal audit
- HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue)
- External bodies

The Authority and its Committees

4.3 The format and structure of the Authority's democratic decision process is re-affirmed at the Annual General Meeting of the Fire Authority in June of each year and approval is given to the powers and make-up of the following committees:

- The Policy and Strategy Committee,
- The Finance and Resources Committee (which undertakes the role of the Audit Committee),
- The Community Safety Committee,
- The Human Resources Committee.

4.4 In addition to the above Committees, there are also panels for appointments, Equalities, Personnel matters, and the Firefighters' Pension Schemes.

4.5 Terms of reference and responsibilities for all these Committees form part of the Authority's Governance arrangements.

4.6 A Constitutional Update Report was presented to Fire Authority in July 22. Members approved several amendments to the Scheme of Delegation to ensure that the constitution remains relevant and up to date. The revised Scheme of Delegation can be found on the Service's website.

4.7 At the July 22 Fire Authority Members commented on the need for a more frequent schedule to review governance. This resulted in a Governance Update report being presented to its meeting on 16 December 22 which approved a small amendment to the Business Continuity Arrangements in the event that the Chief Fire Officer were to become incapacitated and an update on proposals to further review the Authority's Governance.

Management Review

4.8 Included in the day-to-day management of the organisation are a number of key officers, systems and procedures designed to provide core elements of the internal control mechanism, with a nominated lead officer responsible for reviewing the effectiveness of these systems.

Performance Management

4.9 There is a system of performance management and review embedded within the Authority's management structure and processes. The Corporate Risk Management Plan 2022-25 (CRMP) sets out the Authority's key objectives and these are broken down into annual delivery plans. These plans, along with any areas for improvement identified as part of the HMICFRS assessment, are monitored by the CRMP Assurance Board (which is made up of SLT members) and managed by the individual departmental management teams. The Board uses a performance management framework to monitor progress against the CRMP targets and HMICFRS recommendations.

4.10 Performance against the CRMP is reviewed in the Annual Statement of Assurance published each year.

Risk Management

4.11 Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in the Corporate Risk Register which is reported to the Committee every six months.

4.12 Risk Management is an integral part of project management and business planning within the Corporate Support department and both this and operational risk management are considered strong. The Service has a Risk Assurance Team which is responsible for corporate risk, operational risk and health and safety risk. The purpose of this is to enhance the co-ordination of assurance activities and management of risk within the Service.

Business Continuity

4.13 Business continuity arrangements are regularly reviewed. The Covid-19 pandemic allowed for real life testing of plans and of the management systems and processes in place. The Business Continuity Management (BCM) group worked well alongside a newly created Task and Finish group which ensured that decisions were actioned in a timely manner.

4.14 Following on from Covid-19, all departmental business continuity plans have been reviewed and updated to reflect any learning. Plans were again tested whist the Service prepared for potential industrial action over the pay dispute. Whilst this was settled in February without the need for industrial action, it has provided a further learning opportunity and BCM arrangements will be updated during 2023/24 to reflect lessons learned. The 2023/24 Internal Audit Plan contains an audit of BCM arrangements towards the end of the financial year.

4.15 During 2022/23 internal audit reviewed the Service's cyber security and delivered a judgement of reasonable assurance.

Professional Staff

4.16 The Authority employs appropriate professional staff:

- A Statutory Monitoring Officer is responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year. All relevant laws and regulations are being complied with. The monitoring officer is a qualified solicitor provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council. This arrangement also includes support for the Authority's wider governance structure.

- The Treasurer to the Authority ensures the proper and effective administration of the financial affairs of the Authority and holds the key statutory responsibilities under Section 112 of the Local Government and Finance Act 1988. The role of Treasurer is provided by the current Head of Finance and Treasurer post within the Service. This post holder is responsible for advising both senior managers and elected members on all financial matters in line with CIPFA's document The Role of the Chief Financial Officer. The post holder is professionally qualified and has many years' experience within Local Authority Finance.

Financial Planning

4.17 The Medium-Term Financial Strategy sets out a 4-year financial plan which is approved by Fire Authority in December each year. This, alongside the CRMP, provides the framework for developing the annual budget for the coming year.

4.18 The draft budget is scrutinised by the Finance and Resources Committee in January each year prior to final approval in February by Fire Authority. This process ensures that a realistic and affordable budget is achieved.

4.19 The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. It ensures that funding is matched to the strategic goals identified in the CRMP. An in-house financial team, managed by the Head of Finance and Treasurer, maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the Service.

Budget Monitoring / Efficiency

4.20 Budget monitoring remains robust at both strategic and service level via the production of regular financial monitoring reports for both capital and revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports, as well as being scrutinised by budget managers, are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.

4.21 Functional Heads also exercise a detailed degree of budget monitoring against both revenue and capital budgets.

4.22 The Service presented its Futures 25 Efficiency Strategy to Policy and Strategy Committee in May 2022, with a further report being considered by the Authority in September 22. Whist initial estimates of the required level of savings have significantly reduced given the decision to increase Band D Council Tax by £5, the Strategy remains the vehicle for transforming the Service and increasing efficiency and effectiveness.

4.23 The 2023/24 budget report considered by Fire Authority in February 2023 identified a potential £1.1m gap in funding from 2024/25 onwards which remains to be addressed through careful budgeting and savings identified through the Futures 25 Efficiency Strategy.

Financial Management Code

4.24 The Financial Management Code was adopted by the Authority in July 2021. A gap analysis was undertaken where a small number of improvements were identified.

4.25 Internal Audit have undertaken an audit of the Service's compliance against the Code. This provided a Reasonable Assurance level – ie that risk levels were acceptable. The report acknowledged that effective controls were in place regarding self-assessment, leadership, accountability, long term sustainability and value for money.

4.26 The report identified four recommendations, two of which have been actioned. The remaining two are still in progress:

- Leadership – Several policies and procedures in relation to governance arrangements have not been updated in accordance with the revision schedule and have been found to be out of date – whilst progress is being made on this recommendation, this is a significant task and has been delayed due to other priorities for the Service over the last year.

- Professional Standards – Financial Regulations, Financial Procedures and Statement of Financial Principles are out of date - these are almost completed and will be presented to the Fire Authority for approval by September 23.

Internal Audit

4.27 The Authority views Internal Audit as an integral part of the corporate governance framework, particularly in so far as it relates to the system of Internal Control. Whilst it is acknowledged that Internal Control is a managerial responsibility, it is considered that Internal Audit can provide managers with independent assurance that the system is working effectively and draw any deficiencies in the system to the attention of managers and elected Members.

4.28 These assurances, however, can only be relied upon providing the internal audit service is adequate to meet the needs of the organisation and is provided professionally.

4.29 The Internal Audit Service of the Authority is provided under a Service Level Agreement with Nottinghamshire County Council and requires the Auditors to operate within the Public Sector Internal Audit Standards set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). Operating to these standards will ensure that the Authority meets its obligations under statute.

4.30 CIPFA published a guide on the role of the Head of Internal Audit in 2019 which led to the adoption of an Audit Charter in June 22, improved planning of audits and closer engagement with the Strategic Leadership Team (SLT) and the Chair of Finance and Resources Committee, which fulfils the role of the Audit Committee.

4.31 The annual audit plan is reviewed each year by SLT and Finance and Resources Committee but remains flexible to enable the Treasurer to adapt to any changing needs within the year.

4.32 All internal audit reports include an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports are submitted to the Chief Fire Officer, the Head of Finance, Chair of the Finance and Resources Committee and the relevant managers as appropriate. All finalised reports are reviewed by SLT and submitted to the Finance and Resources Committee acting in its role as Audit Committee.

4.33 The Internal Audit Annual Report for 2022/23 was reported to Finance and Resources Committee on 16 June 2023. Within the report the auditors provided a view on the internal control environment and concluded that:

> *"Based on the coverage and detailed outcomes, overall, we consider the collective evidence provides **substantial assurance** concerning the arrangements in place for corporate governance, risk management and the control environment."*

4.34 Substantial Assurance means that arrangements are effective at managing the risks and achieving the objectives, with no or few control weaknesses. This is an improvement on previous years where a rating of Reasonable Assurance was awarded. The report gave the rationale for the opinion as follows:

- *Although the assurance opinions on our audits are divided between substantial and reasonable assurances, the core systems audited in recent years have tended towards substantial assurance.*
- *There were positive outcomes from following up the implementation of agreed actions from previous audit reports.*
- *Other sources provided positive assurance in relation to governance, risk management, and control.*

4.35 Seven 2022/23 audits have been finalised during the year. A summary of the 7 audits is provided in the table below:

Report	Assurance Level	Comments
Budget Management	Substantial	
Risk Management	Substantial	
Asset Disposals – Follow up Audit from 2021/22	Reasonable	The 2021/22 Audit provided only limited assurance
Performance Management – Follow up Audit from 2021/22	Reasonable	Re-audited due to insufficient evidence in 2021/22
Cyber Security	Reasonable	
Vehicle Maintenance Contract	Reasonable	
Joint HQ Cost Apportionment		Opinion still to be finalised

4.36 The annual report also provided *substantial assurance* regarding each individual strand of governance, risk management and control arrangements, concluding that:

*Our opinion is that there is **substantial assurance** over the **Governance** arrangements:*

- *Governance arrangements are well structured with comprehensive reporting.*
- *Plans are in place to achieve strategic goals and to identify and realise improvements.*
- *There are regular reviews of performance.*

*Our opinion is that there is **substantial assurance** over the **Risk Management** arrangements:*

- *Risks are closely managed including through a corporate risk register that is actively maintained – reviewed, updated, and reported.*
- *Community Risk Management Plan (CRMP) is in place, with arrangements to measure progress on its delivery.*
- *Emerging national and local risk issues are identified and addressed by local actions.*

*Our opinion is that there is **substantial assurance** over the **Control** arrangements:*

- *Close control over the finances, including current and future spending, and the financial assets held.*
- *Workforce requirements are identified and acted upon.*
- *Workforce performance is managed.*

External Review

4.37 The External Auditors (currently Ernst Young LLP - EY) are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements with those charged with governance. This communication is in the form of a written report which is presented to Fire Authority on completion of the Audit.

4.38 The principal purposes of the Auditors' report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March and any material misstatements in the accounts,
- To report on any key issues for governance,
- To report on the Auditors' Value for Money conclusion,
- To give an "audit opinion" on the financial statements,
- To report on the implementation of any recommendations in the previous year's ISA 260 report,
- To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements.

4.39 The 2020/21 statement of accounts received an unqualified audit. They were approved by Fire Authority in May 22 subject to any non-material changes following completion of the external audit. This was completed with one minor change and the final accounts were presented to Finance and Resources Committee in October 22. A Value for Money conclusion is yet to be completed.

4.40 The statement of accounts in the first 2 years of the contract with EY (2018/29 and 2019/20) both received an unqualified audit and unqualified Value for Money conclusion. This provides some assurance around that the financial systems in place are robust.

4.41 Both the 2021/22 and 2022/23 audits have been delayed due to resourcing issues at EY. The 2021/22 audit is not due to commence until July 23, resulting in a delay to the accounts being presented to Fire Authority for approval until Autumn 23 at the earliest. The 2022/23 statement of accounts are not expected to be audited until mid 2024.

4.42 The ongoing delay in the audit of the Accounts presents a risk to the Authority as any audit findings will not be reviewed and corrected in a timely manner.

4.43 The contracted audit fee for the 2022/23 Statement of Accounts was originally set at £23,909. However, the Public Sector Audit Appointment (PSAA), who are responsible for issuing the audit contracts, have reviewed the audit fee scales and adjusted them to take account of a change to the scope of audit work required and an inflationary adjustment of 5.2%. The expected charge for the 2022/23 audit is now expected to be in the region of £32,648 plus any further charges for additional work agreed through PSAA.

4.44 EY were appointed for a 5-year term through a procurement exercise managed by the PSAA. The 2022/23 statement of accounts will be the final year of the contract.

4.45 Fire Authority opted into Public Sector Audit Appointment (PSAA) appointment process to select External Auditors for the five years from 2023/24. The contract has been awarded to KPMG. The 2023/24 audit cannot commence until EY have completed the 2022/23 audit. Given that the resourcing issues are a national problem, it is not guaranteed that the situation will improve under the new contract.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspection

4.46 In addition to the usual Internal and External Audit reviews, the Authority had its second inspection by HMICFRS in October and November 2021. The final report was not published until July 22. The inspection graded the Service as Good in all 11 areas of assessment and gave and overall rating of Good. The grading was an improvement on the Service's first inspection rating of Requires Improvement in 2018. There were 4 Areas for Improvement (AFIs) identified which are:

- The Service should assure itself that its risk-based inspection programme prioritises the highest risks and includes proportionate activity to reduce risk.
- The Service should ensure that, when responding to a 999 call, mobile data terminals are reliable to allow staff to access risk information.
- The Service should make sure it effectively monitors, reviews and evaluates the benefits and outcomes of any collaboration activity
- The Service should assure itself that staff understand how to get wellbeing support.

4.47 To address these areas for improvement, the Service has undertaken a gap analysis against areas of work that were already being progressed under the current CRMP. This has assured that work to address the AFIs was either already planned or has now been included in the Service's annual delivery planning. Progress against the AFIs is monitored through the Committee Structure.

Other External Audits

4.48 The Service had 3 other external audits during 2022/23.

- Babcock International undertook an audit of the Service's Terrorism Personal Protective Equipment on behalf of the Home Office. The equipment was found to be in good order and well organised, enabling a swift response if required.

- Again, working on behalf of the Home Office, the National Resilience and Assurance Team (NRAT) audited the Service's National Resilience Enhanced Logistic Support. The audit concluded that the crews perform the role well in a practical scenario and the team size is such that this allows for good resilience within the team. There was a small action plan that the Service is working alongside NRAT to complete.

- NRAT also audited the Service's Flood and Rescue capabilities. The audit determined that the Service was well prepared and qualified to respond nationally if called upon. Again, there was a small action plan that the Service is working alongside NRAT to complete.

National Fire Standards

4.49 The National Fire Chief's Council (NFCC) are undertaking a body of work to set minimum standards for key operational and non-operational areas of work. To date 16 have been released:

- Fire Investigation
- Operational Competence
- Operational Learning
- Operational Preparedness
- Code Of Ethics
- Community Risk Management Plans
- Emergency Preparedness and Resilience
- Emergency Response Driving
- Prevention
- Protection
- Safeguarding
- Communications and Engagement
- Data Management
- Leading the Service
- Leading and Developing People
- Fire Control

4.50 The Service has undertaken gap analyses for the above standards and is undertaking a programme of work to ensure compliance. This is being monitored by SLT through the CRMP Assurance Board.

HMICFRS Report on Values and Culture of the Fire and Rescue Service

4.51 Following recent reports of misconduct, and the findings of the Independent Cultural Review of London Fire Brigade, the Minister of State for Crime, Policing and Fire commissioned a spotlight report into the values and culture of the Fire and Rescue Service.

4.52 HMICFRS considered the specific themes of values and culture (including bullying, harassment, and discrimination); training and skills; fairness and diversity; and leadership. The report was published on 30 March 2023.

4.53 The report presents 35 recommendations from HMICFRS to improve the sector. Of note, 19 are detailed as a requirement for Chief Fire Officers to deliver, whilst the other recommendations are directed to other national bodies such as the Local Government Association, the National Fire Chiefs' Council, the Home Office, Government, the Fire Standards Board, and Chief Constables.

4.54 The Service had an independent review of Equality, Diversity and Inclusion (EDI) undertaken in 2021 which presented recommendations, and a resulting 12-point action plan, that is being implemented.

4.55 This work has complemented and supported the Service's approach to embedding the Core Code of Ethics which has been progressed since their publication in 2021, alongside the Service's values which have been central to the Service's approach since 2015. The Service's own Behavioural Framework was updated in 2020 to incorporate the Core Code of Ethics.

4.56 In order to maintain the focus, resource and momentum on these improvements, and to address the required recommendations of the HMICFRS spotlight report, the Service's EDI strategic lead is drawing together a single approach under the Service's Year Two Annual Delivery Plan.

4.57 This approach will see assurance against the delivery of the HMICFRS recommendations, but also oversee the delivery of the Service's commitment to embed an inclusive culture and approach at NFRS which is set out in the Services' Community Risk Management Plan (CRMP).

4.58 Whilst progress of this workstream will be monitored by the Chief Fire Officer through the CRMP Assurance Board, actions against the HMICFRS specific recommendation will also be reported to the Human Resources Committee.

5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2023/24

Fire Authority Governance Arrangements

5.1 In May 2022 the Home Office released a White Paper on Reforming Fire and Rescue Services. This is the Government response to the recommendations from the Grenfell Tower Inquiry, the Kerslake Review (on the Manchester Arena Attack) and to build on the findings from Sir Thomas Windsor's State of Fire and Rescue reports. The White Paper covers three key areas: people; professionalism; and governance. It includes consultation on whether to transfer governance to an executive model such a Combined Authority Mayor or to the Police, Fire and Crime Commissioner model. The consultation ended on 26 July 2022 but to date there has been no response from the Government.

Devolution Programme

5.2 In August 22 an East Midland devolution deal was announced by the Government to cover Nottingham, Nottinghamshire and Derby and Derbyshire, which sees the creation of a long-term investment fund totalling £1.14bn over 30 years. The deal will see the creation of a Mayoral Combined County Authority (MCCA). This would compare with areas such as Greater Manchester and the West Midlands. Elections for the MCCA are expected to take place in May 2024.

5.3 Whilst the full implications on governance for the Fire Authority is unclear at present, it is expected that the service will benefit from the additional investment within the County.

2023/24 Budget

5.4 The Authority approved a budget for 2023/24 in February 2022 which required £404k use of General Fund Reserves. This was only achievable after making temporary savings in the region of £1.6m. Monitoring of expenditure against the budget is reported to Finance and Resources Committee.

Medium Term Financial Strategy and 2023/24 Budget

5.5 Budgets for 2024/25 to 2026/27 are due to be agreed by Fire Authority in February 2023. When the current budget was set in February 2023 there was an expected deficit position for 2024/25 in the region of £1.1m. The Futures 25 Efficiency Strategy was initially outlined at Policy and Strategy Committee in May 22 and work is underway to identify a range of savings to help balance the budget and enable the Service to meet the financial challenges expected in the coming years.

5.6 Fire Authority approved the creation of a £900k Earmarked Reserve to provide resources to implement any necessary changes coming out of the Futures 25 programme. A further reserve £1.126m has been created to provide support to the 2023/24 and future year budgets. Given these earmarked reserves and anticipated savings from the Efficiency Strategy, the Service is confident that it will be financially secure going forward.

Pensions

McCloud

5.7 The McCloud remedy is ongoing regarding the transition arrangements in the 2015 firefighter's pension scheme which were found to be discriminatory on the grounds of age in December 2018. All members have now been moved to the 2015 pension scheme as from 1 April 22. The transition arrangements effective between 1 April 2015 and 31 March 22 need to be removed and members given the choice between their legacy scheme and the 2015 scheme between this period.

5.8 Following the ruling and lack of progress, the Fire Brigades Union (FBU) commenced legal proceedings in the High Court for three test cases against Fire and Rescue Authorities. Two of these cases were against this Authority as they related to former Nottinghamshire Fire and Rescue Service (NFRS) employees. A settlement agreement on these cases was reached on 8 October 2021.

5.9 In the interim, the Home Office issued some guidance to assist implementation of the remedy and a Memorandum of Understanding was agreed between the Local Government Association and the Fire Brigades Union in October 21. However, in November 21 the Home Office withdrew its guidance stating that there could be significant financial risk if Authority's decided to proceed implementing Memorandum of Understanding.

5.10 With the ongoing threat of legal action, Policy and Strategy Committee approved the continuation of implementing the Memorandum of Understanding on 1 April 22, acknowledging the financial risks that it may face. An earmarked reserve of £200k has been set aside to cover any additional costs.

5.11 New pension legislation is expected to be passed in October 23 which will provide more certainty about how the remedy is to be applied. The Service will then have a further 18 months to ensure that it is properly implemented.

Matthews / O'Brien

5.12 On-call firefighters employed between 1 July 2000 and 4 April 2006 were retrospectively allowed to join 2006 Firefighters' Pension Scheme in 2014 following the Matthews court case. Following a further European Court of Justice case (O'Brien) the UK Government have recognised the right for on-call firefighters employed before 1 July 2000 to elect to join the pension scheme from the start of their employment. Revised legislation is due to be laid before Parliament in October 23.

5.13 The Local Government Association is working alongside Fire Services to prepare for the proposed changes and, an exercise is now underway to identify individuals who may be affected. It will be necessary to estimate data for some individuals whose employment records are likely to have been deleted in order to comply with data protection legislation.

Internal Audit

5.14 The 2023/24 Internal Audit Plan, approved by Finance and Resources Committee in June 23, includes provision for 6 audits during 23/24. These include compliance with the National Fire Standard for Leading the Service, Contract management and workforce planning and recruitment.

External Audit

5.15 Delayed local audit opinions are a huge concern across the public sector. These delays have been caused by the increased amount of regulatory requirement and the lack of audit resources within the public sector as a whole and is not limited to NFRS. The increasingly delayed audit of the Statement of Accounts (see sections 4.41 to 4.45) presents an increased risk to the Authority over the remaining years of the current contract and beyond.

5.16 KPMG have been awarded the contract to audit the Statement of Accounts from 2023/24 to 2027/28. However, they will not be able to commence the 2023/24 audit until EY have completed the 2022/23 audit which is currently not scheduled until mid 2024. Given that the resourcing issues are a national problem, it is not guaranteed that the situation will improve under the new contract.

HMICFRS

5.17 The third round of full HMICFRS inspections has commenced. All Fire Services will be inspected over a 2 year period. NFRS are in the second tranche of inspections which is due to commence in the Autumn of 2023.

Covid-19

5.18 The Service does not anticipate any ongoing impact on governance arrangements during 2023/24 and beyond. Finance and Resources Committee removed Covid-19 from the corporate risk register in April 22. This will be kept under review should circumstances change.

6 CONCLUSION

6.1 Nottinghamshire Fire and Rescue Authority has well developed and evolving governance arrangements in place that are fit for purpose.

6.2 The Service's policies and procedures continue to be updated and reviewed (3.12).

6.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017 and CIPFA's Financial Management Code was adopted by the Authority in July 2021 (sections 1.3 and 3.23 - 3.24). The Authority's compliance against the Financial Management Code was reviewed by Internal Audit in 2021/22 – the report acknowledged that effective controls were in place regarding self-assessment, leadership, accountability, long term sustainability and value for money.

Scheme of Delegation

6.4 Whilst the 2021/22 and 2022/23 Statement of Accounts are yet to be audited, the External Auditors, Ernst & Young (EY), issued unqualified audits for the first 3 years of their contract (2018/19 and 2020/21), which indicates that the financial systems in place are robust (see sections 4.37 – 4.45).

6.5 Despite the delays to the audit of the Statement of Accounts and Value for Money Audits by the Authority's external auditors (EY), the Service's internal auditors (Nottinghamshire County Council) have completed a comprehensive audit programme which provides a high level of assurance. The Internal Audit Annual Report provided a judgement of Substantial Assurance regarding the arrangements in place for corporate governance, risk management and the control environment (see sections 4.27 - 4.36).

6.6 Seven internal audits have been completed within the year, 2 being graded as having Substantial Assurance and 5 being as having Reasonable Assurance. Three other external reviews have taken place (see section 4.35), all of which provided reasonable or substantial assurance.

6.7 The Internal Audit Charter was adopted by Finance and Resources Committee in June 2022 (section 4.30). The annual Internal Audit Plan is reviewed by SLT and approved by Finance and Resources Committee (4.31). All recommendations arising from internal audit reviews are actioned and monitored by SLT and Finance and Resources Committee (4.32).

6.8 The Service's second full HMICFRS inspection provided a rating of Good against all 11 areas of assessment (sections 4.46 - 4.47).

6.9 The Service continues to address any governance issues as they arise and commits to keeping governance arrangements under review (see sections 4.6 – 4.7).

Signed……………………………………	Signed……………………………………
Councillor Michael Payne	Craig Parkin
CHAIR OF THE FIRE AUTHORITY	**CHIEF FIRE OFFICER**

Links to Supporting Douments

Scheme of Delegation

Governance Update

Glossary

Accruals

The concept that income and expenditure are recognised as they as earned or incurred, not as money is received or paid.

Budget

A statement of the policy of the Authority expressed in financial terms. The budget is the financial element of a range of plans adopted by the Authority which include the Medium Term Financial Strategy and the Community Safety Plan.

Capital Expenditure

Expenditure on the acquisition of assets or expenditure which adds to, and not merely maintains, the value of existing assets.

Capital Receipts

Income derived from the sale of capital assets.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with Local Authority and Public Sector finance.

Contingent Liability

A possible obligation arising from past events whose existence will be confirmed by the occurrence of an uncertain future event not wholly within the Authority's control. It can also be a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or where the amount of the obligation is uncertain.

Creditors

Amounts owed by the Authority for which no payment has been made at the end of the financial year.

Debtors

Amounts due to the Authority for which no payment has been received at the end of the financial year.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of an asset during an accounting period.

Finance Leasing

A method of financing the acquisition of assets. Legally the assets are owned by the lessor, although the risks and rewards of ownership of the asset pass to the lessee. The assets are shown on the Balance Sheet of the Authority.

Financial Instrument

Any contract which gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments are: trade payables, borrowings, bank deposits, trade receivables and investments.

Non-Current Assets

Tangible or intangible assets which yield benefits to the Authority for a period of more than one year. Tangible assets include land and buildings and certain specialist vehicles and equipment. Intangible assets include software.

Impairment

A reduction in the value of an asset, which is additional to the expected depreciation of that asset. Impairment may be a result of, for example, physical damage or reducing prices.

Operating Leasing

A method of financing the acquisition of assets, notably vehicles, plant and equipment which involves the payment of an annual rental for a period which is usually less than the useful life of the asset.

Provision

A liability or loss which is likely or certain to be incurred but where the date and precise amount are uncertain.

Reserve

An amount set aside for purposes outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for general contingencies.

Revenue Contribution to Capital Outlay

A fixed asset purchased directly from revenue contributions.

Revenue Expenditure and Income

That expenditure and income which relates to the day to day activities of the Authority.

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

HOME OFFICE EFFICIENCY AND PRODUCTIVITY PLAN

Report of the Chief Fire Officer

Date: 16 June 2023

Purpose of Report:

To present to members the Nottinghamshire Fire and Rescue Service Efficiency and Productivity Plan Home Office submission for the FY 2023/24 in response to the Home Office request for an Efficiency and Productivity Plan.

Recommendations:

It is recommended that Members:

- Note the content of the Efficiency and Productivity Plan for 2023/24;
- Endorse the Service's approach to delivering the plan via the Futures 2025 improvement programme;
- Agree to receive future update reports as necessary.

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1. BACKGROUND

1.1 On the 21 February 2023 Chief Fire Officers and Fire Finance Directors were asked by the Home Office to submit Efficiency and Productivity Plans covering the financial year 2023/24.

1.2 The requirement for Fire and Rescue Authorities to produce an annual efficiency plan already existed as part of National Framework requirements, however the Minister of State for Crime, Policing and Fire made a specific request that Fire and Rescue Authorities (FRA's) also covered productivity as part of their 2023/24 plans.

1.3 This request was made in response to FRA's indicating that they planned to make use of the full £5 council tax precept flexibility in 2023/24 and to seek assurances that due consideration was being given to efficiencies that could be made alongside tax increases.

1.4 Through analysis of the plans the Home Office aims to develop a picture of sector wide progress against these goals.

2. REPORT

2.1 Appendix A to this report contains a full copy of the Nottinghamshire Fire and Rescue Service Efficiency and Productivity Plan submission. The submission has been formulated based on guidance and templates provided by the Home Office.

2.2 The National Fire Chiefs Council (NFCC) and the Local Government Association (LGA) have proposed that across FRS's in England, the sector could create 2% of non-pay efficiencies and to increase productivity by 3% in the spending review period 2021/22 – 2024/25.

2.3 The Authority is well placed to contribute towards the national productivity targets due to the stretching aspirations already included within the current CRMP. These include the key performance indicators set out in below.

Key Performance Indicators

Key Performance Indicator	2022/23	2023/24	2024/25
Safe and Well Visits	13,000	14,000	15,000
Business Safety Checks	500	1,000	1,500
Fire Protection Inspections	1,200	1,500	2,000

2.4 It should also be noted that during the budget setting process for 2023/24 the service found savings of over £1.1m that were either reinvested in CRMP projects or helped towards reducing the deficit. This is well in excess of the 2% target set by the Home Office although it is noted that these savings include pay related savings some of which are one off in nature.

2.5 In addition to cashable savings, the return also requested that non-cashable savings be included in the submission. The Service is currently working to enhance the reporting of non-cashable savings as part of routine monitoring and reporting arrangements going forward.

2.6 The Authority approved its Futures 25 efficiency strategy in May 2022 with the high level aims of identifying savings within both pay and non pay budgets. The scope of the programme of works associated with Futures 25 is currently being finalised, together with efficiencies and cost savings associated with the programme.

2.7 Futures 25 will consider both pay and non-pay spend efficiencies, in addition to generating efficiencies through improved systems and processes. It remains the vehicle through which Home Office targets related to efficiency and productivity will be delivered by the Service.

2.8 In addition to the Efficiency and Productivity Plan the Home Office have also recently launched a national survey on how wholetime firefighters spend their time, which aims to measure the capacity of FRS's to increase productivity and to support services to achieve and measure their progress against agreed productivity targets. It is recommended that members agree to receive future reports once the outcomes from these returns are known.

3. FINANCIAL IMPLICATIONS

The Futures 25 Efficiency Plan remains the vehicle through which savings will be identified and built into the 2024/25 Medium Term Financial Strategy which will be reported to Fire Authority in December 23.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There may be human resource and learning and development implications associated with the implementation of efficiency and productivity plans. These will be reported at the appropriate time as part of the delivery of the Futures 25 efficiency programme.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because the report does not involve changes to policy or the delivery of services.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications associated with this report.

7. LEGAL IMPLICATIONS

There are no direct legal implications resulting from this report.

8. RISK MANAGEMENT IMPLICATIONS

The corporate risk register includes risks to the Authority associated with the ability to set a balanced budget. The Futures 25 efficiency programme aims to mitigate these risks, alongside other activities identified within the attached Efficiency and Productivity submission.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications associated with the report. It is accepted however that collaboration opportunities already in place contribute to the ongoing efficiency of the Service, and that, where appropriate further collaboration opportunities that contribute to efficiency, productivity or service improvement will be explored.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the content of the Efficiency and Productivity Plan for 2023/24.

10.2 Endorse the Service's approach to delivering the plan via the Futures 2025 improvement programme.

10.3 Agree to receive future update reports as necessary.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

Nottinghamshire Fire and Rescue Service

2023/24 Efficiency and Productivity Plan

1 BACKGROUND

1.1 This submission has been prepared in response to the Home Office request for an Efficiency and Productivity Plan on 21 February 2023. It should be considered alongside the Service's Futures 2025 Efficiency Strategy documents, the Community Risk Management Plan (CRMP) and its current budget plans.

2 EFFICIENCY AND PRODUCTIVITY INFORMTION

2023/24 Budget Information

2.1 The Authority's 2023/24 budget was approved by Fire Authority on 24 February 2023 and is detailed in Table 1 below. More details can be found in the Budget Report.

Table 1 – Budget Details 2023/24

Costs	Revised Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000
Employees	37,145	39,939	41,448
Premises	3,345	4,111	4,468
Transport	1,778	2,219	2,247
Supplies & Services	3,938	4,394	4,514
Payments to other Local Authorities	908	950	1,086
Support Services	167	172	172
Capital Financing Costs	2,761	2,692	3,149
Income	(4,036)	(4,512)	(4,359)
Total	**46,006**	**49,965**	**52,725**
Sources of Income			
Revenue Support Grant (RSG)	(5,619)	(6,189)	(6,498)
Business Rate Income	(2,925)	(3,649)	(3,685)
Business Rate Top Up Grant	(7,277)	(7,638)	(8,020)
Pension Grant	(2,340)	(2,340)	(2,340)
Council Tax (£5 2023/24, 2.95% 2024/25)	(27,692)	(29,746)	(31,036)
Reserves	(153)	(404)	(1,146)
Total Income	**(46,006)**	**(49,965)**	**(52,725)**

Reserves

2.2 Expected levels of reserves at 31 March 2023 are £10.2m as detailed in Table 2 below.

Table 2 – Reserve position at 31 March 23 – 31 March 24

Reserve	Opening Balance* 01/4/22 £'000	Movement During 2022/23 £'000	Closing Balance 31/3/23 £'000	Expected Balance 31/3/24 £'000
Resilience Crewing and Training	36	(1)	35	0
Prevention Protection and Partnerships	245	(103)	142	20
Business Systems Development	59	0	59	59
Transformation and Collaboration	553	(217)	336	259
Operational	444	36	480	270
Covid-19	30	(12)	18	18
ESN Reserve	1,244	(243)	1,001	981
Headquarters move	50	(3)	47	47
Budget Pressure Support	936	190	1,126	722
Efficiency Programme	900	0	900	200
Other	356	0	356	277
Estates	0	62	62	62
Total Earmarked Reserves	**4,853**	**(291)**	**4,562**	**2,915**
General Reserve	5,191	469	5,660	5,236
Total Reserves	**10,044**	**(232)**	**10,222**	**8,151**

2.3 The general reserve is predicted to be £5.7m at the end of the financial year, which is above the minimum level of £4.5m general fund reserve agreed by Fire Authority in December 2022.

2.4 Earmarked reserves are expected to be in the region of £4.6m by 31 March 2023. These reserves are earmarked for known projects or items of one-off expenditure. They include a budget pressure support reserve of £1.126m which was created to support the budget in 2023/24 and future years. Earmarked Reserves are reviewed annually as part of the Reserves Strategy included in the MTFS.

Outline of decision to increase Council Tax by £5

2.5 A Futures 25 efficiency strategy was initially presented to the Policy and Strategy Committee in May 2022, with a further report being considered by the Authority in September 22. At this point in time there was a significant amount of uncertainty around the firefighter pay award and funding for future years. The budget deficit was expected to be in excess of £3m and the Authority were asked to approve public consultation to save £2m from operational budgets by reducing the number of appliances in the Service from 30 to 28 and reducing the ridership by 44 posts. Savings of £250k were also identified through the disestablishment of support staff posts.

2.6 By the time the final budget was approved in February 2023 the 7% / 5% pay award had been offered, the one year funding position was agreed along with the option to increase Council Tax by £5. This placed the Authority in a position where the removal of fire appliances could be avoided, but only if Council Tax were increased by the maximum amount.

2.7 The decision to increase Council Tax by £5 was made by Fire Authority on 24 February 2023. More details can be found in the Budget Report.

2.8 A comparison of the deficit if Council Tax had been increased by 0%, 2.95% and £5 in 2023/24 and 2024/25 is shown in table 3 below. Future year estimates remain uncertain at this point in time due to the one year funding settlement and the uncertain economic climate, but the deficit is expected to increase beyond £1.1m estimated for 2024/25.

Table 3 – Comparison of different Council Tax Precepts

	2023/24 £'000	**2024/25 £'000**
Budget Requirement	49,965	52,725
Total External Funding	(19,815)	(20,543)
Balance to be met locally	**30,150**	**32,182**
Council Tax Yield (0%)	(28,086)	(28,464)
Council Tax Yield (2.95%)	(28,912)	(30,168)
Council Tax Yield (£5)	(29,746)	(31,036)
Budget Shortfall (0%)	**2,064**	**3,717**
Budget Shortfall (2.95%)	**1,237**	**2,014**
Budget Shortfall (£5)	**404**	**1,146**

2.9 The Council Tax increase of £5 has raised £1.6m additional funding compared to a Council Tax Freeze and £826k compared to 2.95% increase.

2.10 The Authority holds £1.126m of earmarked reserves set aside for budget pressure support. This was not sufficient to cover the projected deficit should Council Tax be frozen or increased by 2.95%. Both options would require significant savings still to be made from the Futures 25 Efficiency Strategy (see also section 4).

2.11 A £5 increase still requires £404k to be met from the Budget Pressure Support Earmarked Reserve (£1.126m) which leaves £722k in the reserve to assist in balancing the budget in future years. The service will continue to seek in year savings where possible to minimise the use of reserves. This will be achieved through a mixture of careful budget monitoring and outcomes from the Futures 25 Efficiency Strategy.

2.12 Whilst the £5 precept flexibility has allowed the Fire Authority to maintain front line services for 2023/24, there remains a significant deficit in 2024/25 which still needs to be addressed. The Authority have approved the continuation of the Futures 25 efficiency strategy to deliver a wider change and improvement programme designed to maximise the efficiency and effectiveness of the Service. This will also seek to address future year deficits (see also section 4).

Efficiency

2.13 During the budget process for 2023/24 the service found savings of over £1.1m that were either reinvested in CRMP projects (£150k) or helped towards reducing the deficit. The majority of these were from pay budgets (£911k). £372k of savings were achieved from non-pay budgets. A further £169k of non-cashable savings were achieved through the use of procurement frameworks. More details can be found in Table 4 below.

Table 4 – Efficiency Savings 2023/24

Savings	£000s	Comments / Risks	Risk
Pay related Savings			
Vacant posts – Admin (Temporary Savings)	211	7% Vacancy Factor has been built into Green Book Pay Budget.	This is considered achievable an has a low risk level.
Workforce review	250	Disestablishment of posts from Admin Pay (This represents 3.37% of Admin Pay). This will include structural redesign and business process improvement to maximise the efficiency and effectiveness of the Service.	This has already been achieved.
Delayed recruitment of wholetime staff (temporary Savings)	450	The service has been holding vacant firefighter posts during 2022/23 pending decisions around the	This will be achieved as the Service has insufficient capacity to

Savings	£000s	Comments / Risks	Risk
		wholetime establishment. Recruitment has now been planned for 2023/24 but the service will remain below establishment until recruits begin training. A temporary saving of £450k (1.71%) has been built into the 2023/24 budget to reflect this.	train more firefighters than have been assumed in the budget.
Total Pay Savings	**911**		
Non Pay Savings			
Temporary reductions in repairs to buildings.	63	Reducing the costs of the boarding up of the HQ building due to occupancy being maintained for longer.	This has been achieved.
Insurance contract savings	36	Reduction in actual costs from insurance contract.	This has been achieved.
Review of Engineering Equipment budget	29	This was a detailed review of need which resulted in savings in the budget.	This has been achieved.
New ways of working since Covid (reduced travel etc)	14	This is a further reduction in travel / accommodation budgets (savings were already built into 2022/23 budgets)	This is low risk as historical expenditure has indicated that savings can be made.
Decreased usage of supplies and services	53	Reduction in various supplies and services budgets.	
Other Non Pay Savings	30	Various smaller savings.	
Non pay savings	**225**		
Total Cashable Savings	**1,136**		
Non Cashable Savings			
Business Rates Appeals against valuations	200	The service has been successful in the past in appealing against BR in the past but there remains a risk that this will not be achieved. This will not been built into the budget until savings are materialised.	Not built in budget yet due to risk factor.
Procurement efficiency Savings using framework	169	Mainly due to the review of new contracts awarded in 2022/23. This has been measured against the average cost of bids and is a non cashable saving	Risk that opportunities may diminish until Kent framework is back up and running
Total	**1,505**		

Productivity

2.14 The Service has set itself challenging productivity targets within its current CRMP which runs from 2022-25.

The following table sets out the Key Performance Indicators that form the Service's public facing commitment.

Table 5 Key Performance Indicators

Key Performance Indicator	2022/23	2023/24	2024/25
Safe and Well Visits	13,000	14,000	15,000
Business Safety Checks	500	1,000	1,500
Fire Protection Inspections	1,200	1,500	2,000

2.15 In addition a range of internal metrics are used to monitor and drive efficiency and productivity of Operational Response crews. These include:

Maintenance and Review of Operational Risk Information

2.16 The service has an expectation that all Level 3 site specific risk information is reviewed on a three yearly basis by operational crews. In addition, where Level 4 tactical plan sites fall within station areas, crews are expected to conduct routine familiarisation visits to these premises.

Operational Preparedness

2.17 Performance indicators relating to operational training including completion of the quarterly training planner and attendance at a minimum of two operational exercises and two tabletop exercise per year to ensure operational preparedness.

Community Engagement and Prevention Activity

2.18 Minimum attendance at two Data Intelligence-led Community Engagement (DICE) events per year per Watch per station. In addition crews undertake Community Reassurance and Engagement Activities (CRaE) following all domestic fires.

2.19 Delivery of quarterly prevention plan to deliver prevention activity around road, fire and water risks.

2.20 A new initiative for 2023/24 is the Community Group Befriending Scheme. Each Wholetime Watch has been asked to befriend a community group in their local area to develop and embed the Fire and Rescue Service as part of local communities, contribute to positive action initiatives and strengthen community trust.

Review of the Working Day

2.21 During 2023/24 the Service has planned to review the standard working day for Wholetime Fire Stations. The Service acknowledge receipt of the Home Office Productivity Calculator and as a first stage intend to use the content of this to contribute to the working day review. The intention is to integrate the use of the productivity calculator further in line with the next CRMP.

3 COLLABORATION

3.1 The Service has collaborated with a range of organisations to enhance the provision of Service Delivery to the public. Collaboration has been undertaken for a variety of reasons, including in some cases cost saving or financial efficiencies. It should be noted however that this has not been the sole driver for collaboration activities.

Joint Fire Control

3.2 In October 2011 Derbyshire, Nottinghamshire and Leicestershire Authorities submitted a 'Resilience and Efficiency Grant Bid' to DCLG where £5.4m of funding was achieved for the Tri-Control project. As a result of this successful bid the Tri-Control function has been implemented and running since 2015.

3.3 In 2018 the decision was taken to create a Joint Derbyshire Nottinghamshire Fire Control Room, based at Ripley Derbyshire. The aims of the collaboration were to achieve financial savings for both Derbyshire and Nottinghamshire Fire and Rescue Service. In addition, the Services aimed to harmonise ways of working to improve interoperability at cross-border incidents, and that the Control Room collaboration would act as a catalyst for future joint working.

3.4 Since the creation of the Joint Control Room a range of operational alignments have been made including:

- Joint implementation of National Operational Guidance;
- Joint consideration of Grenfell recommendations including shared training and ways of working;
- Alignment of operational equipment including Breathing Apparatus sets to allow joint deployment of crews by a single service.

3.5 At the commencement of the project the Service anticipated savings of approximately £350k. Actual realised savings were lower than anticipated due to higher levels of staffing being agreed post implementation to mitigate identified risks. £250k savings were achieved in 2021/22.

Joint Head Quarters (HQ)

3.6 The Service moved into a jointly owned Head Quarters site with Nottinghamshire Police in 2022. Whilst there has not been any reduction in costs from moving sites, the old HQ was an aging building and would have required a significant amount of work over the medium term. It also has allowed closer relationships with the Police to be developed and enabled other collaboration opportunities to be identified.

Shared Premises

3.7 The Service owns all of its fire stations except for one On-Call sections which is part of a tri-service blue light station at Hucknall and is owned by East Midlands Ambulance Service (EMAS) to which NFRS have a 25 year tenant lease agreement in place.

3.8 The Service has a range of collaborative partners and arrangements in place on Fire Service owned sites: NFRS shares the following stations with collaborative partners:

- London Road Fire Station – Nottinghamshire Police, Nottingham City Council and EMAS (see 3.9, 3.10 and 3.11)
- West Bridgford Fire Station – Nottinghamshire Police and South Notts Community First Responder (see 3.9)
- East Leake Fire Station - Nottinghamshire Police (see 3.9)
- Carlton Fire Station - Nottinghamshire Police (see 3.9)
- Highfields Fire Station – St Johns Ambulance (see 3.10)
- Clifton Office - Nottinghamshire Police
- Worksop Fire Station – North Notts Community First Responder

3.9 **Lease Agreements with Nottinghamshire Police:** The Service has lease agreements in place to share a number of fire and rescue sites with Nottinghamshire Police. This creates a combined income of Approx. £122k per year (2022/23). The combined rental costs are £75k per year (utility services usage which are recharged at actual costs).

3.10 **St Johns Ambulance and EMAS:** The Service has an arrangement in place for with St Johns Ambulance and EMAS, this generated £16k (2022/23).

3.11 **Nottingham City Council:** The Service has an arrangement in place for with Nottingham City Council for a peppercorn lease and a proportion of the utilities cost, this generated £6k (2022/23)

3.12 **Framework:** The Service has an arrangement in place with Framework for the use of the office accommodation at Mansfield Fire station this generates £500.00 per year.

3.13 In addition to sharing premises, NFRS have entered into collaborative agreements with Nottinghamshire Police for its Patrol Officers to use any NFRS Fire Station for Welfare Facilities, Fuel their diesel patrol cars (through a legal collaborative agreement) and use the stations washdown facilities to clean their patrol cars.

Hydrocarbon Dog

3.14 The Service has a Regional Fire and Rescue Service collaboration with Lincolnshire, Derbyshire and Leicestershire to share the costs associated with the provision of a Hydrocarbon Dog to support the Fire Investigation function.

3.15 This enables costs of the Service provision to be shared 4 ways and ensures 24/7 availability of a Hydrocarbon Dog within the Region. The annual costs of the dog (including vehicle, handlers, food and veterinary costs) are £61k so by sharing costs the service saves £45k.

3.16 The total annual costs have been reduced by £10k due to now employing a grade 6 person instead of a watch manager.

Drone

3.17 A collaboration with Nottinghamshire Police is in place where they provide 24/7 drone support for Fire and Rescue Service incidents on a recharged basis. The Police recharge NFRS approximately £15k per year for the shared use of the Drone.

Welfare Unit

3.18 A collaboration with Nottinghamshire Police where Nottinghamshire Fire and Rescue Service provide 24 /7 Welfare Unit to support Police incidents on a recharged basis which provides income in the region of £10k per year.

4 TRANSFORMATION PLANS

4.1 The Authority approved its Futures 25 efficiency strategy efficiency strategy in May 2022 with the high level aims of identifying savings within both pay and non-pay budgets.

4.2 Futures 25 consists of 3 main strands:

1. Service Redesign – the reshaping of structures, function, systems and processes to drive efficiency and effectiveness of functions;

2. Revenue budget review – A scrutiny panel designed to identify further pay and non-pay efficiencies from existing budgets;

3. Governance Review – A review of governance structures and policy and procedural frameworks and ways of working, designed to reduce bureaucracy and speed up decision making.

4.3 A scope for the programme of works is currently being finalised, together with efficiencies and cost savings associated with the programme. Current budget forecasting anticipates that the Service will be operating with a deficit of £1.146m by 2024/25 and Futures 25 is designed to enable plans to be put into place to ensure the Authority is in a position to set a balanced budget.

4.4 Futures 25 will consider both pay and non-pay spend efficiencies, in addition to generating efficiencies through improved systems and processes. This will include non-cashable savings to enable to redistribution of resources and drive productivity in some cases.

4.5 The Service commits to delivering the 2% of non pay efficiencies over 2 years as committed to at a National Level. The table below illustrates the impact of this on Service non-pay budgets with savings made at a rate of 2% per year for 2 years. The savings achieved figure for 2023/24 includes pay related savings to be consistent with the Annex B template provided. Some of these are of a one off nature in 2023/24.

Year	Non Pay Budget £'000	2% of budget £'000	Saving Achieved £'000
2022/23	10,161	203	363
2023/24	11,554	231	1,136
2024/25	12,834	257	To be determined

Charging Policies

4.6 Charging policies are reviewed annually to ensure they remain current and appropriate. Recharging policies will be reviewed in full as part of the income generation workstream of Futures 25 Programme.

5 ASSET MANAGEMENT AND INVESTMENT IN TECHNOLOGY

Equipment, Appliance and Inventory Checks

5.1 The Service adopts a risk based approach to equipment and inventory checks, with a schedule of handover, daily and weekly checks for items depending on the safety critical nature of the equipment.

5.2 An electronic asset management system is in place which uses barcodes to identify and trace equipment. Handheld scanners are used to complete the inventory checks and to raise defects where appropriate. These are automatically reported through to the Engineering Team to arrange repair or replacement.

5.3 The asset management system has been in place for over a decade, although handheld scanners have been upgraded in the last 2 years to improve the speed and efficiency of the equipment.

5.4 Given the length of time that the automated process has been in place it is difficult to quantify the saving in administrative time or cost savings achieved as a consequence. As an indicative figure a full inventory check of a standard fire appliance will take 2 firefighters circa 1 to 1.5 hrs to complete per week.

5.5 Limited more frequent checks are undertaken to safety critical equipment such as Breathing Apparatus checks at the start of each shift. This takes approximately 10-15 minutes per set, with each appliance carrying 4 sets.

5.6 As part of the 2022/23 internal audit programme, 2 audits have taken place on the arrangements for maintaining fleet and equipment and asset disposals. Both of these audits have provided Reasonable Assurance.

Investment in New Appliances, Fleet and Support Vehicles

5.7 The proposed 2023/24 to 2026/27 Capital Programme was included in the 2023/24 Budget Report. The service's vehicle replacement programme has been delayed over the last 3 years due to supply chain issues following Covid-19. Over the next 2 years the replacement programme has been increased to take account of this. It includes:

- £5.6m to replace 17 Pumping Appliances.
- £3m to replace the 2 Aerial Ladder Platforms and other specialist vehicles.
- £374k to replace a number of light vehicles, including 5 Hybrid vehicles which will be more efficient to run.
- A rural vehicle to better support forestry fire-fighting activities as a result of learning from the wildfires in summer 2022.

5.8 The vehicle maintenance costs have increased by £35k in recent years partially due to the unexpected delays in the vehicle replacement programme (see section 5.7). It is expected that costs will reduce once the new fleet is operational.

Animal Rescue Unit Savings

5.9 In the FY 2022/23 the Service took the decision to remove the dedicated Animal Rescue Unit which was staffed by On Call Firefighters and deploy the capability via the Wholetime Technical Rescue Unit. This will result in a saving from the on call pay budget.

Review of Pre-Determined Attendances (PDAs)

5.10 The Service is continually reviewing PDA's to reduce the number of appliances that are deployed to unwanted fire signals and ensure that the level of response is appropriate to the risk. Work is ongoing to reduce the number of Unwanted Fire Signals (UFS) at premises with frequent alarm activations. UFS's have reduced from 3,793 in 2017/18 to 3,480 in 2021/22 5 years due to the positive action undertaken by the service to reduce them. This is a reduction of 313 appliance mobilisations per year, allowing crews to allocate time to other activities.

6 RESOURCING

6.1 The Service operates a variety of duty systems from its 24 fire stations to ensure operational resourcing is aligned to risk across the county:

6.2 **Wholetime Duty System (WDS) –** WDS operates at 10 stations with full time cover provided by wholetime firefighters working 2 x 12 hour day shifts followed by 2 x 12 hour night shifts on a self-rostering basis. Two of these stations have 2 wholetime appliances available at any time and two have on call appliances stationed there to supplement cover.

6.3 **On-Call Duty System –** 12 stations are staffed by on-call crews only.

6.4 **Day Shift Crewing Stations** –The Service operates 2 stations on a day-crewed model where one wholetime and one on-call appliance are available between 08:00 and 19:00 and two on-call appliances are available in the evening and overnight.

6.5 Day shift crewing was implemented in April 2019. The change to crewing patterns was anticipated to save £1.2M annually from pay budgets. An evaluation was undertaken in February 2021 and demonstrated slightly lower savings of £1.18M per annum.

Alternative Crewing Vehicles

6.6 Standard crewing of all fire appliances is a crew of five with minimum crewing being a crew of four. Alterative crewing allows on-call appliances to be made available to a limited number of incident types with a crew of three, where limited personnel availability would otherwise mean that the appliance was unavailable for emergency response.

Fire Cover Review

6.7 In 2022/23 The Service commissioned sector leaders ORS to undertake a review of fire cover across the County to ensure that assets were appropriately located, and to analyse the impact of changes to fire cover across the County.

On Call Pay and Contracts

6.8 The Service has reviewed existing on-call contracts with the aim of providing a more flexible offer to on-call firefighters to support recruitment and retention. The new contracts offer variation away from the standard 84 hour on-call requirement of the traditional approach.

6.9 An evaluation if the new contracts has been undertaken at two On-Call fire stations which identified some refinement required prior to a wider roll out. It is anticipated that the new contracts will support recruitment and retention, reducing the burden on recruitment and training teams in Service, and supporting the Equality and Diversity aspirations of the Service.

Dual Contracts

6.10 The service employs 75 wholetime firefighters who also provide on-call cover when they are off duty. This improves on-call availability and provides benefits in terms of culture and competence. It also provides some efficiencies relating to recruitment and training.

7 PROCUREMENT

7.1 The tendering procedures are clearly set out in the Financial Regulations to ensure that value for money is obtained. This is achieved either by obtaining a minimum number of quotes or the direct award of contracts through frameworks.

7.2 The services direct awards through frameworks where it is thought that efficiencies can be gained through doing so. The exact savings from direct awards through frameworks can be difficult to quantify but have been estimated to be £169k in 2022/23. ~This has been measured against the average cost of bids compared to the bid that was successful.

8 LOCAL INITIATIVES THAT ARE SPECIFIC TO THE FRS AREA

Fire Emergency Support Service (FESS)

8.1 The FESS are a team of volunteers who mobilise following fire incidents to provide welfare support to individuals and families who are displaced or lose possessions as a result of fire. They provide temporary shelter, clothing, toiletries, toys and welfare support post incident.

8.2 The FESS allows crews to depart from incidents more quickly once operational matters have been resolved, knowing the welfare of those involved in the fire will be taken care of. There are non-cashable savings associated with this.

Lock Pulling and Lock Securing Equipment

8.3 All operational fire appliances now carry lock pulling and lock securing equipment and crews have been trained on its use.

8.4 In the event that forced entry has to be made to a property for operational reasons crews are able to remove and replace locks, rather than having to wait for a locksmith or boarding-up Service. This enables crews to be released from scene more quickly and avoids costs associated with third party provision of this service.

8.5 The associated costs have reduced by approximately £4k between 2018/19 to 2022/23.

Safer Streets

8.6 Safer Streets is a crime prevention initiative, with a specific focus on reducing the risk of harm to women and girls in Nottingham City. Nottinghamshire Fire and Rescue Service are a partner of the safer streets initiative and some city based crews have received additional safeguarding training to enable them to best support and signpost victims of crime.

8.7 In addition crews drive along red routes in the city when returning from prevention, protection or response activities in that area with the aim of providing a visible reassuring presence and disrupting crime and antisocial behaviour.

Pulp Friction – Social Enterprise

8.8 The service was forced to close its canteen provision at its Head Quarters site back in 2015/16 in order to make savings. The service was approached Pulp Friction, a Community Interest Company, who offered to provide a canteen service in exchange for the free use of the existing kitchen and canteen area. Pulp Friction have worked in partnership with Nottinghamshire Fire and Rescue Service ever since to provide lunch time and buffet catering for staff.

Pulp Friction support young people with learning disabilities with employability skills.

8.9 Pulp Friction moved with the Fire Service from our old Head Quarters to the Joint Police Fire Headquarters in 2022 to provide a much expanded staff canteen for both police and fire staff.

8.10 Pulp Friction have also supported NFRS with operational training and exercising to ensure that plans are accessible and fit for purpose for individuals with accessibility needs.

8.11 During 2021/22 the costs were £16k, costs after moving to the Joint HQ the catering costs has reduced by £8k. Prior to using pulp fiction the canteen costs were significantly higher as NFRS employed their own cooks.

Partner Referral Process for Safe and Well Visits

8.12 The Service commissioned an evaluation of the Services Safe and Well process by Nottingham Trent University. The evaluation demonstrated that adoption of the 'CHARLIE' profiling tool by the Service had improved the effectiveness and quality of partner referrals for individuals at risk of fire.

8.13 Current metrics show that partner referral levels remain high, and of good quality with 6,500 referrals received annually, of which all align to our person-centred CHARLIE profile and are at least at a Medium risk of fire.

Occupational Therapist – Funded Secondment from the NHS

8.14 The Service funds a full time Occupational Therapist (OT) Secondment from the NHS. The post is embedded within the Prevention Team to provide practical support to those individuals with complex needs and at highest risk of fire to live more safely in their homes.

8.15 The OT supports the Service to access health referral pathways and works with multiagency partners to ensure effective risk mitigation for individuals.

8.16 Independent evaluation of the OT secondment undertaken by Nottingham Trent University demonstrated that for every £1 invested in the OT Service a benefit of £7.16 was realised through reduced harm and costs to the wider public purse.

9 PRODUCTIVITY

Wholetime Productivity Targets

9.1 The Service uses a number of internally derived productivity measures for Wholetime Fighters. These are:

- Number of Safe and Well Visits
- Number of Business Safety Checks
- Number of Data Intelligence Led Community Engagement Events
- Number of post fire Community Reassurance and Engagement Events
- Completion rates of Quarterly Training planner

- Attendance at operational exercise
- Community Group Befriending Scheme adherence
- Review of Site Specific Risk Information completion rate

9.2 Since 2018/19 the service has increased the number of Safe and Well visits (SWVs) from 4,461 to 13,742. The vast majority of these are completed by wholetime crews. The completion of Business Safety Checks (BSCs) by wholetime crews commenced as a new activity in 2022/23 and a total of 518 have been completed within the year. The target for 2023/24 is 1,000.

9.3 It is anticipated that productivity as measured by the public facing metrics for SWVs and BSCs as outlined within the Service's CMRP will increase by 15% and 200% respectively by 2024/25.

9.4 As previously stated the Service is conducting a review of the working day in the FY 2023/24 and as a first stage will start to integrate use of the productivity survey data. Further work to integrate the metrics will be undertaken as part of the next CRMP planning cycle.

Tasks Undertaken by Operational Firefighters

9.5 The following tasks are undertaken by operational firefighters:

- Safe and Well Visits
- Business Safety Checks
- Community Engagement and Positive Action
- Community Reassurance
- Gaining entry to premises to support East Midlands Ambulance Service
- Borderless mobilisation to Leicestershire and Derbyshire as part of a tri-service control collaboration
- Mobilisation of National Resilience Assets including MTA and High Volume Pump
- Food bank and food parcel deliveries (localised)

10 SUMMARY

10.1 This Efficiency and Productivity Plan is demonstration of the work being undertaken across the service to ensure that NFRS is providing a cost efficient service to the public. The service will continue to identify efficiencies and improve working practices through its Futures 25 Efficiency Strategy and CRMP.

Signed

R Smeathers

Becky Smeathers
Head of Finance and Treasurer
31 March 2023

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

INTERNAL AUDIT ANNUAL REPORT 2022/23

Report of the Chief Fire Officer

Date: 16 June 2023

Purpose of Report:

To bring to the attention of Members the annual report prepared by the Authority's Internal Auditors, which includes the Internal Audit Plan for 2023/24 and also the outcome of three internal audit reports.

Recommendations:

It is recommended that Members:

- Note the outcome of the 2022/23 Internal Auditors Annual Report.
- Note the outcome of three internal audit reports completed since the last audit update report to Finance and Resources Committee.
- Note the 2023/24 External Audit Plan.

CONTACT OFFICER	
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1. BACKGROUND

1.1 Nottinghamshire County Council has provided an Internal Audit service to the Fire and Rescue Authority since its formation in 1998. The Finance and Resources Committee receives the Internal Auditor's annual report in accordance with its role as an audit committee.

1.2 The annual report for 2022/23 is attached in full as Appendix 1 to this report.

1.3 Under the provisions of the Code of Practice on Local Authority Accounting, the Authority is required to annually review its arrangements for the provision of Internal Audit and comment on that review. This report sets out the basis of that review.

2. REPORT

NOTTINGHAMSHIRE COUNTY COUNCIL INTERNAL AUDITOR'S REPORT

2.1 The Internal Audit Annual Report for 2022/23 is attached at Appendix 1.

2.2 The Auditors have provided a view on the internal control environment and conclude that:

> *"Based on the coverage and detailed outcomes, overall, we consider the collective evidence provides* ***substantial assurance*** *concerning the arrangements in place for corporate governance, risk management and the control environment."* (see section 10)

2.3 The Public Sector Internal Audit Standards (PSIAS) recommend that the internal audit opinion should conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report provides an assurance level of "Substantial Assurance" individually to all three of these areas as well as the overall rating discussed in section 2.2 (see sections 22 – 24 of the Annual Report).

2.4 Eight audits were planned for completion in the 2022/23 financial year. Four of these were presented to Finance and Resource Committee on 31 March 23. The Corporate Governance audit has been postponed until 2024/25 to allow an internal review of governance to be completed. The remaining 3 audits were given assurance levels of either reasonable or substantial. The Regional / Joint Working audit was completed after the Internal Audit Annual Plan was issues so does not form part of the annual review. A summary of the 8 audits is provided in Table 1.

Table 1 – Summary of 2022/23 Audits

Audit	Progress	Assurance Level	Appendix
Performance Management	Complete	Reasonable	Reported to March F&R
Fleet Maintenance	Complete	Reasonable	Reported to March F&R
Asset Disposals – follow up audit	Complete	Reasonable	Reported to March F&R
Budget Management	Complete	Substantial	Reported to March F&R
Corporate Governance	Postponed until 2024/25		
Risk Management	Complete	Substantial	Appendix 2
Regionalisation / Joint Working	Complete	Reasonable	Appendix 3
Cyber Security	Complete	Exempt Appendix	Exempt Appendix

2.5 More details on all the audits can be found in the Internal Audit Annual Report attached at Appendix 1.

2.6 Three further audits have been completed since the March report to this Committee.

2.7 The Risk Management audit reviewed the framework that the Service has in place to ensure that corporate risks are identified, assessed, managed, and reported. The audit provided Substantial Assurance around these arrangements – i.e., that risk levels are low. The report can be found at Appendix 2.

2.8 The Regionalisation / Joint Working audit reviewed the financial arrangements for sharing the use of the Joint Head Quarters with Nottinghamshire Police. The report provided Reasonable Assurance – i.e., that risk levels were acceptable. The report can be found at Appendix 3.

2.9 The Cyber Security audit reviewed the Service's arrangements to secure network software and hardware from cyberattacks. The audit report has been included as an exempt appendix.

2.10 Appendix B of the Annual Report shows the internal audit plan for 2023/24 which has been agreed by the Head of Finance / Treasurer following consultation with the Strategic Leadership Team. There is sufficient flexibility to amend the plan if circumstances require alternative work to be carried out by the Auditors in the year.

REVIEW OF INTERNAL AUDIT

2.11 The requirement for an Authority to maintain an Internal Audit function is derived from local government legislation, including Section 112 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015 in that a relevant body must:

> *"maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices"*

2.12 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.

2.13 The Authority views Internal Audit as an integral part of the corporate governance framework, particularly in so far as it relates to the system of Internal Control. Whilst it is acknowledged that Internal Control is a managerial responsibility, it is considered that Internal Audit can provide managers with independent assurance that the system is working effectively and draw any deficiencies in the system to the attention of managers and elected members.

2.14 These assurances, however, can only be relied upon providing the internal audit service is adequate to meet the needs of the organisation and is provided professionally.

2.15 The Internal Audit Service of the Authority is provided under a Service Level Agreement with Nottinghamshire County Council and requires the Auditors to operate within the Public Sector Internal Audit Standards set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). Operating to these standards will ensure that the Authority meets its obligations under statute.

2.16 In June 2022 the Authority adopted the Internal Audit Charter which defines the role of the Internal Audit Service. The Charter complies with the Public Sector Internal Audit Standards 2017, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015.

2.17 There are regular reviews of audit plans and progress by senior managers and the audit team to monitor the work being carried out. Representatives from Internal Audit regularly attend both Finance and Resources Committee and Strategic Leadership Team meetings.

2.18 The External Auditors, in their general review of controls and as part of their specific annual audit, are required to comment on the adequacy or otherwise of Internal Audit. To date they have always been satisfied that the work of Internal Audit is sufficient for them to rely on their audit work and that the service is effective.

3. FINANCIAL IMPLICATIONS

Indirect financial implications relating to policy, procedure updates and staff training are contained within the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this is a report relating to the Authority's performance rather than new or amended policy.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

Internal Audit is a mandatory function within fire authorities. The Local Government and Finance Act 1988 and Accounts and Audit Regulations 2015 identify a Fire Authority as a "relevant body", responsible for maintaining an adequate and effective internal audit function.

8. RISK MANAGEMENT IMPLICATIONS

Internal Audit forms part of the wider system of internal control which deals entirely with the Authority's exposure to financial, and to some extent non-financial risk. Presenting the annual report to the Authority enables Members to see the work of internal audit and the contribution that they make to the overall system of internal control.

9. COLLABORATION IMPLICATIONS

The Internal Audit service is provided by Nottinghamshire County Council. There may be opportunities for further collaborative procurement of Internal Audit services in the future.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the outcome of the 2022/23 Internal Auditors Annual Report.

10.2 Note the outcome of 3 internal audit reports completed since the last audit update report to Finance and Resources Committee.

10.3 Note the 2023/24 External Audit Plan (Appendix C of the Internal Auditors Annual Report).

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None

Craig Parkin
CHIEF FIRE OFFICER

Nottinghamshire County Council

Head of Internal Audit's Annual Report 2022/23
Report to the Chief Fire Officer, Nottinghamshire & City of Nottingham Fire & Rescue Authority

Contents

Purpose of report

1. To provide the Head of Internal Audit's Annual Report for 2022/23, including our opinion on the adequacy of the Nottinghamshire & City of Nottingham Fire & Rescue Authority's arrangements for governance, risk management and control.

Requirement for internal audit

2. The practice of internal audit within fire authorities is mandatory. The **Local Government Finance Act 1988** and **Accounts and Audit Regulations 2015** identify a fire authority as a **'relevant body'**, responsible for maintaining an adequate and effective internal audit function.

3. The internal audit function is purposed to review, assess, and report on the governance, risk management and control environment established by management to:

   - determine and monitor the achievement of objectives
   - identify, assess, and appropriately manage the risks to achieving objectives
   - facilitate policy and decision making
   - ensure the economical, effective, and efficient use of resources
   - ensure compliance with policies, procedures, laws, and regulations
   - safeguard assets and interests.

4. It is also expected to comply with the **Public Sector Internal Audit Standards (PSIAS)**, and guidance from the **Chartered Institute of Public Finance and Accountancy (CIPFA)**.

Fulfilment of requirements

5. The Fire & Rescue Authority has an annually renewable agreement with Nottinghamshire County Council for the provision of internal audit services, and an Internal Audit Charter which was adopted in 2022.

6. We endeavour to review the key areas of governance, risk management and control environment over a multi-year cycle, as agreed with the Service. Our coverage is intended to take account of, and be complementary to, other sources of assurance provision. This annual report reviews both our own, and this independent, assurance.

7. Our mutual roles and responsibilities align with those prescribed in the PSIAS as follows:

- **Chief Audit Executive (CAE)** - Interim Chief Internal Auditor (currently acting as CAE)
- **Senior Management** - Strategic Leadership Team (SLT), which meets monthly as the Community Risk Management Plan (CRMP) Assurance Board
- **Board** - Finance and Resources Committee

8. The other aspects of our compliance with PSIAS and CIPFA guidance are set out in this report.

Audit approach and coverage

9. In 2023/23, and in early 2023/24, up to the time of compiling this annual report, we carried out and completed the following: -

Provision	Description
Audit assurance reviews	Completing the assurance reviews in the agreed plan, issuing reports, making recommendations, and agreeing actions.
Action tracking	Following up the implementation of agreed actions from audit reports issued in 2021/22, and outstanding actions from reports issued before that.
Review of overall arrangements	Mapping sources of assurance for governance, risk management and control, and providing an assurance opinion on each.

Audit opinion

10. Based on the coverage (above) and detailed outcomes (below), overall, we consider the collective evidence provides Substantial Assurance concerning the arrangements in place for governance, risk management and the control environment. The rationale for this opinion is as follows:

- **Although the assurance opinions on our audits are divided between substantial and reasonable assurances, the core systems audited in recent years have tended towards substantial assurance.**
- **There were positive outcomes from following up the implementation of agreed actions from previous audit reports.**
- **Other sources provided positive assurance in relation to governance, risk management, and control.**

Audit assurance reviews

11. ***PSIAS** state that: 'Adequate control is present if management has planned and organised in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and effectively.'*

12. Mostly, assurance reviews result in the issue of an opinion on the internal controls, the opinions being categorised as follows:

    - **Substantial Assurance:** arrangements are effective at managing the risks and achieving the objectives, with no or few control weaknesses of significance.
    - **Reasonable Assurance:** most arrangements are effective, but there are control weaknesses considered to be of greater significance.
    - **Limited Assurance:** as there are some fundamental control weaknesses, the arrangements pose an unacceptable level of risk in those areas.

13. If we find control weaknesses or identify test failures, we make recommendations to improve the controls, or compliance with them, and endeavour to agree with management the actions to be taken. We categorise actions according to a priority level:

    - **Priority 1 recommendations:** fundamental for effective arrangements, must implement to improve the controls and mitigate the most serious risks.
    - **Priority 2 recommendations:** desirable for effective arrangements, should implement to improve the controls.
    - **Advisory recommendations:** may also be raised in feedback to advise further on how to improve the controls.

14. In the areas reviewed in 2022/23, we provided the following opinions, and made the following number and priority level of recommendations:

Assurance level	Report	Recommendations	
		Priority 1	Priority 2
Substantial	Budget Management Risk Management	0 0	1 1
Reasonable	Performance Management Vehicle Maintenance Contract Asset disposal Procedures – Follow Up	3 2 1	4 2 1
Limited	No audits were in this category	-	-
Opinion to be finalised	Joint HQ Cost Apportionment	1	1
Exempt Item	Cyber Security		

15. A summary of the recommendations and actions in the above reports is below:

Reports and key dates	Recommendations/Actions
Budget Management	Improved monitoring of the number of budget forecasts that are re-checked each month
Risk Management	Wider inclusion of target dates for actions on the Corporate Risk Register
Performance management	Finalise the Data & Business Intelligence Strategy Increase assurance that checks on the accuracy of performance data are carried out Commence performance reporting on all targets in the Community Risk Management Plan (CRMP) Continue the mapping exercise to co-ordinate the production of performance data that appears in more than one performance report. Improve the targets for a small number of indicators Improve the presentation of whether the target is being met, and the direction of travel, for a small number of indicators Report to SLT on the results of the data return to the Home Office
Vehicle Maintenance Contract	Targets to measure that repairs are finished in a timely manner, to maintain the availability of the fleet Review the budget to ensure it is realistic, whilst considering where savings can be made Wider monitoring of the full set of Key Performance Indicators The availability of parts and vehicles to be added to the corporate risk register
Asset disposal procedures – follow-up	Disposal of decommissioned ICT equipment following the move to the new HQ Land and property acquisition and disposal procedures to be finalised
Joint HQ Cost Apportionment	Findings relating to the value for money of the Service's contribution to the costs of the new HQ are still being discussed.

Action tracking (see also Appendix A)

16. ***PSIAS*** *state that: 'The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action*'.

17. The NFRS Finance team annually requests and evaluates updates from action owners, reports these to the CRMP Assurance Board, and informs Internal Audit. This year's exercise revisited all the actions still to be implemented from reports issued in 2021/22 and earlier.

18. **Appendix A** illustrates the proportion of actions that have been implemented from previous years. Overall there is a high implementation rate of 84%. The report to the CRMP Assurance Board stated that there were 'a number of areas which are still identified as work in progress, despite it being in excess of a year since the audits were completed. Some of these are due to delayed projects or issues around Covid and resourcing. Work is continuing in these areas to draw the issues to a close.'

Assurances on governance, risk management and control (see also Appendix B)

19. ***PSIAS** state: 'The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'.*

20. Our annual report covers the adequacy and effectiveness of the Fire Service's framework of governance, risk management and control.

21. Internal Audit uses assurance mapping to identify and assess the sources of assurance – primarily based on information from governance documents and committee reports. Assurance maps summarise, group, and rate evidence according to the 'three lines model':

    - **1st line** – management policies, strategies, plans and controls, and internal support functions.
    - **2nd line** – compliance oversight, especially evident in reports to committees.
    - **3rd line** – external assurance, mostly auditors and inspectors

    The assurance maps are in **Appendix B**.

22. Our opinion is that there is **substantial assurance** over the **Governance** arrangements (see Appendix B)

    - Governance arrangements are well structured with comprehensive reporting.
    - Plans are in place to achieve strategic goals and to identify and realise improvements.
    - There are regular reviews of performance.

23. Our opinion is that there is **substantial assurance** over the **Risk Management** arrangements (see Appendix B):

    - Risks are closely managed including through a corporate risk register that is actively maintained – reviewed, updated, and reported.
    - Community Risk Management Plan (CRMP) is in place, with arrangements to measure progress on its delivery.
    - Emerging national and local risk issues are identified and addressed by local actions.

24. Our opinion is that there is **substantial assurance** over the **Control** arrangements (see Appendix B):

    - Close control over the finances, including current and future spending, and the financial assets held.
    - Workforce requirements are identified and acted upon.
    - Workforce performance is managed.

Performance of Internal Audit

25. A summary of Internal Audit performance is shown below:

Indicator	Performance
Job completion	Seven assurance reviews completed

Indicator	Performance
Timeliness of reporting	Four draft reports issued before 31 March 2023, the remainder since.
Days spent	92 planned days fully utilised.
Recommendations	100% agreed (for responses received up to the time of drafting this report at mid-May 2023).
Action tracking	Planned exercise completed by NFRS Finance team and reported to the CRMP Assurance Board, using template provided by Internal Audit.
Auditor experience	Four reviews by senior auditors; three reviews by apprentice internal auditors under the close supervision of senior auditors.
Customer feedback	Average client satisfaction score of 3.7 (out of 4) from three completed questionnaires. Our target is for at least 3.0.

26. The Chief Internal Auditor carries out an annual self-assessment of compliance against the PSIAS. This incorporates the requirements of the Local Government Application Note (LGAN), which provides additional advice and guidance to providers of internal audit services in a local government setting, including fire authorities.

27. In addition to the self-assessment, the Internal Audit Service is subject to an External Quality Assessment (EQA) once every five years. The most recent EQA was carried out in March 2023.

28. The EQA is a robust evidence-based review of the whole Internal Audit Service comprising:

    - PSIAS review of the accuracy of the HOIA self-assessment and supporting evidence
    - Interviews with Members and Senior Officers regarding the service provision
    - A survey of service recipients capturing view on professionalism and quality of services
    - A review of the professional standards applied to the individual engagements undertaken by the staff within the service

29. The EQA confirmed the accuracy of the Chief Internal Auditor's self-assessment and concluded that the Internal Audit Service fully conforms to the requirements of the PSIAS and LGAN.

30. The EQA contained no statutory recommendations and only included five advisory issues for the Interim Chief Internal Audit to consider for the development of the service.

31. The self-assessment and outcomes from the EQA have been used to enhance the basis of internal audit's annual Quality Assurance and Improvement Programme (QAIP). The QAIP continues to capture scope for improvements in service compliance, with an action plan to provide a focus for continuous improvement in 2023/24.

32. The outcome from the self-assessment and EQA provides significant assurance that the Internal Audit service conducts its work with due professional care and confirms the following in respect of the work carried out by the service in 2022/23:

- The service applied a systematic, risk-based approach to the assurance work it delivered
- Internal Audit staff performed their duties with due regard to the code of ethics set out in the standards

Audit planning for 2023/24 to 2025/26 (see also Appendix C)

33. **Appendix C** provides the annual audit plan for 2023/24 and incorporates a provisional three-year plan. Plans are derived from an audit universe consisting of all previous audits and other potential audits, which is subject to risk assessment and subsequent consultation with the Head of Finance and SLT. The number of chargeable days for the delivery of each review is given, plus time for action tracking, assurance mapping, annual reporting, and other client facing support.

34. We endeavour to blend coverage of core processes and systems with more focused audits of current and emerging risks and developments.

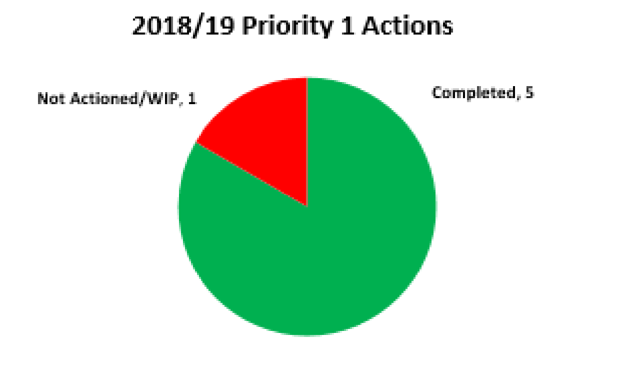
Andrew Howarth, Acting Audit Supervisor

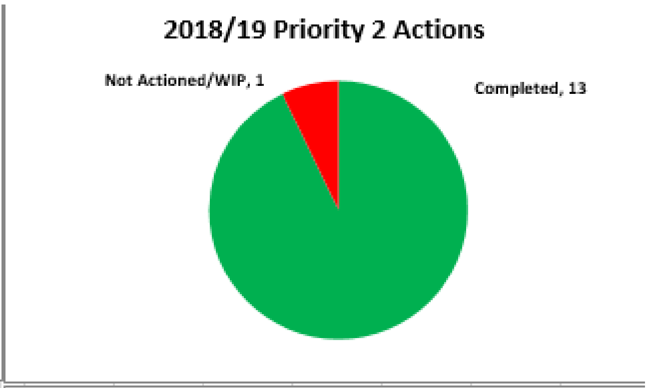
Simon Lacey, Interim Chief Internal Auditor

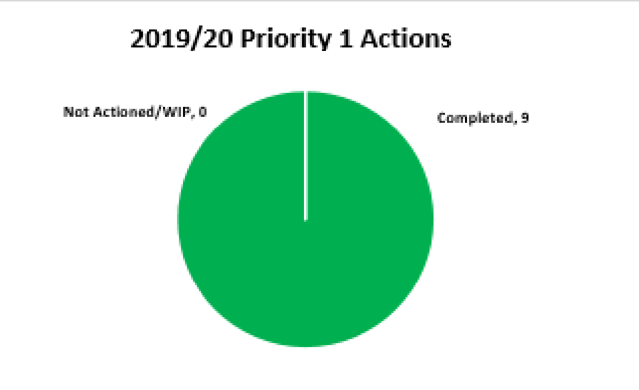
Appendix A

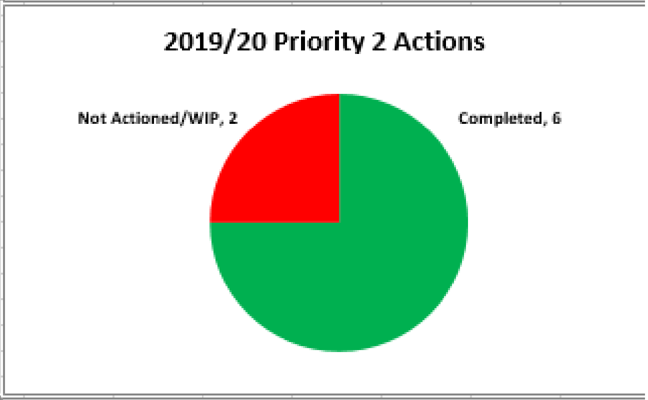
Implementation of internal audit recommendations from previous years

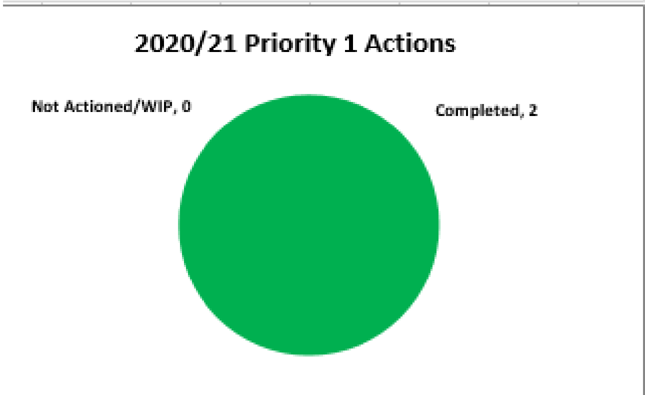
There are no outstanding actions from years earlier than those below.

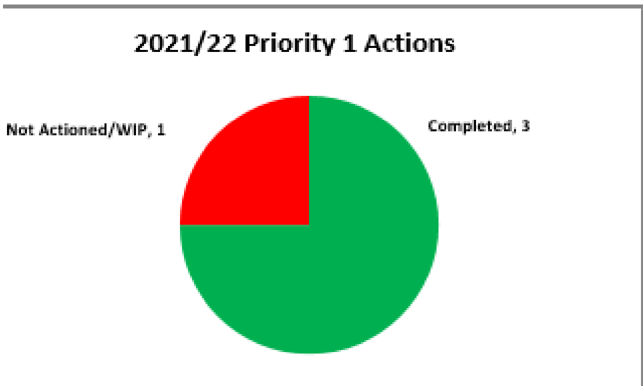












Appendix B: Assurance maps for Governance, Risk Management and Control

Assurance Map for Governance

1st Line	2nd Line	3rd Line
Established governance structure including • Authority • Committees • Strategic Leadership Team • Community Risk Management Plan (CRMP) Assurance Board • Service Delivery Evaluation & Assurance Group Committee Outcomes are regularly reported to the Authority meetings Community Risk Management Plan (CRMP) 2022-25 has 6 strategic goals including: • continue to support and develop our workforce and promote an inclusive Service • continue our improvement journey to deliver an outstanding Service • manage and invest in our Service to ensure it is fit for the future Arrangements in place to deliver Areas for Improvement (AFI) from 2022 inspection by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) including:	Annual Financial Accounts which also include: • Annual Governance Statement which summarises how NFRS has complied with the 7 core principles of good governance in the NFRS Local Code on Corporate Governance. • Annual review of the effectiveness of the governance framework • Significant issues for Governance in the coming year These conclude that there are well developed and evolving governance arrangements in place that are fit for purpose Annual Statement of Assurance 2021-22 had a review of performance against the previous Strategic Plan 2019-22 (the Integrated Risk Management Plan) in the areas of Prevention, Protection, Response, People and Governance Service Delivery Performance Report produced quarterly to Community Safety committee Local Firefighter Pension Scheme Annual Report	HMICFRS inspection of 2019 had 24 areas for improvement and all have now been cleared – the final one in 2022 HMICFRS Inspection Report (July 2022). Graded as Good in all areas including: • Efficiency at keeping people safe and secure • How well the service looks after its people with only 4 areas for improvement this time Staff Survey in Summer 2022 run by an external company Internal Audit Annual Report Externally Audited Final Accounts 25 apprentice firefighters – Programme rated by Ofsted as Good. (Also 7 other apprentices). Public Sector Apprentice target exceeded Stonewall top 100 LGBTQ+ inclusive employer in 2022

• AFI 1 - monitor, review and evaluate the benefits and outcomes of any collaboration activity • AFI 3 - staff understand how to get wellbeing support To be monitored by the CRMP Assurance Board Treasury Management Strategy 2023-24 approved -including Policy on Environmental, Social and Governance (ESG) considerations Steps and timescales established to address the 19 relevant recommendations in national HMICFRS spotlight report 'Values and Culture in Fire and Rescue Services (2023). Two were addressed immediately HR Committee considered the Independent Culture Review of London Fire Brigade (2022) – the relevance of its findings to NFRS and proposed actions	Information Governance Annual Report 2021-22. No data incidents reportable to the Information Commissioner's Office (ICO)	

Opinion: **Substantial Assurance (Green)**		**Rationale:** Governance arrangements are well structured with comprehensive reporting. Plans are in place to achieve strategic goals and to identify and realise improvements. There are regular reviews of performance.

Assurance Map for Risk Management

1st Line	2nd Line	3rd Line
Community Risk Management Plan (CRMP) 2022-25 has 6 strategic goals including: • help people stay safe from fires and other emergencies • improve fire safety in the buildings people live and work in • respond immediately and effectively to emergency incidents Key Objectives set within these 6 Strategic Goals, in an Annual Delivery Plan A Strategic Assessment of Risk helped develop strategies to deliver the CRMP Arrangements in place to deliver Areas for Improvement (AFI) from 2022 inspection by HMICFRS including: • AFI 2 - risk-based inspection programme to prioritise the highest risk premises and includes proportionate activity to reduce risk • AFI 4 - when responding to a 999 call, mobile data terminals to be reliable to allow staff to access risk information To be completed in 2023 Member of Nottinghamshire Local Resilience Forum Manchester Arena Inquiry – Volume 2 - on planning & preparation and response to the	Corporate Risk Register reported to Finance & Resources Committee every 6-months and escalated to the Authority in December 2022. At that meeting it was proposed that the Finance & Resources Committee will now receive this report quarterly instead of six monthly due to the fluid state of risk nationally, and determine if there should again be an escalation to full Fire Authority Each Committee report includes consideration of Implications for Risk Management, Legal and Crime & Disorder Progress on CRMP Annual Delivery Plan to be reported in the Annual Statement of Assurance Annual Financial Accounts include description of how Service manages financial risks – credit risk, liquidity risk, refinancing & maturity risk, and market risk Workforce Plan 2022-24 considers risk of staff turnover, operational resilience, specialist skills to meet emerging risks (such as terrorism and climate change) and increasing demand for risk information arising from public inquiries including Grenfell Tower and Manchester Arena	HMICFRS Inspection Report (July 2022). Graded as Good in all areas including: • Effectiveness at keeping people safe and secure Cyber Essentials Plus certification renewed Internal audit report on Risk Management – with Substantial Assurance opinion Internal audit report on Cyber Security

emergency. This Service has developed an action plan, taking account of a national action plan that is being developed and progress on this will be scrutinised by the CRMP Assurance Board. An initial high level review indicates NFRS has mitigated immediate risks and there are currently no high risk areas. All recommendations to be completed by Sept 2024	2022 Fatal Fires Review. Report on 11 fatalities. After each fatality the Serious Event Review Group is convened, including to learn lessons	

Opinion: **Substantial Assurance (Green)**		**Rationale:** Risks are closely managed including through a corporate risk register that is actively maintained – reviewed, updated, and reported. Community Risk Management Plan (CRMP) is in place, with arrangements to measure progress on its delivery. Emerging national and local risk issues are identified and addressed by local actions.

Assurance Map for Control

1st Line	2nd Line	3rd Line
Financial framework including: • Scheme of Delegation • Standing Orders • Financial Regulations • Financial Procedures All the above reviewed in past year and approved, or to be approved Budget Proposals for 2023-24 to 2026-27 (including Council Tax 2023-24) approved by the Authority Futures 2025 Efficiency Strategy to set a balanced budget for future years, whilst achieving service delivery Medium Term Financial Strategy 2023-24 to 2026-27 approved by the Authority. Includes Capital Strategy, Capital Receipts Strategy and Reserves Strategy Treasury Management Strategy 2023-24 approved by the Authority including Borrowing Strategy and Investment Strategy Pay Policy approved by the Authority People Strategy 2022-25 Workforce Plan 2022-24. To ensure staffing numbers, skills and health & fitness meet service needs and available budget. It identified the need to recruit 36 wholetime firefighters. Report on achievement. 29 were	Annual Financial Accounts include an annual review of the effectiveness of the governance framework including the system of internal control Financial Position monitored in the Revenue, Capital, And Prudential Code Monitoring Report, quarterly to Finance & Resources Committee Assessment against the CIPFA Financial Management Code Standards - 16 graded as Green and 1 Amber Treasury Management annual and mid-year reports including reviews of: • Economic Update • Treasury Management Strategy • Capital Activity • Investment and Cash Activity • Investments, Cash and Reserves • Borrowing • Compliance with Treasury and Prudential limits Human Resources Update quarterly to HR Committee. Starters, leavers, staffing numbers, sickness absence, disciplinary, grievance, harassment, and discrimination cases Performance and Development Reviews (PDRs) completed by 88.7% of staff	Fire Cover Review – including a public and workforce consultation to save £2m. Informed by independent review by ORH Ltd on options for savings, whilst best maintaining operational response times Independent Remuneration Panel on Members' Allowances Internal audit report on Budget Management – with Substantial Assurance opinion Internal audit report on Performance Management – with Reasonable Assurance opinion Action tracking to monitor implementation of internal audit recommendations Fraud: External audit includes enquiries relating to the management of fraud risks

recruited in 2022 with the remainder filled from existing staff Efforts to increase On Call recruitment following challenges faced Fraud: Counter Fraud, Money Laundering, Corruption and Bribery Policy in place. Section in the Financial Regulations on Preventing Fraud & Corruption	Equalities Monitoring. Gender, ethnic origin, disability, sexual orientation, age, religion Authority agreed the recruitment and appointment of an Assistant Chief Fire Officer Disposals of land and buildings approved by the Finance & Resources Committee Fraud: The Service participates in the National Fraud Initiative (NFI)	

Opinion: **Substantial Assurance (Green)**		**Rationale:** Close control over the finances, including current and future spending, and the financial assets held. Workforce requirements are identified and acted upon. Workforce performance is managed.

Appendix C: Audit Plan for 2023/24

Audit Universe	Audit needs assess-ment	Past and current audits - with opinion						Plan	Future plan proposals	
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Audit reviews										
Payroll	High	substantial				substantial				
Retained firefighters' remuneration	Medium		substantial						11	
Members' & officers' expenses & allowances	Medium		reasonable							
Pensions administration	High					substantial				11
Workforce planning & recruitment	High							**11**		
Property & premises	Medium	reasonable								
Facilities management	Medium					substantial				
Transport management	Medium									
Fuel recharges	Low			substantial						
Vehicle maintenance contract	Medium						reasonable			
Procurement	High								11	
Purchasing & creditor payments	Medium	reasonable			reasonable					
Purchase cards	Low				reasonable					
Contract management	High		reasonable					**11**		
Income & debtors	Low	reasonable								
Capital programme	Medium			reasonable						11
Asset management (incl. disposals)	Medium	reasonable				limited	reasonable			
Financial management (incl. CIPFA FM code)	Medium		substantial			reasonable				
VFM / Futures 2025 Efficiency Strategy	Medium								11	
Budget management	High						substantial			
Treasury management	Medium	reasonable			substantial					
Counter-fraud & counter-corruption	Low									
Project management	Medium	reasonable								11
Corporate governance	High		reasonable							

Ethical Code	Medium					substantial				
Leading the Service (National Fire Standard)	Medium							**11**		
Health and safety	High		limited					**11**		
GDPR & information governance	Medium			no opinion					11	
Performance management	High						reasonable			
Joint working	Medium						reasonable			
Risk management	High						substantial			
Business continuity planning	High							**11**		
Community relations	Medium								11	
Environmental/carbon footprint	Medium									11
ICT service desk	Medium			reasonable						
Information security (data & physical security)	Medium			no opinion				**11**		
Cyber security	High						Exempt			
ICT strategy, transformation & change	Medium								11	
ICT access management	Medium									11
Cardiff Checks	Low	no opinion	no opinion	reasonable	substantial					11
Prince's Trust (now ended)			limited							
Total review days								**66**	**66**	**66**
Other tasks										
Action tracking of previous recommendations								**2**	2	2
Annual audit report								**5**	5	5
Assurance mapping (within annual audit report)								**4**	4	4
Client management - planning, reporting, Committee								**4**	4	4
Total days								**81**	81	81

Nottinghamshire County Council

Internal Audit Report

Report ref: 2022-10

OFFICIAL SENSITIVE

To: **Chief Fire Officer**

Subject: **NFRS - Risk Management**

Date: **May 2023**

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1 Introduction

1.1 We have carried out a review of the arrangements for business risk management within the Fire Service.

1.2 The Service should have an effective framework in place to ensure corporate risks are identified, assessed, managed, and reported.

2 Audit opinion

2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.

2.2 In our opinion the level of assurance we can provide is: -

SUBSTANTIAL ASSURANCE **Risk levels are low**

3 Risk areas examined

3.1 During this audit we looked for controls to address the following key risks: -

Risk title	*Description*
Risk Management Framework and Reporting	Policies and procedures should be in place, with clear responsibilities and reporting requirements, including regular reporting to an appropriate Committee.
Risk Identification	The risk register should be actively and regularly reviewed and updated. Risks should be scored by an appropriate and consistent method. The risk register should include all required fields.

Risk Mitigation	Risks and actions should have owners, and the actions should be updated regularly. Progress against actions should be reviewed and challenged. Risks should only be closed after proper assessment.

3.2 At the time of our review the latest Corporate Risk Register, which was reported to the Finance & Resources Committee in March 2023, contained the following 13 corporate risks:

- Balanced Budget
- Firefighters Pension Scheme
- Mobilising
- Employee Engagement
- Workforce Sustainability
- Preventable Deaths
- Health, Safety & Welfare
- Emergency Services Network
- Availability of Resources
- Legal Knowledge
- Programme Governance
- Environmental Impact
- Service Reputation

4 Audit findings

4.1 We consider the controls to be effective in the following risk areas: -

- **Risk Management Framework and Reporting**

  A Risk Management Policy is in place, with roles and responsibilities clearly set out, including those of the Finance & Resources Committee, the Strategic Leadership Team, the Risk Assurance Manager, and the Risk Owners who are responsible for gaining assurance that their risk actions are in place and effective. The Policy requires that the Risk Register is reported to the Finance & Resources Committee every 6 months. This frequency has been complied with. However, the Fire & Rescue Authority in December 2022 decided to increase this frequency due to the fluid state of risk nationally, so that the Finance & Resources Committee will now receive the report quarterly.

- **Risk Identification**

  The Risk Register is actively reviewed and updated by the Strategic Leadership Team and Finance & Resources Committee. The register is well structured with relevant fields, subject to the one finding on this audit relating to the inclusion of timescales for actions. Risks are scored by an appropriate and consistent method in terms of impact and likelihood. Emerging risks are actively identified and incorporated either into existing or new risk headings. For example, a new risk entitled 'Service Reputation' has been added to the Register in March 2023 to recognise cultural issues reported nationally in the Independent Culture Review of London Fire Brigade (Nov 2022) and HMICFRS report on Values and Culture in Fire & Rescue Services (March 2023). Also, some risks were escalated during the year from High to Very High to reflect emerging issues of economic uncertainty, inflation including pay awards, and the possibility of industrial action.

- **Risk Mitigation**

  All risks are allocated to appropriate risk owners, who update the Risk Register with progress against their actions. Detailed updates to the Risk Register demonstrate that it is actively maintained to control the risks to the Service in between its reporting to the meetings of the Strategic Leadership Team and Finance & Resources Committee, at which progress on addressing the risks is actively reviewed. Risks are only removed from the Risk Register after proper assessment and agreement by the Finance & Resources Committee.

4.2 We found just one potential area for improvement, as set out in the attached action plan, with our recommendation to address it.

4.3 A summary of the recommendation made, together with brief details of the related finding, is set out below:

Priority level	*Number of Recommendations*	*Recommended action timescales*
Priority 1	0	Immediate
Priority 2	1	Within two months

Priority 2 area:

- The risk register includes actions to address the risks. Some of these include timescales for the actions to be implemented, although this is not requirement of the format of the risk register, and timescales are not always included.

Audit conducted by: Emily Jackson
Apprentice Internal Auditor

Audit supervised by: Andrew Howarth
Senior Auditor

Simon Lacey, Interim Chief Internal Auditor

Audit Finding	Recommendation	Management Response
Priority 2 area (Desirable for effective governance, risk management and internal control, should implement recommendations to improve existing arrangements)		
1. Timescales for Actions The risk register includes actions to address the risks, in both the 'Owner Assurance Commentary' and 'Key Projects' columns. Some of these include timescales for the actions to be implemented, although this is not requirement of the format of the risk register, and timescales are not always included. **Risk:** The timely implementation of actions would be encouraged, and be easier to review, if the actions included timescales.	The Risk Register could be adapted to include timescales for implementation of actions, where appropriate.	**Response** Agreed **Date for implementation** October 23 (F&R report) **Officer responsible for implementation** Head of Risk and Assurance / Head of Finance

Appendix 3

Nottinghamshire County Council

Internal Audit Report

Report ref: 2022-09

OFFICIAL SENSITIVE

To: **Chief Fire Officer**

Subject: **NFRS - Joint HQ Cost Apportionment**

Date: **June 2023**

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1 Introduction

1.1 We have reviewed the financial arrangements for sharing the use of the Joint HQ with Nottinghamshire Police, in particular the valuation of the property and calculation of the Fire & Rescue Service's contribution to the cost of the land and buildings, and the calculation of ongoing contributions to running costs.

1.2 The Fire & Rescue Service completed its move from its HQ at Bestwood Lodge into the existing Nottinghamshire Police HQ at Sherwood Lodge during 2022/23. The move involved the construction of a new additional building at Sherwood Lodge, to be jointly occupied by both parties.

2 Audit opinion

2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.

2.2 In our opinion the level of assurance we can provide is: -

REASONABLE ASSURANCE **Risk levels are acceptable**

2.3 This is based on our opinion that the contribution to Running Costs is a satisfactory amount; the contribution to the Building Cost is reasonable – paying a higher proportion of the expected cost whilst limiting the exposure of the Service to any risk if it overspends; the contribution to the Land Cost is based on a fair apportionment, but a lack of available information has meant that the Service cannot provide us with the evidence we would require to confirm the valuation of the land.

3 Risk areas examined

3.1 During this audit we looked for controls to address the following key risks: -

Risk title	*Description*
Approval and Legal agreement	The financial arrangements for using the Joint HQ might not be formally documented and agreed.
Valuation of land and buildings, and the Fire & Rescue Service's contribution	The valuation of the land and buildings might not be fair and independent. The contributions by the Service might be unfair.
Running costs - Fire & Rescue Service's contribution	The contributions to running costs by the Service might be unfair.

4 Audit findings

4.1 Following our work, we consider the arrangements to be effective in the following risk areas:

- Approval: Proposals to share a Joint HQ with Nottinghamshire Police were agreed by the Fire & Rescue Authority as part of the Joint Headquarters Collaboration Programme, and its approval of the costs of the Joint HQ is in the annual budgets, in particular the Capital Programme which included provision for the costs of the land and buildings.

- Legal Agreement: A Declaration of Trust Deed was signed between Nottinghamshire Police and the Fire & Rescue Authority, to set out the financial and other arrangements between the two parties. Similar legal agreements have also been put in place for other properties where there is joint use between the Fire Service and other parties. This applies both to properties owned by the Fire Service and those owned by other parties.

- Valuation - Land: The land subject to joint use at Sherwood Lodge was valued at £4 million, and the Fire & Rescue Authority paid 12.8% of this. This proportion was based on headcount figures of 120 for the Fire & Rescue Authority and 820 for Nottinghamshire Police. The valuation of £4 million was, we are informed, the average of the two valuations by each of the parties.

- Valuation - Buildings: The building subject to joint use at the Sherwood Lodge was a new build construction with an estimated project cost of £18.5 million. The Fire & Rescue Authority paid 18.64% of this up to a maximum of £3.45 million. This proportion was based on the maximum of £3.45 million that the Fire & Rescue Service's budget would allow.

- Running Costs: The Fire & Rescue Service's contribution to the running costs of the building were contractually agreed as £365,000 per year, with an annual uplift based on the consumer prices index. The £365,000 basis was a satisfactory amount based on the running costs for the Fire & Rescue Service's previous HQ at Bestwood Lodge.

4.2 However, one aspect of the arrangements may have resulted in additional risk, and for another aspect we would need further information to be able to conclude. The attached action plan sets out these aspects. A summary of these, together with brief details, is set out below.

Priority level	*Number of Recommendations*	*Recommended action timescales*
Priority 1	1	Immediate
Priority 2	1	Within two months

Priority 1 area:

- the Service cannot provide us with the evidence we would require to confirm the valuation of the land.

Priority 2 area:

- The apportionment of the building costs has limited the Service's exposure to overspend. But if costs are in line with the estimated value, the Service's contribution could be disproportionate.

Audit conducted by:
Patrick Hoban, Apprentice Internal Auditor

Audit supervised by:
Wade LowtherSenior Auditor Andrew HowarthSenior Auditor

Simon Lacey, Interim Chief Internal Auditor

Audit Finding	Recommendation	Management Response
Priority 1 area (Fundamental for effective governance, risk management and internal control, must implement recommendations to improve existing arrangements)		
1. Land Valuation We are informed that the valuation of £4 million was the average of the two valuations by each of the parties, and that the Service's valuation was obtained from a professional valuer. However we would like to see any valuation reports to confirm this. **Risk:** We cannot confirm that the valuation of the land is fair.	**We would like to be provided with any valuation reports (by both Fire and Police) to confirm that the valuation of £4 million was the average of the two valuations by each of the parties.**	**Response** We have provided some limited information but are unable to provide any more detail due to staffing changes and loss of information. **Date for implementation** May 2023 **Officer responsible for implementation** Head of Procurement & Resources / Head of Finance
Priority 2 area (Desirable for effective governance, risk management and internal control, should implement recommendations to improve existing arrangements)		
2. Contribution to building costs The building was a new build construction with an estimated project cost of £18.5 million. The Fire & Rescue Authority paid 18.64% of this up to a maximum of £3.45 million. This proportion was based on the maximum of £3.45 million that the Fire & Rescue Service's budget would allow. The maximum contribution of £3.45 million limits the exposure of the Service to any overspend. However it also meant that the 18.64% proportion contributed by the Fire Service was in excess of the 12.8% contributed to the cost of the land, which was based on headcount figures. The excess (18.64% minus 12.8% = 5.84%) represents over £1 million of the estimated project cost. **Risk:** The contribution by the Service has been capped at a maximum value. But if the costs are in line with the estimated value of £18.5 million, the Service's contribution could be disproportionate.	**When the final build cost is known the Service should assess whether fixing the contribution at 18.64% provided value for money.**	**Response** Agreed **Date for implementation** March 2024 **Officer responsible for implementation** Head of Procurement and Resources

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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