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

Date: Friday, 20 October 2023 **Time:** 10.00 am

Venue: Highfields Fire Station, Hassocks Lane, Beeston, Nottingham. NG9 2GQ

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**

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 Committee

Minutes of the meeting held at Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP on 16 June 2023 from 10.01 am - 11.34 am

Membership

Present	Absent
Councillor Liaqat Ali	Councillor John Clarke MBE
Councillor Callum Bailey	
Councillor Richard Butler	
Councillor Sybil Fielding	
Councillor Patience Ifediora	
Councillor Anwar Khan	
Councillor Roger Upton	

Colleagues, partners and others in attendance:
Candida Brudenell – Assistant Chief Fire Officer
Becky Smeathers – Head of Finance and Treasurer to the Authority
Terry Scott - Head of Procurement and Resources
Andrew Howarth – Internal Audit Team Manager
Catherine Ziane-Pryor – Governance Officer

1 Appointment of Chair for the meeting

Resolved for Councillor Patience Ifediora, Vice-Chair of the Authority, to Chair the meeting.

2 Apologies for Absence

Councillor John Clark, on other County Council business.

3 Declarations of Interests

None.

4 Minutes

The minutes of the meeting held on 31 March 2023 were confirmed as a true record and signed by the Chair, presiding at the meeting.

5 2022-23 Revenue and Capital Outturn

Becky Smeathers, Head of Finance and Treasurer to the Authority, presented the report which provides a historical update on the financial position of the Service for the 2022/23 financial year.

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

a) Initially it was anticipated that there would be a significant deficit in 2023/24 of up to £3 million which would require cost saving cuts to the Service, so recruitment was delayed until the position became clearer – this created an underspend position for 2022/23;

b) Higher than anticipated business rate relief grant was received towards the end of the year which has created a surplus £170,000;

c) Holding vacant posts resulted in an underspend on staffing, but this saving was used to fund the 7% firefighter pay award;

d) With a budget of £46 million, an underspend of £236,000 was achieved, with the proposal to transfer this sum to the following earmarked reserves:

£213,000 to the Mobilising Reserve for the Mobilising Project
£23,000 to iTrent Reserve for additional Consultancy;

e) The whole time pay underspend equated to 1.8% the whole time pay budget;

f) Transport costs were overspent by £433,000 due to the increase in fuel costs, but also vehicle maintenance costs as the replacement of appliances has been delayed and there are added complications with regard to accessing vehicle parts;

g) Table 3 of the report provides a breakdown of reserve movement during the 2022/23 financial year;

h) The costs, and gains from the apprenticeship levy are built into the budget and fund full-time training, but it is noted that the costs of training are far greater than funds received from the levy;

i) The final figure for the business rate covid relief grant has now been finalised by the billing authorities, and there is no potential for the authorities to claw back any funding already received;

j) Replacement fleet vehicles had been delayed from the initially proposed schedule as the life time of vehicles had been extended in an effort to save funds. However this has resulted in greater maintenance costs and the Service has experienced three catastrophic engine failures in vehicles which are nearly 15 years old;

k) There is a delay in the supply of appliance chassis, although initially nine months, the delay is now 18 months, but four new pump appliances are expected to be in service for April 2024;

l) Slippage for the whole year totals £980,000, but overall underspend totals £844,000.

Resolved

1) to note the contents of the report;

2) to approve the transfer of £236k of underspends to Earmarked Reserves to support ongoing projects, as identified in section 2.2 of the report:

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

3) to approve the slippage of £980km on the capital programme as detailed in Section 2.43 and Table 5 of the report.

6 Revenue, Capital and Prudential Monitoring Report to April 2023

Becky Smeathers, Head of Finance and Treasurer to the Authority, presented the report which sets out the financial performance of the Service and Prudential Code monitoring for the 2023/24 financial year, to the end of April 2023.

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

a) The Prudential limits were set in February, the report provides an update on notable variances and activity since then;

b) Table 1 in the report provides a summary of expenditure and funding, which includes a predicted underspend of £1.3 million, attributed to the following:

  i. Whole time pay underspend was forecast at £525,000, for which between 16 and 28 posts are currently vacant;

  ii. Non-uniform pay predicted a £45,000 underspend;

  iii. Pensions are expected to overspend by £16,000, but there is a forecast underspend of £33,000 for injury allowance payments;

  iv. Sales fees and charges predicted a surplus of £93,000;

  v. The income surplus of £416,000, includes secondment income, remaining government grants, protection uplift, interest receivable;

c) Further information on the capital financing costs is provided later in the agenda;

d) Table 3 of the report sets out anticipated movement in reserves;

e) With regard to the new appliances, the fourth appliance isn't expected to arrive until the new 2024/25 financial year, and so will be included in that year's budget;

f) Recruitment is ongoing and turnover of staff has returned to normal levels. However, specialist areas such as IT and finance are nationally difficult to recruit to, especially with regard to pension services and some posts have been vacant for over a year;

g) It is an aspiration for the whole of the non-operational service fleet (used by green book staff) to be electric within five years. As such, 12 stations already have electric charging points whereby staff charging their own vehicles are recharged at cost for the electricity used;

h) Progress against the decarbonisation and energy reduction program includes the purchase of five hybrid vehicles;

i) Whilst ICT programme spend has been slower than predicted, it is likely to pick up as vacancies are filled and team capacity and activity increases;

j) All Prudential indicators are in line with the limits approved;

k) Borrowing levels currently exceed the capital financing requirements as the Service borrowed early when rates were low, and is now benefiting from this advantage. A £3m loan is due to be repaid in March 24 which will bring borrowing levels back in line with the capital financing requirement at year end.

Resolved

1) to note the contents of the report, including the changes to the fire appliance capital budget outlined in sections 2.32 – 2.34 of the report;

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

7 Unaudited Final Accounts 2022/23

Becky Smeathers, Head of Finance and Treasurer to the Authority, presented the report, highlighted the following points, and responded to members questions:

a) As is required, the draft statement of accounts has been published to the website prior to the end of May and is presented to the committee for scrutiny;

b) It is anticipated that the external auditors will not be able to commence the 2022/23 audit due to ongoing issues within the audit sector, including additional auditing requirements being imposed, which require additional resources when recruitment is very difficult, resulting in delays. Audits are currently running a year behind schedule;

c) The outturn report looks at the management costs, while the audited statement looks at the full cost of providing the Service;

d) The core accounting statements provide two years' worth of information;

e) Financial Training regarding the statement of accounts can be made available to members if desired.

Resolved to note the draft Statement of Accounts for 2022/23, as attached at Appendix A to the report.

8 Home Office Efficiency and Productivity Plan

Becky Smeathers, Head of Finance and Treasurer to the Authority, presented the Nottinghamshire Fire and Rescue Service Efficiency and Productivity Plan Home Office submission for the financial year 2023/24 in response to the Home Office request for an Efficiency and Productivity Plan.

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

a) It is noted that as part of the agreement to enable the Service to increase council tax, an efficiency and productivity plan is required by the Home Office, to show that the service every effort to identify any inefficiencies and address them;

b) The efficiency and productivity plan is attached the report sets out:

   i. the financial management of the Service;
   ii. efficiencies already identified and addressed to date;
   iii. actions to support all areas of staffing identify further efficiencies and/or improve productivity;
   iv. progress against key performance indicators
   v. how the Service has sought the broader efficiency and productivity benefits of collaborative working with other fire rescue services, other emergency services, local authority and health care services;
   vi. the plan also sets out the Futures25 Efficiency Strategy for the Service;
   vii. asset management and investment in technology;
   viii. resourcing (including pay) and procurement;

c) The service will continue to seek and ensure value for money;

d) A Futures 25 phase 2 update report will be submitted to the fire authority in July 2023.

Members of the committee welcomed the document as very comprehensive and providing a useful background to the current position.

Resolved to:

1) note the content of the Efficiency and Productivity Plan for 2023/24;

2) endorse the Service's approach to delivering the plan via the Futures 2025 improvement programme;

3) agree to receive future update reports as necessary.

9 Internal Audit Annual Report 2022/23

Becky Smeathers, Head of Finance and Treasurer to the Authority, introduced Andrew Howarth, Internal Audit Team Manager, who presented the report.

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

a) Internal audits were undertaken in the following areas and overall provided an assessment of reasonable to substantial assurance:

   i. Performance Management;
   ii. Fleet Maintenance
   iii. Asset Disposals
   iv. Budget Management Risk Management
   v. Regionalisation / Joint Working
   vi. Cyber Security

b) It is noted that the Corporate Governance internal audit is postponed until the next financial year;

c) Internal audits undertaken since the last report to the Finance and resources committee, and therefore, presented in more detail, are risk management, regionalisation/joint working, and cyber security;

d) A summary of the recommendations for each audit is set out in appendix A to the report;

e) The audit plan for this year is attached as appendix C to the report and identifies the following six areas for review:

   i. Workforce planning & recruitment
   ii. Contract management
   iii. Leading the Service (National Fire Standard)
   iv. Health and safety
   v. Business continuity planning
   vi. Information security (data & physical security)

f) Any issues identified during an audit are presented with recommendations in an audit report and then action tracked for progress, with regular updates to the Chief Fire Officer. Members of the Authority would be made aware of any significant issues;

g) Senior officers can request an internal audit in a specific area to identify issues and seek solutions;

h) The proposed audit plan is not set in stone, and if concerns are raised in another work area, audit focus and priorities may change;

i) The Cardiff checks referred to in appendix C to the report refer to ad-hoc checking of invoices which are then scrutinised in detail from initiation to process completion to ensure the proper processes have been applied and there are no areas of concern or fraud;

j) With regard to staffing and recruitment, if an overspend does occur, the Service will look to address it by the end of the financial year, but there are currently external pressures such as inflation, pay and availability of suitably qualified staff.

Resolved to:

1) note the outcome of the 2022/23 Internal Auditors Annual Report;

2) note the outcome of 2 of the 3 internal audit reports completed since the last audit update report to Finance and Resources Committee, the third being considered in private, later in the meeting;

3) note the 2023/24 External Audit Plan (Appendix C of the Internal Auditors Annual Report).

10 Exclusion of the Public

RESOLVED to exclude the public from the meeting during consideration of the remaining item in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

11 Exempt Appendix to Internal Audit Report

Resolved to note the outcome of exempt audit report completed since the last audit update report to Finance and Resources Committee.

12 Sale of Former NFRS HQ Bestwood Lodge

Terry Scott, Head of Procurement and Resources, presented the report which provides an update on the sale of the former Fire and Rescue Headquarters at Bestwood Lodge.

Resolved to approve the recommendations as set out on the report.

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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 AUGUST 2023

Report of the Chief Fire Officer

Date: 20 October 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 August 2023.

Recommendations:

It is recommended that Members:

- Note the contents of this report.
- Approve the plans and virements for using £927k of the forecasted underspends, as outlined in Sections 2.2 – 2.3.
- Approve the £38k virement relating to the Building Safety Regulator grant and the associated post (Section 2.4).
- Approve the transfer of the £147k Fire Protection Uplift grant to earmarked reserves (Section 2.13).

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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 £48.714, which is an £1.477m underspend against the revised budget of £50.191m. 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 is not required. The revised budget reflects the planned use of £227k 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	50,191	48,714	(1,477)
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	1,074	1,074
Earmarked Reserves	(404)	(630)	(227)	403
Total	**0**	**0**	**0**	**0**

2.2 The majority of the underspends relate to four areas: uniformed pay, interest receivable, recovered costs and minimum revenue provision (MRP). It is proposed that some of the pay underspends are utilised to resource the plans to increase the number of wholetime staff. Approval is therefore sought for the following virements:

Resourcing of Wholetime Recruitment

	£
Additional trainer courses	25,000
ICL2 courses for SM recruitment process	9,000
Additional HR staffing	20,000
Additional occupational health costs	5,000
Positive action costs	25,000
Application outsourcing	5,000
Venue costs	3,000
Total	**92,000**
Funded from: Wholetime pay	**(92,000)**

2.3 The remaining underspends provide the Authority with an opportunity to undertake some improvement works and projects that will result in budget savings in future years. The following virements are proposed (see Appendix D for further details of the projects):

Proposals to Utilise Underspends

	£
Training tower remedial works	200,000
ICT support	25,000
Ashfield PODs (capital expenditure)	260,000
BA wash facilities	160,000
RMS server costs (capital expenditure)	100,000
Leadership training	25,000
Personal issue dry suits (capital expenditure)	65,000
Total	**835,000**
Funded by Virements From:	
Minimum Revenue Provision	(212,000)
Interest receivable	(236,000)
Wholetime pay	(143,000)
On-call pay	(150,000)
Recovered costs	(94,000)
Total	**(835,000)**

2.4 The Building Safety Act (2022) places new requirements on Fire and Rescue Authorities. Under the new regime, Fire Protection officers provide assistance to the work of the Building Safety Regulator (BSR) which will regulate higher-risk buildings through a multi-disciplinary approach led by the Health and Safety Executive. The Authority is receiving grant funding from the Home Office to cover the cost of an additional Fire Safety Inspecting Officer who will assist the BSR. Approval is sought for a £38k virement to create an expenditure budget for the salary costs and an income budget for the grant.

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

WHOLETIME PAY

2.6 Wholetime pay is forecasted to underspend by £460k in total. At the end of August the number of posts was 28.4 FTE below the approved establishment. The Assistant Chief Fire Officer is overseeing plans to increase the number of wholetime staff. 12 new apprentices have started a training course in September, and another training course will be held in April 2024. We are also expecting to recruit 15 transferees from other services between October 2023 and January 2024. Overtime is being used to cover the ridership in the short term. If approval is given for the virements outlined in sections 2.2 and 2.3, the underspend will be reduced to £225k.

ON-CALL PAY

2.7 On-call pay can vary significantly from month to month depending on levels of activity and so it can be difficult to forecast with certainty. At this stage it is expected that the on-call pay budgets will underspend by £266k. The largest variances relate to incident related costs, which are expected to underspend by £117k. The number of mobilisations can be highly variable, and the figures for quarter 1 of 2023/24 are 20% lower than the same period last year. Other areas of underspend include payments relating to modified duties and sick pay (£77k), and drills and training (£69k). If the virements outlined in section 2.2 are approved, the underspend will be reduced to £116k.

NON-UNIFORMED PAY

2.8 Non-Uniformed pay is expected to underspend by £113k due to vacancies in the establishment. If approval is given for the virement relating to the grant funded Fire Safety Inspecting Officer post (see paragraph 2.3), the underspend will be increased to £151k. The pay award for non-uniformed staff has not yet been agreed, so the estimated outturn may change when the final settlement is known.

PENSIONS

2.9 The pension budgets are expected to overspend by £38k overall. The largest variance relates to injury gratuity payments, which has a forecasted overspend of £24k.

TRANSPORT RELATED COSTS

2.10 There is expected to be a net underspend of £6k. Significant variances include:

- A £70k underspend relating to fuel. Fuel prices have reduced, with year-to-date prices being around 18% lower than the average price in 2022/23.
- A £30k overspend on unplanned fleet maintenance. This is due to an ageing fleet and unscheduled repairs to water and foam tanks.

SUPPLIES AND SERVICES

2.11 The supplies and services budgets are expected to overspend by £46k. The most significant variance is a £42k overspend relating to Firelink contract charges. The contractual price increases are linked to RPI inflation. In 2023/24 the prices have increased by 13.5%, which exceeds the 5% budgeted increase.

SALES, FEES AND CHARGES

2.12 There is an expected surplus of £97k. This mainly 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. If the virements outlined in section 2.2 are approved, the expected surplus will be reduced to £3k.

OTHER INCOME

2.13 There is an expected surplus of £441k. 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 £169k net surplus relating to government grants. This is comprised of a £16k deficit relating to the Firelink grant, a £38k grant relating to the Building Safety Regulator (BSR) and a £147k Protection Uplift grant. The £147k Protection Uplift grant is in addition to £464k received between 2020/21 and 2022/23. The Authority must demonstrate how it intends to spend this funding in the medium term, but it is not required to spend the funding in the year in which it is received. Medium term spending plans have been put in place for this grant, and the £147k received in 2023/24 will not be spent in this year. Approval is therefore sought to transfer this funding to earmarked reserves. If the BSR grant virement proposed in section 2.3 and the transfer of the Protection Uplift grant to earmarked reserves are both approved, the only remaining variance will be the £16k deficit relating to Firelink.
- There is an estimated surplus of £236k 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. If approval is given for the virement proposed in section 2.2, the surplus will be eliminated.

CAPITAL FINANCING COSTS

2.14 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. It is proposed that this underspend is used to fund new improvement works (see section 2.2 for details).

RESERVES

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

2.16 Expected levels of reserves at 31 March 2024 are £11.1m before any approved virements. If the virements are approved in line with the recommendations of this report, the expected level of reserves will be £10.2m as detailed in Table 3 below.

Table 3 – Anticipated Movement in Reserves 2022/23

Reserves	Balance 01/04/23 £'000[1]	Anticipated Use 2023/24 £'000	Expected Balance 31/03/24 £'000	Expected balance at 31/03/2024 if recommendations are approved
Net contributions from earmarked reserves	5,236	(227)	5,009	5,156
General Fund	4,961	1,074	6,035	4,961
Total	**10,197**	**847**	**11,044**	**10,117**
ESMCP[2] Regional Reserve	101	0	101	101
Total	**10,298**	**847**	**11,145**	**10,218**

[1] The opening balances are still subject to external audit and are therefore provisional.
[2] Emergency Services Mobile Communications Programme

2.17 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).

2.18 The general reserve is predicted to be £6.035m at the end of the financial year (£4.961m if recommendations are approved), both of which are above the minimum level of £4.5m general fund reserve agreed by Fire Authority in December 2022.

CAPITAL PROGRAMME

2.19 The current approved 2023/24 Capital Programme is £8.583m. The total capital spend to the end of August 2023 was £796k. The current capital programme is shown at Appendix C. The most significant areas of variances are detailed below.

ICT

2.20 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. The mobile computing, and Mobile Data Terminal (MDT) replacement projects have been merged into the replacement equipment budget, to come in line with the spending objectives of the ICT section.

2.21 Replacement Equipment £520k – The budget will fund any replacement equipment that is required to keep the equipment robust and sustainable. The more significant projects include Software Replacement for the Wide Area Network (WAN) which is required for mobilising (£120k), laptop replacement (£100k) and devises on appliances (£90k).

2.22 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 in the year. Progress on the project will be reported as the project progresses.

2.23 The Cyber Security project is awaiting the appointment of a consultant to implement the system. Progress on the project will be reported to members as the project progresses.

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

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

2.26 The Replacement Mobilising System was added to the Capital Programme at Fire Authority on 23 September 23. This is the 2023/24 anticipated cost of the project. There are some elements of the project that are still out to tender. The future year capital costs for the overall project will be included in the Medium Term Financial Strategy and budget reports.

ESTATES

2.27 Worksop Station was opened in May 2022, and is fully operational all the works and retentions have been paid, a further £25k is expected to resolve the heat pump technology issue. This can be contained in the remaining budget.

2.28 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. Designs for 9 stations are now complete and internal reviews are taking place, at least 9 will be going out to procurement this financial year. The £500k is expected to be spent by the end of the year.

2.29 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 work is out to procurement with tenders expected mid-September. The project is on target with the contractors to be appointed early October.

2.30 Electric Charging Points – (£25k) 2023/24, (£100k) 2024/25. This is for the cost of the installation of vehicle charging points throughout the estate. In addition, funding has been secured from D2N2 shared public sector charging network for 4 sites, orders will be raised for this work and a refund for the work will be received on proof of completion. These will be added to the programme once costs are known.

2.31 The offer we accepted from for the sale of Joint Head Quarters has now formally fallen through and the site is being re-marketed.

2.32 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. A further analysis of indirect carbon use such as supply chain usage is planned to be commissioned early summer. Works to reduce energy and decarbonise the estate will be identified and planned to be undertaken early 2024 to March 2025.

EQUIPMENT

2.33 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 will be slipped into 2024/25.

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

2.35 A capital grant previously received for Marauding Terrorist Attack (MTA) equipment is held in the Capital Grant Unapplied reserve. This will purchase the Digital Voice Recorders and MTA Training Skeds.

TRANSPORT

2.36 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 and the blue lights fitted. The delivery of the 2 vans is expected November 2023. Orders have now been placed for the Assistant Chief Officers' car, this has a 6 months lead time and is expected to be delivered before the end of the financial year at this stage. The order for the Chief Officers car has yet to be placed therefore this may slip into the new financial year.

2.37 Fire Appliances (£2.840m 2023/24, £2.820m 2024/25) Angloco Ltd have recently issued a revised build programme for the 17 new pumping appliances which shows a quicker than expected delivery of the chassis from Scania, with all 17 chassis now arriving at Angloco by the end of October 2023. This has capital budget implications as the 2023/24 budget for this project only accounted for 12 to be delivered. The revised forecast spend for this FY is now £3.410 (including equipment) up from the original forecast of £2.8m. The programme also indicates that only one appliance will be fully completed and delivered into service this year (March 2024). The remaining 16 are forecast to be fully completed and in-service by December 2024. The additional funding will be partially offset by delayed expenditure other projects, and permission will be requested to bring forward the budget in 2024/25 if required this will be requested in the January report when further delivery information will be available.

2.38 An area of risk has been identified with the contract pricing. Angloco Ltd have submitted an increase in costs rising by CPI inflation of 10% meaning an approximate uplift of £30k per Appliance, this has been escalated for Legal advice to challenge the cost increase and a solicitor's letter issued to Angloco Ltd.

2.39 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. Depending on the timings of deliveries of both appliances and equipment, it may be necessary to bring forward the £141k from the 2024/25 programme to allow the Service to take advantage of the change in circumstances. An update will provided at the January meeting of this Committee along with a request to bring the budget forward if necessary.

2.40 The appointment of a delivery and build contractor for these two Aeriel Ladder Appliances (ALPS) is still pending, which presents a risk that the chassis won't be delivered and invoiced this financial year, this may result in £1.1m being slipped into 2024/25 however further information will be known once the tendering exercise is completed, which is planned for October / November 2023.

2.41 The chassis for the Command Support Unit (CSU) is on programme to be delivered to the build contractor in October 2023. The fitting of ICT equipment continues to be scoped with the provider. The body build is out to tender, this project may slip into 2024/25.

2.42 Rural unit - The internal wildfire working group continues to explore the needs of the Service including equipment, personal protective equipment (PPE), vehicle provision, and training. A project board meeting took place in September, and the group continues to explore the options. The allocated budget for a rural unit or provision of equipment is still anticipated to be to be used in-year at this stage. Further updates on the project will be reported in the next budget monitoring report.

PRUDENTIAL CODE MONITORING

2.43 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.

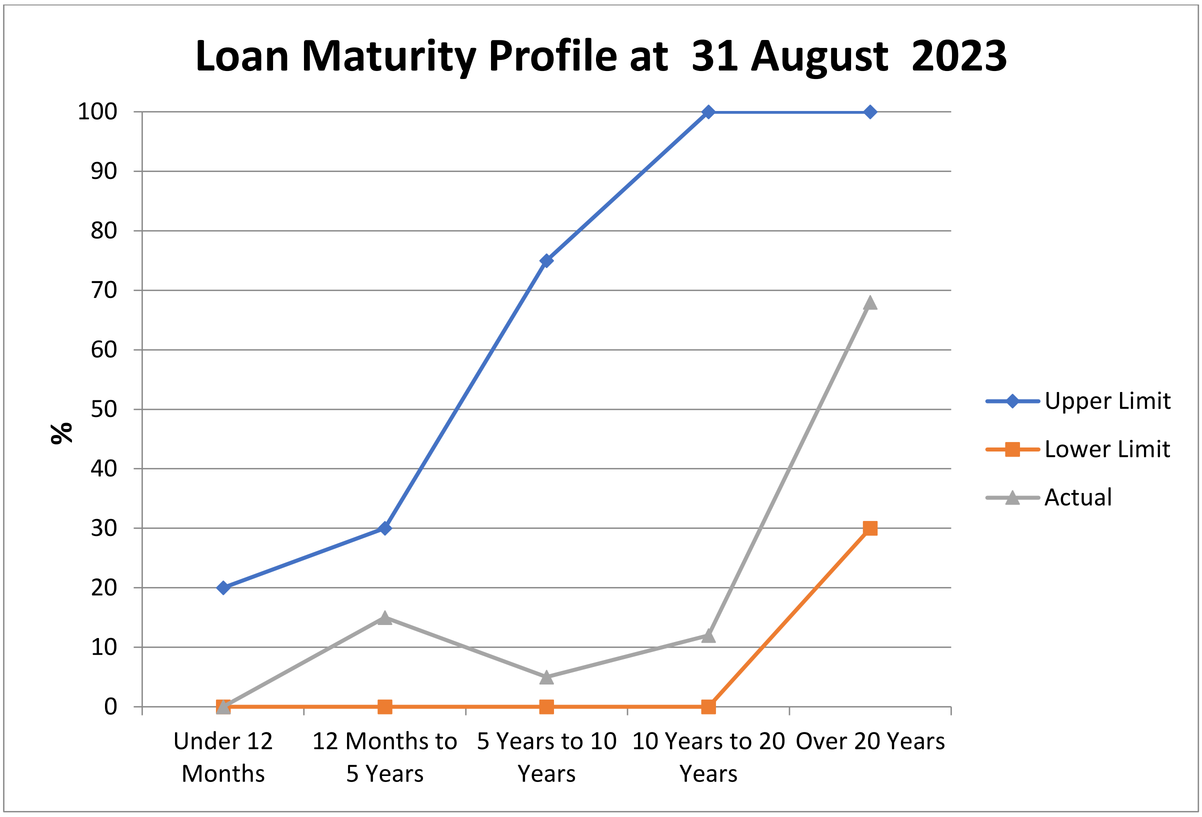
2.44 The approved indicators along with performance as of 30 April 2023 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Table 4 - Prudential Code Monitoring

Prudential Indicator	Approved Indicator	As of 31 August 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%

2.45 The total borrowing at the end of August 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.

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



2.47 Investments as of 31 August 2023 totalled £17.5m. Investment rates are monitored by a benchmarking group including councils and police which is supported by Link Asset Services. As at the end of June 2023, NFRS weighted average rate of return was 3.98%, compared with a group average of 4.55%.

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.

10.2 Approve the plans and virements for using £927k of the forecasted underspends, as outlined in Sections 2.2 – 2.3.

10.3 Approve the £38k virement relating to the Building Safety Regulator grant and the associated post (Section 2.4).

10.4 Approve the transfer of the £147k Fire Protection Uplift grant to earmarked reserves (Section 2.13).

Craig Parkin
CHIEF FIRE OFFICER

APPENDIX A

REVENUE BUDGET MONITORING POSITION AS AT 31 AUGUST 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	40,191	15,718	39,405	(786)
Premises	4,111	4,111	2,295	4,130	19
Transport	2,220	2,221	1,006	2,215	(6)
Supplies & Services	4,392	4,357	3,123	4,403	46
Third Party	951	951	(18)	951	0
Support Services	171	171	80	171	0
Capital Financing Costs	2,692	2,692	230	2,480	(212)
Fees and Charges	(425)	(425)	(95)	(522)	(97)
Other Income	(4,088)	(4,078)	(1,624)	(4,519)	(441)
Net Cost	**49,965**	**50,191**	**20,715**	**48,714**	**(1,477)**
Financed by:					
Revenue Support Grant	(6,189)	(6,189)	(3,563)	(6,189)	0
Non-Domestic Rates	(11,286)	(11,286)	(4,820)	(11,286)	0
Council Tax	(29,746)	(29,746)	(11,898)	(29,746)	0
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	0
Business Rates Covid Relief Grant	0	0	0	0	0
Earmarked Reserves	(404)	(630)	(227)	(227)	403
General Reserve	0	0	0	1,074	1,074
Funding Total	**(49,965)**	**(50,191)**	**(22,848)**	**(48,714)**	**1,477**
Total	**0**	**0**	**(2,133)**	**0**	**0**

APPENDIX B

ESTIMATED RESERVE POSITION AT 31 August 2023

Reserve	Opening Balance* 01/4/23 £'000	Movement During 2023/24 £'000	Closing Balance 31/3/24 £'000	Closing balance 31/03/2024 if recommendations are approved £'000
Resilience Crewing and Training	36	0	36	36
Prevention Protection and Partnerships	261	(51)	210	357
Business Systems Development	59	0	59	59
Transformation and Collaboration	360	0	360	360
Operational	480	0	480	480
Covid-19	15	0	15	15
ESN Reserve	1,620	(2)	1,618	1,618
Headquarters move	49	0	49	49
Budget Pressure Support	1,125	0	1,125	1,125
Efficiency Programme	900	(174)	726	726
Other	370	0	370	370
Estates	62	0	62	62
Total	**5,337**	**(227)**	**5,110**	**5,257**
General Reserve	4,961	1,074	6,035	4,961
Total Reserves	**10,298**	**847**	**11,145**	**10,218**

*Provisional opening balance figures

APPENDIX C

CAPITAL - BUDGET MONITORING REPORT – 31 AUGUST 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	138	(208)	346
Rescue Pumps	2,840	293	(2,547)	2,840
Rural Unit	100	0	(100)	100
	4,641	**431**	**(4,210)**	**4,641**
Equipment				
Replacement Duty Rig	100	0	(100)	0
Gas Tight Suits	50	0	(50)	50
BA Quick Connect Cylinder Valve	50	50	0	50
Digital Voice Recorders (MTA Grant)	12		12	12
	212	**50**	**(162)**	**112**
Estates				
Access and Inclusion	500	0	(500)	500
Training Development Centre	500	7	(493)	500
Electric Vehicle charging points	25	0	(25)	25
Estate Energy Reduction and Decarbonisation	50	0	(50)	50
Worksop Fire Station	192	115	(77)	142
Joint Head Quarters	230	136	(94)	230
	1,497	**258**	**(1,239)**	**1,447**
IT & Communications				
Replacement Equipment	520	90	(430)	520
CFRMIS Quick Screens	100	0	(100)	100
CFRMIS Accessibility	150	0	(150)	150
Cyber Security	46	12	(34)	46
Appliance Handheld Airwave Radio Addition	30	0	(30)	40
Payroll, Finance and Occy health Upgrade	30	(2)	(32)	30
Airwave - Mobilisation system DCS	60		(60)	60
ICT Sharepoint Internet/Intranet	13		(13)	13
Tri-Service Control Project	103	(57)	(160)	103
Cloud Migration	30	7	(23)	30
ESMCP Grant from DCLG (ESN)	41		(41)	41

Scheme	Revised Budget 2023/24 £'000	Actual Expenditure 2023/24 £'000	(Under) / Overspend £'000	Forecast Outturn 2023/24 £'000
Emergency Services Mobile Communication Programme ESN	100		(100)	100
Tri Service Mobilisation Infrastructure Replacement	40		(40)	40
Replacement Mobilising System	970	0	(970)	970
Rostering	0	7	7	7
	2,233	**57**	**(2,176)**	**2,250**
Total	**8,583**	**796**	**(7,787)**	**8,450**
Financed by:				
Capital Grant	12	0		12
Capital Receipts	3,310	0		3,310
Revenue Contribution to Capital and Earmarked Reserves	10	10		10
Borrowing	5,251	786		5,118
Total	**8,583**	**796**		**8,450**

DETAILS OF PROPOSALS TO UTILISE UNDERSPENDS

Training Tower Remedial Works

Following recent condition surveys on Station Training Towers some of the older towers require remedial structural repairs placing some towers out of use. The cost of the repairs is higher than expected and are not accounted for in the 2023/24 estates planned maintenance plan.

ICT Support

This is to support a 6 month Fixed Term Contract to provide technical ICT support to the replacement mobilising system project.

Ashfield PODs

These are individual changing areas, toilet and wash facilities as part of the access and inclusion project. This project has been brought forward to bring it in line other wholetime stations.

Breathing Apparatus (BA) Wash Facilities

This relates to a project to improve cleaning facilities across the service for BA kits which will contribute the minimisation of contaminates.

RMS Server Costs

The contract for the new mobilising system has now been awarded. The system will require servers to be hosted within our own premises rather than on the cloud. The exact requirements are in the process of being drawn up, so accurate costs are not yet known. A £100k budget provision has been estimated, although this is likely to change as more information becomes available.

Learning and Development

Additional investment in management development and investigation training.

Personal Issue Dry Suits

The provision of Personal Issue Drysuits improves safety for crews at Technical Rescue stations and reduces the risk of NFRS contravening Health & Safety legislation. Following an incident in 2018, the HSE found that West Midlands Fire & Rescue Service (WMFRS) had contravened the Health and Safety at Work Act 1974 by failing to sufficiently recognise the risks presented by incorrectly sized latex seals of drysuits worn by technical rescue personnel. WMFRS was also found to have breached the Personal Protective Equipment at Work Regulations 1992 and contravened the Management of Health & Safety at Work regulations 1999. The provision of personal issue drysuits also provides the opportunity for NFRS to meet recommendations laid out by the Department for Environment, Flood and Rural Affairs in their Flood Concept of Operations regarding the provision of a toilet access zip.

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

CORPORATE RISK MANAGEMENT

Report of the Chief Fire Officer

Date: 20 October 2023

Purpose of Report:

To provide Members with an overview of the Corporate Risk Management Process, including the current version of the Corporate Risk Register.

Recommendations:

It is recommended that Members:

- Endorse the Service's approach to managing the key risks to the Authority;
- Note the most recent version of the Corporate Risk Register attached at Appendix A.

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Media Enquiries Contact	Corporate Communications Team 0115 8388100 corporatecomms@notts-fire.gov.uk

1. BACKGROUND

1.1 This report provides an overview of the current levels of risk facing the Authority.

1.2 At the Finance and Resource Committee meeting in April 2023, it was agreed to return the frequency of this report back to six monthly. This followed a reduction in the overall levels of risk facing the Authority against previous reports.

1.3 The Service continues to follow a robust risk management process, enabling the consideration of key external and internal risks as part of the management decision-making process.

1.4 By establishing a systematic approach to identifying, assessing and managing risk, Nottinghamshire Fire and Rescue Service (NFRS) intends to continually improve the Authority's governance, increase accountability and enhance overall performance.

2. REPORT

2.1 The Authority's Corporate Risk Register (CRR) details those risks that are significant enough to warrant oversight by a Principal Officer. Specific risk control measures are put in place to reduce the likelihood and/or impact of a risk occurrence where this is felt to be practicable and/or appropriate.

2.2 A copy of the Service's CRR can be found at Appendix A. This has undergone a full review in each of the risk areas.

2.3 Much of the risk to the Authority is driven by external forces. For example, budgets, the firefighters pension scheme, and mobilising.

2.4 A high level summary of current risks facing the Authority, based on the residual risk ratings, is as follows:

Risk Reference	Risk title	Risk Rating	Change in risk
Risk 3	Mobilising	16 very high	No change
Risk 1	Balanced budget	12 high	Reduced from 16- VH
Risk 2	Firefighters Pension Scheme	12 high	Reduced from 16- VH
Risk 15	Service reputation	12 high	No change
Risk 6	Preventable deaths	10 high	No change
Risk 4	Employee engagement	9 high	No change
Risk 5	Workforce sustainability	9 high	No change
Risk 7	Health, safety and welfare	8 medium	No change
Risk 9	Availability of resources	8 medium	No change

EXCEPTION REPORTING: RISK AREAS DEEMED 'VERY HIGH'

2.5. Members will be aware from the last report, that when the Risk Register was last reported to this Committee there were three areas of risk reporting at the highest level of 'very high' – balanced budget, Firefighters Pension Scheme and mobilising.

2.6. The budget position is in a stronger place than last year, largely due to the 2023/24 £5 increase in Council Tax which provided the Authority with an additional £1.6m funding. The likelihood for the need for significant cuts in 2024/25 to balance the budget has been reduced from 4 to 3, giving an overall reduction of risk to High.

2.7. The Firefighters Pension Scheme is also showing a reduced risk level of High. This is due to the legislation for both the McCloud and Matthews remedies being passed by Parliament which has reduced the uncertainty around both areas of work.

RISK 3: MOBILISING

2.8 The risk of mobilising remains 'very high'. This is due to the challenging circumstances with the Tri-Service's current mobilising system, the resource requirements to manage the procurement and implementation of a replacement mobilising system, and the disaggregation of Leicestershire Fire and Rescue Service from the current Tri-Service Control arrangement.

2.9 All of the workstreams associated with mobilising come under the governance of a specific project board led by the Assistant Chief Fire Officer responsible for strategic collaboration. These workstreams also have individual project risk registers to allow for the active monitoring of specific risks.

RISK MONITORING

2.10 There are no new risk areas facing the Authority since the previous report.

2.11 All risk areas have been reviewed and whilst some of the specific areas of risk, and the specific control measures have changed, the risk ratings have remained the same as previously reported. As such there is no escalation or de-escalations to report.

ASSURANCE

2.12 Risk management formed part of the 2022/23 audit programme. The audit report was presented to this Committee in June 2023. It provided an opinion of 'substantial assurance', concluding that:

- 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.

2.13 ‘Substantial assurance’ is the highest level of assurance that can be awarded.

3. FINANCIAL IMPLICATIONS

3.1 All the risks identified have the potential to have financial implications. Where these can be quantified and known to be likely, these are built into the Authority’s budgets, as are the costs of any mitigating actions.

3.2 The Reserves Strategy is reviewed annually as part of the Medium-Term Financial Strategy. Reserve levels are set at a level appropriate to the risk that the Authority faces. The Corporate Risk Register is a key consideration when setting the General Fund Reserve minimum level.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are a number of risks which have human resource implications, notably Risk 4 – employee engagement and Risk 5 – workforce sustainability. The risk overview and mitigations are detailed in the Corporate Risk Register attached at Appendix A.

5. EQUALITIES IMPLICATIONS

5.1 An equality impact assessment has not been undertaken because this report consolidates existing work streams.

5.2 Risk 15, Service Reputation, links to the national reports of culture within a number of fire and rescue services. The Service has an action plan in place to address the findings of the national 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

The failure of the Authority to effectively manage the risks to which it is exposed poses a risk, particularly where there is a systemic failure. Risk management is a key element of the corporate governance framework and it is imperative that risk identification and management is both up-to-date and embedded in the decision-making, governance and scrutiny processes of the Authority.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Endorse the Service's approach to managing the key risks to the Authority.

10.2 Note the most recent version of the Corporate Risk Register attached at Appendix A.

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

None.

Craig Parkin
CHIEF FIRE OFFICER

Corporate Risk Register

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

October 2023

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Corporate Risk Register

The Corporate Risk Register provides information on the very high and high risks in the Service. The document also assesses the likelihood and impact of each risk.

Index

Introduction

Nottinghamshire Fire and Rescue (NFRS) Corporate Risk Register (CRR) is used to identify, analyse and prioritise those risks that may affect the ability of the Service to achieve its Strategic Objectives, as detailed within the Community Risk Management Plan (CRMP).

The following Matrix is used to assess the level of risk posed to the service. Risks which pose a high or very high risk are recorded, managed and monitored via the corporate risk register with oversight at a Strategic Level.

LIKELIHOOD.						
	5	Medium	High	V High	V High	V High
	4	Medium	High	V High	V High	V High
	3	Medium	Medium	High	High	High
	2	Low	Low	Medium	Medium	Medium
	1	Low	Low	Low	Low	Low
		1	2	3	4	5
		IMPACT				

Likelihood		
Rating	**Score**	**Likelihood issue will occur**
Almost Certain	5	Almost certain within the coming year.
Likely	4	Very likely to occur in coming year
Possible	3	More likely than not in coming year
Unlikely	2	Potential, but not often
Rare	1	Little evidence of occurrence
Impact		
Rating	**Score**	**Impact of issue occurring**
Severe	5	Permanently or long disruption
Major	4	Medium-term disruption
Moderate	3	Short term disruption
Minor	2	Day to day management
Negligible	1	Little or no impact on Service

Residual Risk Rating

Risk Rating	Very High	High	Medium	Low

Likelihood	Impact 1	Impact 2	Impact 3	Impact 4	Impact 5
5					
4				**3** Mobilising	
3			**4** Employee engagement **5** Workforce sustainability	**1** Budgets **2** Pensions **15** Service reputation **9** Availability of resources	
2				**7** Health, Safety and Welfare	**6** Preventable Deaths
1					

NOTTINGHAMSHIRE Fire & Rescue Service
Creating Safer Communities

Risk 1	Inability to set a balanced budget and to contain spending within existing budgets

CRMP: Strategic Goal 6: We will manage and invest in our Service to ensure it is fit for the future.

Risk Owner: Head of Finance (on behalf of the CFO)

Risk Description	Owner Assurance Commentary	Key Projects
Medium term risk of not being able to set a balanced budget due to uncertain funding position and economic climate. Key risks are: • One year funding settlement • General Election creating political uncertainty • Inflation uncertainty • Pay award uncertainty • Reliance on one off grants • Cost of Living Crisis • Risk of not delivering savings through Efficiency Strategy • Current vacancy in Head of Finance role creates a knowledge gap and potential lack of overview of the budget process.	MTFS to consider all aspects of funding and expenditure – to be reported to Fire Authority in December 2023. A one year funding settlement is expected for 2024/25 which leaves uncertainty over funding beyond this. The General Election is expected during 2024 which could lead to political change for financial years 2025/26 onwards. Careful use of reserves to provide resource to support and deliver Futures 2025 Efficiency Strategy to enable a balanced budget to be set in future years. Participation in devolution discussions to protect financial position of the Authority. Rigorous budget monitoring procedures in place. Budget monitoring reported regularly to SLT and Finance and Resources Committee.	Futures 2025 Efficiency Strategy Phase 2. Reserves Strategy. Medium-Term Financial Strategy (MTFS). Capital Strategy Treasury Management Strategy / Prudential Code Comprehensive Spending Review Implementation of McCloud remedy (see Risk 2) Appointment to Head of Finance / Treasurer role

Inherent Risk Score						Residual Risk Score					
Likelihood	3	Impact	4	Total	12(H)	Likelihood	3	Impact	4	Total	12 (H)

Risk 2	**Firefighter’s Pension Scheme – impact of McCloud remedy and Matthews / O’Brien Case.**	
CRMP: Strategic Goal 6: We will manage and invest in our Service to ensure it is fit for the future.		
Risk Owner: Head of Finance (on behalf of the CFO)		
Risk Description	**Owner Assurance Commentary**	**Key Projects**
Although legislation has now been laid before parliament there remain some uncertainties around how to implement some of the more complex areas. There remains a lack of national guidance in some areas of the legislation. Increased complexity and additional associated workload for NFRS staff and pension administration will have impact on ability to meet the 18-month deadline for implementation. There is a national shortage of skilled personnel in this area, and it is expected that the Service will experience significant difficulties in appointing staff with appropriate knowledge to implement the legislation. There is a risk that national advice will not be in place in order to implement all aspects of the legislation. The service may not be able to deliver a timely and accurate pension administration service.	Legislation has now been laid before Parliament for both the McCloud remedy and Matthews / O’Brien case. Both pieces of legislation became live from October 23. This has reduced the uncertainty and risk level related to these cases. It also reduces the risk of test legal claims against the Authority. The Service now has 18 months to ensure that the legislation is implemented. The Service’s Pension Scheme Administrators – West Yorkshire Pension Fund (WYPF) provide services to about half of the Fire Services and have significant specialist knowledge which NFRS has access to. Use of shared pension expertise with Leicestershire and Derbyshire Fire Services. Budget provision for additional internal pension resources, although this is proving difficult to source. Approval of a fixed term role within POD team to manage the administration of the Matthews/McCloud exercise which is likely to be a 2-year project commencing October 23. The Payroll team has been restructured to reflect the increasing workload relating to pensions.	Implementation of McCloud remedy. Monitoring of situation by Scheme Manager and Local Pension Board. Regular updates to Policy and Strategy Committee. Involvement of Head of Finance and scheme administrators at national level. Review of pension resources

The national costs of implementing the remedy are likely to be significant and some of these are expected to fall to individual Fire Authorities.											
Inherent Risk Score						**Residual Risk Score**					
Likelihood	**3**	**Impact**	**4**	**Total**	**12(H)**	**Likelihood**	**3**	**Impact**	**4**	**Total**	**12(H)**

Risk 3	Mobilising	
CRMP: Strategic Goal 3: We will respond immediately and effectively to emergency incidents.		
Risk Owner: Assistant Chief Fire Officer: Strategic Collaboration Lead		
Risk Description	**Owner Assurance Commentary**	**Key Projects**
Service is unable to receive and act on emergency calls in contradiction of statutory duty.	The Service's current mobilising supplier remains under the supervision of the French Courts (last court visit 12 September 2023), due to challenging financial and operational environments, consequently increasing the risk of mobilisation failure.	Tested BCPs exist where alternative mobilising arrangements are in place, reliance on communication equipment is critical and therefore such equipment must be maintained operationally robust and resilient.
Systel mobilising system - inability to maintain a mobilising system	The ongoing situation is monitored by the Tri-Service Executive Board, with legal, contractual, and technical workstreams being undertaken to reduce and mitigate risk. Systel return to the French Courts 26 September 2023 Joint Fire Control has business continuity plans in place for failure of mobilising system and other disruptive events. These plans are practiced on a regular basis due to numerous live events.	Familiarity and BCP confidence has developed within control rooms, continual support and communication to be provided to control staff. Testing and exercising schedule in place and reviewed annually. Systel situation, monitoring ongoing by the Tri-Service Exec Board
Replacement Mobilising System (RMS) Failure to procure and deliver new mobilising system	Leicestershire Fire and Rescue Service (LFRS) are withdrawing from Tri-Service arrangements by the end of the current contract with Systel in Oct 24. As a result, this adds further complications to both existing and future working arrangements, increasing the level of complexity in the current contract, due to the steps required to disaggregate current tri arrangements. Work will need to be undertaken to disaggregate LFRS from current arrangements. Replacement Mobilising System – a current project is underway to specify and procure a new mobilisation system. Initially the project was a Tri-Service Project, however, LFRS have withdrawn from the project. Derbyshire and Nottinghamshire continue to proceed with the project, the	Replacement Mobilising System has dedicated project and governance framework, which reports into both Derbyshire and Nottinghamshire FRS's and Fire Authorities. A disaggregation working group has been established, which will report into existing Tri-Service governance. The group will oversee the disentanglement of LFRS from the tri-service. A BCM working group has been established to oversee changes in the provision of both the mobilising system and working arrangements and their impact on BCM practices/arrangements, to ensure the appropriate level of resilience.

	project risks have been exacerbated by both the withdrawal of LFRS and the challenging operating conditions with Systel. The current mobilisation suppliers' market is challenging, due to the limited number of suppliers and the increased in demand for new mobilisation systems. This could have a negative impact on both cost and quality of any proposed solution, and the procurement process.	A temporary Assistant Chief Fire Officer has been appointed to protect the interests of both DFRS and NFRS, and to oversee all mobilisation interrelated workstreams.

Inherent Risk Score						**Residual Risk Score**					
Likelihood	**5**	**Impact**	**5**	**Total**	**VH (25)**	**Likelihood**	**4**	**Impact**	**4**	**Total**	**16 (VH)**

Risk 4	**Employee engagement**

CRMP: Strategic Goal 4: We will continue to support and develop our workforce and promote an inclusive Service, further supports the Service commitment to EDI.		
Risk Owner: Assistant Chief Fire Officer: Corporate Services		
Risk Description	**Owner Assurance Commentary**	**Key Projects**
Negative employee relations. Risk that the Service will be unable to effectively deliver high quality services or improvements due to a lack of employee engagement and/or low morale. Lack of connection with under-represented employees within our workforce potentially leading to discontent and disengagement Potential for post ballot industrial relations issues. The outcomes from the Firefighter national pension tribunals (McCloud and Matthew cases) may result in individual or collective changes which could result in IDRP, pension ombudsman or High Court or Tribunal Claims. Proposed changes to the crewing model and associated changes to the collective agreement present a period of change that may present some risk to this area of employee engagement.	Engagement through Panels with the JCNP arrangements. SLT champion positive engagement with staff and representative bodies using a variety of channels. Organisational Development and Communications strategy focus upon staff engagement. Promotion and support of employee networks to influence and feedback on key issues. Continual dialogue with the representative bodies to de-escalate any local issues. Pension issues are being managed through the Pensions Scheme Manager to mitigate any risks, deal with issues as they arise and referral of policy decisions to the Fire Authority and reports to the Pension Board. The Service engages with the LGA (Fire Pensions Team) and national legal advisors for guidance on application and interpretation of the Regulatory process. Employees or retired members will be kept informed and contacted in relation to their situation. Proactive engagement with personnel, rep bodies and a clear and proactive comms plan will assist in mitigating this element of risk associated with proposed changes. Response will utilise tried and tested approach to consultation and engagement in relation to the relocation of personnel. Personnel moving to Ashfield, to facilitate the required crewing numbers, have been identified, selected and	Open communications including effective use of technology to publish key decision minutes. Ensure engagement with employee networks. 2 -yearly employee survey to identify areas for improvement and address via action plan. Employee networks Management of pensions changes arising from changes to regulations. 'Resourcing to Risk' project

	informed with no grievances received or raised. Further engagement will continue to support this approach.										
Inherent Risk Score						**Residual Risk Score**					
Likelihood	**4**	**Impact**	**3**	**Total**	**12 (VH)**	**Likelihood**	**3**	**Impact**	**3**	**Total**	**9 (H)**

Risk 5	Workforce sustainability
CRMP: Strategic Goal 4: We will continue to support and develop our workforce and promote an inclusive Service, further supports the Service commitment to EDI.	
Risk Owner: Assistant Chief Fire Officer: Corporate Services	

Risk Description	Owner Assurance Commentary	Key Projects
Inability to maintain sufficient or adequate workforce to meet service requirements, competency of staff, loss of corporate memory and business continuity issues.	Annual workforce plan, provides an overview of workforce projections and identifies key priority areas. This supports planning for anticipated vacancies and recruitment to key roles. Monthly ridership meetings to consider deployment of resources by Area Manager (Response) to maintain appliance availability The rollout of a new rostering system will ensure that the Service can manage its operational resources more effectively. L&D ensures delivery of effective acquisition and revalidation of operational training against national standards. 3-year training plan has been developed integrating revalidation of all operational core competencies. Wholetime recruitment completed and two FF apprenticeship courses due to commence April and September 2023 resulting in 27 new FF appointments. Short-term resourcing issues may arise pending outturns from these courses. This will be managed through normal ridership moves.	SLT monitor key performance metrics including workforce numbers, skills and competencies and workforce requirements. BCM exercise programme coordinated by Risk and Assurance Team. L&D assurance function in place with Service Delivery. Decision taken by SLT to authorise Firefighter recruitment, commencing early 2024 and to recruit to full establishment. An Absence Review Group meets quarterly to take an overview of absence trends and instigate appropriate action. A monthly review of long-term absence is undertaken by the Head of People to progress individual issues. Occupational Health interventions. Wellbeing Strategy to promote healthy lifestyles and reduce risk of long-term ill health. Focus on mental health and wellbeing of employees.
Higher than anticipated number of early retirements.		
Sickness absence levels may impact upon service delivery.		
The Service has seen a higher than expected turnover level for support roles during 2022 – 2023 (21%) and the recruitment market has become increasingly competitive. This may lead to longer vacancy times.		

	The Service maintain an overview of potential retirements/turnover as part of workforce planning and can respond quickly to projected gaps. Absence levels are monitored and managed to ensure that any issues are identified quickly. Ongoing support for employees via the OH team to address health issues and support return to work. Benchmarking against national sector absence rates ensures that the Service has realistic and meaningful targets. Sickness absence has reduced compared to the same period of 2022-23. Recruitment and retention enhancements implemented to make the Service a more attractive employer and reduce vacancy time. There has been a slow-down in turnover levels for employees in support roles in the latter half of 2022-23. Steps have been taken to address the immediate deficit in the establishment and wholetime ridership including transferees and focussed recruitment efforts in order to bring the establishment back to full by the end of 2024/25. These efforts are proving effective with up to 15 personnel identified to join the Service by January 2024. This work is ongoing and will monitor the establishment and associated workstreams.	Establishment (mind the gap) Project Board

Inherent Risk Score						**Residual Risk Score**					
Likelihood	**3**	**Impact**	**4**	**Total**	**12 (H)**	**Likelihood**	**3**	**Impact**	**3**	**Total**	**9 (H)**

NOTTINGHAMSHIRE Fire & Rescue Service
Creating Safer Communities

Risk 6	**Preventable deaths**	
CRMP: Strategic Goal 1: We will help people stay safe from fires and other emergencies.		
CRMP: Strategic Goal 2: We will improve fire safety in the buildings people live and work in.		
Risk Owner: Assistant Chief Fire Officer: Service Delivery		
Risk Description	**Owner Assurance Commentary**	**Key Projects**
The risk that a person will die in an incident, where the Service failed to put in place an intervention which would have reduced the risk, or where an intervention was ineffective	Prevention and Protection strategies in place and local/district business plans within Service Delivery. District profiles that inform Service activity. District Prevention Officers engaged in local Partnerships to identify vulnerable individuals. Partnership working with other agencies to identify and target interventions at high risk individuals and premises/sites. NFCC national campaign support locally. Fire investigations to identify learning. FI team inform Strategic Leadership Team of outcome, background of individual and cause as soon as practicable after the initial investigation. Serious incident review panel in place to review incidents and Service actions as soon as practicable after the incident. Information sharing across Service departments to learn from events - High Rise Residential Group review information sharing across the Service. Engaged in Nottinghamshire Road Safety Partnership meetings to coordinate road safety initiatives.	Data led Safe and Well now in use to target resources to risk. (DiCE) CFRMIS Vulnerable Persons Module now implemented. Communications steering group linked in with national NFCC campaigns, with a populated campaigns calendar. Further referrer training for partners and other agencies to ensure effective referral of vulnerable people. Development of Safelincs online fire safety portal for low-risk members of the community who don't qualify for a Safe and Well Visit Online platform on Internet site for Responsible Persons to report fire safety defects in line with the Fire Safety (England) Regulations Review of RBIP to ensure proper assessment of risk in the county by external Evaluation Officer from Nottingham Trent University. Community Engagement Officer promoting Fire safety messages and understanding in minority communities.

	Prevention & Protection activities are evaluated and quality assured. These processes are reported and monitored through the quarterly evaluation and assurance board. Engagement of Occupational Therapist to ensure effective engagement with most vulnerable and referrals to partners, including Case Meetings. Increase in productivity relating to SWVs and Audits – detailed within the Community Risk Management Plan. Attendance and information sharing at MASH and City Social Care teams. CHARLIE profile evaluated by Nottingham Trent University and confirmed ‘fit for purpose’ The Service is proposing to reallocate resources to best mitigate the presented risks through the 2021 Fire Cover Review, which was independently undertaken by ORH. This will see the Service propose to reinstate Ashfield Fire Station as a 24/7 wholetime station as well as allocate additional resources to community engagement areas. This is on track to be implemented by the end of November 2023.	‘Resourcing to Risk’ project

Inherent Risk Score						**Residual Risk Score**					
Likelihood	**4**	**Impact**	**5**	**Total**	**20VH**	**Likelihood**	**2**	**Impact**	**5**	**Total**	**10M**

Risk 7	Health, Safety, and Welfare	
CRMP: Strategic Goal 3: We will respond immediately and effectively to emergency incidents.		
Risk Owner: Assistant Chief Fire Officer: Service Delivery		
Risk Description	**Owner Assurance Commentary**	**Key Projects**
The risk arising from the hazards associated with the Service's activities which may cause injury, ill-health or death to employees and/or non-employees and could result in both criminal and civil sanctions, reputational damage and negative effects on service delivery and employee morale. Risk of inaccurate or incomplete risk information being available to crews on the incident ground via the MDT Risk arising from not reviewing and implementing improvements based on the recent national reviews of the effects of contaminants	The existence of the safety management system and availability of 'competent persons' to advise the Service of its duties. Risk information gathering process provides a structured methodology for assessing the risk from hazards associated with specific operational sites. Incident command and operational practices as per national guidance Risk information includes Site Specific Risk Information, Operational Guidance, Crash Data and Chem Data. Risk and Assurance Team facilitates learning from operational incidents operational de-briefs feeding into Operational Learning Board. Service learning from major events affecting FRSs via NOL/JOL to Service Health, Safety and Welfare Committee Health and Safety and role specific training ensures competence of employees Organisational Learning Policy in place including the EP1 process. Operational Learning Board providing scrutiny and oversight	Co-ordinated risk management approach being adopted to address NOG and training involving peer FRSs to address interoperability and achieve efficiencies available from joint work. Operational training courses delivered across core skill areas. Compliance monitored centrally. MOC programme with regular audits for compliance Ongoing review of the SMS to refresh and communicate across the organisation. Communications plan to promote SMS. A Communications Plan is currently being devised in line with National campaigns, and internal stakeholders. The communications plan will provide details of projects for H&S team and internal communications will be used to cascade information, as well as positive articles to keep Safety as part of the Service News. E.g. News on MyNet, informative, OAB etc. Station based audit programme. Performance framework that encompasses organisational learning and ongoing performance in place to monitor the effectiveness of service provision. Intensified ICT support to improve turnaround times when MDT failures reported. Supplier has recruited new engineer. Ongoing works within ICT on MDT platform.

	The establishment of a contaminants working group	Systems in place to allow for more frequent remote checking of functionality and updating of MDT risk data Project includes use of secondary device. Longer term programme of work initiated in relation to the future provision of a mobilising system for the Service. Contaminants working group formed and leading work in this area

Inherent Risk Score						**Residual Risk Score**					
Likelihood	**4**	**Impact**	**5**	**Total**	**20(VH)**	**Likelihood**	**2**	**Impact**	**4**	**Total**	**8(M)**

NOTTINGHAMSHIRE Fire & Rescue Service
Creating Safer Communities

Risk 9	**Availability of resources**	
CRMP: Strategic Goal 3: We will respond immediately and effectively to emergency incidents.		
CRMP: Strategic Goal 6: We will manage and invest in our Service to ensure it is fit for the future.		
Risk Owner: Assistant Chief Fire Officer: Corporate Services		
Risk Description	**Owner Assurance Commentary**	**Key Projects**
The risk that the Service will lose widespread access to key resources – premises, equipment, ICT systems/employees, Airwave TE02 Radio Licence impacting its ability to deliver services	Business continuity plans are in place. BCM plans to be reviewed, with testing and exercising on a programmed, auditable basis. NFRS has an operational response degradation policy that can be initiated to meet shortfalls if appliances are not available.	Tri-Service partners continue to work with Systel to maintain availability of Control Room solution. Resilience is a core element of the RMS programme
Risk of Cyber attack affecting service systems and data- potential for impact on service delivery areas	The Service has specific ICT disaster management plans in place, BCM actions and procedures for out-of-hours response. The Service is moving to cloud-based servers which increase resilience. Head of Procurement and Resources continues to monitor the impact of global supply chain issues.	BCMG and SLT members continue to monitor potential supply chain issues caused by Exit from the EU and the conflict in Ukraine.
Risk that the service cannot maintain its current fleet of operational vehicles due to the availability of spare parts which are severely impacted through global supply chain issues.	As vehicles and some equipment, notably Light Portable Pumps, are defected it becomes increasingly challenging to ensure a suitable flow of spare parts. The number of LPP failures is reaching a critical point and is managed on a day-to-day basis. Lead time on some parts is around 100 weeks. The equipment team is making every effort to salvage parts from existing stock.	The procurement of 17 new appliances will significantly alleviate this issue as they will come with new LPPs and be more reliable. However, the first new appliance is due in Service by Apr 24 with the remaining 16 due in Service by Apr 25.
Risk of lack of Resilience around rescue from height and water tower capability arising from the long term mechanical failure of north ariel ladder platform	BC options for ALP provision being looked into. Interim period will require a greater reliance on over border assistance. Regional agreement already in place.	The tender for 2 new ALPs closed in Apr 23, however the appointment of a build contractor remains undecided. Suppliers are still reporting chassis delivery lead times remain at 18 months. In service delivery time will now be mid 2025.

Inherent Risk Score						Residual Risk Score					
Likelihood	4	Impact	5	Total	20 (VH)	Likelihood	2	Impact	4	Total	8

Ref 15	Service Reputation	
CRMP: Strategic Goal 4: We will continue to support and develop our workforce and promote an inclusive Service, further supports the Service commitment to EDI.		
Risk Owner: Assistant Chief Fire Officer: Corporate Services		
Risk Description	**Owner Assurance Commentary**	**Key Projects**
The risk that public will lose confidence in their fire service through current national media reporting, HMICFRS findings and the LFB Cultural review. Risk the Service becomes involved in a case which makes local/ national headlines	HMICFRS reported the service as Good for its People Pillar and in each of the four diagnostic areas within the People area. HR case investigation undertaken in line with guidelines. General awareness and role specific training delivered to all staff groups on various EDI topics	Ongoing communication and engagement plan that includes CFO direct communications, SLT visits, effective use of technology to publish key decision minutes. EDI action plan Ongoing development of staff networks Development of open seat principle at SLT meetings Diverse representation of staff and partners at promotion panels Ongoing adoption of national Code of Ethics EDI training plan across 2023/24 Staff Survey Further development of advisory committees The embedding of EDI strands across operational training courses, exercises and the initial firefighter trainee course

Inherent Risk Score						**Residual Risk Score**					
Likelihood	**3**	**Impact**	**5**	**Total**	**15(H)**	**Likelihood**	**3**	**Impact**	**4**	**Total**	**12(H)**

Document Control

Corporate Risk Register

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Title	**Corporate Risk Register**
Person responsible	**Risk and Assurance Manager**
Date late updated	**September 2023**
Status	**Released**

Revision Record

Summary of changes	
Full review of document and reference at CRMP AB in preparation for FA reporting.	26/09/2023
Full review of risks 1 and 2 by risk owner. Risk rating reduced from VH to H	24/09/2023
Risk 3 review by risk owner. Updates added- remains at VH	20/09/2023
Risk 4 & 6 – addition of 'Resourcing to Risk' project implications and mitigations this presents	07/06/2023
Recommendation presented to FA (31st March 2023) all agreed. Risk 8 ESN, Risk 11 Legal Knowledge, risk 12 Programme Governance, and risk 13 Environmental now removed.	01/04/2023
Full annual 'deep dive' review of document. Notably a number of risk areas linked to IA updated to reflect that industrial action is no longer a foreseeable risk. Risk 14- Service reputation. New risk added to reflect national position on fire service culture. Update report to summarise changes given to Finance and Resource Committee. Change submitted to Finance and Resources Committee 31th March 2023	13/03/2023
Risk 3- Risk elevated to very high. This is due to the alignment of risk with the Fire Control Tri-Services Risk Register and the increasing likelihood of industrial action.	23/11/2022
Risk 1 – Risk escalated due to ongoing uncertainty around pay award, inflation and national funding impacting on ability of service to set a balanced budget. Risk 4 – Remove specific reference to JHQ. Updated and risk level escalated due to increased likelihood of industrial action due to national issues. Risk 5 – Escalated due to deficiencies within both green and grey book roles. Risk 7 – Key projects updated to include recruitment and retention project.	28/09/2022
Risk 4 – Risk level escalated due to increased likelihood of industrial action due to national issues. Risk 5 – Risk level escalated due to loss of key green book posts impacting on statutory functions. Risk 10 – Use of vehicles on authority business – removed following April 2022 F&R Committee	05/07/2022

Risk 12 – Key projects updated to include link between CRR and internal audit programme Risk 14 – Covid 19 – Removed following April 2022 F&R Committee	
Updated layout. Risk 1 & 2 - Finance: Inherent risk amendment – Risk Description/ commentary updated. Risk 3 – Residual risk reduced due to effectiveness of mitigation in place. Risk 4 – Residual risk increased to reflect impact of pension remedy Risk 6 - Update to reflect new CFRMIS modules and the external assurance on assessments. Risk 10 – Removed due to reduction in inherent risk score. Risk 14 – Removed due to reduction in inherent risk score.	01/04/2022
Risk 4 – Updated to reflect new employee network structure & Industrial Action planning and exercise. Risk 5 – Updated to reflect loss of key support roles. Risk 6 – Updated to reflect recovery from Covid-19 Risk 7 – Updated to reflect implementation of NOG & outcomes of MDT programme of works Risk 9 – Updated to reflect potential supply chain disruption due to external factors. Risk 11 – Updated following recruitment of Business Continuity/Emergency Planning Officer Risk 13 – Updated to reflect foam discharge work complete.	24/09/2021
Risk 7 – Updated to reflect position with access to risk information via MDT's (Leila Henry)	24/05/2021
Risk 1 – general update to take account of changing financial environment	03/03/2021
Risk 2 – Update to Pensions risk due to McCloud remedy developments	03/01/2021
Routine Review of Corporate Risk Register	01/03/2021
Risk 14 – New risk created related to Covid-19 response and recovery to encompass implications and actions	04/06/2020
Risk 6 – updated for impact of Covid-19	21/05/2020
Risk 1 – Updated for impact of Covid 19	07/05/2020
Risk 10 – Insertion of installation of hands free Airwave radio kits into key projects	21/04/2020
Risk 2 New Risk. Firefighter's Pension Scheme – impact of McCloud remedy. Renumbering Was Risk 2 now Risk 3, was Risk 3 now Risk 4, was Risk 4 now Risk 5, was Risk 5 now Risk 6, was Risk 6 now Risk 7, was Risk 7 now Risk 8.	13/03/2020
Risk 8 reviewed by Head of Digital Transformation.	31/01/2020
Renumbering Was Risk 9 now Risk 7, was Risk 10 now Risk 8, was Risk 11 now Risk 9, was Risk 12 now Risk 10, was Risk 13 now Risk 11, was Risk 14 now Risk 12.	28/01/2020
Risk 8 Closed. Review of the risk rating to an acceptable level – Medium. No longer presents a high risk to the Service	28/01/2020
Risk 7 Closed. 92% of actions closed on the Working at Height Action Plan. Risk Reduced to acceptable level.	28/01/2020

Risk 3 Insert Risk Outcomes of Firefighter pension tribunal and implications for NFRS e.g. Pensions Administrator provisions. Key Project – Upcoming positive action new project for 2020/21. L&D Assurance function in place with Service Delivery.	28/01/2020
Risk 1 Control Business planning process identifies impact of savings on Services Key project insertion Transformation and efficiency strategy under development.	28/01/2020
Risk 2 Removed Joint Fire Control project. Now complete as of July 2019. The project is now live business as usual. New Control Tri-Service operational board attended by AM response to represent NFRS interests.	28/01/2020
Risk 9 & 10 moved to DCFO to reflect organisational responsibilities. All risks renumbered in a sequential order.	26/09/2019
Risk 5 – iMatch Software implementation complete as of 05/06/18- update Narrative updated on each by Risk Owners Head of Finance 23/07/2019, Deputy Chief Fire Officer 12/08/2019 Assistant Chief Officer 30/07/2019	20/08/2019
Risk 4 – Key project ownership amended from AM Delivery to AM Response	17/06/2019
Risk 4 – insert RedKite PDS audit. Remove risk relating to implementation of new crewing structures. Insert risk relating to management of dual contract hours Risk 2 – insert risk associated with Joint Fire Control project	18/02/2019
Risk 1 – general update to take account of changing financial environment	03/03
Risk 4 & 6 – addition of ‘Resourcing to Risk’ project implications and mitigations this presents	07/06/2023
Risk 4 & 6 – updated information for mitigations	14/09/2023

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

EXTERNAL AUDIT PLAN 2021/22

Report of the Chief Fire Officer

Date: 20 October 2023

Purpose of Report:

To present the external auditors' audit plan for work which they intend to carry out on the Authority's 2021/22 financial statements and value for money arrangements.

Recommendations:

That Members note the contents of this report.

CONTACT OFFICER	
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1. BACKGROUND

1.1 The external audit of the Fire Authority's 2021/22 accounts is to be undertaken by Ernst & Young LLP. This is the fourth of five years that Ernst & Young will be undertaking the audit under the current contract.

1.2 As part of their responsibilities under the external audit regime, the auditors produce an annual plan setting out the areas that they will cover during their audit and this plan is presented to the Finance and Resources Committee.

2. REPORT

2.1 The full external audit plan is set out in Appendix A for Members' information. In summary, it covers several areas:

- Overview of the audit strategy;
- Audit risks;
- Value for money risks;
- Audit materiality;
- Scope of the audit;
- The audit team and timeline;
- Interdependencies;
- Various appendices which provide further detail to support the plan.

2.2 The plan also sets out the fees for the audit and the timescales for reporting back to the Fire Authority.

3. FINANCIAL IMPLICATIONS

3.1 The PSAA (Public Sector Audit Appointments) have set the audit fee scale for 2021/22 at £23,909. However, PSAA have indicated minimum additional fees between £6,000 and £11,000 for additional work required under the NAO Code of Practice and a further £2,500 to respond to new requirements under ISA 540 (Auditing Estimates), so this fee will increase to a minimum of £32,409.

3.2 EY have indicated that there are likely to be further increases relating to areas where additional work may be required – see Appendix A of the Audit Plan.

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 relates to statutory audit which is external scrutiny rather than a policy matter.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The external auditors have statutory powers and responsibilities set out in the Local Audit and Accountability Act 2014.

8. RISK MANAGEMENT IMPLICATIONS

The external auditors provide a key element of the assurances that are given to elected Members and members of the public with regard to the accuracy of the financial statements and the arrangements for value for money.

9. COLLABRATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

Craig Parkin
CHIEF FIRE OFFICER

Nottinghamshire Fire and Rescue Authority Audit planning report

Year ended 31 March 2022

27 September 2023

Building a better working world

Private and Confidential

Nottinghamshire Fire and Rescue Service
Bestwood Lodge Drive
Arnold
Nottingham
NG5 8PD

27 September 2023

Dear Members of the Finance and Resource Committee

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor Nottingham Fire and Rescue Authority (the 'Authority'). Its purpose is to provide the Finance and Resources Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks. Our planning work is ongoing at this stage, consequently the audit strategy will be updated as appropriate once all work has been completed.

This report is intended solely for the information and use of the Finance and Resources Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

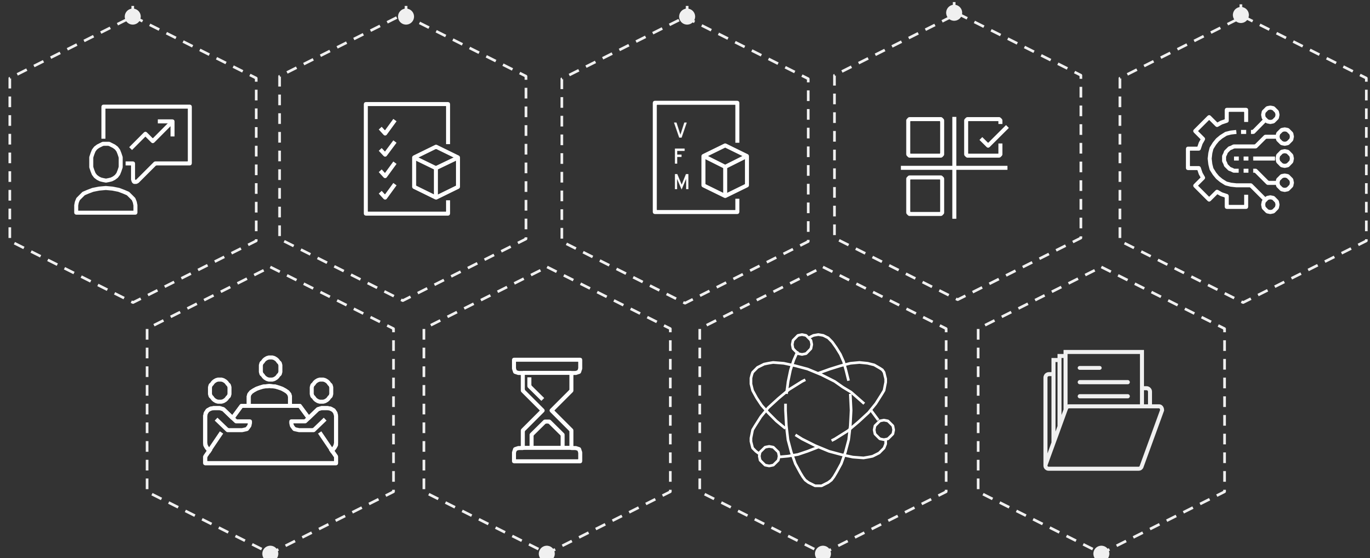
We welcome the opportunity to discuss this report with you on 20 October 2023 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Hassan Rohimun

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Members of the Finance and Resources Committee and management of Nottinghamshire & City of Nottingham Fire & Rescue Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Members of the Finance and Resources Committee and management of Nottinghamshire & City of Nottingham Fire & Rescue Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Finance and Resources Committee and management of Nottinghamshire & City of Nottingham Fire & Rescue Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2021/22 audit strategy

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Finances and Resources Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition : Inappropriate capitalisation of expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have re-evaluated the perceived fraud risks and consider that this risk is more prevalent over the medium term and is likely to occur through the capitalisation of expenditure that should be accounted for in the Comprehensive Income and Expenditure Statement (CIES).
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Valuation of Pension Liabilities - LGPS	Significant Risk	Increase in risk and focus	The accounting entries relating to the Local Government Pension Schemes are underpinned by assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Authority total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet. The increase in risk for the current year is attributable to the latest LGPS Triennial review report that might result in a material change required in the value of pension assets and liabilities as at 31 March 2022.
Valuation of land and buildings	Higher inherent risk plus area of audit focus	No change in risk or focus	The external valuation expert undertakes a rolling programme of valuations that ensures that all land and building assets required to be measured at fair value are revalued at least every five years. The valuation of land and buildings is subject to a number of assumptions and judgements and a small movement in these assumptions could have a material impact on the financial statements. As the Code requires all land and buildings are held at fair value, there is a risk that the remaining asset base is materially misstated.

Overview of our 2021/22 audit strategy (continued)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Finances and Resources Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Pension Liabilities – Firefighters' Pension Scheme	Higher inherent risk and area of audit focus	No change in risk or focus	The accounting entries are underpinned by assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. A small movement in these assumptions could have a material impact on the value in the balance sheet.

Overview of our 2021/22 audit strategy

Materiality

Planning materiality

£1.47m

Materiality has been set at £1.47m, which represents 2% of the prior years gross expenditure on provision of services

Performance materiality

£1.1m

Performance materiality has been set at £1.1m, which represents 75% of materiality. . When determining the amount to be used as performance materiality we take into account considerations such as the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Audit differences

£74m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement greater than £74k. Other misstatements identified will be communicated to the extent that they merit the attention of the Finance and Resources Committee.

Audit team changes

Engagement Partner – Hassan Rohimun
Hassan is a Partner in our Government and Public Sector Audit team with significant experience operating as a Key Audit Partner for our external audit of local government bodies.

Manager – Jessica Pillay
Jessica has a significant amount of audit experience within the public sector and has been with EY since 2019.

Overview of our 2021/22 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Nottinghamshire Fire and Rescue Authority give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and

- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Nottinghamshire Fire and Rescue Authority's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements
Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Authority's arrangements against three reporting criteria:
    - Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
    - Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
    - Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
- The commentary on VFM arrangements will be included in the Auditor's Annual Report.

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?

Misstatements due to fraud or error*	The financial statements as a whole are not free of material misstatements whether caused by fraud or error.
	
	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
		We will;
		▸ Identify fraud risks during the planning stages.
		▸ Inquire of management about risks of fraud and the controls put in place to address those risks.
		▸ Understand the oversight given by those charged with governance of management's processes over fraud.
		▸ Consider the effectiveness of management's controls designed to address the risk of fraud.
		▸ Determine an appropriate strategy to address those identified risks of fraud.
		▸ Performing mandatory procedures regardless of specifically identified fraud risks, including:
		    ▸ testing of journal entries and other adjustments in the preparation of the financial statements;
		    ▸ assessing accounting estimates for evidence of management bias; and
		    ▸ evaluating the business rationale for significant unusual transactions.

Our response to significant risks (continued)

Risk of fraud in expenditure recognition - Inappropriate capitalisation of expenditure*

Financial statement impact

Misstatements that occur in relation to the risk of fraud in expenditure recognition could affect the expenditure accounts. We consider the risk applies to capitalisation of expenditure and could result in a misstatement of cost of services reported in the CIES and PPE balances, and, through the over-capitalisation of expenditure (understatement of CIES expenditure) to manage the financial position year on year. These accounts had the following balances in the draft financial statements:

PPE Additions: £6.53m

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We consider that this risk is more prevalent in the following areas;

- Over the medium term we consider this is likely to occur through the capitalisation of expenditure that should be accounted for in the CIES given the extent of the Authority's capital additions in year. We consider this to impact on the valuation of PPE balances.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Review and discuss with management any accounting estimates on capital expenditure recognition for evidence of bias;
- Using our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that reduce expenditure by moving to the PPE balance sheet general ledger codes leading up to the balance sheet date;
- Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any expenditure items that have been inappropriately capitalised;
- Undertaking a monthly trend analysis using our data analytics tools to identify any unusual movements in capital balances for further analysis and Testing.

Our response to significant risks

Valuation of Pension Liabilities - LGPS*

Financial statement impact

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Misstatements that occur in relation to the valuation of LGPS pension liability and assets could affect the Balance Sheet.

Net pension liability and employee related expenditure with the movement in fair value

What is the risk?

Pension Liability Valuation - LGPS

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Nottinghamshire County Council.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet.

The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Fund total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying these estimates.

The Council's IAS19 liability is an accounting estimate, made on a roll-forward basis predominantly based on cashflows, in intervening years between triennial valuations. The triennial contains information, (management data) that should be considered as it may indicate a material error in the estimation process.

What will we do?

We will:

- Liaise with the auditors of Nottinghamshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority and their work over the valuation of the pension fund's assets;
- Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Consider the reasonableness of the actuary's estimate of the asset returns applied in rolling forward the asset position from the prior year; and
- Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.
- Request from management to perform an assessment of the expected change with assistance from their actuaries in the value of pension fund assets and liabilities and assess whether this change is significant.
- Perform procedures over the potential adjustment to the 21/22 accounts and assess further work on confirming member numbers and work done by the actuary.
- Perform additional procedures including looking at the revised IAS 19 triennial valuation, the underlying assumptions and management data to assess the impact for 21/22.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
Valuation of the Firefighters Pension Scheme liability The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Firefighters Pension Scheme administered by Leicestershire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheet. At 31 March 2022 the draft financial statements include a balance of £536.5 million. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary. Accounting for this scheme involves estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. A small movement in these assumptions could have a material impact on the value in the balance sheet. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We will: ▸ Assess the work of the actuary (GAD) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; ▸ Review and test the accounting entries and disclosures made within the financial statements in relation to IAS19; ▸ Gain assurance over data that has been provided to the actuaries; and ▸ Assess management's arrangements to reconcile the active and pensioner membership numbers.
Valuation of Land and Buildings The valuation of Property, Plant and Equipment (PPE), specifically other land and buildings and surplus assets, represent significant balances in the entity's accounts. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. The Authority engages an external expert valuer who applies a number of assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment or material movement. As the Authority's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk these assets may be under/ overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We will: ▸ Consider the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▸ For a sample of assets test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▸ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▸ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated .

Other matters

What is the risk/area of focus?	What will we do?
Going Concern Compliance with ISA 570 This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Authority was the audit of the 2020/21 financial statements. The audit of the 2021/22 financial statements is the second year that these revisions will apply to the Authority. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 states that organisations can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. The revised standard increases the work we are required to perform when assessing whether the Authority is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Finance and Resourcing Committee.	The revised standard requires: ▸ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias; ▸ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements; ▸ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Authority are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements; ▸ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and ▸ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

Other matters

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors in 2020/21 and similarly these challenges will be encountered in the audit of the financial statements for 2021/22.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
- We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You should consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior years.

03 Value for Money Risks

Value for Money

Authority's responsibilities for value for money

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

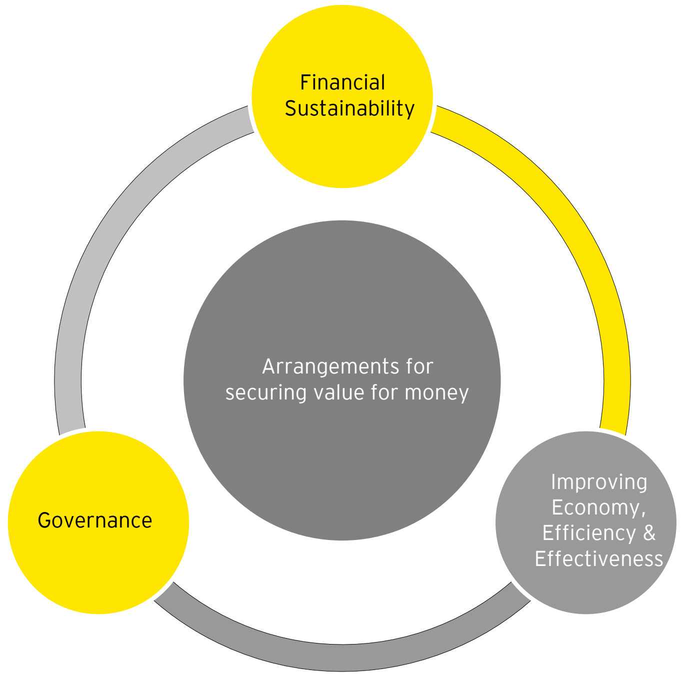
As part of the material published with the financial statements, the Authority is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.



Value for Money

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Authority's arrangements, we are required to consider:

- The Authority's governance statement;
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Authority to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.

Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Members of the Finances and Resources Committee.

Reporting on VFM

Where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

We are in the process of undertaking our VFM assessment. We will inform the Members of the Finances and Resources Committee if we identify any risks to significant weaknesses or identified significant weaknesses in the Authority's arrangements.

04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2022 has been set at £1.47m. This represents 2% of the 2022 Gross Expenditure on the (surplus)/Deficit on the provision of services . It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

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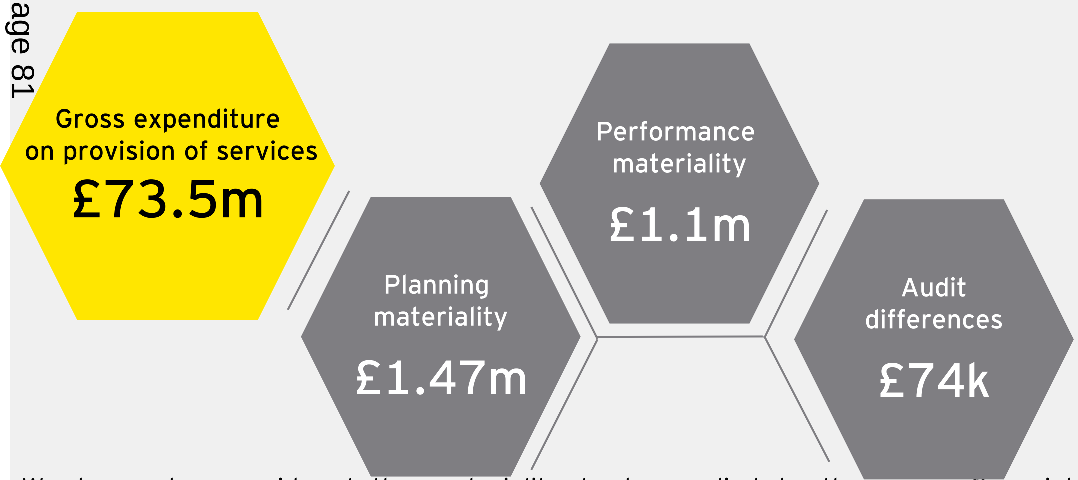


We have also considered the materiality to be applied to the group financial statements. Given the net impact on the gross expenditure is similar to that of the single entity financial statement we have applied the same materiality level to the group.

We request that the Members of the Finance and Resources Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.102 million which represents 75% of planning materiality. When determining the amount to be used as performance materiality we take into account considerations such as the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Members of the Finance and Resources Committee, or are important from a qualitative perspective.

Specific materiality – In relation to remuneration disclosures, namely officers remuneration and exit packages, related party transactions and member allowances, as these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

05 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Finances and Resources Committee.

Internal audit:

We will review Internal Audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our ongoing assessment, where they raise issues that could have an impact on the overall control environment or financial statements.

06 Audit team

Audit team

The engagement team is led by Hassan Rohimun (Partner), who is supported by :

- Manager: Jessica Pillay
- Lead Senior: Muhammad Sohaib

The manager and lead senior are responsible for the day to day direction of audit work and is the key point of contact for the finance team

Both work within our dedicated Government and Public Sector team and have significant experience on local government audits

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations if deemed appropriate
Pensions disclosure	EY Actuaries

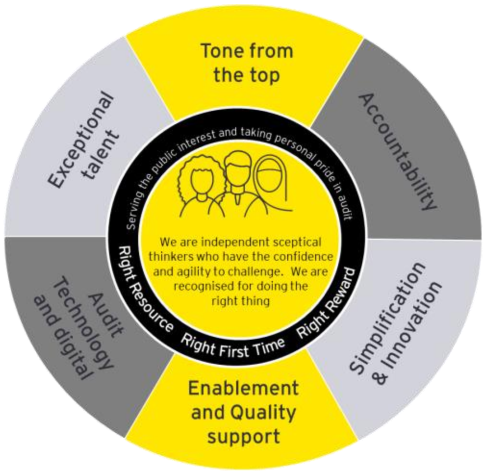
In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.



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Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
   - **Right resources** – We team with competent people, investing in audit technology, methodology and support
   - **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
   - **Right reward** – We align our reward and recognition to reinforce the right behaviours
3. The six pillars of **Sustainable Audit Quality** are implemented.

01 **Tone at the top**

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality

02 **Exceptional talent**

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management

03 **Accountability**

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition

04 **Audit technology and digital**

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality

05 **Simplification and innovation**

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit

06 **Enablement and quality support**

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result
A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:
- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:
- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

"A series of company collapses linked to unhealthy cultures…..have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."

Sir John Thompson
Chief Executive of the FRC

07 Audit timeline

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the Members of the Finances and Resources Committee.

and we will discuss them with the Members of the Governance and Performance Working Group Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	**July-August**		
Walkthrough of key systems and processes	**August-September**	Members of the Finances and Resources Committee.	Audit Planning Report
Year end audit	**August-September**	Members of the Finances and Resources Committee.	
Audit Completion procedures	**October**	Members of the Finances and Resources Committee.	Audit Results Report Audit opinions and completion certificates
	November	Members of the Finances and Resources Committee.	Auditor's Annual Report

08 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence.	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit/additional services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▸ An opportunity to discuss auditor independence issues.

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In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Hayley Clark, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Authority. Examples include where we have an investment in the Authority; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Authority. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022: The most recent version of this Report is for the year end 30 June 2022: EY UK 2022 Transparency Report | EY UK

09 Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	2020/21	2021/22
	£	£
Scale fee	23,909	23,909
- Scale fee variations	TBC*	TBC**
Total audit fee	TBC	TBC
Other non-audit services not covered above	0	0
Total fees	TBC	TBC

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

► Officers meeting the agreed timetable of deliverables;

► Our accounts opinion and value for money conclusion being unqualified;

► Appropriate quality of documentation is provided by the entity; and

► The entity has an effective control environment.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the year and redeploy the team to other work to meet deadlines elsewhere.

*The 2020/21 work will also include a scale fee variation for the additional work required in the following areas:

- New requirements of the NAO Code of Audit Practice on Value for Money arrangements, which PSAA have set out minimum fee range of between £6,000-£11,000
- Additional audit work to respond to ISA540 which PSAA have set out a minimum fee range of £2,500.
- Additional audit work required to address significant audit risks and audit differences, agreed amendments set out in this report.
- Additional audit work required to address the significant audit risk around the pension estimates
- Additional audit work required to address enhanced requirements from professional and regulatory standards and expectations.

** We have identified and reported areas where additional audit work has been required over and above the level of the scale fee previously set which corresponded to the risks set out in our audit plan and the implications of operating using a lower level of materiality. Some of the identified areas are:

- Inappropriate capitalisation of revenue and expenditure;
- PPE valuations ;
- Pensions valuations; and
- Going concern and estimates
- Value for Money

We will discuss these additional costs with management and provided indicative fee levels for each of these areas. We will report the final levels to you upon conclusion of our work and agreement with management.

Appendix B

Required communications with the Members of the Finance and Resources Committee

We have detailed the communications that we must provide to the Members of the Finance and Resources Committees.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Members of the Finance and Resources Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report-September 2023
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit results report – November 2023 Auditor's Annual Report – December 2023

Appendix B

Required communications with the Members of the Finance and Resources Committee (Continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit results report – November 2023
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report – November 2023
Subsequent events	▸ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements	Audit results report – November 2023
Fraud	▸ Enquiries of the Finance and Resources Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Finance and Resources Committee responsibility	Audit results report – November 2023

Appendix B

Required communications with the Members of the Finance and Resources Committee (Continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	Audit results report – November 2023
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report-September 2023 Audit results report – November 2023

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – November 2023
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Members of the Finance and Resources Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Members of the Finance and Resources Committee may be aware of	Audit results report – November 2023
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit results report – November 2023

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – November 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – November 2023
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit results report – November 2023 Auditor's Annual Report – December 2023
Fee Reporting	▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit planning report- September 2023 Audit results report – November 2023
Value for Money	▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.	Audit planning report –September 2023 Audit results report – November 2023 Auditor's Annual Report December 2023

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Members of the Finance and Resources Committee. The audit does not relieve management or the Members of Finance and Resources Committee up of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	▸ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▸ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Authority's internal control. ▸ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▸ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▸ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Members of the Finance and Resources Committee reporting appropriately addresses matters communicated by us to the Members of the Finance and Resources Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and ▸ Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)	
Procedures required by the Audit Code	▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Authority's audited financial statements for the relevant reporting period
Other procedures	▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice
We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.	

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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