



**Nottinghamshire and City of Nottingham Fire and Rescue Authority
Finance and Resources Sub-Committee**

**Minutes of the meeting held at Nottinghamshire Fire and Rescue Service
Headquarters, Bestwood Lodge Drive, Arnold, Nottingham, NG5 8PD on Friday 2 July
2021 from 2:01pm to 3:20pm**

Membership

Present

Councillor John Clarke (Chair)
Councillor Callum Bailey
Councillor Eddie Cubley
Councillor John Lee
Councillor Toby Neal

Absent

Councillor Steve Battlemuch

Councillor Gul Nawaz Khan (Substitute
for Councillor Steve Battlemuch)

Colleagues, partners and others in attendance:

Candida Brudenell - Assistant Chief Fire Officer
Rob Disney - Internal Auditor, Nottinghamshire County Council
Adrian Mann - Governance Officer, Nottingham City Council
Terry Scott - Head of Procurement and Resources
Becky Smeathers - Head of Finance and Treasurer to the Fire Authority

1 Apologies for Absence

Councillor Steve Battlemuch

2 Declarations of Interests

None.

3 Minutes

The Committee confirmed the minutes of the meeting held on 26 March 2021 as a correct record and they were signed by the Chair.

4 2020/21 Revenue and Capital Outturn

Becky Smeathers, Head of Finance and Treasurer to the Fire Authority, presented a report on the provisional financial performance of the Service for 2020/21, with an analysis of the

significant variances against the original revenue and capital budgets. The following points were discussed:

- (a) the revenue and capital outturn has been completed for the previous financial year, and the Statement of Accounts is being finalised. However, further provision may need to be included as a result of the McCloud judgement in relation to firefighter pensions. Due to the Coronavirus pandemic, 2020/21 was completely different to the expectations when the annual budget was first set, so there were significant in-year changes made to provision;
- (b) currently, the total provisional expenditure for 2020/21 is £43,243,000, representing an underspend of £1,649,000 (3.7% of the annual budget). An appeal was submitted in relation to a large increase in business rates, and the Service will be reimbursed for the sums levied in error;
- (c) the whole-time pay budget was underspent by £944,000 (4%). Crews needed to operate in bubbles, which stopped the use of overtime to cover staffing gaps. Sickness rates were lower than expected. A number of vacancies were also held due to a whole-time training course being delayed until April 2021;
- (d) Covid-related grants were provided from central Government to cover additional costs incurred. Some of this grant funding has been carried forward for expenditure this year. Grant funding for responding to the learning arising from the Grenfell Tower disaster was also received in 2020/21, to be spent this year. In total, £480,000 of unspent grants will be transferred into earmarked reserves. The Service has also secured some income for assistance provided to partners during the pandemic;
- (e) additional earmarked reserves were also created to deal with some unforeseen cost pressures, such as upgrading the Mobile Data Terminals on appliances and relocating the Command Suite training facility;
- (f) in terms of capital expenditure, the scheme to relocate to the Joint Headquarters with the Police is progressing to timetable and budget, with the move of most staff to take place during February 2022. As such, only expenditure essential for the running of the building will now be carried out at the current headquarters, and the equipment that will be transferred to the new facility is being identified. It has been difficult to replace some old vehicles due to delays caused by Covid-19, but a procurement process is now in hand;
- (g) the project to build a new Fire Station at Worksop is underway, but the tender has come in £239,000 over budget. The scheme will be monitored closely, and there is some flexibility within the capital programme budgets. Sharp increases in the cost of materials can be a risk, but a fixed-price contract has been secured following a full tender process, so any uplift in the materials costs will be borne by the contractor;
- (h) the capital programme is funded largely through borrowing, but it is proposed to allocate part of the underspend to fund some ICT projects within the capital programme, to save the need for future borrowing. This is because the Service is required to invest securely, achieving around 0.5% interest on the fund that it invests, while the interest charged on loans is around 2-3%.

Resolved:

- (1) to approve the creation of £1,051,000 of Earmarked Reserves, as set out in Section 2.23 and Table 4 of the report;**
- (2) to approve the funding of Capital Projects from a Revenue Contribution of £500,000, as set out in Section 2.24 of the report;**
- (3) to approve the slippage of £2,741,000 on the Capital Programme, as set out in Section 2.51 and Table 8 of the report.**

5 Revenue, Capital and Prudential Code Monitoring Report to 30 April 2021

Becky Smeathers, Head of Finance and Treasurer to the Fire Authority, presented a report on the 2021/22 financial performance of the Service and Prudential Code monitoring to the end of April 2021. The following points were discussed:

- (a) the monitoring is based on just one month of expenditure, which has made it is very difficult to carry out accurate financial forecasts. An underspend of £88,000 was predicted against the revised budget. However, a national 1.5% pay award was agreed for firefighters last week, while the provision in the budget had been for 1%. Support staff were also offered 1.5%, but this was rejected by their unions and negotiations are ongoing. Nevertheless, the Service will also receive a reimbursement for business rates calculated inaccurately;
- (b) there was a slow start to the spend in the capital programmes. The planned projects are progressing well, but will need to be monitored closely. It is aimed to complete the new Worksop Fire Station by March 2022, so it is proposed to bring the related budget forward from next year to this year. A project manager is working to set out the options for the disposal of the current headquarters site for best value, and these will be presented to the full Authority shortly. In preparation, all issues and anomalies relating to the site's legal title are being resolved, ahead of disposal;
- (c) the Prudential Code sets out the Service's agreed lending and borrowing parameters, to ensure that the capital programme is achievable. It was necessary to review some of the caps during the Coronavirus pandemic, but the controls have remained largely consistent.

Resolved to approve the allocation of £1,258,000 in the 2022/23 budget for the Worksop Fire Station to be brought forward into 2021/22.

6 Business Rates Update

Terry Scott, Head of Procurement and Resources, presented a report on the revised rateable values for the Service's properties and associated rebated business rate charges. The following points were discussed:

- (a) business rates were revalued nationally from 2017. Unfortunately, the Service's rateable value was increased unexpectedly from £1,579,000 to £2,108,000, resulting in a significant pressure on budgets. A commercial surveyor was appointed to review the valuations and an appeal was submitted on the basis of the values being over-rated. The

appeal was successful and the rateable value was amended to £1,832,000. As such, the Service has been overcharged £433,000 since April 2017, and this will be rebated. However, the Service did incur a consultancy fee of £102,000 in pursuing the appeal. The Service had an option of following an internal appeals process, but did not consider that there was the right capacity and expertise within the Service to pursue this option successfully;

- (b) the Committee recommended that the Service should investigate and consider the extent to which it could claim back the costs of pursuing the appeal, and for lost interest.

Resolved to request that a report is produced to set out whether the Authority may seek to recoup the costs and lost interest arising from its successful appeal regarding the business rates valuation, and whether or not it is in the Authority's best interests to do so.

7 Internal Audit Annual Report 2021/21

Rob Disney, Internal Auditor, presented the Authority's annual internal audit report, including the Internal Audit Plan for 2021/22. The following points were discussed:

- (a) the annual internal audit report is required by the current Public Sector financial standards, and constitutes best practice. Although the audit team was able to carry out less assurance work than normal, the provision of an audit opinion of reasonable assurance was not obstructed significantly due to the Coronavirus pandemic;
- (b) a series of reviews were carried out against key performance indicators, including safety reviews from other providers, counter-fraud arrangements, assurance on governance arrangements, risk management and Covid compliance. Action tracking is in place, and an update has been included on how the audit conforms to the latest CIPFA standards;
- (c) three development areas for internal audit have been identified following an assessment against the CIPFA guidance. These are the adoption of an Internal Audit Charter to provide greater clarity on roles, responsibilities and the function of the audit; a revised approach to audit planning, to ensure that the whole audit process is as timely as possible; and strengthening engagement between the internal auditor and Authority leadership through more regular meetings. Work is underway with the internal auditor to achieve these recommendation and to meet the requirements of the new CIPFA Financial Management Code.

The Committee noted the report.

8 External Audit Letter 2019/20 and Audit Update 2020/21

Becky Smeathers, Head of Finance and Treasurer to the Fire Authority, presented a report on the external auditors' annual audit letter for 2019/20 and the latest external audit situation for 2020/21. The following points were discussed:

- (a) the 2019/20 Statement of Accounts was approved in February 2021 and the external auditor, Ernst & Young LLP (EY), has provided their final report, achieving an unqualified sign-off. The deadline for publishing the 2020/21 draft accounts has been extended nationally until 31 July, due to the pressures created by the Coronavirus pandemic. The

deadline for publishing the audited accounts has similarly been extended to 30 September. However, all external audit companies are facing resourcing pressures and increased work levels in order to comply with new audit regulations. EY has indicated that it cannot begin the audit until November, and it is possible that it will be delayed further. The end of the calendar year is a difficult period for the Service to facilitate an audit, as the Finance team will be working on the next budget. As such, this is an area of real risk;

- (b) EY acts as the external auditor on a fixed-term contract. The Authority will need to consider its approach to procuring a new contract, shortly. The Ministry of Housing, Communities and Local Government has consulted on proposed changes to the Local Audit (Appointing Person) Regulations 2015 to seek to broaden the market, but there is reluctance to introduce penalties for late audits, as it may cause more companies to leave the Public Sector audit market. The Authority is not obliged to procure through the Public Sector Audit Appointments (PSAA) body but, if it tendered independently, there would be a significant risk of the process resulting in no appointment being made due to lack of availability;
- (c) the PSAA has set the audit fee for both 2019/20 and 2020/21 at £23,909. EY has indicated that it will be submitting a fee increase request to the PSAA for 2019/20, as their estimate of the cost of delivering the audit is £87,816. Delivery was made more expensive due to required testing on the pensions provision being made due to the McCloud judgement, and due to work being carried out in relation to asset valuations during a period of substantial market volatility due to the Coronavirus pandemic. The auditor also spent a great deal of time reviewing the Authority as a going concern, due to the wider sector context, and there was a high level of re-auditing of the narrative and governance statements;
- (d) it is not expected that the PSAA will approve the fee relating to the regulatory changes for 2019/20 (£47,193), so the final fee should be in the region of £40,623, which nevertheless represents a significant increase. It is expected that some level of 'new burdens' funding will be received from the Government to offset some of these costs;
- (e) unfortunately, there is lack of capacity in the current market for the delivery of Public Sector external audits. There is a shortage of people going through the CIPFA training, making it particularly difficult to recruit suitably qualified people across all sectors. As such, a local trainee scheme for Nottinghamshire is under consideration;
- (f) the Committee considered that the sector issues in procuring timely external audits are a significant national concern, and it encouraged Authority members to engage with their MPs on this issue.

The Committee noted the report.

9 CIPFA Financial Management Code

Becky Smeathers, Head of Finance and Treasurer to the Fire Authority, presented a report on the Financial Management Code. The following points were discussed:

- (a) the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code in October 2019 to draw together various codes of practice

in Local Authorities. This Code provides guidance for good and sustainable financial management in Local Authorities, to provide assurance that they are managing resources effectively;

- (b) the Code establishes 6 principles of good financial management, with 17 associated standards for setting out compliance. The Authority has no areas of non-compliance in relation to the Code, but some improvement work is needed against 6 of the standards. It is intended to work more closely with the internal auditor to achieve improvement in these areas, which will be accounted for in the coming Audit Plan, and progress will be reported to the Committee at the end of the financial year.

Resolved to receive an update report on the progress made against the CIPFA Financial Management Code in April 2022.

10 Closure of the 'Areas for Improvement' from the 2019 HMICFRS Inspection

Candida Brudenell, Assistant Chief Fire Officer, presented a report on the Service's response to the outcomes of the 2019 inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services and the closure of the Areas for Improvement (AFIs) that were identified. The following points were discussed:

- (a) AFI 15 set out that "the Service needs to accelerate its plans to improve ICT so that it makes best use of available technology to support operational effectiveness and efficiency." The four actions associated with this AFI have now been completed, so it is now possible to close this AFI. As AFI 16 has been completed and closed previously, all AFIs under the Committee's remit are now discharged.

Resolved:

(1) to approve the closure of Area for Improvement 15;

(2) to discharge the reporting of the two Areas for Improvement aligned to the Finance and Resources Committee (AFI 15 and AFI 16).