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

Date: Friday 2 July 2021

Time: 2:00pm

Venue: Nottinghamshire Fire and Rescue Service Headquarters, Bestwood Lodge Drive, Arnold, Nottingham, NG5 8PD

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

A handwritten signature in black ink, appearing to read "M. J. Davey".

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

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Any councillor who is unable to attend the meeting and wishes to submit apologies should do so via the Personal Assistant to the Chief Fire Officer at Fire Services Headquarters on 0115 8388900.

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

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<https://committee.nottinghamcity.gov.uk/ieListMeetings.aspx?CIId=216&Year=0>

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

**Minutes of the meeting held remotely via Zoom and live-streamed on YouTube on
Friday 26 March 2021 from 10:08am to 10:35am**

Membership

Present

Councillor John Clarke (Chair)
Councillor Andrew Brown
Councillor Toby Neal
Councillor Mike Quigley MBE
Councillor Nick Raine

Absent

None

Colleagues, partners and others in attendance:

Candida Brudenell - Assistant Chief Fire Officer
Gavin Harris - Head of Digital Transformation
Adrian Mann - Governance Officer, Nottingham City Council
Becky Smeathers - Head of Finance and Treasurer to the Fire Authority

12 Apologies for Absence

Leila Henry (Head of Corporate Support)
Terry Scott (Head of Procurement and Resources)

13 Declarations of Interests

None.

14 Minutes

The Committee confirmed the minutes of the meeting held on 15 January 2021 as a correct record and they were signed by the Chair.

**15 Revenue, Capital and Prudential Code Monitoring Report to 31 January
2021**

Becky Smeathers, Head of Finance and Treasurer to the Fire Authority, presented a report on the financial performance of the Service in 2020/21 and the Prudential Code monitoring to the end of January 2021. The following points were discussed:

- (a) the current revenue monitoring shows a forecast outturn position of £44,127,000, which represents a £1,238,000 underspend against the revised budget of £45,365,000. This represents a slightly lower underspend than forecast previously, as some planned expenditure has been moved forward, to relieve pressure on next year's budget. The underspend figure also accounts for grants that have been received this year, but that have not yet been allocated fully, so some of the expenditure will take place next year. A new Covid funding grant of £150,000 has been awarded and will be accounted for in the relevant annual budget, depending upon whether it is received in this or next financial year. The Service has also received a £101,000 Grenfell Infrastructure Improvements grant, to address the recommendations arising from the Grenfell Phase 1 inquiry;
- (b) the full extent of the firefighter pension liability costs arising from the McCloud judgement are still unknown. The remedy will require moving some officers back to prior pension schemes, but the national guidance and framework for achieving rectification across the sector is still awaited. Work is underway with Her Majesty's Revenue and Customs to calculate the extra costs, and the Local Government Association is seeking financial burdens support from the Government to manage these. Depending upon the known situation at the end of the financial year, the year-end accounts will either need to make a specific provision for the pension remedy costs, or set out an appropriate contingent liability;
- (c) there is a forecast overspend in premises costs of £105,000, of which £44,000 is due to business rates being higher than expected at the point of setting the budget. An appeal has been made against the business rate valuations, which is expected to achieve significant savings. As there has been a regular overspend on service costs in recent budgets, the condition of all of the Service's properties has been reviewed and a programme of planned maintenance works over the next ten years has been produced, to seek to ensure that expenditure is more controlled and less reactive. The 2021/22 maintenance budget has been increased in the context of the plan, which has been used to inform future budgets. The same process has been carried out for the Service's vehicles, as some of the fleet is now beginning to age;
- (d) the budget for external audit fees is expected to be overspent by £63,000, as there has been a significant increase in the fees charged by Ernst & Young beyond the original fee of £24,000. The revised fees are due to an increase in the work required because of changes to the audit regulatory framework. However, the increase is being challenged and negotiations are underway to reduce these costs for the 2019/20 accounts. Nevertheless, the audit costs relating to the 2020/21 accounts audit are expected to increase significantly;
- (e) the Covid-19 grant from the Government has helped the Service to make a big difference through undertaking over 370 shifts for the East Midlands Ambulance Service, working on the setting up and running of the temporary mortuary, delivering over 12,200 food parcels and medical supplies, helping to set up testing centres within Nottinghamshire, and delivering over 25,100 vaccinations. The Covid grant funds around 8 staff employed on a temporary basis. An overspend of £250,000 is anticipated in on-call pay. However, £228,000 of this relates directly to the additional costs arising from the Covid-19 pandemic, and these costs can either be offset by the Covid-19 grant, or are being funded by partner organisations. Meanwhile, other staff have worked extremely hard in keeping the normal service in operation while colleagues were participating in the additional Coronavirus-related duties. Currently, work is underway to

catch up on 'safe and well' visits, which have been delayed due to the pandemic.

Regular DELTA returns are made to the Government in relation to the spending of the Covid grant;

- (f) expenditure on the ICT programme is expected to be £758,000 by the end of the year, rather than the £3,858,000 stated in error in paragraph 2.28 of the report. During the upgrade of the HR systems, a document scanning solution was identified as a requirement, as it will not be possible to transfer the current level of paper records from the existing to the new headquarters. As such, an additional investment of £46,000 is needed for this. Funding of £20,000 from the Business Solutions budget has been used to offset this additional expenditure in part, with the remainder coming from underspends elsewhere in the programme. The cyber-security budget has been fully utilised to purchase an advanced threat detection solution to strengthen the Service's defences against malicious cyber-attacks;
- (g) ultimately, the current capital expenditure and prudential monitoring is otherwise on track.

Resolved to approve an increase of £46,000 to the HR system upgrade capital project, to include document scanning. The additional expenditure will be funded from the Business Solutions budget (£20,000) and from underspends elsewhere in the capital programme.

16 Corporate Risk Management, Including Management of Occupational Road Risk

Candida Brudenell, Assistant Chief Fire Officer, presented a report on the Corporate Risk Management Process, including the current version of the Corporate Risk Register. The following points were discussed:

- (a) a robust risk management process is in place to enables the consideration of key external and internal risks as part of the management and decision-making process. The Corporate Risk Register identifies the risks that are considered to be the most significant in terms of their potential impact on the Service's priorities. The corporate register is informed by a number of risk registers at various other levels in the Service, which feed in to it;
- (b) the Coronavirus pandemic continues to pose a significant risk, so a new risk has been created in the register to encompass the implications and key work streams that are ongoing to mitigate the impacts that Coronavirus has had and will continue to have. Coronavirus has affected the whole of the Service, and addressing the associated risks effectively represents a substantial burden on the available resources;
- (c) the financial risks associated with reduced council tax and business rates collection, coupled with the increased expenditure due to the Coronavirus pandemic, have been mitigated to a large extent by supplementary funding from the Government. However, the register has been updated to reflect the ongoing uncertain position relating to the required remedy for the firefighter pension scheme, due to the McCloud judgement;

- (d) the Service's insurance provision has been re-tendered, with new insurances due to start from 1 April 2021. Despite a hardening of the insurance market, this tendering process has resulted in a £50,000 saving against the previous financial year;
- (e) the arrangements in place for Management of Occupational Road Risk have now been consolidated into the Corporate Risk Management report, and work has continued on the management of this occupational risk.

The Committee noted the report.

17 Update on the 'Areas for Improvement' from the 2019 HMICFRS Inspection

Candida Brudenell, Assistant Chief Fire Officer, presented a report on the Service's response to its 2019 inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). The following points were discussed:

- (a) of the 25 'Areas for Improvement' (AFI) arising from the inspection, two were assigned to the Finance and Resources Sub-Committee, for scrutiny. AFI 16 has been completed, and AFI 15 ("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") is on target to be completed by 31 March 2021, in line with the forecasted timescale.

The Committee noted the report.

18 Exclusion of the Public

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda items 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 outweighed the public interest in disclosing the information, as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

19 Exempt Minutes

The Committee confirmed the exempt minutes of the meeting held on 15 January 2021 as a correct record and they were signed by the Chair.



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

2020/21 REVENUE AND CAPITAL OUTTURN

Joint Report of the Treasurer and Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To report to Members on the provisional financial performance of the Service for 2020/21, analysing significant variances against the original revenue and capital budgets. The outturn position gives Members an overview of the financial position prior to the completion of the Statement of Accounts for 2020/21 in July 2021.

Recommendations:

It is recommended that Members:

- Note the contents of this report.
- Approve the creation of £1.051m of Earmarked Reserves as set out in Section 2.23 and Table 4.
- Approve the funding of Capital projects from a Revenue Contribution £500k (Section 2.24).
- Approve the slippage of £2.741m on the capital programme as detailed in Section 2.51 and Table 8.

CONTACT OFFICER

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1. BACKGROUND

The purpose of this report is to give Members information regarding of the Authority's financial performance in 2020/21. The out-turn position may be subject to change if any issues are identified by the finance team prior to completion of the accounts or by the auditors which require amendments to revenue or capital expenditure. Any changes will be reported to Finance and Resources Committee at a future date.

2. REPORT

- 2.1 When the 2020/21 revenue budget of £45.165m was approved by the Fire Authority in February 2020 it was on the basis that a budget deficit of £274k would be supported by earmarked reserves to balance the budget, leaving a net budget of £44.892m.
- 2.2 Total provisional expenditure for 2020/21 was £43.243m. This represents a provisional underspend position of £1.649m (3.7% of the annual budget).
- 2.3 Table 1 below shows a summary of expenditure and funding.

Table 1 – Summary Expenditure and Funding Position

	Annual Budget 2020/21	Actual 2020/21	Variance 2020/21
	£000's	£000's	£000's
Employees	35,712	35,384	(328)
Premises	2,799	2,562	(236)
Transport	1,637	1,916	279
Supplies & Services	3,751	3,541	(210)
Third Party Payments	783	1,037	254
Support Services	191	191	0
Capital Financing	2,494	2,694	200
Income	(2,099)	(3,980)	(1,881)
Budgeted contribution from Earmarked Reserve	(274)	0	(274)
Contribution from Earmarked Reserve in-year	(132)	(132)	0
Contribution to Earmarked Reserve	30	30	0
Net Expenditure	44,892	43,243	(1,649)

- 2.4 There have been some specific areas of additional income which explain the increase in the underspend since the monitoring position was reported to Finance and Resources Committee in March 2021. These are detailed in Table 2 below:

Table 2 – Additional Income since March 2021 Finance and Resources Committee

Variance	Amount £'000	Detail
Additional Grant Income	(340)	Apprenticeship levy updated income and additional Covid-19 grant.
Business Rate refunds	(265)	Refund of Business Rates following successful appeals – see section 2.9.
Reversal of prior year provision	(155)	A provision was made in 2018/19 to cover the tax implications of a lease car issue identified as part of a tax audit. This has now been resolved with the liability being less than expected. The surplus provision has now been reversed.

- 2.5 Details of ongoing major variances have been reported on to Finance and Resources Committee throughout the year and are updated in the paragraphs below.
- 2.6 **Wholetime Pay** - the wholetime pay budget is underspent by £944k this represents 4% of the £23m budget. This has been caused by a higher than anticipated level of vacancies due to the wholetime training course being delayed until April 2021. The impact of the under establishment was partially offset by 14 individuals migrating from on-call during September and October. A further 6 individuals migrated from on-call on a temporary basis beginning of March. This is to support the ridership whilst some wholetime staff are seconded to the Covid-19 vaccination programme.
- 2.7 **On-Call Pay** - This overall retained pay budget exceeded the original budget by £215k, although £191k of this directly relates to additional costs that are due to the Covid-19 pandemic and has been funded through additional income. Work included community activity, mass testing, the vaccination programme, and supporting East Midlands Ambulance Service. There was also an increase in payments brought on by the improved availability of On Call staff due to being furloughed from their primary employment.
- 2.8 **Non-Uniformed Pay:** non-uniformed pay is Overspent by £379k. The budget assumed that staff would receive a pay award of 2%. The final agreed increase was 2.75%, which resulted in additional costs of £50k. Some temporary posts that were to be funded from earmarked reserves are now being funded from the revenue budget to preserve the earmarked reserves to fund transformational projects in future years.
- 2.9 **Premises costs:** there is an underspend on premises costs of £236k. The majority of this variance relates to business rates, a review has been carried out and this has led to the Authority receiving refunds of £265k 2020/21 (net of

£97k in fees paid to the surveyors). There were additional costs of £66k relating to covid for additional cleaning and materials which were offset from the Covid-19 grant.

- 2.10 **Supplies and Services:** Supplies and Services are underspent by £210k. This relates to reduced activity due to Covid-19 restrictions on smoke alarm fitting (25K), catering, subsistence and overnight accommodation (£49k). The budget for consultancy fees underspent by £92k. £50k was built into the budget for consultancy work relating to the Grenfell Tower findings but additional grant was subsequently received to cover these costs. In addition, £40k of expenditure for consultancy on the fire cover review, has been delayed until 2021/22 and approval has been requested for the creation of an Earmarked Reserve to cover these costs in 2021/22 (section 2.23).
- 2.11 **Transport:** Transport is overspent by £279k, largely due to a backlog of vehicle maintenance. A new schedule of maintenance has been introduced for 2021/21 which better reflects the needs of the fleet.
- 2.12 **Third Party Payments:** £199k of the £254k overspend is for joint control charges from Derbyshire Fire and Rescue. This is due to additional staff being employed to cover long-term sickness. In addition, the Legal service budget has overspent by £55k due to a provision of £50k being created for the anticipated costs relating to a pensions legal case.
- 2.13 **Government Grants:** The Service received a total of £1,210m Covid-19 grant funding. £191k was included in the 2019/20 outturn and a further £1,020k has been received in 2020/21. The grant can only be allocated to additional expenditure, so any redirection to staff from other duties, for example, cannot be claimed. In 2020/21, the total expenditure incurred is £743k as detailed in Table 3 below. The balance of £276k requires adding to the existing earmarked reserve. The revised balance on this reserve will stand at £453k which will be utilised in 2021/22.

Table 3 – Expenditure to be funded from Covid-19 Government Grant

Expenditure	2020/21 Spend £'000
Non-Uniformed Pay	121
Operational Pay and Overtime	14
On Call Firefighters Other Work	141
Cleaning Materials / Decontamination Supplies	66
Operational Equipment Uniforms and PPE	88
Other	108
ICT Infrastructure and Licencing	205
Total	743

- 2.14 Grant allocation is undertaken and monitored by the Strategic Leadership Team. Work is being undertaken to identify key areas of work that will address the ongoing risks of Covid-19 to ensure that the grant is used with best effect. In particular, grant has been used to support:
- Undertaking 419 shifts for EMAS, transporting 1,092 patients;
 - Work related to the setting up and running of the temporary mortuary;
 - Delivering over 12,500 food parcels and medical supplies to members of our community;
 - Nine members of staff helping to set up the mass testing centres within the County;
 - The vaccination programme - to date NFRS staff have delivered over 59,100 vaccinations to the public.
- 2.15 The Service has received a £101k Grenfell Infrastructure Improvements grant, which is to fund the delivery of outcomes against the relevant findings from the Grenfell phase 1 inquiry. £37k of expenditure has been funded from this grant. Work is now increasing significantly as more national guidance is being produced. Members are requested to move the unspent balance of £64k into an Earmarked Reserve for use in 2021/22 to support this work (see section 2.23).
- 2.16 The Service has also received two other Grenfell related grants for Building Risk Review (£60k) and Protection work (£92k). Approval is requested for the unspent grant of £116k to be transferred into earmarked reserves.
- 2.17 **Capital Charges:** £200k of revenue has been used to fund capital expenditure during the year. £89k relates to covid expenditure funded from the Covid Grant. The Environmental Protection Unit (EPU) was to be funded from an

Earmarked reserve, it is now being funded from the revenue budget to preserve the earmarked reserves to fund transformational projects in future years. The ICT security has been funded from an earmarked reserve in year.

- 2.18 **Income:** Additional income of £284k has been received during the year. £209k relates to income that is due to be received from partner organisations in respect of work carried out by NFRS staff on Covid-19 related activities. This income will fund the cost of the activities carried out. There is a surplus of £35k relating to the sale of the Authority's trading company, plus a surplus of £24k relating to income received for the compound license and site cabin at Hucknall.

ALLOCATION OF UNDERSPEND

- 2.19 The underspend position of £1.649m contains £480k of unspent grants which need to be transferred into Earmarked Reserves.
- 2.20 There is £93k of 2020/21 expenditure which was delayed largely due to Covid-19 restrictions. The creation of Earmarked Reserves to cover this expenditure is requested so that it does not impact on the 2021/22 budget.
- 2.21 Since the 2021/22 budget was approved in February 2021 some areas of additional pressure have come to light. These include an issue with the Mobile Data Terminals on fire appliances where up to date risk data is not always available. The Service is looking to resolve this through the use of additional hardware on appliances. A reserve of £200k is requested for this purpose.
- 2.22 The Command Suite training facility is currently based at Bestwood Lodge Head Quarters (HQ). There are approximately £175k additional costs for moving this facility to another location prior to the sale of Bestwood Lodge. An Earmarked Reserve is requested to cover these costs.
- 2.23 Members are requested to approve the creation of Earmarked Reserves as detailed in Table 4 below.

Table 4 – Request for Creation of New Earmarked Reserves

Earmarked Reserve	£'000	Requirement
Unused Grants		
Accreditation, Recognition and Prior Learning Grant	19	Home Office Grant - Accreditation and Recognition prior learning Grant
Building Risk Review Grant	46	To review of all high-rise residential buildings over 18 metres.
Protection Uplift Grant	70	To support initial improvements in local protection capability.
Grenfell Infrastructure Fund	64	Funding in Nottinghamshire FRS area towards delivering outcomes

Earmarked Reserve	£'000	Requirement
		against the relevant findings from the Grenfell Phase 1 inquiry and infrastructure operational improvements.
Covid-19 Grant	276	Grant not spent in year for additional cost incurred from Covid.
ESN Balance (Regional)	5	Income received from region to cover salary costs of the project.
Sub Total	480	
Delayed Expenditure		
Operational Equipment	30	The purchase of BA guidelines, stretchers and replacement airbags. Funding has been set aside for the BA guidelines in the 2020/21 budget, but the procurement process could not be completed in time to secure delivery before the end of the 20/21 financial year.
Fire Cover Review	40	Consultancy for the Fire Cover review was approved 2020/21, this has slipped to 201/22.
Fitness Equipment	23	Equipment was due to be purchased in 2020/21 but delays in delivery caused by the Covid-19 pandemic meant that it was received in 2021/22.
Sub Total	93	
2021/22 Budget Pressures		
Tri Service Control	200	Resolution of issues around Mobile Data Terminals
ICT Telephony Software	53	Post the budget process, it was identified that an additional change in the requirements for the licencing of the Telephony software contract was required.
Rescue Gloves	50	Funding was not included in the 2021/22 budget (see section 2.37).
Command Training Suite	175	Additional cost of moving the Training suite to a new location, following the closure of HQ
Sub Total	478	
Total contribution to Earmarked Reserves	1,051	

- 2.24 If the above allocation to Earmarked Reserves is approved, this will reduce the underspend position to £598k. It is requested that £500k be approved to fund ICT projects within the 2020/21 Capital Programme which have a 5-year life. This will reduce the need to borrow and reduce the Minimum Revenue Provision (debt costs) to the revenue account by £100k in each of the next 5 years when additional funding pressures are expected.
- 2.25 The remaining £98k will be transferred to the General Fund Reserve.
- 2.26 If the above transfers to Earmarked Reserves and funding of the Capital Programme are approved, the provisional outturn position can be summarised in Table 5 below.

Table 5 – Summary Expenditure and Funding Position

	Annual Budget 2020/21	Actual 2020/21	Variance 2020/21
	£000's	£000's	£000's
Employees	35,712	35,384	(328)
Premises	2,799	2,562	(236)
Transport	1,637	1,916	279
Supplies & Services	3,751	3,541	(210)
Third Party Payments	783	1,037	254
Support Services	191	191	0
Capital Financing	2,494	3,194	700
Income	(2,099)	(3,980)	(1,881)
Budgeted contribution from Earmarked Reserve	(274)	0	(274)
Contribution from Earmarked Reserve in-year	(132)	(132)	0
Contribution to Earmarked Reserve	30	1,081	1,051
Net Expenditure	44,892	44,794	(98)
Funded by:			
General Fund Reserves	(0)	98	98
Pension Grant	(2,340)	(2,340)	
Revenue Support Grant	(5,421)	(5,421)	0
Non-Domestic Rates	(11,057)	(11,057)	0
Council Tax	(26,074)	(26,074)	0
Total Funding	(44,892)	(44,794)	98

RESERVES

- 2.27 Details of the movement in reserves during 2020/21 can be found in Appendix A. A net total of £1.047m has been transferred into the reserves during the year. Total reserves as at 31 March 2021 were £10.798m.

Table 6 – Breakdown of Reserve Movement during 2020/21

Reserves	Balance 01/04/20 £'000	Net Movement 2020/21 £'000	Balance 31/03/21 £'000
Earmarked	4,761	949	5,711
General Fund	4,989	98	5,087
Total	9,750	1,047	10,798

- 2.28 After a contribution of £98k to general reserves for 2020/21, general fund reserves stand at £5.087m as at 31 March 2021.

CAPITAL BUDGET OUTTURN

- 2.29 Details of project expenditure can be found in Appendix B. Provisional expenditure as at 31 March 2021 was £3.249m, which is an underspend within the year of £2.753m against the Revised Budget of £6.002m.
- 2.30 A summary of variances is shown in Table 7.

Table 7 – Capital Outturn Position 2020/21

	Revised Budget 2020/21 £000's	Actual 2020/21 £000's	(Under) / Over spend 2020/21 £'000	Slippage to 2021/22 £000's
Transport	634	173	(461)	461
Operational Equipment	758	499	(259)	259
Property	3,558	1,808	(1,750)	1,738
IT & Communications	1,052	769	(283)	283
Total	6,002	3,249	(2,753)	2,741
Funded by:				
Borrowing		2,322		2,741
Earmarked Reserves/Revenue		691		0
Capital Receipts		235		0
Total	691	3,249		2,741

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

TRANSPORT

- 2.32 Light Vehicle Replacement – The light vehicles for the pool have been ordered, due to lead time vehicles will now not be delivered until April 2021. In addition, the Principal Officer car and Renault Van are now due to be delivered in the new year. Slippage of £313k is requested into 2021/22.
- 2.33 Special Appliances – The rescue pump project has been delayed due to covid. Slippage of £148k into 2021/22 is requested.

EQUIPMENT

- 2.34 Lightweight Fire Coats / Structural PPE - This project was completed early 2020. The underspend on these projects of £96k is requested to be slipped into 2021/22 for the purchase of the rescue gloves (section 2.37).
- 2.35 CCTV - This project has commenced but some vehicles still require the CCTV upgrade/installation. This is to be completed in the first quarter of the new financial year. Slippage of £114k is requested to be slipped into 2021/22.
- 2.36 Air bag replacement – An alternative system has now been procured to take account of the outcome of trials. The project was consequently delayed, and funding is requested to slip into 2021/22 - £43k is required for this project, and £8k slipped to fund the rescue gloves in 2021/22 (see section 2.37).
- 2.37 Rescue gloves were due to be replaced, however funding was not included in the 2021/22 budget. It is intended to bring this project forward so that all the Rescue gloves can be replaced in 2021/22. Approval is sought to use £102k of the 2020/21 slippage from the equipment budget and an additional £50k from a contribution from Earmarked reserves (see section 2.23).

PROPERTY

- 2.38 London Road - The project is completed and the underspent budget of £12k is not required.
- 2.39 Worksop – The tendering process commenced on 15 February 2021. Additional costs have been identified mainly due to the inclusion of renewable energy devices (Air Source Heat Pump) and self-generated electrical power. The site also requires piled foundations due to deep buried made-up ground. This has resulted in potential increased costs in the region of £240k, although the project is being monitored closely to try to bring it back on budget. If this is not possible, it may be necessary to re-allocate underspends from elsewhere in the capital programme to fund the increased expenditure. Slippage of £404k into 2021/22 is requested.
- 2.40 Headquarters – The joint Headquarters project is progressing well. Building work is on schedule however a redesign of the Electrical and Mechanical elements may lead to some additional costs and programme extension which

are yet to be determined. The refurbishment of the existing Sherwood Lodge Accommodation is under design review which should be completed and ready for tender in October 2021. The planning for the decant from Bestwood Lodge is underway with options for the site disposal being explored. Additional works linked to this project to relocate NFRS Stores and the Incident Command Training Centre will commence in late 2021. Slippage of £1.155m is requested.

- 2.41 Hucknall – The final statement for Hucknall is still outstanding, it is therefore requested that the underspend be slipped into 2021/22. The project is anticipated to underspend. Approval will be requested if this funding is needed to support the Worksop project in the future (section 2.39).

INFORMATION AND COMMUNICATIONS TECHNOLOGY

- 2.42 The delays in the national Emergency Services Mobile Communication Project (ESMCP) have had a knock-on effect on anticipated expenditure on project related equipment, resulting in an underspend of £41k. Slippage of the £41k is requested.
- 2.43 The tri service control and mobilising system work has largely been completed. Slippage of the £161k is requested.
- 2.44 The Finance Agresso Upgrade this is a collaborative project with Derbyshire and Leicestershire Fire Services. Work will commence on this project being put onto the cloud. A budget of £30k is in the capital programme 2021/22 for any additional upgrades, and therefore the £30k is requested to be slipped to support the other ICT projects.
- 2.45 ISO27001 relates to cyber security. The expenditure of £14k has been funded from revenue.
- 2.46 The Business Process automation project –. This budget has enabled the Service to procure new cloud-based software solution including an enhanced estates management solution and an updated version of the ICT Service Desk system. The underspend of £19k is requested to be slipped into 2021/22.
- 2.47 The mobile computing project - Mobile Computing budget has been used to finance the purchase mobile computing devices, mobile phones and the new mobile telephony contract. It is requested that the £6k underspend be slipped into 2021/22.
- 2.48 The ICT Sharepoint Project support for security updates will soon no longer be supported by Microsoft. The project needs to be replaced and migrated to the cloud. As part of the Joint Headquarters Programme, an attempt is being made to move as many of the On-Premise systems to the Cloud or other locations. The budget of £16k is to be slipped into 2021/22 to enable the project to be completed.

- 2.49 The HR upgrade – during the upgrade it was identified that the document scanning solution was a requirement within iTrent at a cost of £46k. Funding from underspends elsewhere in the programme have been used to fund this.
- 2.50 The Replacement Equipment included a project to improve digital storage in preparation for the Head Quarters move. The remainder of the budget was utilised to procure new computing equipment such as new Tablet PCs and Desktop PCs as part of a Service wide equipment refresh.
- 2.51 Members are requested to approve capital slippage into 2021/22 as detailed in the table below:

Table 8 – Capital Slippage into 2021/22

Scheme	Slippage Required £'000	Notes
Rescue Pumps	148	
Light Vehicle Replacement	313	
Structural PPE	52	To fund Rescue Gloves – section 2.34/2.37
Lightweight Fire Coats	44	To fund Rescue Gloves – section 2.34/2.37
CCTV	114	
Air Bags Replacements	49	£8k to fund Rescue Gloves – section 2.36/2.37
Joint Headquarters	1,155	
Newark Fire Station	10	
Hucknall Fire Station	169	
Worksop Fire Station	404	
Mobile Computing	6	
SharePoint	16	
Business Process Automation	19	
Emergency Services Network	41	
Tri Service Control	161	
H.Q Link ICT Replacement	40	
Total	2,741	

DEBTS WRITTEN OFF IN 2020/21

2.52 One debt totalling £24.01 have been written off during the 2020/21 financial year.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources implications arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report summarises only the financial impact of activities undertaken in 2018/19. Equality impacts arising from new policies implemented in the year will have been identified in other reports.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

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

9. COLLABORATION IMPLICATIONS

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

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Note the contents of this report.
- 10.2 Approve the creation of £1.051m of Earmarked Reserves as set out in Section 2.23 and Table 4.
- 10.3 Approve the funding of Capital projects from a Revenue Contribution £500k (Section 2.24).
- 10.4 Approve the slippage of £2.741m on the capital programme as detailed in Section 2.51 and Table 8.

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

None.

Becky Smeathers
TREASURER TO THE FIRE AUTHORITY

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

Reserve Position at 31 March 2021

Reserve	Opening Balance 01/4/20 £'000	Movement into Reserve £'000	Use of Reserve £'000	Movement During 2020/21 £'000	Closing Balance 31/3/21 £'000
Prevention, Protection and Partnership	252	180	(25)	21	428
Resilience	333	30	(14)	0	349
Capital	1,037	0	0	(1,037)	0
Information, Communication and Technology (ICT)	1,131	53	0	0	1,184
Operational	188	495	0	(10)	673
Covid - 19	177	276	0	600	1,053
Other	0	42	0	0	42
Transformation and Collaboration	1,387	0	(14)	427	1,800
Regional Funds	255	5	(79)	0	181
Total Earmarked Reserves	4,760	1,081	(132)	(1)	5,711
General Reserve	4,989	98	0	0	5,087
Total Reserves	9,749	1,179	(132)	(1)	10,798

CAPITAL EXPENDITURE 2020/21

Scheme	Revised Budget 2020/21 £'000	Actual Expenditure 2020/21 £'000	(Under) / Over Spend £'000	Slippage required to 2021/22 £'000
Transport				
Special Appliances	88	88	0	0
Light Vehicle Replacement	398	85	(313)	313
Rescue Pumps	148	0	(148)	148
	634	173	(461)	461
Equipment				
Air Bag Replacement	84	33	(51)	49
CCTV – Vehicles	200	86	(114)	114
Helmets	170	172	2	0
Structural PPE	230	178	(52)	52
Lightweight Fire Coat	74	30	(44)	44
	758	499	(259)	259
Estates				
Air Conditioning London Rd	40	28	(12)	0
Joint Headquarters	2,739	1,584	(1,155)	1,155
Newark Fire Station	10	0	(10)	
Hucknall Fire Station	169	0	(169)	169
Worksop Fire Station	600	196	(404)	404
	3,558	1,808	(1,750)	1,738
IT & Communications				
Business System Development	20	25	5	0
ICT replacement equipment	250	255	5	0
Mobile Computing	100	92	(8)	6
HR System Upgrade	51	88	37	0
HQ Link ICT Replacement	100	60	(40)	40
Sharepoint development	50	34	(16)	16
Covid Related Projects	89	89	0	0
ISO27001 Cyber Security Alignment	14	14	0	0
Cyber Security	37	37	0	0
Business Process Automation	83	64	(19)	19
Performance Management	9	0	(9)	0
Emergency Services Mobile Communication Project (Grant funded)	41	0	(41)	41
Tri Service Control	171	10	(161)	161
Finance Agresso Upgrade	37	0	(37)	0
	1,052	769	(283)	283

Total	6,002	3,249	(2,753)	2,741
		Actual Expenditure 2020/21 £'000		
Financed by:				
Capital Grant		0		
Capital Receipts		235		
Earmarked Reserves		0		
Revenue Contribution to Capital		691		
Borrowing		2,323		
Total		3,249		



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 30 APRIL 2021

Report of the Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To report to Members on the 2021/22 financial performance of the Service and Prudential Code monitoring to the end of April 2021.

Recommendations:

It is recommended that Members:

- Note the content of this report.
- Approve the budget of £1.258m in 2022/23 for Worksop to be brought forward into 2021/22.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 Budget monitoring is a key aspect of financial management for the Fire Authority. Regular reporting of spending against the revenue budgets is a check that spending is within available resources and if necessary, allows for financial resources to be re-assigned to meet changing priorities.
- 1.2 This report covers those areas with a higher risk of significant variance. An assessment of this risk has been made in the light of the size of the budgets selected and/or previous experience of variances, as well as the emergence of actual variances. It is vital that an overview of the budgetary position during the year is maintained, so that appropriate action can be taken in respect of significant variances and the budget is managed as a whole.
- 1.3 Monitoring against the revised prudential indicators is also included in this report, as required in the Prudential Code published by the Chartered Institute of Finance and Accountancy (CIPFA).

2 REPORT

REVENUE BUDGET

- 2.1 The revenue monitoring position is set out in Table 1 below. It shows a forecast outturn position of £45.999m, which is a £88k (0.2%) underspend against the revised budget of £46.087m.

Table 1 – Summary Expenditure and Funding Position

	2021/22 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	45,302	46,087	45,999	(88)
Revenue Support Grant	(5,452)	(5,452)	(5,452)	0
Business Rates (including related grants)	(10,860)	(10,860)	(10,860)	0
Pension Grant	(2,340)	(2,340)	(2,340)	0
Council Tax	(26,650)	(26,650)	(26,650)	0
General Fund	0	0	88	88
Earmarked Reserves	0	(785)	(785)	0
Total	0	0	0	0

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

- 2.3 **WHOLETIME PAY:** Total wholetime pay is £223k above the set budget, however this is reduced to a small underspend of £65k once secondment income is taken into account. This is less than 0.3% of the £23.559m budget and is likely to be required once the final pay settlement has been agreed. A 1.5% award has been offered to the unions against the 1% included in the budget. If the award is agreed at 1.5% the additional cost on firefighter pay will be in the region of £100k.
- 2.4 **ON-CALL PAY:** Overall, on-call pay is anticipated to underspend by £124k, although it is difficult to predict final expenditure levels for this budget so early in the year as activity in April was still affected by Covid-19. The number of recruits recently taken on has been slightly lower than expected which has resulted in an underspend on pay and training. This may pick up later in the year.
- 2.5 **NON-UNIFORMED PAY:** non-uniformed pay is expected to overspend by £18k (after compensating for secondment income and posts being funded from grants). The estimated figures include a pay award of 1% but employers have offered 1.5%. If this offer is agreed the additional cost will be £26k.
- 2.6 **PREMISES COSTS:** the forecasted underspend is £53k. The majority of this variance relates to business rates, which is expected to underspend by £51k. A review of business rates has been carried out and this has led to the Authority receiving refunds of £265k 2020/21 (net of £97k in fees paid to the surveyors). Further refunds are expected in 2021/22. It is possible that the Authority will also receive a business rates refund relating to Head Quarters, but as it is not certain at this stage this has not been included in the estimated outturn.
- 2.7 **SALES, FEES & CHARGES:** There is a forecasted surplus of £143k relating to recovered costs and secondment income. This is mainly due to the recharging of costs to partner agencies for work carried out on Covid-19 related activities. This has been used to offset the additional costs incurred.
- 2.8 **CAPITAL FINANCING COSTS:** There is a forecasted underspend of £45k. The net overspend is comprised of the following variances:
- Interest charges are expected to underspend by £24k as interest rates are lower than anticipated.
 - Minimum revenue provision (MRP) charges are expected to underspend by £21k. This is due to a decision to fund some ICT capital expenditure from a revenue contribution to capital in 2020/21.

RESERVES

- 2.9 Details of the use of reserves during 2021/22 can be found in Appendix B.
- 2.10 Expected levels of reserves at 31 March 2022 are £10.718m as detailed in Table 3 below.

- 2.11 The opening balances as at 1 April shown in the table below are provisional and may change, as the 2020/21 Statement of Accounts has yet to be finalised.

Table 3 – Anticipated Movement in Reserves 2021/22

Reserves	Balance 01/04/21 £'000	Anticipated Use 2021/22 £'000	Expected Balance 31/03/22 £'000
Contributions from earmarked reserves ¹	5,529	(706)	4,823
General Fund ¹	5,087	88	5,175
Total	10,616	(618)	9,998
ESMCP² Regional Reserve¹	182	(79)	103
Total	10,798	(697)	10,101

¹ Provisional opening balance figures

² Emergency Services Mobile Communications Programme

- 2.12 The Emergency Services Mobile Communications Programme (ESMCP) regional reserve has been shown separately to those reserves held by the Authority to reflect that the funds are to be allocated regionally and do not belong to Nottinghamshire Fire and Rescue Service (NFRS).
- 2.13 The general reserve is predicted to be £5.175m at the end of the financial year. This is above the minimum level of £4.5m agreed by Fire Authority in November 2020.

CAPITAL PROGRAMME

- 2.14 The 2021/22 Capital Programme approved by Fire Authority in February 2021 is £5.835m. This does not include the slippage of £2.741m from 2020/21 that has been requested in the 2020/21 Revenue and Capital Outturn report elsewhere on this agenda. The total capital spend to date is £138k and the forecast outturn expenditure is £5.835m. The current capital programme is shown at Appendix C. The most significant areas of variances are detailed below.

ICT

- 2.15 The ICT programme (£765k) has been developed from the Digital Strategy. It includes replacement equipment and software and supports the specific schemes which underpin the strategy. Overall spend has got off to a slow start but is expected to pick up as the year progresses.
- 2.16 The HR system upgrade was a 2020/21 project created to enable document scanning to retain documents electronically ahead of the move to the new

joint Head Quarters. Additional expenditure of £8k has been incurred on the project – this will be funded from the ICT Replacement Equipment Budget.

ESTATES

- 2.17 The joint Headquarters project is progressing well. Building work is on schedule however a redesign of the Electrical and Mechanical elements may lead to some additional costs and programme extension which are yet to be determined. The refurbishment of the existing Sherwood Lodge Accommodation is under design review which should be completed and ready for tender in October 2021. The planning for the decant from Bestwood Lodge is underway with options for the site disposal being explored. Additional works linked to this project to relocate NFRS Stores and the Incident Command Training Centre will commence in late 2021.
- 2.18 Worksop Station - The design for the new station and the tendering process is complete. Additional costs have been identified mainly due to the inclusion of renewable energy devices (Air Source Heat Pump) and self-generated electrical power. The site also requires piled foundations due to deep buried made-up ground. The overall budget over 3 years was estimated at £3.820m, with £1.258 in 2022/23. The tender is estimated at £3.911m which is over budget by £239k. The project will be monitored closely to try to bring it back on budget. If this is not possible, it may be necessary to re-allocate underspends from elsewhere in the capital programme to fund the increased expenditure.
- 2.19 The contractors are due to complete in March 2022, which is ahead of the original schedule. The budget £1.258m in 2022/23 is requested to be brought forward into 2021/22.

EQUIPMENT

- 2.20 The equipment budget largely relates to projects that have slipped from 2020/21 (see Revenue and Capital Outturn report elsewhere on this agenda). The airbag replacement project is now complete. The remaining projects are expected to be completed as the year progresses.
- 2.21 Rescue Gloves were due to be replaced at a cost of £152k, but the funding was not included in the 2021/22 budget. Slippage of £102k and an earmarked reserve of £50k have been requested in the Revenue and Capital Outturn report – if this is approved the project will be added to the programme.

TRANSPORT

- 2.22 The fleet replacement programme is derived from the Fleet Strategy and reflects current and future expected demand.
- 2.23 The Special Appliances budget of £150k is for the purchase of the replacement of an Arial Ladder Platform (ALP). The order for the chassis will be placed during 2021/22 for the build to commence in 2022/23.

- 2.24 The Rescue Pump Budget of £1.018m is for the purchase of 3 pumps. The Chassis, body fit and electricals are estimated at £305k per pump. The rescue pump project has been delayed due to covid, progress of this project will be monitored and reported in future budget monitoring reports.
- 2.25 The light vehicles budget for 2021/22 of £178k, is for the purchase of 6 pool vehicles (£111k) 1 stores vehicle (£21k) and a principal officer's vehicle (£47k).

PRUDENTIAL CODE MONITORING

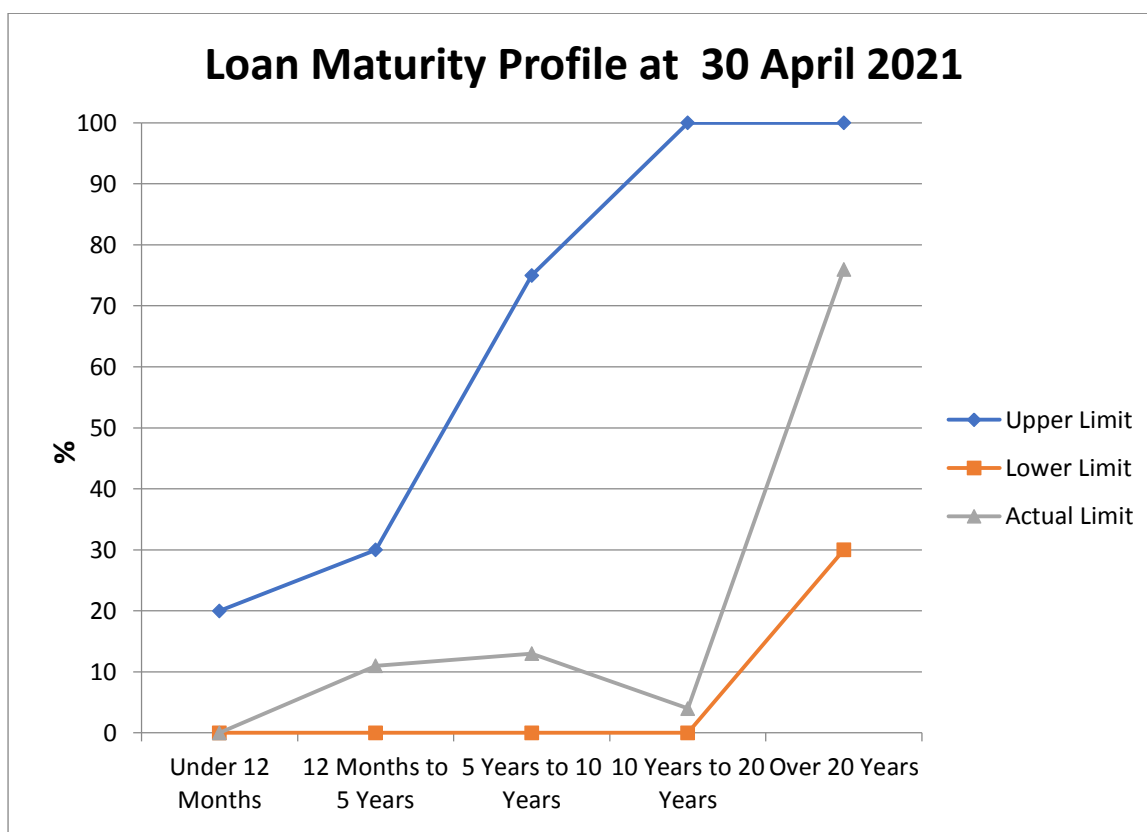
- 2.26 The Fire Authority approved the prudential indicators for 2021/22 at its meeting on 26 February 2021. The Prudential Code requires that performance against these indicators is reported to Members
- 2.27 The approved indicators along with performance as at 30 April 2021 are shown in the table below. 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 at 30 April 2021
Estimate of Ratio of Financing Costs to Net Revenue Stream	5.4%	Year End Only
Estimate of Total Capital Expenditure to be Incurred	£5,835,000	Year End Only
Actual Borrowing		£25,599,417
Estimate of Capital Financing Requirement	£31,971,000	£31,971,000
Operational Boundary	£33,959,000	£33,959,000
Authorised Limit	£38,255,000	£38,255,000
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	30%
Loan Maturity:	<u>Limits:</u>	
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%	15.68%

2.28 The total borrowing at the end of April 2021 was £26.9m which is within the operational and authorised limits set out in Table 4. Borrowing activity has remained within these boundaries throughout the period covered by the report. There has been no borrowing activity since the start of the financial year.

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



2.30 Investments as at 30 April 2021 totalled £5.5m. Investment rates are monitored within the benchmarking group supported by Link Asset Services. There are seven councils and NFRS within the group. As at the end of December 2020, NFRS weighted average rate of return was 0.18%, compared with a group average of 0.39%.

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 content of this report.
- 10.2 Approve the budget of £1.258m in 2022/23 for Worksop to be brought forward into 2021/22.

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

None.

John Buckley
CHIEF FIRE OFFICER

REVENUE BUDGET MONITORING POSITION AS AT 30 APRIL 2021

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	(Under) / Over Spend Against Revised budget £'000
Employees	36,140	36,809	3,129	36,945	136
Premises	2,801	2,802	767	2,750	(53)
Transport	1,794	1,796	173	1,794	(2)
Supplies & Services	3,757	3,940	1,303	3,940	0
Third Party	783	783	(177)	783	0
Support Services	177	166	65	177	11
Capital Financing Costs	2,431	2,456	0	2,411	(45)
Fees and Charges	(362)	(362)	32	(546)	(183)
Other Income	(2,220)	(2,303)	(28)	(2,255)	48
Net Cost	45,302	46,087	5,264	45,999	(88)
Financed by:					
Government Funding	(12,729)	(12,729)	(1,817)	(12,729)	0
Non-Domestic Rates	(2,010)	(2,010)	(281)	(2,010)	0
Council Tax	(26,650)	(26,650)	(2,665)	(26,650)	0
Pension Grant	(2,340)	(2,340)	0	(2,340)	0
Business Rates Covid Relief Grant	(1,573)	(1,573)	0	(1,573)	0
Earmarked Reserves	0	(785)	(785)	(785)	0
General Reserve	0	0	0	88	88
Funding Total	(45,302)	(45,941)	(5,548)	(45,999)	0
Total	0	0	(284)	0	0

ESTIMATED RESERVE POSITION AT 31 MARCH 2022

Reserve	Opening Balance* 01/4/21 £'000	Movement During 2021/22 £'000	Closing Balance 31/3/22 £'000
Resilience Crewing and Training	348	(1)	347
Prevention Protection and Partnerships	428	(76)	352
Business Systems Development	59	0	59
Transformation and Collaboration	1,799	(239)	1,560
Operational	673	(103)	570
Covid-19	1,054	(210)	844
ESN Reserve	1,307	(132)	1,175
Other	42	(23)	19
Total	5,710	(784)	4,926
General Reserve	5,087	88	5,175
Total Reserves	10,797	(696)	10,101

*Provisional opening balance figures

CAPITAL - BUDGET MONITORING REPORT – APRIL

CAPITAL PROGRAMME	Approved Budget 2021/22	Slippage to be Approved	Revised Budget (if slippage approved) 2021/22	Spend to Date	(Under)/ Over Budget	Estimated Outturn to the end of March 2021	Outturn Variance
ICT & COMMUNICATIONS							
Human Resources System Upgrade				8	8	0	
Business Process Automation		19	19	10	-9	0	
Mobile Computing	100	6	106	3	-103	100	
Head Quarters - Link ICT Replacement	30	40	70	-2	-72	30	
Cyber Security							
ICT Sharepoint Internet/Intranet		16	16		-16	0	
Performance Management System	20		20		-20	20	
Grant from DCLG (ESN)							
Emergency Services Network		41	41		-41		
Tri-Service Control Project		161	161		-161		
Unit4 Business World Upgrade	30		30		-30	30	
Replacement Equipment	50		50	3		50	
Head Quarters Project (Enabling Works - ICT)	150		150			150	
Emergency Services Mobile Communication	100		100			100	
Rostering Project - ICT Capital	185		185			185	
One off Projects - ICT Capital	35		35			35	
Occupational Health - ICT Capital	65		65	28	-37	65	
	765	283	1,048	49	-481	765	0
ESTATES							
Joint Headquarters Project	1,623	1,155	2,778	3	-2,775	1,623	
Air Conditioning - London Road							
Workshop Fire, Police and Ambulance Station Project (capital – strategic new build project)	2,000	404	2,404	7	-2,397	2,000	
Newark Fire Station		10	10		-10		
Hucknall Fire Station		169	169	10	-159		
	3,623	1,738	5,361	20	-5,341	3,623	
EQUIPMENT							
CCTV - vehicles		114	114		-114		
Structural (PPE) Personnel Protective Equipment		52	52		-52		
Helmets							
Lightweight Fire Coat		44	44		-44		
Water Rescue - ICT Capital	100		100			100	
Air Bag Replacements		49	49	43	-6		
	100	259	359	43	-216	100	
TRANSPORT							
Vans & Other Light Vehicles	179	313	492	26	-466	179	
Resilience Crewing and Training - Earmarked Reserves							
Rescue Pumps	1,018	148	1,166			1,018	
Special Appliances	150		150		-150	150	
	1,347	461	1,808	26	-616	1,347	
	5,835	2,741	8,576	138	-6,655	5,835	0

TO BE FINANCED BY	Actual	Estimated Outturn
Capital Receipts - Property	0	300
Internal Financing	138	5,535
Total	138	5,835



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

BUSINESS RATES UPDATE

Report of the Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To update Members on the revised rateable values for Nottinghamshire Fire and Rescue Service properties and associated rebated business rate charges.

Recommendations:

That Members note the contents of this report.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 The most recent business rates revaluation took effect from 1 April 2017 and updated rateable values to reflect the market as at 1 April 2015. The intention was to ensure business rate bills more closely reflect the property market and that all businesses were getting a fair deal. It was stated in a consultation paper by the Department for Communities and Local Government “the revaluation will not raise any more or less tax”.
- 1.2 Unfortunately, this was not the case and because of the revaluation, Nottinghamshire Fire and Rescue Service (NFRS) received large increases in Business Rates bills.
- 1.3 This report details the action undertaken by the Service to rectify the believed incorrect evaluation of the rateable value of the estate.

2. REPORT

- 2.1 The April 2017 business rates revaluation increased NFRS’ property rateable value from £1,579k in 2016 to £2,108k. Within the business rates formula this increased business rates by £222k per annum.
- 2.2 In 2017 NFRS employed a commercial property consultant on a no-win-no-fee basis to undertake rateable value checks on the estate with a view to potentially challenge the 2017 business rate revaluation. Agreed fees for the consultants were 18% of any rebate payable to NFRS.
- 2.3 Although the process took longer than anticipated, the check confirmed that 22 out of the 27 NFRS sites were incorrectly evaluated, subsequently challenges against each site were submitted. NFRS received the results of the challenges between February and May 2021 with all challenged cases successful in lowering the rateable values.
- 2.4 The outcome of the successful challenge against the April 2017 business rates revaluation are summarised below:
 - 2.4.1 NFRS Estate rateable value pre-challenge £2,077k post challenge £1,832k; a reduction of £245k.
 - 2.4.2 NFRS business rates liability pre-challenge £1,053, post challenge £823k an annual saving of £230k.
 - 2.4.3 The amount NFRS have been overcharged since Apr 2017 and has been subsequently rebated is £433k. The consultants fee for the service is £102k, therefore the actual rebate back into NFRS budget is £331k.

3. FINANCIAL IMPLICATIONS

- 3.1 Because of the successful challenge of the NFRS estate rateable value, future revenue liability is reduced by £230k, this does not include any inflation increases which may be applied.
- 3.2 A backdated refund was received in 2020/21 of £265k (net of £97k in fees paid to the consultants). The remaining income is expected in 2021/22.
- 3.3 The revised charges are reflected in the 2021/22 budgets.

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

There are no equality implications arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising from this report.

9. COLLABORATION 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.

John Buckley
CHIEF FIRE OFFICER



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

INTERNAL AUDIT ANNUAL REPORT 2020/21

Report of the Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To bring to the attention of Members the annual report prepared by the Authority's Internal Auditors, which includes the Internal Audit Plan for 2021/22.

Recommendations:

That Members note the contents of this report.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 Nottinghamshire County Council has provided an Internal Audit service to the Fire and Rescue Authority since its formation in 1998. The Finance and Resources Committee receives the Internal Auditor's annual report in accordance with its role as an audit committee.
- 1.2 The annual report for 2020/21 is attached in full as Appendix 1 to this report.
- 1.3 Under the provisions of the Code of Practice on Local Authority Accounting, the Authority is required to annually review its arrangements for the provision of Internal Audit and comment on that review. This report sets out the basis of that review and the annual report includes proposed developments for 2021/22.

2. REPORT

NOTTINGHAMSHIRE COUNTY COUNCIL INTERNAL AUDITOR'S REPORT

- 2.1 The Internal Audit Annual Report for 2020/21 is attached at Appendix 1.
- 2.2 The Auditors have provided a view on the internal control environment and conclude that:

"Based on the coverage and outcomes, overall, we consider the collective evidence provides reasonable assurance concerning the arrangements in place for corporate governance, risk management and the control environment." (see section 14)

- 2.3 Four 2020/21 audits have been finalised during the year. The reports gave overall assurance levels of substantial (Risk levels are low) or reasonable (risk levels are acceptable) and are appended to this report:

Report	Assurance Level	Appendix
Treasury Management	Substantial	2
Cardiff Checks	Substantial	3
Purchase Cards	Reasonable	4
Purchasing and Creditor Payments	Reasonable	5

- 2.4 The properties and premises audit has been delayed until 2021/22 due to Covid-19 restrictions regarding access to stations and offices.
- 2.5 The Internal Auditors undertook an additional assessment of the Authority's compliance with Government guidance on managing Covid-19 risk which can be found in sections 31 to 40 of the report.

- 2.6 In 2019, Ernst and Young requested that the Annual Report also covered the adequacy and effectiveness of the corporate governance and risk management frameworks. The report concludes that the service has:
- **Strong corporate governance arrangements** in place and complied with. Strong assurance from internal and external reviews.
 - **Strong risk management framework** in place and complied with. Covid-19 risks accounted for promptly.
- 2.7 Appendix B of the Annual Report shows the internal audit plan for 2021/22 which has been agreed by the Head of Finance following consultation with the Strategic Leadership Team. There is sufficient flexibility to amend the plan if circumstances require alternative work to be carried out by the Auditors in the year.

REVIEW OF INTERNAL AUDIT

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

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

- 2.9 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.
- 2.10 The Authority views Internal Audit as an integral part of the corporate governance framework, particularly in so far as it relates to the system of Internal Control. Whilst it is acknowledged that Internal Control is a managerial responsibility, it is considered that Internal Audit can provide managers with independent assurance that the system is working effectively and draw any deficiencies in the system to the attention of managers and elected members.
- 2.11 These assurances, however, can only be relied upon providing the internal audit service is adequate to meet the needs of the organisation and is provided professionally.
- 2.12 The Internal Audit Service of the Authority is provided under a Service Level Agreement with Nottinghamshire County Council and requires the Auditors to operate within the Public Sector Internal Audit Standards set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). Operating to these standards will ensure that the Authority meets its obligations under statute.

- 2.13 CIPFA published a guide on the role of the Head of Internal Audit in 2019. Three development areas for internal audit have been identified for 2021/22 following an assessment against the CIPFA Guide. These are:
- a) Draft an Internal Audit Charter for consideration and adoption by the SLT and the Finance & Resources Committee;
 - b) Formally agree a revised approach to audit planning;
 - c) Strengthen engagement through periodic meetings between the Head of Internal Audit and the Chair of the Finance & Resources Committee and the SLT.
- 2.14 There are regular reviews of audit plans and progress by senior managers and the audit team to monitor the work being carried out.
- 2.15 The External Auditors, in their general review of controls and as part of their specific annual audit, are required to comment on the adequacy or otherwise of Internal Audit. To date they have always been satisfied that the work of Internal Audit is sufficient for them to rely on their audit work and that the service is effective.

3. FINANCIAL IMPLICATIONS

Indirect financial implications relating to policy, procedure updates and staff training are contained within the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this is a report relating to the Authority's performance rather than new or amended policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

Internal Audit is a mandatory function within fire authorities. The Local Government and Finance Act 1988 and Accounts and Audit Regulations 2015 identify a fire authority as a "relevant body", responsible for maintaining an adequate and effective internal audit function.

8. RISK MANAGEMENT IMPLICATIONS

Internal Audit forms part of the wider system of internal control which deals entirely with the Authority's exposure to financial, and to some extent non-financial risk. Presenting the annual report to the Authority enables Members to see the work of internal audit and the contribution that they make to the overall system of internal control.

9. COLLABORATION IMPLICATIONS

The Internal Audit service is provided by Nottinghamshire County Council. There may be opportunities for further collaborative procurement of Internal Audit services in the future.

10. RECOMMENDATIONS

That Members note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER



Head of Internal Audit's Annual Report 2020/21
Report to the Chief Fire Officer, Nottinghamshire Fire & Rescue Service and
Nottinghamshire and City of Nottingham Combined Fire Authority

Purpose of report and index

1. To provide the Head of Internal Audit's Annual Report for 2020/21, including our opinion on the adequacy of the Nottinghamshire and City of Nottingham Combined Fire Authority's (CFA's) arrangements for governance, risk management and control. The report comprises:

Para/s

2 – 4	Requirement for internal audit
5 – 7	Fulfilment of requirement
8 -13	Audit approach and coverage
14	Audit opinion
15 & 16	Audit assurance reviews
17 – 19	Joint action tracking of previous audit recommendations
20 – 24	Counter-fraud questionnaire for external audit
25 – 30	Health and safety reviews
31 – 40	Compliance with Government guidance on managing Covid-19 risk
41 – 43	Assurance mapping
44 – 48	Performance of internal audit
49	Audit plan for 2021/22
50	Proposed development of service in 2021/22

Requirement for internal audit

2. The practice of internal audit within fire authorities is mandatory. The **Local Government Finance Act 1988** and **Accounts and Audit Regulations 2015** identify a fire authority as a '**relevant body**', responsible for maintaining an **adequate and effective internal audit function**.
3. The internal audit function is to review, assess, and report on the **governance, risk management and control environment** established by management to:
 - determine and monitor the achievement of objectives
 - identify, assess, and appropriately manage the risks to achieving objectives
 - facilitate policy and decision making

- ensure the economical, effective, and efficient use of resources
 - ensure compliance with policies, procedures, laws, and regulations
 - safeguard assets and interests.
4. It is also expected to comply with the **Public Sector Internal Audit Standards (PSIAS)** and guidance from the **Chartered institute of Public Finance and Accountancy (CIPFA)**.

Fulfilment of requirement

5. With reference to para 2 (**statutory responsibility**), the CFA has an annually renewable agreement with Nottinghamshire County Council (NCC) for the provision of internal audit services. No Internal Audit Charter is currently in place; however, we would recommend its adoption – see under proposed development of service in 2021/22 (para 50).
6. With reference to para 3 (**audit coverage**), we plan with the Fire Service to cover those key areas over a multi-year cycle, and review the coverage of its internal assurance and other assurance providers, and thereby provide an independent assessment of its governance, risk management and control environment.
7. With reference to para 4 above (**standards of best practice**), our mutual roles and responsibilities align with those prescribed in the PSIAS as follows:

PSIAS Role	Delivered by:
Chief Audit Executive (CAE)	Group Manager – Assurance
Senior Management	Senior Leadership Team (SLT)
Board	Finance and Resources Committee

The other aspects of our compliance with PSIAS and CIPFA guidance are set out under **Performance of Internal Audit** (paras 44 – 48).

Audit approach and coverage

8. In 2020/21, we carried out the following types of provision: -

Provision	Description
Assurance reviews (paras 15 & 16)	Completing the assurance reviews in the agreed plan as far as possible, issuing reports and making recommendations.
Action tracking (paras 17 -19)	Jointly following up and testing the implementation of agreed actions from reports issued in 2019-20, plus key outstanding actions from 2018-19.
Anti-fraud questionnaire (paras 20 – 24)	Completing a counter-fraud questionnaire for the external auditors, Ernst and Young LLP, including identifying and evaluating the outcomes of the National Fraud Initiative (NFI).
Internal assurance and assurance mapping (paras 25 – 43)	Focussing on internal assurance about operational health and safety, and compliance with Government guidance on managing the Covid-19 risk. Compiling assurance maps, which take account of the various sources of assurance for corporate governance and risk management.

9. Most of our assurance work results in the issue of an opinion on the internal controls and procedures in place, categorised as follows:
 - **Substantial Assurance** – no weaknesses or only minor weaknesses
 - **Reasonable Assurance** – most arrangements are effective, but some weaknesses have been identified
 - **Limited Assurance** – an unacceptable level of risk that requires the prompt implementation of recommendations to correct the weaknesses identified.
10. When planning for 2020/21, back in January 2020, the Fire Service informed us about its intention to follow up its own operational practice in the areas of **water rescue** and **working at height (WAH)**. This was instigated on the back of two training accidents, one fatal, that had occurred in different FRSs. The Head of Risk Assurance and Operational Training had proposed picking this up with the Health and Safety Executive (HSE), possibly getting the HSE to do independent audits. The outcomes are summarised under **health and safety reviews** (paras 25 -30).
11. As a consequence of the Fire Service wanting to fund these two separate health and safety reviews from within its existing budget, we agreed on an 82-day plan for 2020/21 (including 10 days carry forward), instead of the usual 92 days. This request still enabled us to plan five reviews, plus carry out action tracking and assurance mapping.
12. Later, at the client's request, and during the second national lockdown, we agreed to defer the planned Facilities Management audit to 2021/22. In light of this, and for this annual report and opinion, we requested information and

evidence from management about the wider **compliance with Government guidance on managing the risk of Covid-19**. The outcomes are summarised under the same heading (para 31 – 40).

13. Throughout 2020/21, Internal Audit continued to operate independently within the organisation. **No impairments** to its independence arose during the year. The pandemic nonetheless presented a challenge of adjustment for all internal audit teams, potentially putting the delivery of planned internal audit work at risk. In recognition of this, CIPFA issued guidance for Heads of Internal Audit to assess the impact locally, and to determine whether a 'limitation of scope' should be applied to the year-end opinion. Our self-assessment of audit coverage against this guidance confirmed that **no limitation of scope** is required, as we have sufficient sources of evidence available to determine our opinion.

Audit opinion

14. Based on the coverage (above) and outcomes (below), overall, we consider the collective evidence provides **reasonable assurance** concerning the arrangements in place for corporate governance, risk management and the control environment. The rationale for this opinion is as follows:
 - No 'Limited Assurance' opinions were issued by Internal Audit in the year. The extent of coverage in 2020/21 was restricted somewhat by the impact of the pandemic.
 - Action tracking identifies some scope for improved implementation rates.
 - The more restricted internal audit coverage in 2020/21 is compensated for by the positive assurance from management in relation to corporate governance and risk management.
 - Planned coverage in 2021/22 will deliver independent assurance for a number of core processes for governance, risk management and control.

Audit assurance reviews

15. In the areas reviewed, we identified, assessed, and tested the controls to determine their effectiveness in ensuring that business objectives were met, and risks mitigated. The various opinions on the internal controls and procedures in place in each area were categorised, and can be grouped, as follows: -

Assurance level (RAG)	Report	Action type	
		Priority 1	Priority 2
Limited	(None)		
Reasonable	Purchase cards	1	3
	Purchasing and creditor payments	1	1
Substantial	Treasury management	0	1
	Cardiff Checks (draft)	0	2

16. The reports summarise the comparative effectiveness of the controls (they are not repeated here). To address the control weaknesses or test failures that we found, the additional actions were: -

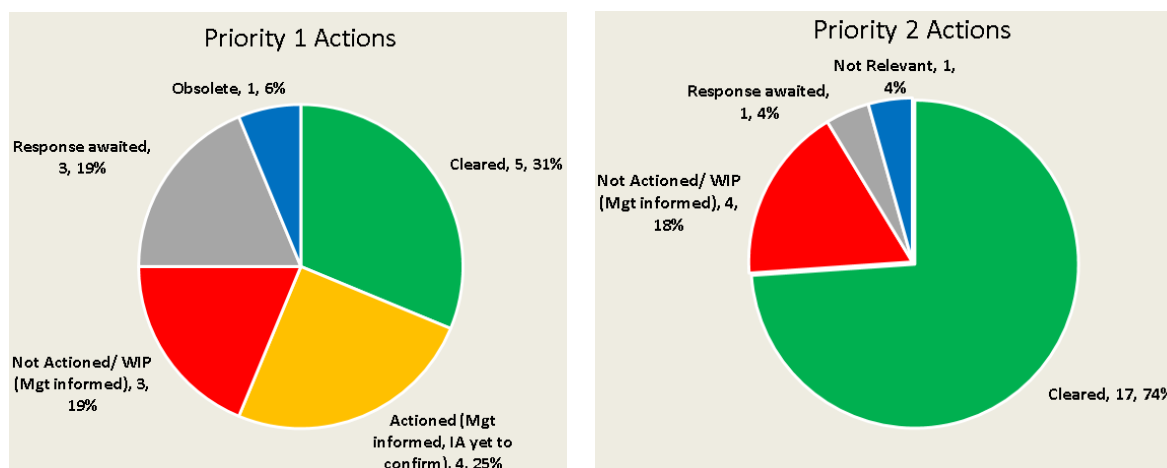
Report (refs & dates)	Actions made/agreed
Purchase cards Ref. 2020-01 Draft 2/11/20, Final 16/11/20	New monthly process to check if any cards need cancelling. Monthly spend limits to always be specified at time of application. All new card holders to sign agreement to terms & conditions, etc. Always to have transaction logs, receipts, and VAT reconciliation.
Purchasing and creditor payments Ref. 2020-02 Draft 11/2/21, Final 2/6/21	Adhere to tendering requirements; contracts not allowed to expire. Checks of invoices not in line with purchase order commitments.
Treasury management Ref. 2020-03 Draft 2/3/21, Final 14/5/21	Treasury management procedure notes to be updated.
Cardiff Checks Ref. 2020-04	Purchase orders to be raised before goods receipt or service delivery wherever possible. Confirmation orders to be restricted and raised as soon as possible.

Joint action tracking of previous audit recommendations

17. Jointly with the Fire Service, we operate a standard process for tracking and testing the implementation of agreed actions from the previous financial year/s, which is:

Action type	Phase 1: NFRS role	Phase 2: Internal Audit role
Priority 1	NFRS Finance requests and evaluates six-monthly updates from action owners, together with evidence of implementation. NFRS Finance informs Internal Audit.	Further evaluates updates and evidence; more testing where required.
Priority 2		Further evaluates updates and evidence.
Advice	No action tracking required.	

18. Due to the impact of the pandemic, NFRS Finance was only able to undertake one round of action tracking, which itself was delayed and had to be completed after the 2020/21 year-end. The focus was on agreed actions from all reports issued in 2019/20, although key outstanding actions from 2018/19 were also followed up.
19. In our **Action Tracking report and appendix (ref 2020-06)**, we identified the following rates of response, implementation, and progress, the response rates and outcomes somewhat depressed by the impact of the pandemic:



Counter-fraud questionnaire for external audit

20. The **International Standard on Auditing (UK) 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements** requires external audit to make enquiries of internal audit about the risk of fraud occurring that might materially affect the financial statements. The latest questionnaire therefore related to the previous 2019/20 financial year, during which we reported no knowledge of actual, suspected, or alleged fraud (nor in 2018/19, nor since).
21. We noted the Authority is protected by its **Counter Fraud, Money Laundering, Corruption and Bribery Policy** dated April 2018 (it has recently acknowledged the Policy needs review). The Policy states: 'In respect of employees, the Authority's disciplinary rules are such that fraud and corruption are considered to be issues of potential gross misconduct and if proven, would normally result in dismissal'. Also 'We have zero-tolerance towards bribery'. It includes a scored

fraud risk assessment that consists of treasury management; sale of assets; payroll; procurement; key decision makers; and expenses claims – with mitigating controls also being identified.

22. The Authority also has a section of **Preventing Fraud and Corruption** in its **Financial Regulations**.
23. The Fire Service participates actively in the **National Fraud Initiative (NFI)** – the national data matching exercise. In 2020/21, it investigated 148 data matches, cleared 146 of them, and found no fraudulent or potentially fraudulent matches. (There were just two, minor, errors: a VAT overpayment of £52 on one creditor's sales invoice, which would be recoverable; and a duplicated creditor record although, with transactions on only one record, having no financial impact.)
24. Internal Audit is conscious of potential fraud risks when conducting its annual need assessment for the audit plan – fraud risk is one of eight scored factors. Individual audit programmes are also risk-based – if inherent fraud risk is judged to be high or medium, then that risk will be in scope. Internal Audit is moving away from wholly sample-based testing to a more data analytical approach, which is more likely to detect any weak controls or fraudulent transactions. Our audits in 2020/21 included treasury management and purchasing and creditor payments, both having inherent fraud risks; however, no specific fraud vulnerabilities were identified.

Health and safety reviews

25. As explained at para 10, in 2020/21 the Fire Service aspired to organise HSE reviews in the operational areas of water rescue and WAH. As this assurance work was requested to substitute for some Internal Audit activity, as part of preparing this Annual Report and Assurance Map we asked the Head of Risk Assurance and Operational Training about the outcome of these intentions, and they helpfully provided the following detailed information.
26. **Water rescue:** Following a training incident and fatality suffered by the Mid and West Wales FRS in September 2019, the Marine Accident Investigation Branch (MAIB) had prepared an accident report. NFRS's Operational Assurance Department then prepared its own report for the Operational Learning Board in February 2021. To identify the recommendations, it made use of The Fire Service's own subject matter experts, including its internal specialist boat trainers and the Area Manager - Protection, Prevention and Partnerships, who is the national lead for water rescue and represents the FRS Sector to the Home Office and HSE.
27. The Fire Service report's recommendations were agreed internally. Actions have been assigned to responsible persons and are reported by exception to each Operational Learning Board bi-monthly meeting. A Microsoft Planner Board is being used for task tracking. We are satisfied, therefore, that the Fire Service has deployed effective internal assurance provision that has referenced the MAIB report and has links in with Home Office and HSE.

28. **WAH:** There had been another training incident and two injuries involving Northamptonshire FRS, this time around 2016. At this time, the NFRS reviewed its WAH arrangements and an action plan was put in place. This was followed by an internal re-audit in around 2019 to provide assurance that the necessary actions had been completed. All of this work was co-ordinated by the Service Health, Safety and Welfare Committee chaired by the Deputy CFO.
29. The reason that WAH was scoped for a further audit review in 2020/21 was because of the level of risk associated with the activity. As far as operational activities are concerned, WAH requires high levels of competence and strict working controls and therefore is worthy of periodic checking. It was therefore not a recent safety event that had prompted the audit, but rather a routine check that Fire Service's arrangements remain suitable and sufficient. Due to the technical nature of the activity the level of competence required to conduct an audit is also high which is why this had been scoped for specialist external review rather than being done internally.
30. However, the review planned for 2020/21 was delayed due to Covid-19 and therefore no internal assurance activities were able to take place to report on. However, the Head of Risk Assurance and Operational Training was planning a meeting with the Health and Safety Team and Operational Training Team to scope a specialist audit to review WAH functions in 2021/22.

Compliance with Government guidance on managing Covid-19 risk

31. As explained at para 12, as part of preparing this Annual Report and Assurance Map we asked the Risk and Assurance Manager about Compliance with Government guidance on managing the risk of Covid-19, and they helpfully provided the following detailed information, with evidence which we also reviewed.
32. The Fire Service carried out **station-specific risk assessments**, which were in line with current social distancing requirements etc, and a **HQ risk assessment**. The HQ risk assessment is within the 'Covid-19 library', a one-stop shop to access all relevant material. Other departments and workstreams have risk assessments too, to support tripartite working (as it was) and to facilitate continued acquisition courses etc at the Service Development Centre (SDC), where attendance for examinations has been required.
33. In October 2020, there was a **mandatory Covid-19 practice** for crews, and a document details protocols for working on station. There are Operational Information Notes (OINs) for operational activities, which provide details and protocols for safe working on the incident ground.
34. To reinforce safe practices within premises a suite of posters was designed and displayed, which include maximum room numbers (based on 2m), kitchen, toilet, corridor etiquette, hand sanitising etc.

35. As part of the HQ assessment a walk-round of the site was completed to note where posters, hand sanitisers etc were needed and where best to be located. All remained in line with current Government guidance.
36. A **Business Continuity Management Group (BCMG)** was set up to tackle Covid-19. It uses Microsoft office Planner Board as a repository for documents and to create plans and assign actions.
37. To support operational preparedness, risk and assurance staff only visited stations where it was vital to do so, especially during the full lockdowns to reduce unnecessary contact with crews. To assure that stations had implemented the controls, a form was prepared, which asked set questions and provided guidance.
38. Action cards for managers are in place to know what to do if illness is suspected. This is managed by the on-call group manager to ensure consistency and that queries would be answered any time of the day or night.
39. A **return to work assessment form** was made available for HQ as staff began to return to the workplace in line with Government guidance, and completed forms were assessed.
40. In August/September 2020, the Health and Safety Team ran a couple of Covid-19 clinics for staff to make an appointment to ask any questions, at a time when the original return to work was planned: unfortunately, lockdown restrictions were reimposed soon after.

Annual assurance mapping

41. In 2019, Ernst and Young requested that our Annual Reports in future covered the adequacy and effectiveness of the Fire Service's framework of corporate governance and risk management (as well as internal control). Internal Audit agreed, and from the time of the previous Annual Report has used assurance mapping to additionally assess corporate governance and risk management.
42. Assurance maps summarise, group, and rate evidence according to the so-called '**three lines model**':
 - 1st line – management policies, strategies, plans and controls
 - 2nd line – compliance oversight, especially committees
 - 3rd line – external assurance, mostly auditors and inspectors
43. **APPENDIX A** presents these assurance maps and assurance framework, with the evidence under 'positive assurance' or 'in development 2021/22' and concludes there have been:
 - **Strong corporate governance arrangements** in place and complied with. Strong assurance from internal and external reviews.
 - **Strong risk management framework** in place and complied with. Covid-19 risks accounted for promptly.

Performance of Internal Audit

44. A summary of Internal Audit performance is shown below:

Indicator	Performance
Job completion	4 of 5 assurance reviews completed (NRFS requested one deferral)
Days spent	The 82 planned days were fully utilised
Timeliness of reporting	3 draft reports before financial year-end; 1 after year-end
Recommendations	100% agreed
Action tracking	1 of 2 planned exercises, due to Covid-19
Auditor experience	73% senior auditor level or above deployed on Fire Service audits
Customer feedback	One client satisfaction score – 34 out of 40 – ‘Audit team always friendly and professional, the audit was carried out in the office during Covid and the Auditor was respectful of the Covid rules for NRFS.’

45. The Head of Internal Audit carries out an **annual self-assessment** of compliance against PSIAS. This incorporates the requirements of the Local Government Application Note (LGAN), which provides additional advice and guidance to providers of internal audit services to local government organisations, including fire authorities.
46. The outcome of the latest self-assessment is included in the Internal Audit Annual Report to NCC’s Governance and Ethics Committee on 23 June 2021 [\[link\]](#). It has been used to form the basis of the annual Quality Assurance and Improvement Programme (QAIP) for the service, which is set out at the end of the above report. Implementation of these improvements will apply equally to the work the Internal Audit Team carries out for the Fire Service.
47. In addition, the Internal Audit function is subject to an **External Quality Assessment (EQA)** once every five years. The most recent EQA was carried out in March 2018.
48. There has been discussion with the Head of Finance about **CIPFA’s 2019 edition of the Role of the Head of Internal Audit**. Comparison of the audit approach for the Fire Service has identified the following proposed actions to ensure continuous improvement:
- Drafting and adoption of an **Internal Audit Charter** for the Fire Service – this would go further than the contractual terms for the delivery of the internal audit service, setting out the status of the service within the wider governance framework of the Fire Service, along with clear statements about the relative roles and responsibilities of the Head of Internal Audit and the Fire Service senior management and Finance & Resources Committee.

- Formalise the approach to an **intelligence-based internal audit plan**, blending coverage of core processes and systems with more forward-focused audits of current developments and emerging trends.
- Linked to the above, **closer engagement** with the SLT and Chairman of the Finance & Resources Committee, to ensure the internal audit service is well aligned to deliver the most relevant and impactful assurance to management and the Board. It is proposed that this may be achieved through the Head of Internal Audit (or a senior member of the Team) attending meetings of the SLT periodically, alongside separate update meetings with the Chair of the Finance & Resources Committee.

Audit plan – 2021/22

49. **APPENDIX B** presents the annual plan for 2021/22. It also shows aspects of the assessment and planning process, namely:
- The audit universe – consists of all previous audits and other potential audits
 - Audits selected from the audit universe
 - Audit need assessment scores and ratings
 - The last financial year when every audit process was audited, where applicable
 - Feedback during consultation with the Fire Service, together with audit comments
 - The number of chargeable days for delivery of each of the planned audit reviews, plus action tracking, assurance mapping, annual reporting, other client management and planning, and a contingency allocation.

Proposed developments for 2021/22

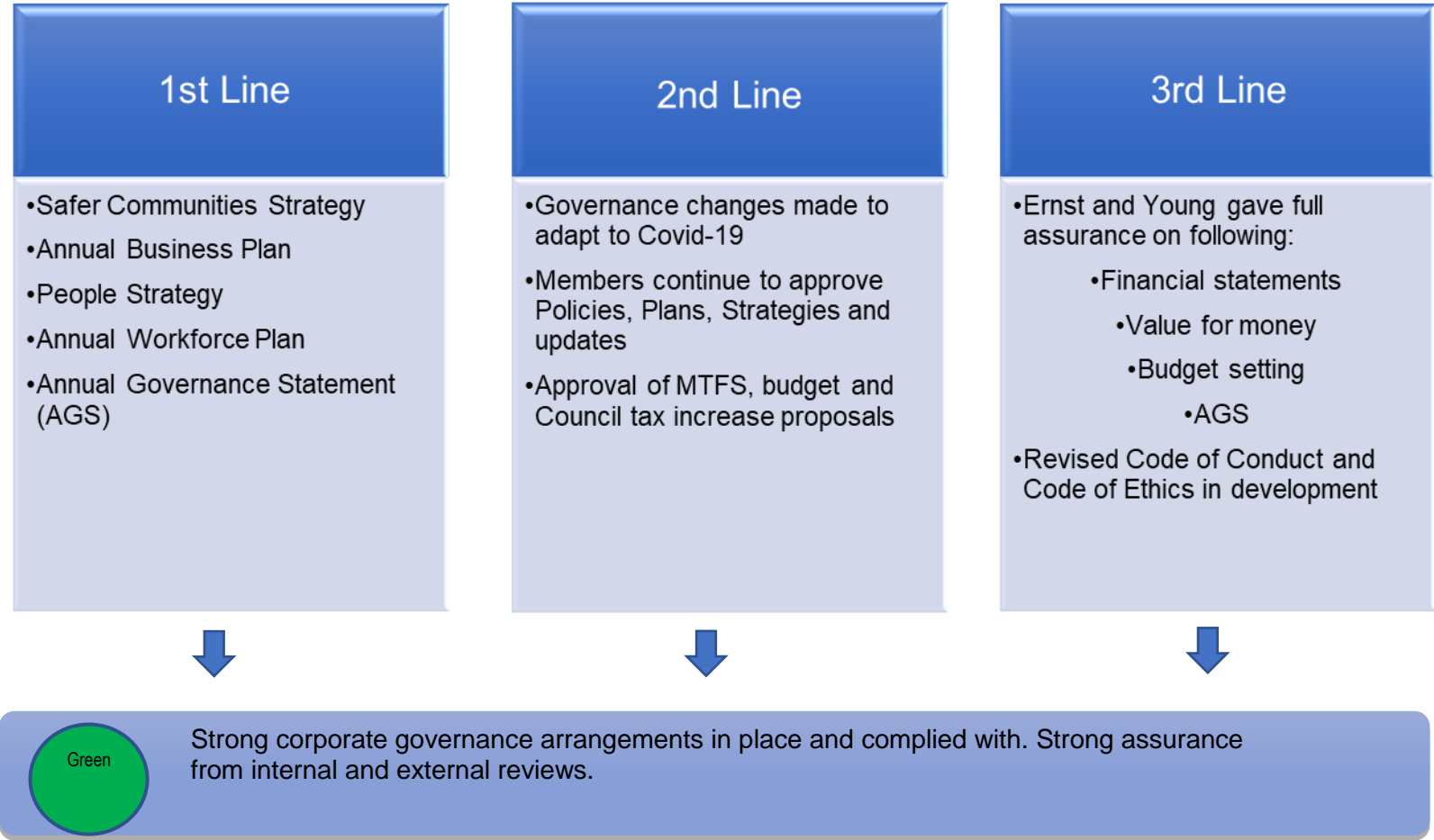
50. **Arising from the assessment against the CIPFA Guide on the role of the head of internal audit, the following actions are proposed:**
- Draft an Internal Audit Charter for consideration and adoption by the SLT and the Finance & Resources Committee**
 - Formally agree a revised approach to audit planning**
 - Strengthen engagement through periodic meetings between the Head of Internal Audit and the Chair of the Finance & Resources Committee and the SLT.**





Philip Dent, Audit Supervisor
Dee Johal, Graduate Trainee (assurance map)

Rob Disney, Group Manager, Assurance (as Head of Internal Audit)

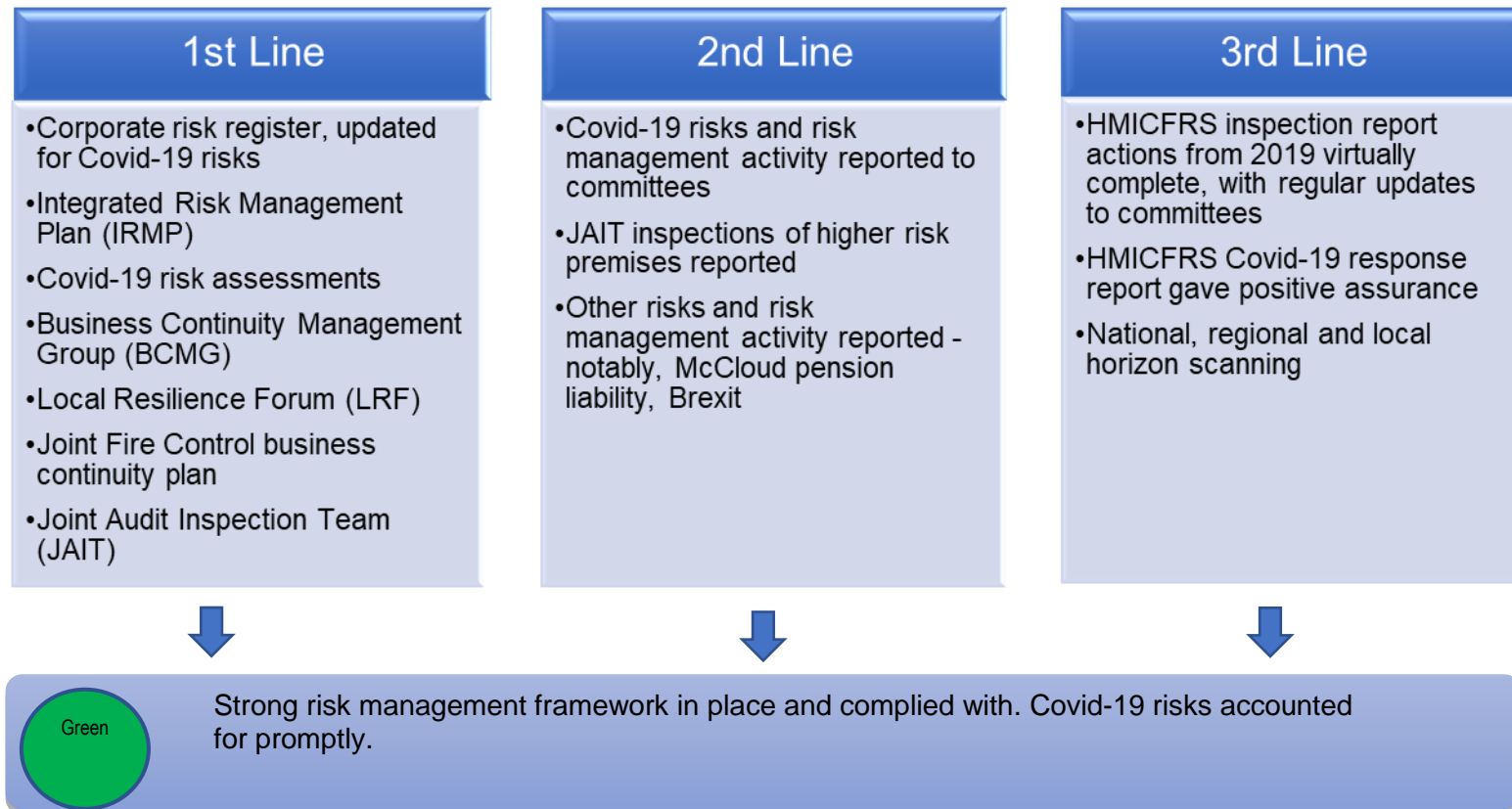
Assurance Maps and Framework




1. Corporate governance



1. Corporate governance		
1 st Line	2 nd Line	3 rd Line
<p> Positive Assurance</p> <ul style="list-style-type: none"> ➤ FRA and Committees continued where possible with provisions made to hold meetings virtually and accessible to public ➤ Safer Community Strategy (2019-22) in place ➤ Annual Business Plan in place ➤ People Strategy (2020-22) developed, including new performance and development review (PDR) policy ➤ Developing Annual Workforce Plan ➤ NFRS part of working groups for Equality, Diversity and Inclusion Strategy and National Code of Ethics 	<p> Positive Assurance</p> <ul style="list-style-type: none"> ➤ <i>Policy and Strategy Committee, May 20</i> – Authority governance changes approved due to Covid-19; under section 78 of Coronavirus Act 2020. ➤ Chair of CFA creates Group Leaders' Forum for urgent business and budgetary decisions, and to keep members informed during pandemic ➤ <i>CFA, Feb 21</i> – Annual plan/Year 3 strategic actions approved ➤ <i>HR Committee, Jan 21</i> – Addressing diversity, leadership skills and workforce culture through People Strategy developed in line with HMICFRS recommendations ➤ <i>HR Committee, Jan 21</i> – Addressing workforce sustainability through Annual Workforce Plan to mitigate loss of knowledge due to retirement turnover ➤ <i>CFA, Nov-20</i> – approval of Medium-Term Financial Strategy (MTFS) 2021/22 to 2024/25, Annual Governance Statement, and Annual Report of Information Governance ➤ <i>Finance and Resources (F&R) Committee, Jan 21</i> - Value for money performance monitored <ul style="list-style-type: none"> ➤ <i>FA, Feb 21</i> – Budget and Council Tax increase for 2021/22 approved 	<p> Positive Assurance</p> <p>Ernst and Young Annual Audit letter for year ended 31/3/20: -</p> <ul style="list-style-type: none"> ➤ Financial statements and Firefighter's Pension Fund – Unqualified, financial statements give true and fair view of financial position at 31/3/20 and of its expenditure and income ➤ Other information published with financial statements consistent with Annual Accounts ➤ Proper arrangements to secure value for money in use of resources. when reviewed against CIPFA/ SOLACE guidance ➤ Process for setting budget is sound. ➤ Annual Governance Statement (AGS) consistent with their understanding of FRA <p> In development, 2021/22</p> <ul style="list-style-type: none"> ➤ Revised Code of Conduct, incorporating Code of Ethics went to SLT for comment and to be presented to Committee in autumn 2021

2. Risk management



2. Risk management		
1 st Line	2 nd Line	3 rd Line
<p> Positive Assurance</p> <ul style="list-style-type: none"> ➤ Corporate risk register is up to date and updated for Covid-19 response and recovery ➤ IRMP for 2019-22 in place ➤ Enacted Learning log from Covid-19 and interim debrief undertaken ➤ Station and HQ risk assessments and creation of BCMG ➤ Risk-based approach adopted during Covid-19 for safe and well visits (SWVS) and community engagement ➤ Business continuity table-top exercises ➤ Active part in Nottingham and Nottinghamshire's LRF, sharing information and learning ➤ Joint Fire Control business continuity plan with local fire authorities to mitigate risks ➤ Joint Audit and Inspection Team (JAIT) in place ➤ Roll out of Level 3 Fire Safety qualification to Supervisory Managers ➤ Marine Accident Investigation Branch's Milford Haven report evaluated, and action plan agreed with Operational Learning Board ➤ Appointment of new pension fund administrators, Dec 20 <p>In development, 2021/22</p> <ul style="list-style-type: none"> ➤ Undertaking Fire Cover Review (comprehensive risk analysis of the county) to inform updates to new Strategic Plan 2022-25. 	<p> Positive Assurance</p> <ul style="list-style-type: none"> ➤ <i>F&R Committee, Mar 21</i> – Risk management activity reported, and regular reports to SLT ➤ <i>Community Safety (CS) Committee, Jan 21</i> – Triaging process implemented, based on CHARLIE matrix. High and very high-risk members of community still visited by Persons at Risk Team, wearing specialist protective equipment, to complete SWVs ➤ <i>CS Committee, Jan 21</i> - Suspended operational exercise programme due to Covid-19 restrictions. Instead table-top exercises undertaken to ensure crew familiarity with local challenges e.g. local fire, flood, lockdown risks ➤ <i>CS Committee, Jan 21</i> - Covid-19 partnership work with East Midlands Ambulance Service (EMAS), NHS Hospital Discharge Team, NCC and Clinical Commissioning Groups (CCGs) for vaccinations roll out ➤ <i>CS Committee, Mar 21</i> – JAIT inspected over 100 higher risk premises under joint legislation and engaged with premises' owners, from advice to enforcement ➤ <i>CS Committee, Mar 21</i> – Level 3 Fire Safety qualification will enable response crews to undertake business safety checks, freeing up capacity for Fire Safety Inspectors <p>In development, 2021/22</p> <ul style="list-style-type: none"> ➤ Impact monitoring of McCloud age discrimination liability situation by Scheme Manager and Local Pension Board with regular updates to committees. 	<p> Positive Assurance</p> <ul style="list-style-type: none"> ➤ HMICFRS inspection report (Sept 19) - 24/25 actions for improvement now completed. Solution identified for remaining action on reliability of mobile data terminals (MDTs) on appliances ➤ HMICFRS Covid-19 response report gave positive assurance. Advised areas of focus for wider sector, being explored with HMICFRS Service Liaison Lead for incorporation into future plans <p>In development, 2021/22</p> <ul style="list-style-type: none"> ➤ Grenfell Tower Inquiry report, Feb 21, being reviewed to assess possible risk mitigative actions for NFRS ➤ Interim evaluation report from NTU, Dec 20, regarding SWVs to inform revised 'Safer Communities Strategy' ➤ Working towards Business Continuity Institute accreditation ➤ Scoping for specialist external audit for reviewing 'working at height' ➤ CIPFA preparing further accounting guidance to support accounting for McCloud liability

**NCC Internal Audit - Audit Need Assessment and Annual
Audit Plan 2021-22 for NFRS**

Appendix B

Audits selected from audit universe (yellow background)	Score	Need rating	Year last audited	Client consultation feedback & audit comments	Plan days	When
Partnerships & collaboration	67	High	2018/19	No audit required by client		
Pensions	64	High	2018/19	Head of Finance agreed - New pension administrator	15	T2
Corporate governance	63	High	2018/19	No audit required by client		
Business continuity planning*(* = new)	61	High	NONE	Have appointed external advisors to help with this		
Risk Management	61	High	2016/17	No audit required by client		
ICT control environment	60	High	2019/20	Defer to 2022-23 - New collaborative arrangements will be disruptive; developments with ISO cyber security & Cloud		
Cardiff checks & analytical review	59	Medium	2020/21	Recent audit		
Ethical policies & procedures*	59	Medium	NONE	Head of Finance agreed - New area of audit	10	T2
Property & premises - facilities management	58	Medium	2020/21	Audit deferred from 2020/21 to 2021/22	15	T1
Treasury management	56	Medium	2020/21	Audit in progress		
Performance Management	56	Medium	NONE	Head of Finance agreed - New dashboards; reporting in statement of accounts; verify	10	T1

				information sources		
Asset management - Asset disposal procedures	48	Medium	2017/18	Asset disposal procedures, including counter-fraud measures	10	T2
Contract management	55	Medium	2018/19	Within last three years; Head of Finance requested audit in 2022/23		
People management - Policies & procedures*	55	Medium	NONE	Have reported on gender equal pay; have staff surveys; have workforce plan		
Project Management	55	Medium	2017/18	No audit required by client		
Retained Fire Station Payment Processes	55	Medium	2016/17	No audit required by client		
Purchasing & creditor payments	54	Medium	2020/21	Audit in progress		
Energy management*	52	Medium	NONE	In middle of changing energy supplier; have solar panels		
Income, recharges & debtors	52	Medium	2017/18	Much less income as no training centre, no Princes Trust, less hire, only a few recharges		
Payroll & iTrent	52	Medium	2017/18	Proposed late substitute for travel claims audit - agreed with Head of Finance	10	T1
Capital programme controls	49	Medium	2019/20	Recent audit		
Financial management	48	Medium	2018/19	Head of Finance requested Compliance with CIPFA Financial Management Code	10	T1
Training records & Redkite system	48	Medium	2018/19	Within last three years		
GDPR compliance & information security	48	Medium	2019/20	Recent audit		

Members/ officers Expenses & allowances	48	Medium	2018/19	Within last three years		
Counter-fraud - Policies & procedures	46	Medium	2015/16	No audit required by client		
Site security	46	Medium	2019/20	Recent audit		
Transport policies & contracts	46	Medium	2015/16	No audit required by client		
VAT controls*	45	Medium	NONE	PS Tax Consultancy did an audit 2 years ago		
Policy Management	42	Medium	NONE	Defer to 2022/23 - –MI identified some policies due review; reviews have fallen off due to Covid-19		
Fuel - Repots	36	Low	2019/20	Low risk only - recent audit		
Purchase card use & management	36	Low	2020/21	Low risk only - audit report issued recently		
Safeguarding Policies & Procedures*	34	Low	NONE	Low risk only - have DBS checks & training; visit homes but not alone		
Station Audits & Monitoring*	30	Low	NONE	Low risk only - Robust process in place		
Action tracking - Previous recommendations			Annual	Examining management updates, testing and reporting	10	T3
Assurance mapping and annual audit report			Annual	Annual assurance mapping and reporting	10	T1-T3
Client management and planning			Annual		7	T1-T3
Total days (92 contract days + 15 days b/fwd)					107	



Internal Audit Report

Report ref: 2020-03

OFFICIAL SENSITIVE

To: Head of Finance NFRS

Subject: NFRS - Treasury Management

Date: March 2021

1 Introduction

- 1.1 An audit of Treasury Management activity for the period April 2019 to date has been undertaken in accordance with the audit plan.
- 1.2 Treasury management encompasses the management of the Fire Authority's 'investments and cashflows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2 Audit opinion

- 2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.
- 2.2 In our opinion the level of assurance we can provide is: -



SUBSTANTIAL ASSURANCE Risk levels are low

3 Risk areas examined

- 3.1 During this audit we looked for controls to address the following key risks: -

3.2

<i>Ri Risk title</i>	<i>Description</i>
Planning and decision making	NFRS may take investment decisions without reference to strategy or acceptable risk criteria resulting in a lack of cash to meet its financial obligations.
Investment and borrowing risk	NFRS may make investments and borrowings outside of its legal and regulatory powers and/or invest in financially unstable organisations.
Security and recording of investment transactions	Investment transactions may be unauthorised, transacted over an insecure medium and inaccurately recorded.
Procurement of financial services	The procurement of financial services may not comply with Financial Regulations or Public Sector statutory requirements.

3.3 The scale of the area reviewed is: -

<i>Metric</i>	<i>2018/19 actual</i>	<i>2019/20 actual</i>
<i>External debt (£m)</i>	29.6	28.5
<i>Investments & cash equivalents (£m)</i>	12.5	10.7
<i>Net debt position</i>	17.1	17.8

4 Audit findings

4.1 Following our work, and with reference to the Statement of Accounts 2019/2020 we consider the controls to be effective in the following risk areas: -

- Risk exposure:- A low risk approach to investments is adopted in accordance with approved Treasury Management Policy and Strategy. Investments are spread across a number of counter-parties and do not exceed approved limits.
- Forecasting:-Treasury management investment and borrowing activity is underpinned by satisfactory forecasting models and the engagement of independent professional advice.
- Business continuity:-Treasury management operations have continued without interruption during the pandemic and satisfactory control has been maintained.
- Reporting to the Fire Authority - Reports on Treasury management performance and compliance with the Prudential Code are comprehensive, detailed and regular.

4.2 There was one control weaknesses and no failures to comply with the standard controls, resulting in a remaining risk. The attached Action Plan sets out this weakness and our recommendation to address it.

- 4.3 A summary of the recommendations made, together with brief details of the related findings, is set out below: -

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
Priority 1	0	Immediate
Priority 2	1	Within two months

Priority 2 areas:

- Treasury Management procedure notes are in need of updating.

4. addition to the findings presented in the Action Plan, advisory actions were discussed with management relating to the currency of the Bank Mandate maintained by the bank.

**Audit conducted by: Ian Munro
Senior Auditor**

**Audit supervised by: Philip Dent
Audit Supervisor**

Simon Lacey, Audit Manager

Audit Finding	Recommendation	Management Response
Priority 2 areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
1. easury management procedure notes 31. Draft procedure notes dating back to 2014 require updating to reflect current practices. We understand that this has been recognised by the Assistant Head of Finance and will be addressed in 2020/2021. Risk: Knowledge is not captured to ensure business continuity in the event of a loss of personnel.	That core system procedure notes are reviewed annually for currency.	Response Accepted Date for implementation 31 July 2021 Officer responsible for implementation Assistant Head of Finance



Internal Audit Report

Report ref: 2020-04

To: Chief Fire Officer

OFFICIAL SENSITIVE

Subject: NFRS - Cardiff Checks

Date: June 2021

1 Introduction

- 1.1 As part of the audit programme, Internal Audit carry out a Cardiff Checks review every two years. This is a comprehensive audit of all aspects of procurement and payments relating to the previous financial year (ie 2019/20) and includes a small number of transactions.

An initial analytical review of non-payroll transactions was undertaken to provide an overview of areas of significant expenditure. An in-depth analysis was carried out for four transactions (total value of £92,702.08) in the sample to establish whether they had been correctly procured, were for valid transactions and that financial procedures had been fully complied with. Authorisation pathways in the Agresso financial system were reviewed for compliance with ordering and invoice payment rules and all associated transaction records available were reviewed. An audit of Purchasing and Creditor Payments (ref 2020-02) was also carried out earlier in the year and examined the processes and general controls around purchasing and payment. Data analysis is detailed in Appendix A and transaction samples are detailed in Appendix B.

- 1.2 The purpose of our review is to provide assurance that transactions comply with NFRS processes and procedures.

2 Audit opinion

- 2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.
- 2.2 In our opinion the level of assurance we can provide is: -

**SUBSTANTIAL ASSURANCE****Risk levels are low**

3. Risk areas examined

3.1 During this audit we looked for controls to address the following key risks: -

<i>Risk title</i>	<i>Description</i>
Requisition and Procurement Processes	Requisition and procurement processes do not comply with Financial Regulations and requirements.
Value For Money	Prices paid do not accord with contracted amount or do not offer value for money.
Goods/Services Received	Goods/services not received or adequately accounted for.
Invoices Processing	Invoices may not be processed properly and authorised before payment is made.
Budgeting	Inadequate budget to purchase goods or services or inaccurate use of budget codes.

3.2 The scale of the area reviewed is: -

Metrics	2019/20 Non Pay Expenditure
Procurement Card Payments	£93,979
Total Invoice Payments	£9,001,316

4. Audit findings

4.1 **Data Analysis** – From our data analysis in Appendix A, we were able to identify the highest areas of spend by amount. Table 1 of our analysis identified 10,097 non-pay transactions totalling £9.001m in the year. 32% of this spend was on five key budget areas shown on the chart. Table 2 identifies the highest amounts of spend by provider and these five providers represent 44% of the overall spend. Further analysis in Table 3 shows all transactions (excluding building works) that are over £30k. A number of large recurrent payments to the same provider, for example for computer software maintenance were identified. We confirmed with the Contracts Register that where appropriate, contracts existed for these supplies, indicating contract rules had been complied with. Analysis was also undertaken, to identify transactions without a purchase order (or a zero in the purchase order column, indicating no purchase order number had been picked up in Agresso). We excluded any items which appear on the exempt list or are part of a larger contract and using pivot tables, compiled a list of 23 transactions across 8 suppliers that were not supported by a purchase order. These only amounted to £2,667.59, but the reason for not completing a purchase order is unclear.

4.2 Following our sampling and data analysis, and with reference to the other sources of independent assurance that were available, we consider the controls to be effective in the following risk areas: -

- **Requisition and Procurement Processes** - Testing confirmed that for our sample, financial regulations and procedures were complied with and

purchases had been made in accordance with business needs. Purchase orders were raised for all transactions examined with requirements outlined clearly and valued within the maximum specified for the requisitioner. Committee approval had been obtained where required.

- **Value for money** - We confirmed that business cases were completed and Committees informed where required by financial regulations. Tendering exercises had taken place, with the lowest price accepted, with the exception of one transaction, which was awarded to the second lowest bid due to a tender scoring exercise.
- **Goods/Services Received** – Goods receipt notes (GRNs) were generally completed were applicable, however, see action plan for one exception.
- **Invoice Processing** - Payments made were generally in accordance with the specified contract values, no duplicate payments were identified. Images of invoices were obtained with sufficient detail. Invoice processes on Agresso confirm the invoices have been processed in accordance with payment limits.
- **Budgeting** - We confirmed that the items have been charged to the correct budget codes and all budgets used were not overspent.

4.3 There were two failures to comply with the standard controls, resulting in remaining risks. The attached Action Plan sets out these weaknesses, and our recommendations to address them.

4.4 A summary of the recommendations made, together with brief details of the related findings, is set out below:-

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
Priority 1	0	Immediate
Priority 2	2	Within two months

Priority 2 areas:

- Goods/Services Received - A transaction was identified where the GRN was dated before a confirmation order had been raised in Agresso.
- Purchase orders are not always used when entering into a contract to purchase goods and services.

4.4 No advisory actions were discussed during the audit.

Audit conducted by: Emily Jackson
Apprentice Internal Auditor

Audit supervised by: Angela Wendels
Senior Auditor

Rob Disney, Group Manager Assurance

Audit Finding	Recommendation	Management Response
Priority 2 areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
1. Goods/Services Received A transaction was identified where the GRN was dated before a confirmation order had been raised in Agresso. Payment to A&S Enterprises for £42,181.73 - GRN Number 7052500 confirms the order was received on 5/8/19, however, the order date is 28/8/19 and post-dates the GRN, Invoice dated 29/7/19. The Invoice refers to PO FS11041629. Risk: Financial commitments may not be approved by the budget holder. Suppliers and providers may not comply with the terms and conditions of the order.	The requisitioner should ensure purchase orders are raised in Agresso and issued before the receipt of the goods ordered or services provided.	Response Reminder to be included in Informative bulletin and situation monitored by Finance team over next 2 months. Date for implementation July/August 2021 Officer responsible for implementation Assistant Head of Finance
2. Use of Purchase Orders In accordance with Financial Procedures, purchase orders should generally be used to procure goods and services except where an exemption exists. Whilst purchase orders are generally used, our analysis showed there was a small number of instances where this was not the case. Risk: It may be possible to enter into commitments which are not recorded in Agresso until the invoice is received.	Management should review where purchase orders were not used for the 8 suppliers identified to determine whether the reasons were valid and if this is not the case, the relevant staff should be reminded of the requirements.	Response Finance team reminded to return any invoices to originator to ensure that PO is raised. Date for implementation July 2021 Officer responsible for implementation Assistant Head of Finance

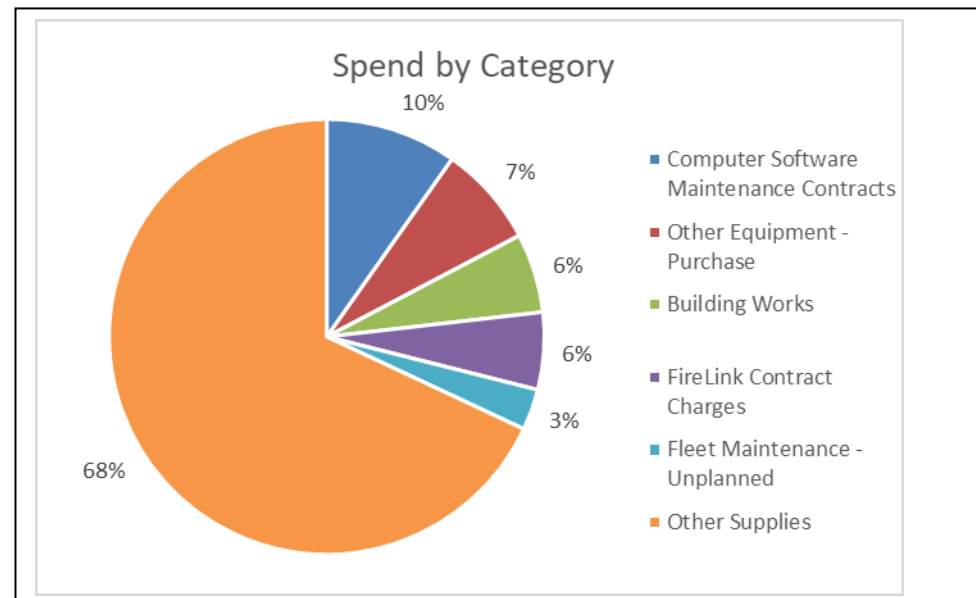
NFRS Cardiff Checks Audit Draft Report – Appendix A

Data Analysis

The table and chart below show the top five categories of spend in relation to the £9.001m of spend (10,097 transactions). These five categories amount to 32% of the total spend :-

Table 1

Category	Sum of Amount
Computer Software Maintenance Contracts	£ 879,805.47
Other Equipment - Purchase	£ 677,052.11
Building Works	£ 530,297.44
Fire Link Contract Charges	£ 516,352.27
Fleet Maintenance - Unplanned	£ 273,966.42
Other Supplies	£ 6,123,842.39
Grand Total	£ 9,001,316.10



NFRS Cardiff Checks Draft Report – Appendix B

The following table shows the four transactions that were selected as a sample to carry out Cardiff Checks upon:-

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	Trans No	Trans Date	Account	Supplier	Account	Cat	Category	Explanation	Amount
1	9085131	29/07/2019	C101	A & S Enterprises Ltd	Building Works	4102	Strategic New Build Projects	3rd invoice for works carried out at Hucknall EMAS	£ 42,181.73
2	9086490	08/10/2019	4105	Ricoh UK Ltd	Photocopier	2090	Information Technology	NFRS Printer Usage 01 Jul - 30 Sept 2019	£ 9,491.15
3	9086726	22/10/2019	4004	Delta Fire	Fire Hose and Couplings	2084	Engineering	100+60 x Nova Ultraflex	£ 20,529.20
4	9086102	02/10/2019	3103	Keltruck Limited	Fleet Maintenance - Unplanned	2084	Engineering	FJ56 FKA Build and fit body	£ 20,500.00



Internal Audit Report

Report ref: 2020-01

To: The Chief Fire Officer

OFFICIAL SENSITIVE

Subject: NFRS - Purchase Cards

Date: November 2020

1 Introduction

- 1.1 The purpose of the audit was to review internal controls and test compliance with applicable policy and procedures related to purchasing cards.
- 1.2 This report sets out the findings and recommendations arising from a review of the Fire & Rescue Service's purchase card system.

2 Audit opinion

- 2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.
- 2.2 In our opinion the level of assurance we can provide is: -



REASONABLE ASSURANCE

Risk levels are acceptable



3 Risk areas examined

- 3.1 During this audit we looked for controls to address the following key risks: -

<i>Risk title</i>	<i>Description</i>
Application and Management of Cards	The issue and management of purchase cards may not be carried out in accordance with agreed procedures.
Card Misuse and Fraud	Purchase authorisation and card use may not be compliant with the scheme or fraudulent usage may occur.
Transaction Log Verification	Transaction logs may not be properly and accurately verified.
Circumvention of Ordering Controls	The use of purchase cards may not be appropriate to the scheme.

3.2 The scale of the area reviewed is: -

<i>Metric (provided by FRS)</i>	<i>2018-19</i>	<i>2019-20</i>
<i>Annual Expenditure</i>	<i>£98k</i>	<i>£104k</i>
<i>No of Card Holders</i>	<i>51</i>	<i>41</i>

4 Audit findings

4.1 Following our work, we consider the controls to be effective in the following risk areas: -

- Application and Management of Cards - A comprehensive record of purchase card holders is maintained, and cards have been set up in accordance with specified spend limits.
- Application and Management of Cards - All purchase card applications are authorised and requested by Finance. Card limit changes are only authorised by designated senior officers in Finance and purchase card holders cannot change their own limits.
- Card Misuse and Fraud - There are processes in place to investigate and record on the non-compliance log any instances of card misuse. This log includes a four-step process related to continual non-compliance, should it occur.
- Circumvention of Ordering Controls - Goods or services purchased complied with spend limits. Furthermore, though there were few high value transactions made on purchase cards, all appear valid and the majority were during the early stages of the Covid-19 pandemic, to buy essential supplies. Sample testing confirmed that cards examined had been used appropriately.

4.2 There were some control weaknesses and one failure to comply with the standard controls, resulting in remaining risks. The attached Action Plan sets out these weaknesses, and our recommendations to address them.

4.3 A summary of the recommendations made, together with brief details of the related findings, is set out below: -

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
Priority 1	1	Immediate
Priority 2	3	Within two months

Priority 1 areas:

- Purchase Card Cancellation - Purchase cards are not always cancelled promptly when staff leave the Fire Authority.

Priority 2 areas:

- Application Process - Testing identified three cases, from a sample of 14 card holders, whereby spend limits had not been specified on the application form submitted to Finance.
- Confirmation of Receipt and Acceptance of T&Cs - 28% of card holders sampled did not appear to have a signed form confirming the receipt of the card or had not signed the terms and conditions which is required prior to use.
- Transaction Logs and Receipts - Some transaction logs had not been signed off by the card holder and line manager, and in some cases, there was insufficient evidence related to VAT being reclaimed.

4.4 In addition to the findings presented in the Action Plan, advisory actions were discussed with management relating to:

- some monthly logs being incomplete;
- the monitoring and reviewing of temporary card limit increases;
- the retention of sufficient records for cards that had been compromised previously;
- transaction posting.

**Audit conducted by: Patrick Hoban
Apprentice Internal Auditor**

**Audit supervised by: Angela Wendels
Senior Auditor**

Rob Disney, Group Manager Assurance

Audit Finding	Recommendation	Management Response
Priority 1 areas (Essential for effective internal control, must implement recommendations to improve existing control arrangements)		
<p>1. Purchase Card Cancellation</p> <p>An examination of the records maintained to record card holder details, revealed eight cases where the card had been cancelled due to the card holder leaving (or changing role). The records show that four cards were not cancelled promptly (within a couple of months of the person leaving the Fire Authority). Furthermore, as seven of the eight cards were cancelled on the same date (24/2/20) this suggests an incomplete card holder record and that prior to February 2020 this was not regularly or promptly checked.</p> <p>Risk: Potential inappropriate use of cards by former employees or others, meaning a lack of spend control.</p>	<p>The Finance Team should notify the bank immediately when a card holder leaves, or a card needs to be cancelled, to prevent inappropriate use. The card holder list held by Finance should then be updated and periodically checked for accuracy.</p>	<p>Response</p> <p>Monthly procedures are now in place to check for cards that need cancelling and cards no longer needed will be cancelled promptly.</p> <p>Date for implementation</p> <p>With immediate effect.</p> <p>Officer responsible for implementation</p> <p>Accountancy Assistant</p>
Priority 2 areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		
<p>2. Application Process</p> <p>From a sample of 14 card holders, we identified three cases whereby spending limits had not been specified on the application form submitted to Finance.</p> <p>Risk: Spend limits may be inappropriate or exceed the card holder's authority.</p>	<p>Spend limits should be specified at the point of the Purchase card application.</p>	<p>Response</p> <p>Agreed.</p> <p>Date for implementation</p> <p>With immediate effect.</p> <p>Officer responsible for implementation</p> <p>Assistant Head of Finance</p>

Audit Finding	Recommendation	Management Response
<p>3. Confirmation of Receipt and Acceptance of T&Cs</p> <p>From our testing we found four out of the 14 card holders did not have a signed form confirming the receipt of the card and the agreed terms and conditions of use. Staff are required to confirm receipt of the card and sign the terms and conditions of use before issue.</p> <p>Risk: Staff using purchase cards are not properly aware of the requirements of card use, which could lead to improper use.</p>	<p>Purchase cards should only be issued to staff once they have been briefed, understand the terms and conditions of use and the relevant form has been completed and returned to Finance.</p>	<p>Response</p> <p>Agreed. Some of missing records may be held on Personnel Files, but difficult to check due Covid-19 lockdown and staff not being in HQ.</p> <p>Date for implementation</p> <p>With immediate effect.</p> <p>Officer responsible for implementation</p> <p>Assistant Head of Finance</p>
<p>4. Transaction Logs and Receipts</p> <p>We examined the transaction logs for three months and found 5/36 card holders did not provide receipts for all transactions. Furthermore, we found 9/36 of cards sampled did not have the monthly logs signed off by the card holder and line manager. 26/36 of the transaction logs examined included transactions subject to VAT, however seven claims either had insufficient evidence or had the incorrect VAT amount when comparing the invoices and the monthly transaction logs.</p> <p>Risk: The FRS may contravene HMRC VAT requirements which could result in VAT being reclaimed inappropriately and could therefore lead to fines.</p>	<p>Where receipts are not provided there should be a documented and valid reason, however, receipts should be retained for all transactions in line with the policy. All monthly logs should be signed off by the card holder and their line manager in all instances.</p> <p>VAT reclaimed for purchase card transactions should match the amount payable on the receipts and evidence in relation to the VAT payment should be obtained from the card holder.</p>	<p>Response</p> <p>Agreed to check in future. However, sometimes Finance team fill in codes to assist claimants who may be claiming directly from an incident.</p> <p>Date for implementation</p> <p>With immediate effect.</p> <p>Officer responsible for implementation</p> <p>Assistant Head of Finance</p>



Internal Audit Report

Report ref: 2020-02

To: The Chief Fire Officer

OFFICIAL SENSITIVE

Subject: NFRS - Purchasing & Creditor Payments

Date: February 2021

Introduction

- 1.1 This report sets out the findings and recommendations arising from a recent review of the purchases and creditor payments transacted through the NFRS Finance function.

Our audit review was based upon an analytical approach, focussing on higher risk, high value or high volume data populations, payments out of tolerance of purchase orders. We also have considered the additional risks due to the Covid crisis which have impacted upon service delivery arrangements.

- 1.2 The objective of the system is to ensure that purchases are made in accordance with financial procedures, only by authorised employees, within budget to approved suppliers on agreed contractual terms.

2 Audit opinion

- 2.1 In the areas examined, we assessed the controls to determine to what extent the risks are being mitigated.
- 2.2 In our opinion the level of assurance we can provide is: -



REASONABLE ASSURANCE Risk levels are acceptable



3 Risk areas examined

- 3.1 During this audit we looked for controls to address the following key risks: -

<i>Risk title</i>	<i>Description</i>
Purchase Orders	Official orders may not be placed or authorised, or inappropriate goods and services may be purchased or accepted.

<i>Risk title</i>	<i>Description</i>
Fraud Prevention	Controls may not prevent fraudulent payments from being made, monies being lost or additional costs incurred.
Value For Money	Goods and services purchased may not satisfy the organisation's requirements, or the supply may not comply with Financial Regulations.
Invoice Payment	Inaccurate or invalid invoices may be paid or amounts on order may be out of tolerance with invoice.
Transaction Processing	Unauthorised changes to transactions, payees or amounts or corruption of the accounting system may result in lost or inaccurate data.

3.2 The scale of the area reviewed is: -

Metric	Sept 2019 – Sept 2020
Non-pay Expenditure (£m)	£9.051
Number of Transactions	9,469

4 Audit findings

4.1 Following our work, and with reference to the other sources of independent assurance that were available, we consider the controls to be effective in the following risk areas: -

- **Purchase Orders** - Unique purchase orders are raised in the system in over 99% of cases, except where an exemption applies. Separation of duties exist within the purchase order system, with additional approval needed from Finance for purchases over £10k.
- **Fraud Prevention** - The Counter Fraud, Money Laundering, Corruption and Bribery Policy - POL 3019 was updated in 2018 and shared with staff. Subsequent material has been posted on the intranet for International Fraud Awareness week - November 2020 and robust validation procedures exist for the addition or amendment of supplier bank details before payments can be made.
- **Invoice Payment** - System checks have been built into Agresso to flag up payments without a purchase order or GRN, or any payments that appear to be duplicates.
- **Transaction Processing** - Independent pre and post payment checks are made when the BACS process is run, with separation of duties in relation to the processing and authorising of payments. All transactions are reconciled to the bank monthly.

4.2 There were some control weaknesses and some failures to comply with the standard controls], resulting in remaining risks. The attached Action Plan sets out these weaknesses, and our recommendations to address them.

- 4.3 A summary of the recommendations made, together with brief details of the related findings, is set out below: -

<i>Priority level</i>	<i>Number of Recommendations</i>	<i>Recommended action timescales</i>
Priority 1	1	Immediate
Priority 2	1	Within two months

Priority 1 areas:

- Tendering requirements may not have been adhered to in some cases or contracts may have expired.

Priority 2 areas:

- Some payments made were out of tolerance with purchase order values.

- 4.4 In addition to the findings presented in the Action Plan, advisory actions were discussed with management relating to:

- A small number of cases where purchase orders were raised when or after the invoice had been received, not prior.

**Audit conducted by: Angela Wendels
Senior Auditor**

**Audit supervised by: Philip Dent
Audit Supervisor**

Rob Disney, Group Manager Assurance

Audit Finding	Recommendation	Management Response
Priority 1 areas (Essential for effective internal control, must implement recommendations to improve existing control arrangements)		
<p>1. Value for Money It has not been possible to confirm that tendering arrangements and the obtaining of quotes is in accordance with Financial procedures for all purchases where the annual spend is over £50k.</p> <p>Our analysis showed that over 75% of all non-pay expenditure related to around 30 companies.</p> <ul style="list-style-type: none"> • Eight suppliers were identified where the aggregate 12 month spend with that supplier exceeded £50k but none of these suppliers were recorded in the contracts register). • Six suppliers were listed on the contracts register but the value of spend exceeded the amount specified on the contracts register, for example, for AJG the contract value was £12k but the spend between September 2019 and September 2020 was £422k. • Four of the contacts were recorded to have ended between 2017 and 2019, but spend was still seen after the recorded end date. <p>Risk: Value for money not obtained. Contravention of procurement requirements.</p>	<p>A review of expenditure for annual payments to one supplier for over £50k should be undertaken to ensure that financial regulations and procedures have been complied with.</p>	<p>Response Contract management policy has been drafted but has not been finalised. There remains outstanding work relating to reviewing the contract register due to increased workloads in procurement during Covid-19.</p> <p>This work should be completed by the end of December 21.</p> <p>An additional audit is requested in this area in 2022/23 to ensure improvements have been made.</p> <p>Date for implementation December 2021</p> <p>Officer responsible for implementation Head of Procurement</p>

Audit Finding	Recommendation	Management Response
Priority 2 areas (Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements)		

Audit Finding	Recommendation	Management Response															
<p>2. Invoices Out of Tolerance of Purchase Orders</p> <p>It is not currently possible to generate a report to identify payments out of tolerance (more than £1 difference) of the purchase order, although we are advised that Agresso does flag these up at the time of payment.</p> <p>We randomly selected 8 transactions for checking against purchase orders and found two differences where the actual amount paid was significantly different to the amount on the purchase order:</p> <table><tr><th>Invoice Amount</th><th>Description</th><th>Invoice Number</th><th>Purchase Order No</th><th>Order Value</th></tr><tr><td>£3,195.00</td><td>Lithium3 Technology Recruitment Limited</td><td>521612</td><td>11042909</td><td>£46,150.00</td></tr><tr><td>£3,035.87</td><td>Irongate Group Ltd</td><td>1/IL662974</td><td>11044802</td><td>£4,186.80</td></tr></table> <p>Invoice number 521612 relates to non-contracted ICT temp recruitment costs for a period of 9 days, whereas the purchase order 11042909 relates to a period of 6 months. The difference between the order value and invoice amount is £42,994. No subsequent invoices have been received in relation to this order, indicating that the specified commitment in the budget may have been overstated. Also, the invoice confirms payment in relation to August 2019, but a purchase order was not raised until 4th September 2019 (post delivery of the services).</p>	Invoice Amount	Description	Invoice Number	Purchase Order No	Order Value	£3,195.00	Lithium3 Technology Recruitment Limited	521612	11042909	£46,150.00	£3,035.87	Irongate Group Ltd	1/IL662974	11044802	£4,186.80	<p>The purchase order commitment should reflect the service delivered or required at the time the services are procured.</p> <p>Where payments are found to be out of tolerance with the purchase order, this should prompt management to check that the correct prices have been recorded and charged in accordance with the contract.</p>	<p>Response</p> <p>The first example in the audit finding was caused by invoices being paid but not matched to the purchase order. Additional training has now been provided to those staff who are responsible for inputting invoices.</p> <p>On investigation of the second example, 2 further invoices were paid against the Irongate Purchase order, but this took the total value of invoices paid to £5,324. Once the amount exceeded the Purchase Order value (£4,186), the ledger system automatically sought additional authorisation from the budget holder. The reason was determined to be a temporary increase in the cost of cleaning equipment during the first COVID lockdown. The invoices were consequently approved. This demonstrates that the system in place where invoice values exceed the purchase order is working as intended.</p> <p>Date for implementation</p> <p>Additional training provided to staff in May 21.</p> <p>Officer responsible for implementation</p> <p>Assistant Head of Finance</p>
Invoice Amount	Description	Invoice Number	Purchase Order No	Order Value													
£3,195.00	Lithium3 Technology Recruitment Limited	521612	11042909	£46,150.00													
£3,035.87	Irongate Group Ltd	1/IL662974	11044802	£4,186.80													

Audit Finding	Recommendation	Management Response
<p>The Irongate group order 101851 relates to multiple stores items., some which were not delivered. A number of price differences and pack sizes were also seen. Irongate are an approved provider and therefore the agreed prices should be included in the on line catalogue.</p> <p>Risk:</p> <p>Over-commitment in the budget. Prices charged may not reflect agreed prices and value for money may not be achieved.</p>		

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

EXTERNAL AUDIT LETTER 2019/20 AND AUDIT UPDATE 2020/21

Report of the Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To present the external auditors' annual audit letter for 2019/20 and to provide an update on the latest external audit situation for 2020/21.

Recommendations:

That Members note the contents of this report.

CONTACT OFFICER

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Head of Finance

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1. BACKGROUND

The external audit of the Fire Authority's 2019/20 Statement of Accounts was undertaken by Ernst & Young LLP (EY). Both the Statement of Accounts and the External Auditors International Standard on Auditing 260 (ISA 260) report were approved at Fire Authority on 24 February 2021.

2. REPORT

ANNUAL AUDIT LETTER 2019/20

- 2.1 Following the completion of the Audit, EY have provided the Annual Audit Letter, which represents a summary of the ISO 260. This is attached at Appendix A and will be published on the Authority's website.
- 2.2 The audit opinion is detailed on page 5 of the letter and is shown for information below:

Area of Work	Conclusion
Financial statements and Firefighter's Pension Fund.	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year ended 31/03/2020.
Consistency of other information published with the financial statements.	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness.	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

2021/22 EXTERNAL AUDIT UPDATE

- 2.3 The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that have extended the statutory audit deadlines for 2020/21 and 2021/22.
- 2.4 The publication date for audited 2020/21 accounts will move from 31 July to 30 September 2021 for all local authority bodies, including Fire and Rescue Authorities.

- 2.5 The draft accounts must be confirmed by the Treasurer and published by 31 July 2021.
- 2.6 Since taking on the contract to provide external audit services to the Fire Authority in 2018/19, EY have struggled to adequately resource the contract. The audits for both the 2018/19 and the 2019/20 Accounts were delayed, and the Accounts were not approved by Fire Authority until December 2019 and February 2021 respectively.
- 2.7 EY have again indicated that the deadline for auditing the 2020/21 Accounts of 30 September 2021 is expected to be missed. This is due to Pension Fund Accounts and larger authorities being prioritised over smaller authorities such as Fire as the Pension Fund Accounts need to feed into other authority accounts and delays to the larger authorities being audited will delay the publishing of the Whole of Government Accounts.
- 2.8 EY have indicated that the provisional date for commencing the audit is 29 November 2021. This makes it unlikely that the audited accounts will be approved by Fire Authority before February 2022, with the possibility of delays beyond this date. If this happens it will have a detrimental impact on the Finance Team's ability to deliver other priorities such as the 2022/23 budget due to the time taken to facilitate the audit. Fire Authority approved an additional post in the team in February 21. The recruitment process has commenced but other local authorities have had difficulty recruiting of late and it may be necessary to consider alternative provision in the short term.

CONSULTATION ON AUDIT FEES

- 2.9 The Audit fees for the 2020/21 were confirmed by PSAA as £23,909 in March 2020. However, the additional work that external auditors are required to undertake to comply with new regulatory standards is expected to result in a fee variation request which would increase this fee significantly. Under current legislation this cannot be done until after the audit is closed.
- 2.10 In April 2021, the Ministry of Housing, Communities and Local Government (MHCLG) consulted on proposed changes to the Local Audit (Appointing Person) Regulations 2015. The consultation document can be found [here](#).
- 2.11 The consultation consulted around changes to the regulatory deadline for which scale fees need to be set and the methodology for agreeing some fee variations including national fee variations and variations for specific elements of work such as pensions. The proposals would appear to be a sensible approach, making the process simpler and more transparent.
- 2.12 MHCLG has also consulted on the methodology for allocating an additional £15m to local authorities to assist with the additional burden of increased audit fees. The consultation document can be found [here](#).
- 2.13 The results of the consultation are yet to be released.

3. FINANCIAL IMPLICATIONS

- 3.1 The PSAA (Public Sector Audit Appointments) have set the audit fee for both 2019/20 and 2020/21 at £23,909.
- 3.2 EY have indicated that they will be requesting a fee increase for 2019/20 as their estimate of the cost of delivering the audit was £87,816 – see the Audit Fee section of Appendix A (p28). The additional fees are required to be approved by PSAA. It is not expected that PSAA will approve the fee relating to the regulatory changes for 2019/20 (£47,193), so the final fee would be in the region of £40,623.
- 3.3 Final audit fees for 2020/21 are expected to include the costs of the regulatory changes. There will be additional government grant to compensate for increased costs.

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.

John Buckley
CHIEF FIRE OFFICER

Nottinghamshire Fire and Rescue Authority

Annual Audit Letter for the year
ended 31 March 2020

April 2021

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Building a better
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This 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 (updated April 2018)' issued by PSAA 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



Section 1

Executive Summary

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Executive Summary

We are required to issue an annual audit letter to Nottinghamshire Fire and Rescue Authority (the authority) following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
Impact on the delivery of the audit	
► Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
Impact on our risk assessment	
► Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
► Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
► Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.
Impact on the scope of our audit	
► Information Produced by the Entity (IPE)	<p>We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:</p> <ul style="list-style-type: none"> ► Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and ► Agree IPE to scanned documents or other system screenshots.
► Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's:	
► Financial statements and Firefighter's Pension Fund	Unqualified- the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended 31/03/2020.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
► Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	The Authority is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 12 th February 2021
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 March 2021

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Helen Henshaw
Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities

Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the 12th February 2021 meeting of the Fire Authority, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 4th April 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements including the Firefighter's Pension Fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit

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Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31st March 2021.

Our detailed findings were reported to the 26th February 2021 Fire Authority.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
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 and Ireland) 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 have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</p> <p>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 Authority, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>As the Authority is more focussed on its financial position over the medium term we do not consider there to be a heightened risk for the Authority's standard income and expenditure streams except for the capitalisation of expenditure on Property, Plant and Equipment (PPE) given the extent of the Authority's capital programme.</p>	<p>We are satisfied that the expenditure recognition and capitalisation policies in place are appropriate.</p> <p>We used our data analytics tool to identify and test the appropriateness of journal entries. No issues were identified.</p> <p>We have substantively tested a sample of additions to property, plant and equipment in the year and have found no instances of expenditure being inappropriately capitalised.</p> <p>In our testing of transport related expenditure, we did identify one item where expenditure was accrued at the year end for a liability which never materialised and therefore the accrual was reversed unused in the new financial year (20/21). We extrapolated this error which resulted in an extrapolated audit difference of £1.046m overstatement of expenditure for the year ended 31 March 2020. Management have chosen not to amend the accounts for this amount as it is below the materiality level and is an estimated value.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Valuation of Firefighters Pension Scheme Liability</p> <p>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 Authority. The Authority's Firefighter'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 2019 this totalled £546 million. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>Following the outcome of McCloud and Sargeant in 2018/19, initial estimates suggest removing the difference in treatment of discrimination will add around £4 billion per annum to scheme liabilities across public services from 2015. The most recent valuation process set employer contribution rates until 2023 and given there are a number of factors that may impact on the valuation of the scheme before the next triennial there is uncertainty around how the additional costs will be funded.</p> <p>CIPFA is preparing further accounting guidance to support bodies with the accounting for the McCloud liability in 2019/20. However, the Authority, via their actuaries will need to ensure that they refine their estimate of the impact of McCloud and Sargeant in 2019/20 and how subsequent funding implications may impact on the triennial valuation.</p> <p>As well as a risk to the valuation of the liabilities, there is also a timetable risk arising from the above, as agreement of remedy (and potential consultations starting in the spring) may necessitate refining of liability estimates by GAD, to update the work completed in summer 2019 to remeasure the McCloud liability.</p> <p>As a result of the uncertainty associated with the above we have designated the valuation of the Firefighters Pension Scheme liability to be a significant risk.</p>	<p>We are satisfied that the amounts recorded in respect of the fire fighters pension scheme are free material misstatement.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Valuation of Land and Building</p> <p>The fair value of Property, Plant and Equipment (PPE) represents a significant balances in the entity's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>The Authority will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment. As the Authority's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed 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.</p> <p>Many of the property valuations involve future yields within the calculation. Due to the impact of Covid-19 there is greater uncertainty around the future yields obtainable in relation to properties.</p>	<p>► Revalued Assets</p> <p>We have gained assurance that the inputs and assumptions used in the valuations are appropriate and supported by external evidence. Consequently we are satisfied that assets valued in year are not materially misstated.</p> <p>► Assets not valued in year</p> <p>Management have used the Tender Price Index to undertake an assessment of whether assets not formally revalued in year have been subject to material valuation movements since they were last revalued. We have referred to national property indices to estimate the likely valuation movements in these assets, The work performed to date indicates that the assets not revalued in the year could be understated by £86k. We have noted this on our summary of audit differences.</p> <p>Management has not made an adjustment for this within the financial statements on the basis that they consider the valuations to be materially stated in line with the requirements of the CIPFA Code.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.326m which is 2% of gross expenditure reported in the accounts of £70.609 million.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority</p> <p>We determined the Firefighter's Pension Fund planning materiality to be £329,100 which is 2% of benefits payable reported in the accounts of £17.325 million.</p>
Reporting threshold	<p>We agreed with the Fire Authority that we would report to them all audit differences in excess of £66,300</p> <p>We agreed with the Fire Authority that we would report to them all audit differences in excess of £16,000 for the Firefighter's Pension Fund.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Related party transactions. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. These were the misstatements that were uncorrected:

1. Expenditure and funding analysis should not be described as a 'core financial statement' but rather as a note to the accounts.
2. Note 6 Events After the Balance Sheet Date - Events disclosed occurred prior to the balance sheet date and is not in line with the code.

Financial Statement Audit (cont'd)

3. Judgemental differences were noted during our work on assets not valued in year of £90k. The impact of these errors is to (net) understate PPE and the value of the revaluation reserve. There is no impact on the CIES.

4. During our testing we identified an asset amounting to £195,156 that should have been de-recognised in 2019/20 but was not. Management has indicated that they will derecognise the asset in 20/21.

5. In our sample testing of other expenditure, we identified an error resulting in an overstatement of expenditure in 2019/20. We extrapolated this error over the population subject to sample testing and concluded that in our judgement other expenditure is overstated by £1,046,000

6. Disclosure inconsistencies identified in the Narrative statement have not been adjusted for.

7. Financial instruments - Authority had incorrectly stated debts written off over the past 5 years as <1% instead of 0%, this is the same for debts over 121+ days which was quoted as 12% instead of 0%

The unadjusted differences set out above do not lead to a modification of our audit opinion in respect of the 2019/20 financial statements as we are comfortable that the cumulative effect on the CIES, the general fund and each affected financial statement line item is not material.

Section 4

Value for Money



Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

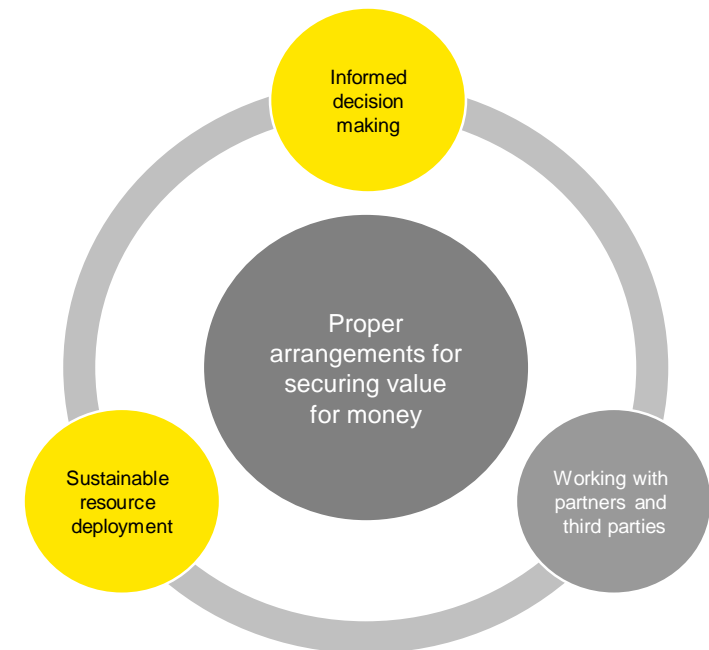
Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified three significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan.



Value for Money (cont'd)

We therefore issued an unmodified value for money conclusion on 31st March 2021

Significant Risk	Conclusion
<p>Securing financial resilience</p> <p>In common with other Fire and Rescue Services, the Authority is facing significant financial pressures in the medium term.</p> <p>Whilst the Authority is predicting an underspend for 2019/20, the forecast deficits in the MTFS over the next four years are as follows (based on 0% Authority tax increase assumption):</p> <ul style="list-style-type: none"> • 2020/21 - £500,000 • 2021/22 - £1,181,000 • 2022/23 - £1,599,000 • 2023/24 - £2,141,000 <p>This decreases overall useable reserves to £4.3 million by the end of the 2023/24 period, which is marginally above the level of £3.9 million considered acceptable by the Authority going into 2020/21.</p> <p>Given the uncertainty of the funding settlement post 2020/21 and the financial pressures set out above, we have considered this to be a significant area of focus in forming our value for money conclusion.</p>	<p><u>What arrangements does the risk affect?</u></p> <p>Deploy resources in a sustainable manner.</p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p> <p><u>What are our findings?</u></p> <p>We consider the process for setting the Authority's budget is sound. We concluded that the MTFP identifies the key assumptions expected to underpin the 2020/21 budget. Management use scenario planning effectively to provide guidance to the Authority to make decisions on the level of precept to set and clearly demonstrate consideration for the uncertainty of future funding streams.</p> <p>In 2019/20, the Authority reported underspends of £0.6m against budget, meaning that the use of reserves was £0.6m compared to the budgeted £1.2m.</p> <p>We have tested the sensitivity of reserves by taking into account the Authority's history of under and overspends, past savings achieved, planned use of reserves in 2020/21 to 2022/23 and dependency on uncertain funding streams. Assuming all earmarked reserves could be used to support the budget, the Authority would have sufficient reserves to cover the budget gap above its minimum level of reserves set at £3.9 million.</p> <p>We therefore do not propose to qualify the value for money conclusion. However, the Authority needs to be vigilant in taking action to avoid overspends, recognising that the use of reserves to support the budget in previous years is unsustainable and to develop robust plans to achieve ongoing savings to address any budget gaps.</p> <p>We note that Her Majesty's Inspectorate of Constabulary and Fire and Rescue Authorities rated the Authority as requiring improvement across areas covering Effectiveness, Efficiency and People. The inspectorate also noted that the Authority should ensure it has sufficiently robust plans in place which fully consider the medium-term financial challenges beyond 2020 so it can prepare to secure the right level of savings, which we deem to have been implemented.</p>

Value for Money (cont'd)

We therefore issued an unmodified value for money conclusion on 12th February 2021

Significant Risk	Conclusion
<p>Establishment of joint Headquarters and setup of Limited Liability Partnership</p> <p>In September 2018 and February 2019 , Members approved the development of a business case for a joint Fire and Police Headquarters at Sherwood Lodge, Arnold through a Limited Liability Partnership (LLP) for a joint headquarters site.</p> <p>The total estimated costs for the redevelopment of Sherwood Lodge is circa £18.5m, of which the Authority is to contribute £4 million to be offset by the sale of the current Fire Headquarters.</p> <p>In progressing significant projects there are risks around the arrangements for governance and coming to an informed decision.</p>	<p><u>What arrangements does the risk affect?</u></p> <p>Take informed decisions</p> <p>Acting in the public interest, through demonstrating and applying the principles and values of sound governance</p> <p><u>What are our findings?</u></p> <p>Our audit work has focussed on the decision-making arrangements surrounding the decisions to redevelop the site at Sherwood Lodge and progress to the delivery model through a joint ownership model. Our review of the arrangements found that the Authority has given significant consideration to:</p> <ul style="list-style-type: none"> • The options available for the redevelopment of the site at Sherwood Lodge; • The decision making arrangements and processes undertaken in relation to determination of the best model used to establish the joint headquarters; and • Guidance provided in respect of taxation and legal positions relating to the governance delivery options. <p>We have considered the reasons for the decisions undertaken and the sufficiency of arrangements in place which ensured that decisions undertaken were done so from a sufficiently informed position. We are satisfied that management:</p> <ul style="list-style-type: none"> • Reviewed the financial consequences of the move • Managed the process through the Strategic Collaboration Board supported by the Collaborative Delivery Board and working group comprising Members, Chief Officers and officers of both organisations • Reported progress to Members of the Authority. <p>We concluded that there was evidence of reasonable arrangements to inform the decision-making process.</p>

Value for Money (cont'd)

We therefore issued an unmodified value for money conclusion on 12th February 2021

Significant Risk	Conclusion
HMICFRS Inspection Findings - 2019 The HMICFRS inspection, dated June 2019, gave the Authority an overall result of 'requires improvement'. The inspection highlights a number of required improvements. The Authority has allocated £1.4m of reserves to address the issues highlighted in the inspection. The negative findings within the inspection and the significant funds allocated to address the issues signifies a significant risk to the value for money arrangements at the authority.	<u>What arrangements does the risk affect?</u> Deploy resources in a sustainable manner and Taking informed decisions Acting in the public interest, through demonstrating and applying the principles and values of sound governance and Managing and utilising assets effectively to support the delivery of strategic priorities <u>What are our findings?</u> Our audit work focussed on the result of the HMICFRS inspection, the recommendations raised to the Authority and the action plan established and undertaken to address the issues identified. We have reviewed the inspection and the findings of the report. The Authority considered the recommendations and developed comprehensive plans to address the items raised. We are satisfied that appropriate governance arrangements have been in place in order to sufficiently address the findings of the inspection and monitor the progress of the action plan in response to the findings. We have reviewed the financial impact to the Authority, in relation to the actions undertaken to deliver the remedies to the findings and we have not identified any instances where actions were undertaken which did not represent value for money. The Authority has undertaken significant steps to address the findings of the report in a timely manner, and that all findings have either been addressed or are in the process of final arrangements being undertaken. We conclude therefore that sound governance has been in place and that the Authority has managed and utilised assets effectively to support the delivery of strategic priorities.

A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at documents on the table. Other people's hands and arms are visible, some pointing at the papers. The scene is brightly lit, suggesting a modern office environment.

Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Authority is below the specified audit threshold of £500mn. Therefore, we were not required to perform any audit procedures on the consolidation pack

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Fire Authority on 26th February 2021. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Section 6

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2021/22 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20.</p>	<p>Until the revised 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p> <p>Nottinghamshire Fire and Rescue will need to ensure that all lease arrangements entered into are identified and quantified (including for the comparative period) prior to the new implementation date.</p> <p>Consider whether appropriate systems and processes are in place to embed the requirements of the new accounting standard going forward.</p>
Standard	Issue	Impact
Code of Audit Practice 2020	<p>The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.</p>	<p>The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed.</p> <p>Further updates will be provided when possible.</p>

Audit Fees

Section 8

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees in relation to the year ended 31 March 2020. We confirm that we have not undertaken non-audit work outside the NAO Code requirements

Description	Final Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£
Total Audit Fee - Code work	23,909	23,909	23,909
Changes in work required to address professional and regulatory requirements and scope associated with risks (see note 1)	47,193	-	-
Additional specific one-off work required for Covid-19 considerations and current year risks (see note 2)	16,714	-	18,151*
Total Audit Fee	87,816	23,909	42,060
Non-audit work	Nil	Nil	Nil
Total Fees	87,816	23,909	42,060

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*Approved by Public Sector Audit Appointments Limited (PSAA)

Note 1:

As reported in our Audit Plan (dated March 2020), we consider that a more appropriate scale fee to reflect the inputs required to complete an external audit of the Authority would be in the region of £70,000. To arrive at this figure, the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of the Fire Authority - £19,708
- Additional work to address increase in Regulatory standards - £22,248
- Client readiness and IT support for Data Analytics - £5,237

This additional fee has been discussed with Management, but has not been agreed pending a national decision on rebasing of scale fees, led by Public Sector Audit Appointments Limited (PSAA). It will ultimately be subject to review and approval by the PSAA.

Audit Fees (cont'd)

Note 2

The 19/20 audit has been impacted by a range of factors which correspond to our risk assessment, and the additional procedures required as a result of C-19 as follows:

	£
Going concern (additional work to review going concern assessments and assumptions, including liquidity forecasts underpinning it; internal consultation and review)	4,937
PPE Valuations - Use of specialists	5,563
Value for money - consideration of 3 significant risks	2,968
C-19 additional work (including reassessing materiality levels, revisiting risk assessments (including VFM)	3,246
Total	16,714

This additional fee has been discussed with Management and is subject to review and approval by the PSAA Ltd.

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ED None

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

CIPFA FINANCIAL MANAGEMENT CODE

Report of the Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To inform Members of the contents of the Financial Management Code.

Recommendations:

It is recommended that Members:

- Note the contents of this report.
- Agree to accept an update report on progress made against the CIPFA Financial Management Code in April 2022.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The first full year of compliance is 2021/22.
- 1.2 The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.
- 1.3 The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.
- 1.4 The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management.
- 1.5 Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.
- 1.6 The FM Code builds on elements of other CIPFA codes, such as The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom.
- 1.7 By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.

2. REPORT

FINANCIAL MANAGEMENT CODE

- 2.1 The FM Code establishes an approach based on six principles of good financial management:

1. Organisational Leadership

Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

2. Accountability

Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.

3. Transparency

At the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.

4. Professional Standards

Promoted by the leadership team, with adherence evidenced.

5. Assurance

Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.

6. Long-Term Sustainability

At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

2.2 Explicit standards of financial management are also set out by the FM Code. These are the minimum standards which have to be complied with in order for the Service to demonstrate its compliance with the FM Code. The standards articulate the practical application of the principles of financial management based on the requirements of primary legislation, associated CIPFA codes and guidance on professional codes of practice and ethics. Whilst compliance with the standards is mandatory, the FM Code does not prescribe how they should be achieved. The standards are summarised in Appendix A.

2.3 The Service has internally reviewed its current processes, procedures and governance arrangements, to understand where it is already compliant with the FM Code standards and to identify any areas of non-compliance or where compliance is weak. Each Standard has been graded:

Grade	Level of Compliance
Green	Compliant
Amber	Can be improved
Red	Significant Non-Compliance

2.4 The internal review has rated 6 areas to be amber and the remaining 11 areas green. There were no areas of significant non-compliance. Details of the actions required can be found in Appendix A. All actions should be completed by 31 March 2022 when a further report will be brought to this Committee.

2.5 Internal Audit have been requested to undertake an audit of the Authority against the FM Code and progress against the improvements identified in the

internal review. The outcome of this will also be reported to Finance and Resources Committee.

3. FINANCIAL IMPLICATIONS

This report relates to financial governance and should have no direct financial impact.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

The requirements of the FM Code will be built into the Service's code of Conduct. Any development requirements will be identified, and appropriate training provided.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this is a report relating to the Authority's governance rather than new or amended policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

Whilst compliance with the code is not a statutory duty in itself, failure to comply could be viewed as not meeting existing statutory duties.

8. RISK MANAGEMENT IMPLICATIONS

The purpose of the FM Code is to help mitigate future financial risk and ensure that the Service remains a going concern.

9. COLLABORATION IMPLICATIONS

None.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the contents of this report;

- 10.2 Agree to accept an update report on progress made against the CIPFA Financial Management Code in April 2022.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)
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None.

John Buckley
CHIEF FIRE OFFICER

FINANCIAL MANAGEMENT CODE STANDARDS

Section	Standards	Internal Rating (Green / Amber / Red)	Action Required	Deadline
1	The Responsibilities of the Chief Finance Officer and Leadership Team			
A	The leadership team is able to demonstrate that the services provided by the authority provides value for money.	Amber	Annual Value for Money report to be built into Medium Term Financial Strategy	December '21
B	The Authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	Green		
2	Governance and Financial Management Style			
C	The Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	Amber	Governance Documentation to be built into new website. Make policies available at single point on Sharepoint. Revised Code of Conduct to be approved by Policy and Strategy Committee. Automated reminder to staff to ensure compliance with Register of Interests.	March '22. March '22 March '22
D	The Authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	Green		
E	The Financial Management Style of the authority supports financial sustainability.	Green		
3	Long to Medium Term Financial Management.			
F	The Authority has carried out a credible and transparent Financial Resilience Assessment.	Green		

Section	Standards	Internal Rating (Green / Amber / Red)	Action Required	Deadline
G	The Authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members.	Amber	Strengthen link between Medium Term Financial Strategy (MTFS) and Strategic Plan. Consider additional scenario Planning in MTFS.	December '21 December '21
H	The Authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Green		
I	The Authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans.	Amber	Develop Corporate Asset Management Plan	December '21
4	The Annual Budget			
J	The Authority complies with its statutory obligations in respect of the budget setting process.	Green		
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.	Green		
5	Stakeholder Engagement and Business Plans			
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	Amber	Include budget information in Strategic Plan consultation.	February '22
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Green		
6	Monitoring Financial Performance			
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Green		

Section	Standards	Internal Rating (Green / Amber / Red)	Action Required	Deadline
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.	Amber	Develop Corporate Asset Management Plan	December '22
7	External Financial Reporting			
P	The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.	Green		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.	Green		

Total Amber: 6
Total Green: 11



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

CLOSURE OF THE 'AREAS FOR IMPROVEMENT' FROM THE 2019 HMICFRS INSPECTION

Report of the Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To present Members with an update on the Service's response to the outcomes regarding the 2019 inspection of Nottinghamshire Fire and Rescue Service by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services and present closure of the associated 'Areas for Improvement' that were identified.

Recommendations:

It is recommended that Members:

- Agree the closure of 'Area for Improvement 15'.
- Approve the reporting of the two 'Areas for Improvement' aligned to the Finance and Resources Committee as discharged.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 At the meeting of the Fire Authority in July 2019, Members were presented the report from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) following the recent inspection of Nottinghamshire Fire and Rescue Service (NFRS).
- 1.2 In September 2019, Members were presented with an action plan detailing the 25 'Areas for Improvement' (AFIs) that had been highlighted by HMICFRS and capturing the actions to address these areas.
- 1.3 It was agreed that scrutiny and monitoring of progress of these actions would be facilitated through the Fire Authority Committee structure, with regular progress reports being presented to Members.
- 1.4 Of the 25 AFIs, two were aligned to the Finance and Resources Committee for scrutiny.

2. REPORT

- 2.1 Each of the 25 areas for improvement were allocated to a lead officer with clear milestones and expected outcomes. Within the Service, progress against these timelines was monitored and reported through the monthly Performance and Programme Board, chaired by the Chief Fire Officer.
- 2.2 Over the past 24 months, work has been undertaken to develop the Service in the areas highlighted by HMICFRS. Much of the work that was developed had already been started by the Service or was planned as part of the 2019/20 Business Plans. The Service has continued to focus resources and support to ensure continual improvement of these areas as part of the Service's wider Strategic Plan.
- 2.3 As a summary closure report, the areas for improvement, highlighted for scrutiny by the Finance and Resources Committee, that has been previously 'closed' is captured in the table below, with a short description of the closure statement:

AREA FOR IMPROVEMENT	CLOSURE STATEMENT
<p>AFI 16 – The Service should ensure it has sufficiently robust plans in place which fully consider the medium-term financial challenges beyond 2020 so it can prepare to secure the right level of savings.</p>	<p>The Medium Term Financial Strategy, Reserve Strategy and Capital Strategy were all approved by Fire Authority on 20 December 2019.</p> <p>The Fire Authority approved a 1.95% increase in Council Tax when enabled a balanced budget to be set for 2020/21. Furthermore, it is anticipated that the Authority will be able to set balanced budgets in the years 2021/22 to 2023/24. The Budget Proposals report, Prudential Code, Treasury Management Strategy and Transformation and Efficiency Strategies were approved by Fire Authority on 28 February 2020.</p> <p>The Authority has set a balanced budget for 2020/21 and expects this to continue into 2021/22 and beyond. Future year's planning will continue as the outcome of the Comprehensive Spending Review becomes known.</p> <p>The £1.4m Transformation and Collaboration Earmarked Reserve is being used to support the workstreams within the 'Transformation and Efficiency Strategy'.</p> <p>Monitoring of 2020/21 expenditure against budgets, along with monitoring of reserve use will be undertaken by Finance and Resources Committee, and any corrective action will be taken where necessary.</p>

- 2.4 Further to the above 'closed' area of improvement, AFI 15 is presented to Members at this meeting with the recommendation to close this action:

AREA FOR IMPROVEMENT	CLOSURE STATEMENT
AFI 15 – 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.	<p>The four actions associated with this area for improvement have now been completed.</p> <p>This includes the roll out of Microsoft Surface Go devices to stations and appliances, the migration of PowerBi software to Microsoft Azure (cloud based software), the development of an online training portal and ICT training framework for NFRS staff, and the integration of the learning and competency system.</p>

- 2.5 To align to Fire Authority governance, it is proposed that Members of the Finance and Resources Committee review the AFIs presented in this report and agree closure of all actions. It is proposed that this is reported to the full Fire Authority and that scrutiny of the AFIs for this Committee is discharged.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because the information contained in this report does not relate to a change in policy or procedure.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

- 7.1 The Fire and Rescue Services Act 2004 places a duty on NFRS in respect of the delivery of its services to communities.

- 7.2 The Local Government Act 1999 places a statutory duty on NFRS to '*secure continuous improvement in the way in which its functions are exercised*'. The reporting of Service Delivery's performance ensures that the Service is focusing on key objectives as set by the Fire Authority and continuous improvement. This ensures that Members can apply effective scrutiny to be satisfied that statutory obligations are being met.
- 7.3 The Police and Crime Act (2017) Chapter 4 Section 11, outlines that the English inspectors must inspect, and report on the efficiency and effectiveness of, fire and rescue authorities in England.

8. RISK MANAGEMENT IMPLICATIONS

There are no risk management implications arising from this report.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Agree the closure of 'Area for Improvement 15'
- 10.2 Approve the reporting of the two 'Areas for Improvement' aligned to the Finance and Resources Committee as discharged.

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

None.

John Buckley
CHIEF FIRE OFFICER

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