



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

**Minutes of the meeting held at Joint Fire / Police HQ, Sherwood Lodge, Arnold,
Nottingham, NG5 8PP on 14 October 2022 from 10.01 am - 11.08 am**

Membership

Present

Councillor John Clarke MBE (Chair)
Councillor Callum Bailey
Councillor Steve Battlemuch
Councillor Nicola Heaton
Councillor John Lee
Councillor Mike Quigley MBE

Absent

Councillor Sybil Fielding

Colleagues, partners and others in attendance:

Becky Smeathers - Head of Finance and Treasurer to the Authority
Candida Brudenell) Assistant Chief Fire Officers
Michael Sharman)
Leila Henry - Head of Risk, Assurance and Operational Training
Terry Scott - Head of Procurement and Resources
Catherine Ziane-Pryor - Governance Officer

8 Apologies for Absence

None.

9 Declarations of Interests

None.

10 Minutes

The minutes of the meeting held 24 June 2022 were confirmed as a true record and signed by the Chair.

11 Revenue, Capital and Prudential Code Monitoring Report to August 2022

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

- a) The outturn to the end of August this year is anticipated to provide an underspend just shy of £900,000. This is mainly due to the deliberate delay in whole-time recruitment, knowing the position of the Authority next year;
- b) The Green Book offer has now been accepted by trade unions and will result in an additional cost of £126,000 to the Authority;
- c) If a 6% pay increase is agreed for firefighters, this would cost an additional £510,000;
- d) The Joint Headquarters Capital Project requires an additional £150,000 due to higher than anticipated tender costs and a small change to the scope of the project. A revenue contribution to capital expenditure is requested to fund the additional costs. The delay in the project has meant that the closing of the old Bestwood Lodge Headquarters has been delayed. A request is made to transfer £62,000 from the 2022/23 budget into an earmarked reserves to cover the expected costs in 2023/24;
- e) Additional training costs have occurred as a result of training staff in anticipation of industrial action and also covering some vacant posts, so a virement of £50,000 is requested from the whole-time training budget;
- f) Additional premises costs are outlined within the report and will result in an overspend of approximately £42,000. The required planned maintenance work at Stockhill Fire Station is anticipated to cost a further £50,000, totalling £170,000 for maintenance works which cannot be delayed;
- g) A new command support vehicle is due to be purchased in 2023/24. The vehicle has a long lead-in time, so to ensure delivery as scheduled approval is sought to place a pre-order for the chassis now to ensure the completed vehicle can be delivered when it is needed (next year), and to achieve the best possible price. It is noted that this is in effect only an allocation of funding and payment is only made on receipt of the completed vehicle.

Committee members' questions were responded to as follows:

- h) Whilst members may be concerned at the use of revenue to fund capital, particularly as this is not common practice in private business, if the underspend in this year's revenue budget were to be utilised, it would reduce next year's borrowing requirements. The Service is keen to keep borrowing to a minimum. This solution reduces the need for capital borrowing, which is more efficient, particularly regarding current interest rates and the longer term impact over the next 10 years. It is not efficient for the Service to hold underspend reserves whilst paying high interest rates;
- i) Budgets were reduced to achieve the £2 million of in year savings, which included lowering the maintenance budget, however, there has been an unusual number of circumstances requiring attention. The £120,000 proposed increase in maintenance

would bring the maintenance budget back to its originally proposed figure, however, the additional £50,000 for the necessary works at Stockhill Lane Fire Station is a further cost;

- j) Once pay awards are announced the benefit of the initial underspend of £900,000 is likely to be reduced to approximately £250,000;
- k) The underspend on staffing is a deliberate approach of holding vacancies within a mixture of whole-time and support staff posts to prevent the need for future redundancies once the structure proposal was developed. This is causing additional work pressures and stress to and for existing staff, some of whom have now left the Service. It is evident that this level of vacancies within the current structure cannot be sustained which does not support the suggestion that having operated below number for some period, this can become the accepted staffing level;
- l) With regard to using the revenue underspend to fund capital, members concerns that it doesn't sit right regarding the context of entering into consultation focused on reductions in services due to lack of revenue, and yet using revenue to fund capital, is noted. However, if not utilised, the underspend will feed into general reserves, and would only provide a temporary saving next year. The alternative is to use the underspend to prevent the need for borrowing, which will have a greater financial impact in future years with the savings on interest charges. Utilising the underspend is recommended.

Members of the committee commented with gratitude on the goodwill of remaining staff who are temporarily coping with the additional workload caused by unfilled vacancies.

Resolved

- 1) to note the contents of the report;**
- 2) to approve a temporary virement of £50,000 from the whole-time pay underspend to fund additional training costs (as detailed in section 2.9 of the report);**
- 3) to approve a temporary virement of £170k from the whole-time pay underspend to fund critical premises related projects that need to be addressed (as detailed in section 2.10 of the report and further elaborated to in the meeting to fund the necessary works at Stockhill Fire Station);**
- 4) to approve a £62k contribution to earmarked reserves to cover security costs at the former headquarters at Bestwood Lodge which were initially anticipated in 2022/23 but will now be incurred in 2023/24 (as detailed in section 2.10 of the report);**
- 5) to approve the increase in the Joint HQ project of £150k due to additional work being required (as detailed in section 2.27 of the report) to be funded by a Revenue Contribution to Capital of £150k;**

- 6) **to increase the rostering project budget by £20k to be funded from Earmarked Reserves;**
- 7) **to approve slippage of £755k relating to the Arial Ladder Platforms (ALPs) to be slipped into future years (as detailed in section 2.39 of the report);**
- 8) **to approve the placing of an order for a support unit chassis in advance of approval of 2023/24 capital programme.**

12 2020/21 Audited Final Accounts

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

- a) The Authority had considered the accounts at its meeting in May 2022, prior to the completion of the audit. It was agreed to delegate the approval for any superficial changes to Becky Smeathers, Head of Finance and Treasurer to the Authority, and that any changes of a significant nature would be submitted to the Fire Authority for consideration;
- b) The audit has now been completed and there have been no amendments made to the accounts since the Fire Authority considered the accounts, however, the 'going concern' disclosure is required to be updated;
- c) The PSSA has now appointed sufficient auditors for the 2023/24 audits, but client allocations are yet to be made. A 150% increase in audit charges is anticipated, which is likely to total in excess of £100,000, but there is potential that 'new burdens' funding may be available from Central Government to contribute towards this;
- d) The lateness of completing the audit is still an issue as it is one year behind and the new auditors will not be able to start their audit until Ernst Young has completed its audit;
- e) Member suggestions that due to the delays, it would not be unreasonable to request a fee reduction are noted, however, the PSSA has stated that there is no come-back or penalty for poor service delivery as allowances have to be made for gathering information, for which the auditors can't be penalised. This has been raised as a significant issue but PSSA believe that if penalties were to be factored into the contracts, then Auditors wouldn't want to bid for the contracts;
- f) Nationally there is a significant lack of fully qualified Auditors, which adds to the pressure of those currently operating and it will take time for new Auditors to be trained up to work at Local Authority level, which is quite complex. In addition there are new legislative requirements. There does not appear to be any easy and quick solution.

Resolved to note the audited Statement of Accounts for 2020/212, as Attached at Appendix A to the report.

13 Unaudited Final Accounts 2021/22

Becky Smeathers, Head of Finance and Treasurer to the Authority, introduced the report which presents the 2021/22 draft Statement of Accounts of Nottinghamshire Fire and Rescue Authority to the Fire Authority prior to audit.

These have been authorised for upload to the internet. The outturn report as of June provided £194,000 underspend and it was proposed to transfer £163,000 to reserves but then found that this figure had already been moved across and was accounted for in the £194,000. The general fund position was understated by £163,000 in the June report and the underspend has now been corrected. General fund reserves figure stands at £5,189,000, and earmarked reserves £4.853m.

Resolved to note the draft Statement of Accounts for 2021/22, as attached at Appendix A to the report.

14 Corporate Risk Management and Management of Occupational Road Risk

Leila Henry - Head of Risk, Assurance and Operational Training, presented the report which provides an overview of the Corporate Risk Management Process, including the current version of the Corporate Risk Register.

The following points were highlighted and members' questions responded to by officers in attendance:

- a) The risk factor around the Service providing a balanced budget for 2023/24 has been escalated from high to very high due to external national and global factors such as rapidly rising inflation, the funding of pay awards, and the ability to plan effectively over the medium term due to annual funding allocations;
- b) The efficiency strategy, which was presented to full Fire Authority, sets out the mitigating action proposed by the Service to address the budget shortfall which is anticipated to be £3.2m by April 2023;
- c) If the Futures 2025 efficiency programme is not implemented, there is a risk that the service will not be able to set a balanced budget;
- d) Following the McCloud finding with regard to firefighters pension scheme, this was escalated at the April meeting from high to very high dissolution from central government is still awaited, resulting in a local financial risk;
- e) Employee engagement and the potential for industrial action around the national pay agreement has been escalated from high to very high. Although an offer of a 5% increase has now been made and is being considered by the trades union members, Trades Unions are recommending it is rejected, so the Service's planning for industrial action continues;

- f) The risk around workforce sustainability has been raised from high to very high due to difficulties in recruiting and high staff turn-over in some areas. Operational staff are also below number whilst the outcome of the Futures 2025 programme is awaited;
- g) Insurance market is hardening which will affect next year's premiums, particularly around cyber insurance, further to the ten-fold increase of this year's premiums. This is not unique to the Service, but across all sectors, partly due to the increased remote working of staff. As a result of the massive increase in premiums and the level of restrictions of the cyber insurance policies, the decision was taken to terminate the cyber insurance as it wasn't providing the level of cover required, and the resulting saving has been invested in internal security and risk mitigation measures;
- h) Externally driven risk can only be mitigated against as the Service has no power to influence external factors;
- i) With regard to staffing, the Service do a lot of workforce planning and do respond to gaps where they are identified. The impact on experience levels of operational staff was carefully considered prior to introducing the recruitment freeze. Experience gaps have emerged previously during recruitment delays, but officers are confident in the Service being able to train to the required levels and provide a high quality service and the alternative options were limited;
- j) With regard to the impact of rising interest rates on the Service, all borrowing is fixed rate for the term of the loan. A presumption of 3% interest rate rise was anticipated for future borrowing, but will obviously need to be reassessed for any new borrowing;

Members commented:

- k) The Fire Minister needs to be alerted to member's concerns at elevation of risk and the impact on the Service;
- l) Whilst there is sympathy for the current situation, the Service will struggle to pay 5% increase, and anything more will be a massive struggle. It needs to be understood that the money isn't there;
- m) Although financially the reasoning is understood, there is concern about the ongoing recruitment freeze with regard to the continuation of service and experience, as there needs to be a flow of people coming into the service as others retire or leave;
- n) It is important that all members of the Fire Authority are fully aware of the rising risk levels, including around operational staff, and so this information needs to be submitted to the Full Fire Authority. Not political but we need to resolve. These concerns also need to be raised with the Fire Minister and pressure maintained to resolve them.

Resolved:

- 1) to note the most recent version of the Corporate Risk Register and the work ongoing to mitigate the risk to the Authority;**

- 2) **to note the high level of risk and uncertainty associated with the current operating environment, and the subsequent impact on risk to both the Authority and the Service;**
- 3) **for a report on Corporate Risk and its management to be presented to the Full Fire Authority to ensure that all members are aware of the current circumstances.**

15 Exclusion of the Public

Resolved to exclude the public from the meeting during consideration of the remaining item in accordance with Section 100A of the Local Government Act 1972, under Schedule 12A, Part 1, on the basis that, having regard to all the circumstances, the public interest in maintaining an exemption outweighs the public interest in disclosing the information.

16 Sale of the Former Fire Station Site - Worksop

Terry Scott, Head of Procurement and Resources, presented the report.

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

17 Disposal of the Former Headquarters Site at Bestwood Lodge

Terry Scott, Head of Procurement and Resources, presented the report.

Resolved to approve the recommendations as set out in the report and added to in the meeting.