



**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 15 January 2021 from 10:04am to 11:42am**

Membership

Present

Councillor Toby Neal (Chair, items 10-11)
Councillor Andrew Brown
Councillor Mike Quigley MBE
Councillor Nick Raine

Absent

Councillor John Clarke

Councillor Michael Payne (Chair, items 1-9, substitute for Councillor John Clarke)

Colleagues, partners and others in attendance:

John Buckley	- Chief Fire Officer
Phil Dent	- Internal Auditor, Nottinghamshire County Council
Rob Disney	- Internal Auditor, Nottinghamshire County Council
Gavin Harris	- Head of Digital Transformation
Helen Henshaw	- External Auditor, Ernst and Young
Adrian Mann	- Governance Officer, Nottingham City Council
Ian Pritchard	- Joint Head Quarters Programme Support Manager
Terry Scott	- Head of Procurement and Resources
Becky Smeathers	- Head of Finance and Treasurer to the Fire Authority

• **Chair**

As Councillor John Clarke, Chair of the Finance and Resources Sub-Committee, was absent, Councillor Michael Payne chaired the meeting.

1 Apologies for Absence

Councillor John Clarke

2 Declarations of Interests

Councillor Michael Payne declared an Other Interest in agenda item 11 because he is a Councillor of Gedling Borough Council, and because the Fire and Rescue Service Headquarters are located within his Gedling Borough Council ward. He left the room prior to discussion and voting on this item.

3 Minutes

The Committee confirmed the minutes of the meeting held on 17 January 2020 as a correct record and they were signed by the Chair.

4 Revenue, Capital and Prudential Code Monitoring Report to 30 November 2020

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 November 2020. The following points were discussed:

- (a) the latest revenue budget monitoring position shows very little change in expenditure since November. Currently, it shows a forecast outturn position of £43.967 million, which represents a £1.398 million underspend against the revised budget of £45.365 million. Of this, £748,000 will be allocated to the general reserves, and £274,000 will be earmarked for the Transformation and Collaboration reserve, to be used in future years;
- (b) the level of reserves at the end of the year is anticipated to be £10.7 million, which will put the Service in a strong position to respond effectively to the high degree of uncertainty about the future, in the context of Coronavirus. It is probable that the funds held in the reserves will be needed to support the Service in future years, which are likely to be challenging;
- (c) £376,000 of grants have also been received during this financial year, and the funding will roll forward to the next financial year. All current borrowing and investments are compliant with the requirements of the Prudential Code;
- (d) the current capital budget is £5.873 million, and the forecast outturn position is £4.107 million. Much of the current capital budget relates to the move to a combined headquarters with Nottinghamshire Police, and this project is still progressing well;
- (e) the following amendments to the 2020/21 capital programme are proposed: the addition of a conference room sound system project, costing £57,000, which will be funded from the Covid-19 grant; an increase of £24,000 for the migration of the SharePoint system to a cloud-based product; and an increase of £14,000 for air bag replacement in Service vehicles;
- (f) the investment of £57,000 in new conferencing facilities does represent a high cost but, in response to the current circumstances, it has is being designed to include both individual and group microphones to improve audio quality in meetings held under social distancing requirements, and to be fully integrated with video-conferencing systems, so that meetings can support both in-person and remote participation at the same time. It is anticipated that the provision for socially distanced and remote attendance of meeting will be required for some time in the future. However, due to the intended relocation of the Service headquarters, it is proposed to install the new conferencing system at the Highfields Fire Station, and an appropriate site survey is being organised;
- (g) the Committee noted the report and thanked the Service's Finance Team for their hard work in steering the organisation through a very difficult year.

Resolved to approve the following amendments to the 2020/21 capital programme:

- (1) the addition of a conference room sound system project, costing £57,000, which will be funded from the Covid-19 grant;**
- (2) an increase of £24,000 for the migration of the SharePoint system to a cloud-based product;**
- (3) an increase of £14,000 for air bag replacement in Fire and Rescue Service vehicles.**

5 Budget Proposals for 2021/22 to 2024/25 and Options for Council Tax 2021/22

Becky Smeathers, Head of Finance and Treasurer to the Fire Authority, presented a report on the budget proposals for 2021/22 to 2024/25, and the options for Council Tax rates for 2021/22. The following points were discussed:

- (a) there have been a number of areas of change since the Medium Term Financial Strategy was approved in November 2020, as budgets have been developed and actualised. Further grant support from Government has also been confirmed, to alleviate some funding pressures. Budgets have been reduced by up to £600,000 in some areas but, due to the strong performance of on-call firefighters during the Coronavirus period and the wide range of support provided to communities by on-call staff (a number of whom have been more available to work during the Coronavirus period, due to being furloughed from their primary employment), further investment is being put in place to roll this work through to next year and enhance on-call provision. Additional investment is being made for new IT systems, and the schedule of planned fleet and property maintenance is being increased, to reduce costs in the long term;
- (b) due to the severe economic hardship imposed by Coronavirus, there are concerns about Councils' ability to collect the full amount of Council Tax in the current crisis, and forecasts of a potentially reduced Council Tax base have been produced. There is still also significant uncertainty in the area of potential income from Business Rates. The Government has been providing financial support to businesses, and the Service has been compensated by the Government to offset the reduction in the collection of Business Rates. Currently, it is unclear for how long this support will continue, so this uncertainty does represent a significant risk to future budgets;
- (c) the Government has indicated its preference to freeze public sector pay increases. However, as the salaries of firefighters and Service support staff are set by independent bodies, a 1% pay award has been allocated (which is slightly greater than inflation), in the interests of responsible budgeting. If the pay award is set a 2%, sufficient reserves are in place to cover these costs. However, due to the uncertainties still present in the budget, a nil increase of the Council Tax rates would contribute to a large shortfall in the budget, which would have a significant impact on the reserves position – meaning that £5.3 million would be required from reserves to achieve a balanced budget for 2024/25. As such, it is proposed to increase the Council Tax requirement by 1.95% (of a possible increase of up to 2%) to achieve a more sustainable deficit of £65,000, and this increase has been used for the current budget forecasts;

- (d) the Committee thanked the Finance Team for their substantial work over the last four years in securing savings in the budget and building the reserves. It commended the outstanding work of Service staff during the Coronavirus period, and regretted that the current emergency could result in a pay freeze;
- (e) the Committee noted that, ultimately, it did not wish to increase the Council Tax burden on citizens struggling during a period of economic hardship – though Councils do have various schemes in place to protect the most vulnerable. It recognised, however, that the Service provides a vital service at good value for money, and does require a suitable level of funding to maintain these services and value. Given the substantial impact on the budget deficit that a nil increase would cause, it considered that a 1.95% increase in Council Tax was a prudent and sensible step to take;
- (f) Councillor Michael Payne moved that, on the basis of the report and following discussion, the Committee should recommend a Council Tax increase of 1.95% to the Fire Authority. Councillor Andrew Brown seconded this motion.

Resolved to recommend to the Fire Authority that, in order to achieve a sustainable funding position for the Fire and Rescue Service, Council Tax is increased by 1.95%.

6 Internal Audit Annual Report 2019/20

Becky Smeathers, Head of Finance and Treasurer to the Fire Authority, and Rob Disney, Internal Auditor from Nottinghamshire County Council, presented a report on the results of the 2019/20 annual internal audit, including the internal audit plan for 2020/21 to 2022/23. The following points were discussed:

- (a) the internal audit report reviewing 2019/20 would normally have been presented much earlier in the financial year, but was delayed due to the Committee not meeting as a consequence of the Coronavirus emergency. The report establishes the key lines of enquiry used to gather evidence and provide a combined opinion for positive assurance that appropriate processes are in place in the organisation for effective governance, risk management and control, across the three 'lines of defence' of front-line management, corporate functions and internal audit. The plan for the Service's next audit is also being established;
- (b) as part of the audit process, the 'Cardiff Checks' methodology was used, which identifies a random invoice from a given batch, so that the whole process that lead to the creation and payment of that invoice can then be reviewed for the effectiveness of its controls. However, the Cardiff Checks are a relatively old system, so a much greater level of data analytics is now being used to gain an overview of the full spread of payment, with focused work following in certain areas. As such, it is possible to achieve a greater level of assurance across a 100% sample size;
- (c) the recharge system for the use of Service fuel depots by Nottinghamshire Police is a new service development. An audit of the recharging considered the potentially high risk areas such as fuel security, consumption recording, recharges, debt recovery and the maintenance of fuel stocks, but effective controls were found to be in place for the mitigation of these risks.

The Committee noted the report.

7 External Audit Plan 2019/20

Becky Smeathers, Head of Finance and Treasurer to the Fire Authority, and Helen Henshaw, External Auditor from Ernst and Young, presented a report on the external auditors' audit plan for the intended work on the Service's 2019/20 financial statements and value for money arrangements. The following points were discussed:

- (a) normally, members would have approved the external audit plan following its preparation in March 2020 and prior to the audit commencing, but this was not possible for the 2019/20 audit, due to Coronavirus. It was intended for the audit to be completed by the statutory deadline of the end of November 2020, but this was not achieved due the current challenging audit environment, where less than 50% of Public Sector audits had been signed off by this deadline. The audit is now in its latter stages of completion, and it is expected that the final report will be submitted to the February meeting of the Fire Authority – though work is still ongoing;
- (b) the external audit assesses areas of significant risk in the Service's financial statements, including the potential for misstatements due to error or fraud, mistakes in the statements such as capital expenditure being accounted for within the fixed assets, and the up-to-date valuation of land and buildings. For example, identifying accurately the value of a fire station to the organisation in the context of the financial statements (which is not the same as identifying its realisable value through a sale) can be a complex issue, and errors in accounting can occur due to this complexity. Pension scheme liabilities remain a substantial risk and, due to the results of recent court cases, are subject currently to a high degree of estimate and uncertainty;
- (c) the audit also addresses value for money within the organisation, reviewing financial resilience across the next few years (where the current strong reserves position is positive), the establishment of a joint headquarters with Nottinghamshire Police and the associated governance implications for decision-making and finances, and the response to the 2019 Service inspection;
- (d) materiality has been set at £1.34 million, which represents 2% of the prior year's gross expenditure on the provision of services. Performance materiality has been set at £670,000, which represents 50% of materiality, to achieve the right level of detail at the accounts level;
- (e) the duty to prescribe fees for external audit is a statutory function delegated to Public Sector Audit Appointments (PSAA) by the Secretary of State for Housing, Communities and Local Government, and the PSAA will approve the final fee charged to the Authority. However, this final fee is yet to be confirmed, and will be affected by a range of factors;
- (f) the Committee noted that the Chair of the Fire Authority had written to the external auditor on 6 January to raise concerns about the delay to the completion of the audit, and to seek assurance that it would be completed by February, and as to the proposed final fees. It recognised the unusual difficulties caused by Coronavirus for the carrying out of the audit, but felt that the delay was contributed to by staffing shortages at Ernst and Young, which could have been mitigated more effectively. It remained concerned and disappointed that full assurance has not been provided in response to the letter

regarding the completion date of the audit and the final costs. It considered that, given the significant public interest in the performance of the Service, better assurance should have been provided, and it requested that these comments are fed back to Ernst and Young appropriately.

The Committee noted the report.

8 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services Update

John Buckley, Chief Fire Officer, presented a report on the Service's response to the outcomes of the latest inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services. The following points were discussed:

- (a) the 2019 inspection highlighted 25 areas for improvement (AFI) for the Service to consider. Each improvement area was allocated to a lead officer, with clear milestones and expected outcomes to deliver the improvement required. In relation to the Finance and Resources Sub-Committee, the remaining AFI to be completed is number 15, where "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";
- (b) this action is now largely complete, as a great deal of work has been carried out to improve IT systems, which provided a substantial benefit during the Coronavirus pandemic. Remote working processes have been implemented successfully, and improvements have been achieved in effective data management. A dedicated staff trainer for IT is in place, and it is intended to develop full cloud working within the next three years;
- (c) unfortunately, the action relating to the recording of competency and training through an integrated learning management system has been delayed, as no single, standard system is available that meets all of the Service's requirements. As such, work is underway to reduce the three systems in use currently down to two, within 2021/22;
- (d) the Committee thanked the Service personnel for their impressive work in addressing the recommendations of the inspection, and the effective reporting mechanisms that had been put in place to keep the members of the Fire Authority informed as to progress.

The Committee noted the report.

9 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.

- **Chair**

Councillor Michael Payne declared an Other Interest in agenda item 11 because he is a Councillor of Gedling Borough Council, and because the Fire and Rescue Service headquarters are located within his Gedling Borough Council ward. He left the room prior to discussion and voting on this item.

As Councillor Michael Payne, Chair of the Finance and Resources Sub-Committee, was absent, Councillor Toby Neal chaired the meeting.

10 Exempt Minutes

The Committee confirmed the exempt minutes of the meeting held on 17 January 2020 as a correct record and they were signed by the Chair.

11 Land and Legal Title of the Headquarters at Bestwood Lodge

John Buckley, Chief Fire Officer, and Ian Pritchard, Joint Head Quarters Programme Support Manager, presented a report on the land and legal title of the Service's headquarters at Bestwood Lodge.

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