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 18 October 2024 from 10.02 am - 10.41 am

Membership

Present	Absent
Councillor John Clarke MBE (Chair)	Councillor Sybil Fielding
Councillor Callum Bailey	Councillor Anwar Khan, Substituted by Councillor Nayab Patel
Councillor Richard Butler	
Councillor Salma Mumtaz	
Councillor Nayab Patel	
Councillor Tom Smith	

Colleagues, partners and others in attendance:

Bev Bull	-	Head of Finance and Treasurer
Richard Walton	-	Director of KPMG LLP External Auditor
Mick Sharman	-	Assistant Chief Fire Officer
Malcolm Townroe	-	Solicitor, Clerk and Monitoring Officer
Laura Wilson	-	Senior Governance Officer

31 Apologies for Absence

Councillor Anwar Khan (Councillor Nayab Patel substituting)
Councillor Sybil Fielding

32 Declarations of Interests

None.

33 Minutes

The minutes of the meeting held on 22 March 2024 were confirmed as a true record and signed by the Chair.

34 Audit Backlog Arrangements – Statement of Accounts 2021/22 and 2022/23

Bev Bull, Head of Finance and Treasurer, presented the report, detailing the audit backlog arrangements following legislation being laid by the UK government, and highlighted the following points:

(a) The draft Statement of Accounts for 2021/22 and 2022/23 have been presented and noted by the Finance and Resources Committee on the 14 October 2022 and 16 June 2023 respectively. Both draft sets of accounts have been published on the Authority's website and the required public inspection notice was advertised implementing the required the inspection periods.

(b) Both the external audits of 2021/22 and 2022/23 Statement of Accounts have been delayed due to resourcing issues at Ernst Young LLP (EY). This is a national issue caused by the increased amount of regulatory requirement and the lack of audit resources within the public sector. The 2021/22 audit commenced during July 2023 and a substantial amount of the audit had been completed. In February 2024 the Department of Levelling Up, Housing and Communities opened a consultation on 'Addressing the local audit backlog in England'. In light of the consultation EY did not progress any further work on the 2021/22 and 2022/23 Statement of Accounts. EY continued to progress their work for their commentary on Value For Money (VFM) for 2021/22 and 2022/23. The interim commentary on VFM was reported and noted by Fire Authority on the 26 July 2024.

(c) The UK Government has now laid legislation setting statutory backstop dates, starting with 13 December 2024, to clear unaudited accounts up to Financial Year 2022/23. Two pieces of legislation have been laid in Parliament, the Accounts and Audit (Amendment) Regulations 2024 and on behalf of the Comptroller & Auditor General of the National Audit Office (NAO), a draft Code of Audit Practice 2024.

(d) EY are planning to issue an audit completion report for the 2021/22 and 2022/23 Statement of Accounts by the end of November 2024 to enable them to meet the backstop date of 13 December 2024. The completion report will include a disclaimed or modified opinion on the Statement of Accounts and summarise their final view of the VFM arrangements.

(e) The Letter of Management Representation is a letter written by the external auditors. The letter is required to be signed by the Head of Finance/Treasurer (Section151 Officer) and the Chair of Finance and Resources Committee. The letter confirms that they have the responsibility for the proper administration of the financial affairs of the authority and the duties this entails have been undertaken. It also evidences that the Auditors have been provided with all relevant and accurate information in relation to the Statement of Accounts 2021/22 and 2022/23. The wording on the draft letter will be finalised following the receipt of the draft completion report and be signed on the date of the audit opinion.

(f) The Accounts and Audit (Amendment) Regulations 2024 remove the current requirement to publish audited accounts for financial year 2023/24 by the 30 September 2024. The deadline for the publication of audited accounts for financial year 2023/24 will, instead, be 28 February 2025 to coincide with the second backstop. The Regulations also amend the date by which bodies should publish draft (unaudited) accounts to 30 June for financial years 2024/25 – 2027/28.

(g) The FRC have also issued a 'Local Audit Backlog Rebuilding Assurance' Accessible Guide explaining the reset/recovery process will operate. It has been recommended to share this guidance with the Finance and Resources Committee so is therefore included with the report.

Resolved to:

(1) Delegate authority to the Head of Finance/Treasurer (Section151 Officer) and the Chair of Finance and Resources Committee to approve the External Auditors Completion Report for 2021/22 and 2022/23 and to sign the final 2021/22 and 2022/23 Statement of Accounts; with the completion report and any changes to final 2021/22 and 2022/23 Statement of Accounts being presented to the next Finance and Resources Committee.

(2) Approve the draft Letter of Management Representation, subject to final amendments to reflect the completion report, for signing by the Finance/Treasurer (Section 151 Officer) and the Chair of Finance and Resources Committee.

(3) To note the Financial Reporting Council 'Local Audit Backlog Rebuilding Assurance' Accessible Guide.

35 Audit Progress

The External Auditor provided the following update:

(a) In normal circumstances, where a disclaimer is issued, an auditor would effectively have to perform work to assure all the opening balances and prior year comparatives in a single year. The Recovery period has been designed to allow auditors to rebuild assurance for balances related to 2022/23 or earlier over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

(b) The knock-on impact of the auditor not having assurance over in-year movements means they will also not have assurance over those figures when they are shown as comparatives in the following year.

(c) It is anticipated that many bodies that received disclaimers in 2022/23 will follow a similar cycle to the one below. However, this depends on individual circumstances and it may take longer for auditors to rebuild assurance on some bodies, especially those with underlying weaknesses in financial reporting:

    2023/24 Disclaimer
    The auditor has begun limited work to rebuild assurance ahead of the 2023/24 backstop date. They have not obtained sufficient evidence to have reasonable assurance over closing balances. The auditor does not have assurance over the brought forward balances from 2022/23 (the opening balances). This means they do not have assurance over the in-year movements. They also do not have assurance over the comparative prior year movements. The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.

2024/25 Disclaimer
The auditor has obtained sufficient evidence to have assurance over closing balances in 2024/25. Page 26 FRC | Local Audit Backlog: Rebuilding Assurance 5 The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit. This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements. The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.

2025/26 Qualified (Except for)
The auditor has assurance over the opening and closing balances plus in-year movements. The auditor does not have assurance over the comparative figures. The auditor judges that this means there could be material but not pervasive misstatement and will need to qualify their opinion for 2025/26 by limiting its scope to not provide assurance over the comparative figures.

2026/27 Unmodified
The auditor has assurance over opening balances, closing balances, in-year movements and prior year comparatives. The auditor can therefore issue an unmodified opinion.

(d) The timeline to get to a position of assurance is credible.

The Committee noted the update.

36 Revenue, Capital and Prudential Code Monitoring Report to 31 August 2024

Bev Bull, Head of Finance and Treasurer, presented the report detailing the 2024/25 financial performance of the Service and Prudential Code monitoring to the end of August 2024, and highlighted the following points:

(a) The revenue monitoring position shows a forecast outturn position of £51.308m, which is an £1.467m (2.78%) underspend against the revised budget of £52.775m. The original approved budget of £52.688m included a £138k contribution from the general reserve address a funding deficit. The revised budget reflects the planned use of £87k of earmarked reserves relating to various projects.

(b) During 2024/25 the Authority has received government grants for Fire Pensions Administration and Fire Protection totalling £117k and £128k respectively. The receipt of these grants has been reflected in ‘Other Income’. There are plans for this funding to be spent in future years, so approval is sought to transfer this grant funding to earmarked reserves.

(c) After the transfer to earmarked reserves the forecast underspend would be reduced to £1.222m. The underspend means the £138k use of the general reserve to balance the budget will not be required. It is proposed the £1.084m remaining forecast underspend will be used to fund the capital programme, to reduce the level of borrowing required and therefore reduce the capital charges to revenue in future years.

(d) In wholetime pay, the main forecast variances are:

- £760k underspend on basic pay. The pay award for July 2024 was agreed at 4%, which is lower than the budgeted pay award of 5%. There is also a higher number of people on development rates of pay than budgeted. There is a higher number of vacant posts within wholetime. Staff numbers are projected to be 13 posts below the approved establishment by the end of year, with the recruit course that was initially planned for January 2025 being pushed back to April 2025.
- £333k underspend on employer's NI and pension contributions aligned with the underspend on basic pay.
- £225k overspend on unplanned overtime. This budget can hard to predict, the current forecast is based on average rates of expenditure in the most recent months.
- £59k overspend on pre-planned overtime, this is due to covering of shifts due to vacancies and annual leave.
- There is also a minor overspend of £5k relating to bank holiday pay.

(e) The budgeted pay award for on-call was 5%, compared with the agreed pay award of 4%. The forecast variances are:

- £57k overspend on retaining fee. The agreed pay settlement included changes to the level of retaining fee received by on-call staff. These changes will take effect from 1 January 2025 and will result in retaining fees increasing by between 33% and 50%, depending on individual's contracts.
- £19k overspend relating to drills and training. This is mostly resulting from an increase in expenditure on attendance at training courses, which is due to course scheduling.
- £72k underspend relating to turnouts, disturbance allowances and attendance fees. A significant proportion of this underspend is due to the return of 24/7 wholetime crewing at Ashfield station, which has decreased the levels of on-call activity at both Ashfield and at neighbouring Hucknall. The 2025/26 budget will be reduced to take account of this change.
- £42k underspend relating annual leave. Individual's annual leave rates are calculated at the beginning of each financial year and are based on the previous year's earnings. The budget calculations therefore must be based on estimates, and this can sometime lead to variances.
- £18k underspend relating to employer's NI and pension contributions, due to the overall underspends in pay.
- £9k variance relating to other work (equates to 2% of the budget).

(f) The forecast for non-uniformed pay is based on the budgeted pay award assumption of 5%. The current pay award offer from the National Employers has been rejected by Unison members, prompting an industrial action ballot which will run until 16 October. Had this offer been accepted it would have decreased the forecast overspend by £70k. The current forecast includes a saving for the Prevention restructure. This underspend is being offset by temporary resources supporting ICT, and a decrease in the number of vacant posts. The budget assumed a vacancy factor of 10% whereas the actual vacancy factor is currently 7%.

(g) The redundancies and settlements overspend is due to the settlement and redundancy costs which were not included in the budget. These costs mostly relate to the restructure of the Prevention team and were due to be funded from the Efficiency

Programme earmarked reserve. The earmarked reserve funding is no longer required due to the overall underspend.

(h) The pensions underspend is due to the number of injury allowance recipients being lower than budgeted.

(i) The premises costs underspend is mainly due to reductions in expenditure on electricity and gas. The unit prices for energy have decreased, with gas prices down by almost half. Estimates provided by the supplier indicate that gas and electricity are likely to underspend by £175k and £194k respectively.

(j) Transport cost presented an overspend of £312k, the majority of which is due to unplanned maintenance as a result of delayed replacement of appliances. There was an underspend relating to fuel as a reflection of usage by Nottinghamshire Police, however, this reduced usage is reflected in the income receivable from the Police.

(k) There has been an overspend of £125k for supplies and services, mainly relating to software maintenance contracts.

(l) Sales fees and charges income underachieved by £150k as a result in reduced fuel usage by Police, and a reduction in the feed-in tariff for the generation of the Service's renewable energy.

(m) 'Other income' exceeded expectations by £550k, attributed to surpluses from interest receivable, which was boosted by Central Government grants of £8m for pension top pension administration, and revenue grants including fire protection.

(a) Capital financing costs is forecast with a £486k underspend, including £334k on interest payable as less borrowing was required, along with £152k for the replacement mobilisation system which has been deferred until operational.

(b) Table 2 of the report efficiency savings are set out, with further detail provided in the report later in the agenda. Where savings have not been achieved in this financial year to is anticipated they will be achieved next year, including fleet and the ICT network. Additional savings have been identified relating to contracts, business rates, and the prevention the structure.

(c) It is anticipated that the level of reserves by the end of the year will be £11.086m, including £5.083m of general reserves.

(d) A breakdown of the 2025/26 Capital Programme is attached to the report at Appendix B, with the most significant areas of variance being:

Transport

i. Fire Appliances (£2.877m) although there may be slippage into next year
ii. Special Appliances (£410k) with £254k requested to be slipped into 2025/26
iii. Light Vehicles (£83k) with a request to increase by £40k from capital receipts
iv. Rural Firefighting (£95k)
v. Aerial Ladder Platform Appliances (£1.275m) with a request to slip £1.050m to 2025/26

Equipment

i. replacement duty rig (£250k)
ii. coveralls (£100k)
iii. Fire hoods (£140k)
iv. body cameras (£65k)
v. contaminants work (£87k)
vi. personal issue dry suits (£57k)
vii. National interagency liaison officer radios (£12k)

Estates

i. Access And Inclusion (£1.172m)
ii. Service Development Centre Phase 1 (£21m)
iii. Service Development Centre Phase 2 (£500k)
iv. Stockhill Fire Station (£30k)
v. electric vehicle charging points (£60k)
vi. energy reduction in decarbonisation (£657k, including a grant of £357k)
vii. joint headquarters (£43k)
viii. Worksop Station (£31k)
ix. work at height- tower anchor bolts (£68k)

ICT

i. replacement equipment (£316k)
ii. Community Fire Risk Management Information System (CFRMIS) development (£349k)
iii. mobile computing (£90k)
iv. cyber security project (£22k)
v. appliance handheld airwave radio (£29k)
vi. system upgrades (£101k)
vii. Airwave Mobilisation System (£60k)
viii. Tri Service Control Project (£29k)
ix. command support unit software installation (£55k)
x. replacement mobilising system (£2.503m)

(e) With regard to Prudential code monitoring, table 4 of the report provides detailed information of indicator performance against the approved indicator as of 31 August 2024, with it noted that the local indicator for proportion of net debt to gross debt, is lower than approved as a result of increased investment from grants received.

Members questions were responded to as follows:

(f) Moving grants into reserves is within the terms of the grant conditions.

(g) There have been some contract challenges with regard to the new Appliances, including supply of parts from Europe and the rise in costs, but there has been ongoing engagement with the supplier to ensure tender specifications are met within the set budget. The arrival of the first appliance is imminent, and a contractual agreement has confirmed that the cost of the remaining appliances will not be further impacted by further delays.

Resolved to:

1) Note the contents of the report;

Approve:

a) the transfer of the £117k pensions administration grant to earmarked reserves;

b) the transfer of the £128k fire protection grant to earmarked reserves;

c) the principle that the in-year revenue underspend will be used to fund the capital programme;

d) the addition of £40k to the light vehicle scheme in the capital programme funded from capital receipts;

e) the following slippage on the capital programme into 2025/26:

i. £254k on special appliances;

ii. £1.050m on Aerial Ladder Platform appliances.

2) Note the reductions in the following capital schemes:

a) £150k on Community Fire Risk Management Information System development;

b) £22k on cyber security.

37 Home Office Productivity and Efficiency Plan 2024-25

Bev Bull, Head of Finance and Treasurer to the Authority, presented the Nottinghamshire Fire and Rescue Service Productivity and Efficiency Plan for the financial year 2024/25, and covering report.

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

a) The Plan is in response to the Home Office request for a Productivity and Efficiency Plan be provided for all Fire and Rescue Services across the country, with the intention increase wholetime firefighter productivity by 3% and create 2% of non-pay efficiency savings.

b) As directed by the Home Office, this plan is a refresh of the plan submitted 2023/24;

c) The report summarises where the savings have been achieved and a narrative on how performance efficiency has been increased is included in the Plan.

Resolved to note the content of the Productivity and Efficiency Plan for 2024/25.

38 Stockhill Fire Station Capital Programme

This item was withdrawn from the agenda.

39 Corporate Risk Management

Mick Sharman, Assistant Chief Fire Officer, presented the 6 monthly report which provides a periodic oversight of Service's Corporate Risk Management, which is reviewed on a monthly basis.

a) A copy of the Corporate Risk Register is attached to the report as Appendix A.

b) It is noted that there are currently no 'Very High' risks identified.

c) Whilst the majority of identified risks remain stable, the only changes since the last report are:

   i. Balanced Budget (Risk 1) has been increased to High (risk rating of 12), from Medium (risk rating of 8);
   ii. Information Security (Risk 16) is a newly added risk, rating 12;
   iii. Service Reputation (Risk 15) has lowered from High (risk rating of 12) to Medium (risk rating 8).

Resolved

1) to endorse the Service's approach to managing the key risks to the Authority;

2) to note the most recent version of the Corporate Risk Register detailed in Appendix A to the report.