

# **MERSEYSIDE FIRE AND RESCUE AUTHORITY**

## **AUDIT COMMITTEE**

**8 FEBRUARY 2024**

### **MINUTES**

**Present:** Councillors **Jan Grace (Chair), Edna Finneran, Pat Moloney, Sue Murphy, Barbara Murray, Sam Gorst.**

**Also Present:**

Dave Mottram	Assistant Chief Fire Officer
Mike Rea	Director of Finance & Procurement
Caroline Berry	Deputy Monitoring Officer
Melanie Dexter	Internal Audit (LCC)
Georgia Jones	Grant Thornton

#### **7. Apologies**

Apologies were received from Chief Fire Officer Phil Garrigan, Monitoring Officer Ria Groves and Mr Anthony Boyle.

#### **8. Declarations of Interest**

There were no declarations of interest in relation to any item on the agenda.

#### **9. Minutes of the Last Meeting**

**RESOLVED** that the minutes of the last meeting held on 12<sup>th</sup> October were agreed as an accurate record.

#### **10. 2022/23 Audit Finding Report**

Director of Finance and Procurement, Mike Rea, explained that the report from Grant Thornton would provide the 2022-23 financial statement and the external audit opinion.

It was explained that this had been delayed as the Government Actuary's Department had not made allowances for part year rises in inflation when making estimations for the Firefighter Pension Scheme. This had affected various Fire and Rescue Authorities as well as Police Authorities. Members were advised that following discussions with the Government Actuarial Department, the decision had been taken to update the evaluation and increase the Firefighter Pension liability by £17.6 million. This material difference was disclosed in the statement of accounts (item 5 on the agenda).

Georgia Jones, Grant Thornton, explained that the report had been updated to account for the above pension issue as outlined by Mike Rea, and due to a

recheck of the Authority's land and building valuations following a previous error.

It was explained that there was an additional pension issue that had arisen wherein 2022/23, the Local Government Pension scheme had been in surplus and as part of technical accounting standards, this had been assessed to ensure it was below the asset ceiling.

Members were advised that once approved, an unqualified opinion would be issued and the audit for 2022/23 could be closed.

**RESOLVED** that contents of the Auditors report be noted.

#### **11. Statement of Accounts 2022/23 - Approval of Audited Statements**

Mike Rea, Director of Finance and Procurement, presented the Statement of Accounts for 2022/23 noting that a report had previously been considered by the Committee in October 2023.

Appendix A of the report presented the core financial statements and summarised the movements and changes within the accounts. This included the previously mentioned change in pension valuations and any balance sheet movements.

As per the regulations, the Authority were required to include entries such as the depreciation charge, which were notional in nature.

The Chair asked how the Authority ensured value for money in relation to property valuations. It was explained that 20% of the Authority's properties were valued each year and the Authority used indices based on the local area when calculating a property's value. The fire stations were valued at a depreciation replacement cost (which differed to market value) and considered the cost to build a new station depreciated against the life of the asset.

**RESOLVED** that:

- a) the 2022/23 Statement of Accounts, attached as Appendix A to this report be approved; and
- b) the letter of representation in relation to the 2022/23 accounts, attached as Appendix B be signed.

#### **12. 2022/23 Auditors Annual Report (Grant Thornton)**

Georgia Jones, Grant Thornton, presented the report which provided the Authority with assurance as to its arrangements to enable value for money, financial sustainability and improve its effectiveness.

It was explained that there was one recommendation for improvement with the report overall being very positive especially in the current climate. The

recommendation related to a funding gap in the medium-term financial plan and it suggested that the Authority would benefit from ensuring that there were mitigating strategies in place to manage a medium-term funding deficit given the increase in Councils issuing 114 notices.

Georgia Jones explained that the Authority would need to identify all the savings it would need to meet the funding gap and have plans in place that were fully costed with explanations for any variances in order to meet the recommendation. Grant Thornton suggested that process could be 'tightened up' for closer monitoring. Mike Rea assured Members that the Authority was working on that recommendation as part of its budget setting process and some mitigating strategies relating to reserves and technical savings were being considered. It was noted that a one-year settlement from central Government was making it difficult to forecast more accurately.

Georgia Jones suggested that the Authority undertake some scenario planning with different settlement options as part of the planning process.

Mike Rea thanked Grant Thornton for all of their hard work and especially Georgia and her team, noting that they had completed all of their external audits in a timely manner.

**RESOLVED** that the contents of the Auditors report be noted.

### **13. Financial Review 2023/24 - October to December**

Mike Rea, Director of Finance and Procurement, presented the report which focused on the Authority's revenue position, capital, reserves, and treasury management strategy.

Members were advised that there had been some movement in the revenue budget in the third quarter but that the movement was self-balancing and currently stood at £67.921 million.

It was explained that the revenue position had been forecasted after reviewing income and expenditure and officers have identified savings. A summary can be found on page 206 of the agenda. There had been a saving of £300,000 from the firefighter employee budget due to a reduction in uptake of overtime and a saving of £300,000 in the non-operational budget relating to issues with recruitment and retention.

Member's attention was drawn to paragraphs 18 and 19 in the report which summarised the capital changes in the quarter including the planned re-phasing of £8.2 million spend on capital schemes into 2024/25. There was also an additional £6 million to be spent on the National Resilience asset refresh but this would be funded through the Home Office via a grant.

With regards to reserves, it was noted that there was a drawdown of £258,000 with the majority relating to the ICT Budget and remaining £10k relating to Driver Training for the Princes Trust Support Staff.

In terms of treasury management, Mike Rea reported that the Bank of England base rate was currently 5.25% and was expected to remain there until the second half of 2024. Rates were then expected to fall back with the Public Work Loan Board rates forecasted just below 4% for December 2025. It was advised that there were no long-term borrowing requirements for 2023-2024.

Councillor Grace asked if the last year had been challenging, taking into account budgeting for the staff pay rises. Mike Rea explained that the team had budgeted for a 5% rise for both firefighters and non-firefighters and when the non-firefighter pay rise had been announced as nearer 6%, they had been able to find the difference in the existing budget for 2023/24 but this would require growth in 2024/25.

**RESOLVED** that:

- a) the contents of the report be noted;
- b) the proposed revenue and capital budget alignments be approved;
- c) the use of the £1.100m forecast revenue variance to fund an increase in the Inflation Reserve £0.500m, an increase in the Smoothing Reserve £0.400m and fund a £0.200m revenue contribution to capital and reduce the level of borrowing be approved; and
- d) the Director of Finance and Procurement be instructed to continue to work with budget managers to maximise savings in 2023/24.

#### **14. Internal Audit Progress Report**

Mike Rea reported on the progress of the 2023/24 Internal Audit plan noting that it would be submitted to Members for consideration again in May.

Melanie Dexter, Liverpool City Council, outlined the work that had been completed to date with two audits completed since summer. Work on the suitability of the Authority's bullying and harassment procedures and core financial systems were underway.

A self-certification tool had been introduced which would enable the Authority to respond to any internal audit recommendations and track progress against any actions. It was hoped that this system would save time for the Authority and the auditors.

Councillor Moloney asked for clarity on the Foreign Commonwealth and Development Office audit work mentioned in the report and it was explained that this was a requirement of the grant funding for the UKISAR team. Mike Rea confirmed that the five-year agreement was worth around £4million.

**RESOLVED** that the contents of the report be noted.

Close

Date of next meeting Thursday, 6 June 2024

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_