

# Public Document Pack



## Additional / To Follow Agenda Items

This is a supplement to the original agenda and includes reports that are additional to the original agenda or which were marked 'to follow'.

**Nottinghamshire and City of Nottingham  
Fire and Rescue Authority**

### Meeting of the Authority

**Date:** Friday, 26 July 2024      **Time:** 10.30 am

**Venue:** Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP

**Governance Officer:** Cath Ziane-Pryor   **Direct Dial:** 0115 8764298

### Agenda

### Pages

<b>7</b>	<b>INTERIM VALUE FOR MONEY REPORTING 2021/22 AND 2022/23</b> Report of the Chief Fire Officer	<b>3 - 32</b>
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**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **INTERIM VALUE FOR MONEY REPORTING 2021/22 and 2022/23**

Report of the Chief Fire Officer

**Date:** 26 July 2024

**Purpose of Report:**

To present the External Auditors' interim value for money (VFM) report for Nottinghamshire and City of Nottingham Fire and Rescue Authority on the financial years 2021/22 and 2022/23.

**Recommendations:**

That Members note the contents of this report.

## **CONTACT OFFICER**

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## **1. BACKGROUND**

- 1.1 The External Auditors are appointed through a national contract via Public Sector Audit Appointments (PSAA). The External Auditors for 2018/19 through to 2022/23 are Ernst Young LLP – (EY).
- 1.2 Both the 2021/22 and 2022/23 audits have been delayed due to resourcing issues at 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'. The consultation proposed a backstop date for all accounts up to and including financial year 2022/23 to be cleared by 30 September 2024 and proposed to allow auditors to issue a modified or disclaimed opinion due to the backstop.
- 1.3 In light of the consultation, EY is not progressing any further work on the 2021/22 and 2022/23 Statement of Accounts. EY is continuing to progress their work for their commentary on VFM for 2021/22 and 2022/23.
- 1.4 The response to the consultation or any further guidance has not yet been published and has been delayed by the General Election, it is anticipated the initial proposed backstop date of the 30 September 2024 will be amended to a later date.

## **2. REPORT**

- 2.1 The purpose of the interim VFM report is to explain the VFM work EY has undertaken during the financial period covering 2021/22 and 2022/23 and to highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers the interim findings for audit years 2021/22 and 2022/23. The National Audit Office (NAO) has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years
- 2.2 The interim commentary on VFM reports no significant weaknesses and that the Fire Authority had proper arrangements in place in relation to financial sustainability, governance and improving economy, efficiency and effectiveness.
- 2.3 The draft interim commentary was received on 15 July 2024 and has been checked by Officers for accuracies, it is currently being finalised by EY to issue as the final interim commentary report. The final interim commentary report will be received and added as an appendix to this report prior to the meeting of the Fire Authority on 26 July 2024. EY will be present at the meeting to present their report.

- 2.4 The External Auditors will summarise their final view of the VFM arrangements as part of the Auditor’s annual report once the audit report has been issued for 2022/23.

### **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 AND ETHICAL 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. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS**

There are no environmental or sustainability 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 arrangements for value for money.

### **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.

Craig Parkin  
**CHIEF FIRE OFFICER**

# Nottinghamshire & City of Nottingham Fire Authority

## Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

15 July 2024



Nottinghamshire and City of Nottingham Fire Authority  
Headquarters  
Sherwood Lodge  
Arnold  
Nottingham  
NG5 8PP

22 July 2024

Dear Members of the Nottinghamshire and City of Nottingham Fire Authority

**Interim Value for Money Arrangements Report – 2021/22 and 2022/23 financial years**

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Nottinghamshire and City of Nottingham Fire Authority (NFRA). This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 & 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Finance and Resources Committee (Audit Committee) and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Fire Authority meeting on 26 July 2024.

Yours faithfully

Hassan Rohimun

Partner

For and on behalf of Ernst & Young LLP



01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The 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 and further guidance (updated July 2021)” issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to Audit Committee and management of Nottinghamshire & City of Nottingham Fire Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Nottinghamshire & City of Nottingham Fire Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Nottinghamshire & City of Nottingham Fire Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary





# Executive Summary

## Purpose

Auditors are required to be satisfied that the Fire Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken covering the period 01 April 2021 – 31 March 2023 for the 2021/22 and 2022/23 financial years and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for both years. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit reports have been issued for 2021/22 and 2022/23.

# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of NFRA committee reports;
- meetings with the Head of Finance;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Fire Authority management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in NFRA's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

# Executive Summary (continued)

## Reporting

Our Interim Report commentary for 2021/22 and 2022/23 is set out over pages 10 to 17. The Interim Report commentary on these pages summarises our understanding of the arrangements at NFRA based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor’s Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO’s 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body’s arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Fire Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the Fire Authority uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fire Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Fire Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Page 14

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)





## 02

# Value for Money Commentary

# Value for Money Commentary

**Financial Sustainability: How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services 2021/22 and 2022/23**

**No significant weakness identified**

Page 10

The Fire Authority is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31 March 2022 and 2023.

Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

## **2021/22**

NFRA has adhered to governance processes for setting a balanced budget and Medium Term Financial Plan (MTFP). The budgets and MTFP were underpinned by assumptions that we deemed reasonable and well supported. The 2021/22 budget of £45.3m was approved by the Fire Authority in February 2021.

The balanced budget for 2021/22 was based on the following assumptions:

- pay award for Firefighters agreed at 1% and support at 1% pay award, including pay awards of 1% across the board with additional cost for 2021/22 of £0.125m.
- £1.573m of government grant to cover Business Rate loss of income due to Covid reliefs
- £2.3m to cover the expected increased costs of the firefighter pension employer contribution following the changes to the discount rates applied to the scheme.
- No planned use of General Fund Reserves in balancing the 2021/22 budget
- Council Tax - an increase of 1.95% for 2021/22 with a Band D council tax of £82.95

The NFRA's actual expenditure in 2021/22 was initial £201k underspent against the original budget representing a 0.99% of the budget, at its meeting on 24 June 2022, Finance and Resources Committee approved to use an additional £0.163m of unspent grants to be transferred to the Earmarked Reserves as per the final revenue and capital outturn report.

We note that as of 31 March 2022, the NFRA had a total Earmarked Reserves of £4.853 million due to a decrease of £0.857m for allocations of overspending and these are held either for unspent grant or set aside to fund specific areas of expenditure, usually of a one off nature and also held a General Fund Reserve of £5.191m against a minimum level set in the Reserves Strategy of £4.5m, compared to the previous year's minimum levels of General Fund Reserves which have remained between £3.8m and £4m between 2017/18 to 2020/21.



# Value for Money Commentary

**Financial Sustainability: How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services 2021/22 and 2022/23**

**No significant weakness identified**

The NFRA's forecast contained several assumptions which impact on the level of its income and expenditure. A sensitivity analysis was undertaken to give some indication of the likely range of the Fire Authority's deficit position bounded by realistic worst- and best-case scenarios. These were predicted as follows:

- Best case scenarios for 2021/22, 2022/23 and 2023/24 were modelled as £0.664m, £0.261m, £0.208m deficits respectively; and
- Worst case scenarios in 2021/22, 2022/23, 2023/24 and 2024/25 with deficits of £3.8m and an ongoing £4.2m thereafter.

The NFRA's financial performance in 2021/22 was positive as the Fire Authority managed to achieve an underspend and on overall, there do not appear to be any notable gaps in information underpinning management's plans. NFRA's financial resilience was not of concern for 2021/22 as there were no in-year budget deficits identified, with minimal use of reserves.

## 2022/23

For 2022/23, the Fire Authority approved a balanced budget of £46m in February 2022, following several years where General Fund reserves were required to balance the budget. The budgets and MTFP were underpinned by assumptions that we deemed reasonable and well supported.

The balanced budget for 2022/23 was based on below assumptions:

- Council tax- an increase of 1.95% for 2022/23 with a Band D council tax of £84.57
- Planned use of general fund reserves of £153k
- £1.9m of government grant to cover Business Rate loss of income due to Covid reliefs
- £2.3m to cover the expected increased costs of the firefighter pension employer contribution following the changes to the discount rates applied to the scheme.
- £748k one of New Service Grant
- Pay award of 3%

The NFRA's actual expenditure in 2022/23 was £45.170m, £352k of which was funded from earmarked reserves. This represents an underspend position of £836k (1.82% of the annual budget). After previously approved transfers to Earmarked Reserves have been actioned, the underspend was reduced to £236k. It was proposed that the remaining £236k is also transferred to Earmarked Reserves as per the final revenue and capital outturn report.

We note that as of 31 March 2023, NFRA had a total Earmarked Reserves of £5.337 million, a net figure of 0.484m was put into earmarked reserves during 2022/23. The increase was due to allocations of the underspending during the year these are held either for unspent grant or set aside to fund specific areas of expenditure, usually of a one-off nature and also held a General Reserve of £4.961m against a minimum level set in the Reserves Strategy of £4.5m, There were no plans to utilise the General Fund Reserve to support the revenue budget.

# Value for Money Commentary

**Financial Sustainability: How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services 2021/22 and 2022/23**

**No significant weakness identified**

Page 18

The NFRA's forecast for future years contained several assumptions which impact on the level of its income and expenditure. The assumptions are:

- That business rates in 2023/24 and beyond will grow at a rate of 1%;
- The 2022/23 tax base will be increase by 1.3% in 2023/24 to 2025/26;
- Future funding settlements will track pay inflation. These have both been assumed at 2%;
- There is a 3% pay increase across both firefighters and support staff for 2022/23. Any increase above this will be met from reserves. A pay increase of 2% has been assumed for 2023/24 onwards.

The sensitivity analysis for 2023/24 to 2026/27 contained three scenarios: scenario 1 being worst case, scenario 2 being most likely case and scenario 3 being best case. The table below shows the results of the sensitivity analysis:

Financial year	Scenario 1	Scenario 2	Scenario 3
2023/24	£3.043m deficit	£2.145m deficit	£0.038m surplus
2024/25	£4.009m deficit	£2.727m deficit	£1.358m surplus
2025/26	£4.179m deficit	£2.558m deficit	£1.142m surplus
2026/27	£4.236m deficit	£2.254m deficit	£0.787m surplus

Financial risks identified are incorporated during the budget setting and the development of medium-term financial plan. The Head of Finance and Treasury, presents a budget plan to the Finance and Resources Committee and Fire Authority meetings with its underlying assumptions. The assumptions used are also challenged and scrutinised during these meetings. This alongside a regular refresh of the medium-term financial plan ensures the force has a financial plan that is dynamic and can adapt for any changes.

The financial performance of the Fire Authority is monitored through monthly budget monitoring reports by the Head of Finance and Treasury and Strategic Leadership Team.

The Fire Authority savings plan contributed £1.6m to enable a balanced budget for 2022/23, these were mainly as a result of temporary savings predominantly related to the delay in recruiting both firefighters and support staff.

We have reviewed the financial resilience of the Fire Authority and have noted that the Fire Authority is at a risk of breaching its minimum reserve requirement in the 2024/25 year and may find it difficult to set a balanced budget without the use of reserves. Since the 2023/24 budget was approved, there have been significant additional financial pressures on the Fire Authority. Revised inflation and pay award assumptions have increased the amount of savings required from the efficiency strategy.

**Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**

# Value for Money Commentary (continued)

## Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks: 2021/22 and 2022/23

### No significant weakness identified

The Fire Authority is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Our risk assessment did not identify any risks of significant weaknesses in arrangements in governance.

We note that Fire Authority has a well-established and embedded risk management strategy which is managed at the corporate/strategic level by The Finance and Resources Committee which receive regular reports on risk exposures both in terms of existing and emerging risks. Members scrutinise the Corporate Risk Register and receive explanations for changes. The Committee is advised by the Head of Finance and the Head of Risk and Assurance on behalf of the Chief Fire Officer.

Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee receive update reports every six months. NFRA has an in-house financial team, managed by the Head of Finance and Treasurer, maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the service.

Informed decision making and managing of risk is in part done via the Medium-Term Financial Strategy (MTFS), which is a 4-year plan approved by the Fire Authority. The MTFS sits alongside the strategic plan, which provides the framework for developing the annual budget for the coming year. Any projects put forward for additional funding as part of the budget process are evaluated against the key objectives set out in the Strategic Plan. The draft budget is scrutinised by the Finance and Resources Committee in January each year prior to final approval in February by Fire Authority. This process ensures that a realistic and affordable budget is achieved. The Fire Authority continued to ensure it had good arrangements for ensuring decisions are made in an informed manner and risks are adequately managed.

The NFRA's Annual Governance Statement (AGS) sets out a number of ways the Fire Authority is able to gain assurance over the effective operation of internal controls. These include a Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE 2016: Delivering Good Governance in Local Government: Framework 2016 Edition, as well as the work of internal and external audit and other inspection bodies completed during the year.

### 2021/22

NFRA's Internal Audit Service is provided under a Service Level Agreement with Nottinghamshire County Council which provides independent assurance that the system is working effectively and draw any deficiencies in the system. The Internal Audit Annual Report for 2021/22 was reported to Finance and Resources Committee (acting in its role as Audit Committee) on 24 June 2022. Internal Audit issued one 'limited assurance' assessment in 2021/22 in respect of Asset Disposals and one with "None - due to insufficient evidence" in respect of Performance Management. The NFRA's Annual Governance Statement is considered to be compliant with the CIPFA code guidance.

# Value for Money Commentary (continued)

## Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks: 2021/22 and 2022/23

### No significant weakness identified

Page 20

The Fire Authority published their draft 2021/22 financial statements for audit on the 30 July 2022 in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. The inspection notice for the 2021/22 draft financial statements was from 31 July 2022 instead of 01 August 2022, as the first day of the inspection period is meant to start on a working day after the draft financial statements are published. We do not believe that the public were significantly disadvantaged by this oversight. We confirm that the 2021/22 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The NFRA has carried out bank reconciliations during the year.

### 2022/23

During the financial year 2022/23 budget monitoring remained robust at both strategic and production of regular financial monitoring reports for both Revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports are reviewed by budget managers and are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.

NFRA's Internal Audit Service is provided under a Service Level Agreement with Nottinghamshire County Council which provides independent assurance that the system is working effectively and draw any deficiencies in the system. The Internal Audit Annual Report for 2022/23 were reported to Finance and Resources Committee (acting in its role as Audit Committee) on 16 June 2023. The Internal Audit issued no 'limited assurance' assessments in 2022/23.

The Fire Authority's Internal Audit opinion improved from reasonable assurance to substantial assurance. This means that the governance arrangements are effective at managing the risks and achieving the objectives, with no or few control weaknesses of significance. There were no significant control weaknesses which, in the opinion of the Head of Internal Audit, needed to be considered for inclusion in the Annual Governance Statement.

The Fire Authority published their draft 2022/23 financial statements for audit on 31 May 2023 in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations from 31 July 2023 instead of 01 June 2023, as the first day of the inspection period is meant to start on a working day after the draft financial statements are published.

We confirm that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Fire Authority has carried out bank reconciliations for 2022/23. Therefore, appropriate arrangements for financial reporting were in place for 2021/22 and 2022/23.

**Conclusion: Based on the work performed, NFRA had proper arrangements in place in 2021/22 and 2022/23 to make informed decisions and properly manage its risks.**

# Value for Money Commentary (continued)

**Improving economy, efficiency and effectiveness: How NFRA uses information about its costs and performance to improve the way it manages and delivers its services**

**No significant weakness identified**

The Fire Authority is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Our risk assessment did not identify any risks of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

## **2021/22**

We note that performance against the Strategic Plan is reviewed and reported to Fire Authority each year in the Annual Statement of Assurance (ASOA). The 2021/22 Statement of Assurance was approved by Fire Authority in July 2022. Progress is monitored by the Programme and Performance Board and reviewed through Fire Authority governance.

The NFRA has a system of performance management and review embedded within its management structure and processes. The 2019/22 Strategic Plan set out the Fire Authority's key objectives and these are reflected in annual departmental business plans. These plans have been monitored by the Programme and Performance Board (which is made up of Strategic Leadership Team (SLT) members) and managed by the individual departmental management teams.

HMICFRS published PEEL inspection report dated 27 July 2022 for 2021/22 and the inspection assessed the performance of the Fire Authority and were rated as Good in all areas and acknowledged that the Fire Authority had worked hard on the areas identified for improvement in the 2019 report. It did identify a further four Areas for Improvement as follows:

- The Service should assure itself that its risk-based inspection programme prioritises the highest risks and includes proportionate activity to reduce risk
- The Service should ensure that, when responding to a 999 call, mobile data terminals are reliable to allow staff to access risk information
- The Service should make sure it effectively monitors, reviews and evaluates the benefits and outcomes of any collaboration activity
- The Service should assure itself that staff understand how to get wellbeing support

An action plan for addressing these areas was developed to address the issues raised. We note that that progress has been made since 2021/22 inspection and this shows that the Fire Authority is responding to the HMICFRS recommendations and does not highlight any significant weaknesses or issues which we consider would give rise to the need to consider significant weakness in the 2021/22 Value For Money arrangements.

We also note that during 2021/22 the Fire Authority moved into a Joint Headquarters with Nottinghamshire Police to complete the collaboration project which has been a three-year strategic action in order to enable both Authorities to work more closely in the future which is expected to deliver some efficiencies.



# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How NFRA uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

Page 22

2022/23

The 2022/23 Statement of Assurance were approved by the Fire Authority in July 2023. Progress is monitored by the Programme and Performance Board and reviewed through the Fire Authority's governance. The 2022/25 Strategic Plan set out the Fire Authority's key objectives and these are reflected in annual departmental business plans.

Performance and financial information are reviewed together as they in most if not all cases impact on each other. Areas where actual performance differs from the expected is identified by the finance team and analysed by the budget holders to understand why the performance and finance are not aligned.

The Fire Authority has a number of boards and committees which evaluate the services it provides to assess performance and identify areas for improvement. These include:

- Programme and Performance Board - The Programme and Performance Board has monthly meetings chaired by the Chief Fire Officer. These focus on the progress being made against the strategic objectives set by the Combined Fire Authority (CFA). It scrutinises performance reports and key performance indicators from all areas of the Service and oversees significant corporate projects.
- Service Delivery Evaluation and Assurance Group - This group meets quarterly to oversee the performance of the Prevention, Protection and Response departments. Risk and performance highlights are identified, with the aim of addressing any areas of concern and celebrating and learning from good performance.
- Strategic Leadership Team - Under the direction of the Chief Fire Officer, the Strategic Leadership Team is responsible for implementing the strategy and policy decisions taken by the CFA. The team meets weekly to maintain collective understanding of priorities, discuss emerging issues and determine whether further formal reports or business cases are required for consideration.

The Fire Authority has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Community Risk Management Plan (Strategic plan in 2021/22), setting out the Fire Authority's priorities and objectives. The Programme and Performance Board has monthly meetings chaired by the Chief Fire Officer; the board focuses on the progress being made against the strategic objectives set by the Combined Fire Authority (CFA). It scrutinises performance reports and key performance indicators from all areas of the Service and oversees significant corporate projects.

# Value for Money Commentary (continued)

**Improving economy, efficiency and effectiveness: How NFRA uses information about its costs and performance to improve the way it manages and delivers its services**

**No significant weakness identified**

Setting meaningful objectives is a critical part of the Community Risk Management Plan and Annual Delivery Plan. The objectives maintained in the plans formed the basis for setting the budgets for 2021/22 and 2022/23.

Based on our review of the Narrative Statement together with the Annual Statement of Assurance for 2021/22 and 2022/23 the Fire Authority continues to improve in achieving its set objectives despite challenges faced by the Fire Authority.

**Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**





# 03

# Appendices



# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<ul style="list-style-type: none"> <li>▪ Budget monitoring remains robust at both strategic and service level via the production of regular financial monitoring reports for both Capital and Revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports, as well as being scrutinised by budget managers, are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.</li> <li>▪ The draft budget is scrutinised by the Finance and Resources Committee in January each year prior to final approval in February by Fire Authority to ensure that a realistic and affordable budget is achieved.</li> <li>▪ Functional Heads also exercise a detailed degree of budget monitoring against both revenue and capital budgets</li> <li>▪ Significant financial pressures and risks identified in the Fire Authority’s Risk register and considered in the MTFs.</li> </ul>
How the body plans to bridge its funding gaps and identifies achievable savings	<ul style="list-style-type: none"> <li>▪ In case of funding gap, the Fire Authority identifies savings to bridge the gap. Carefully scrutinising areas of consistent underspends in the budget along with procurement services without impacting on front line services.</li> <li>▪ Where budgetary position shows a gap or deficit, this requires consideration of suitable options to eliminate the gap or deficit. The options depend upon the size of any deficit but may include:               <ul style="list-style-type: none"> <li>➤ Tasking Chief Fire Officer with proposing further savings for consideration by the Fire Authority.</li> <li>➤ Planning the use of general reserves to support the budget whilst further budgetary savings are planned and implemented.</li> </ul> </li> </ul>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<ul style="list-style-type: none"> <li>▪ The Medium-Term Financial Strategy sets out a 4-year financial plan which is approved by Fire Authority in November or December each year. This, alongside the Strategic Plan, provides the framework for developing the annual budget for the coming year.</li> <li>▪ Any projects put forward for additional funding as part of the budget process are evaluated against the key objectives set out in the Strategic Plan.</li> </ul>

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Page 26

### Reporting criteria considerations

### Arrangements in place

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

- Budget monitoring remains robust at both strategic and service level via the production of regular financial monitoring reports for both Capital and Revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports, as well as being scrutinised by budget managers, are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.
- Regular meetings are held by the Finance and Resources Committee and Fire Authority providing inputs and scrutinising the financial plan to ensure that it achieves its objectives and that it is consistent with other plans

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

- The Fire Authority maintains a Corporate Risk Register. All risks including financial risks are reported in the risk register. The risk register is monitored and updated regularly to ensure that risks are controlled and mitigated. In addition, the Corporate Risk Register is regularly reviewed by the Head of Finance and Treasury, Strategic Leadership Team and reported to the Finance and Resources Committee and Fire Authority.
- Financial risks identified are incorporated during the budget setting and the development of medium-term financial plan. The Head of Finance and Treasury presents a budget plan to the Finance and Resources Committee and Fire Authority meetings with its underlying assumptions. The assumptions used are also challenged and scrutinise during these meetings.
- The financial performance of the Fire Authority is monitored through monthly budget monitoring reports by the Head of Finance and Treasury and Strategic Leadership Team. Revenue, Capital and Prudential Code Monitoring Report including Outturn reports are discussed and reviewed during the Finance and Resources Committee, and Fire Authority meetings.
- Material budget variances are reviewed in details and reported through this robust governance framework, with appropriate action taken to understand the implications of variances and to take corrective action where necessary to manage the financial impact to the organisations as part of this good financial management and control.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

### Arrangements in place

- The Fire Authority's internal control environment comprises many systems, policies, procedures, and operations. These are broadly split into risk management, internal check/financial control, and internal audit. Internal check and financial control are targeted towards financial matters whereas risk management has a much broader brief and is more associated with the risk of non-achievement of objectives and targets.
- The Fire Authority procures its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the UK Public Sector Internal Audit Standards. The internal audit plan prioritised a combination of the key internal controls, assessment and review on the basis of risk, and it gets approved by the Finance and Resources Committee during the year.
- All internal audit reports include an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports are submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports are reviewed by Strategic Leadership Team and submitted to the Finance and Resources Committee acting in its role as Audit Committee.

How the body approaches and carries out its annual budget setting process

- The Medium-Term Financial Strategy sets out a 4-year financial plan which is approved by Fire Authority in November or December each year. This, alongside the Strategic Plan, provides the framework for developing the annual budget for the coming year. Any projects put forward for additional funding as part of the budget process are evaluated against the key objectives set out in the Strategic Plan.
- The draft budget is scrutinised by the Finance and Resources Committee in January each year prior to final approval in February by Fire Authority. This process ensures that a realistic and affordable budget is achieved.
- The Fire Authority continues to ensure it has good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Fire Authority by staff and members.
- An in-house financial team, managed by the Head of Finance and Treasurer, maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the service.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Page 28

### Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

### Arrangements in place

- Budget monitoring remains robust at both strategic and production of regular financial monitoring reports for both Revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports, as well by budget managers, are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.
- Functional Heads also exercise a detailed degree of budget monitoring against both revenue and capital budgets.
- In addition, the Fire Authority procures its internal audit service under a contract with Nottinghamshire County Council to ensure that effective processes and system controls are in place.
- The Fire Authority has democratic control over its activities via an approved committee structure with agreed powers and duties that are periodically reviewed. The Fire Authority has a written constitution that sets out how the Fire Authority operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent, and accountable. There is a formal briefing process prior to reports being finalised for Committee or Fire Authority meetings thus allowing key Members an opportunity to scrutinise proposed reports in detail.
- The Fire Authority has a clear management structure with defined roles and responsibilities. The Strategic Leadership Team (SLT) includes all department heads as well as the Principal Officers. The current structure empowers managers to make appropriate decisions but also places accountability at the centre of this process.
- The Fire Authority has an approved scheme of delegation to officers that is reviewed periodically by the Chief Fire Officer and the Clerk to the Fire Authority, with any changes being approved by the Fire Authority.
- In addition, regular financial monitoring reports are produced for both Revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports, as well by budget managers, are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.



# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<ul style="list-style-type: none"><li>▪ A Statutory Monitoring Officer is responsible for ensuring the legality of Fire Authority’s actions and supporting the Committee decision making process. No actions of the Fire Authority were deemed ultra vires in the year.</li><li>▪ All relevant laws and regulations are being complied with. The monitoring officer is a qualified solicitor provided on a contractual basis to the Fire Authority by the Legal Services Department of Nottingham City Council and this arrangement also includes support for the Fire Authority’s wider governance structure.</li></ul>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Page 30

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<ul style="list-style-type: none"><li>▪ Performance and financial information are reviewed together as they most impact on each other. Areas where performance has gone up by the budget is overspending and the same where the performance has dropped but they are underspending, the areas are identified by the finance team and time spent with the budget holders to understand why the performance and finance are not aligned.</li><li>▪ In addition, regular financial monitoring reports are produced for both Revenue budgets alongside monitoring of treasury activity against the Prudential Indicators for the year. These reports, as well by budget managers, are reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.</li></ul>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<ul style="list-style-type: none"><li>▪ Performance against the Strategic Plan is reviewed and reported to Fire Authority each year in the Annual Statement of Assurance (ASOA). Progress is monitored by the Programme and Performance Board and reviewed through Fire Authority governance.</li><li>▪ The NFRA has a system of performance management and review embedded within it's management structure and processes. The 2019/22 Strategic Plan set out the Fire Authority's key objectives and these are reflected in annual departmental business plans. These plans have been monitored by the Programme and Performance Board (which is made up of Strategic Leadership Team (SLT) members) and managed by the individual departmental management teams.</li></ul>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations	Arrangements in place
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<ul style="list-style-type: none"><li>▪ The Fire Authority shared resources to improve effectiveness, efficiency and deliver financial savings. Collaboration is a statutory requirement which has helped NFRA provide benefits for communities during the challenging times.</li><li>▪ Status of the collaborations and projects and monitoring of performance are discussed in the Finance and Resources Committee and Fire Authority Meetings.</li></ul>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<ul style="list-style-type: none"><li>▪ The Fire Authority has Procurement Strategy and Financial Procedures covering among others Capital Expenditures, Contracts, Tendering Procedures and Payment for Works, Goods and Services which include limits and approvals.</li><li>▪ Benefit delivered through a contract is managed by the Department Head and any efficiencies are discussed in the SLT Meeting and Finance and Resources Committee Meetings.</li></ul>

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