



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL GOVERNANCE STATEMENT 2019/20

Report of the Chief Fire Officer

Date: 27 November 2020

Purpose of Report:

To seek the approval of Members to the signing of the Annual Governance Statement by the Chair of the Authority and the Chief Fire Officer.

Recommendations:

That Members approve the Annual Governance Statement 2019/20.

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1. BACKGROUND

- 1.1 The Fire Authority is required to include an Annual Governance Statement within its annual Statement of Accounts. The Annual Governance Statement contains details of the most recent review of governance arrangements and sets out challenges for those arrangements going forward.
- 1.2 The Authority must approve the Annual Governance Statement each year prior to adopting the Statement of Accounts. Once approved by the Authority, the Chair of the Authority and the Chief Fire Officer can sign the Annual Governance Statement.
- 1.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017. This Annual Governance Statement, and the annual review of governance is against this framework.

2. REPORT

- 2.1 The Annual Governance Statement 2019/20 sets out how the Service has complied with the current local code of corporate governance during the year and also meets the requirements of the Accounts and Audit Regulations 2015 with regards to the preparation and approval of an annual governance statement.
- 2.2 The Annual Governance Statement 2019/20 is attached to this report as Appendix A.
- 2.3 The governance framework has been in place at the Authority for a number of years and regular reviews have been carried out periodically. In 2016/17 a full review of the Local Code of Corporate Governance was carried out and a new Local Code was adopted in line with the CIPFA / Solace framework which was revised in 2016.
- 2.4 Covid-19 has brought significant challenge to the organisation since March 2020. The service has responded well on the ground with all critical activities being maintained and additional activities being undertaken to work alongside and to assist partner organisations.
- 2.5 The Service's business continuity management (BCM) arrangements have been thoroughly tested but the continuation of key services demonstrates that the BCM arrangements held up to scrutiny. The Service is now taking time to review and update these arrangements to ensure that any lessons learned are built into future BCM procedures. HMICFRS have undertaken an inspection on the fire sectors' response to Covid-19 later in the year which will feed into this learning process.

- 2.6 In addition to the usual internal and external audit reviews, the Authority had its first inspection by HMICFRS which took place in January and February 2019. The inspection focused on efficiency, effectiveness and people and will provide a useful benchmarking opportunity against other Fire Authorities. The inspection delivered an overall rating of Requires Improvement. Whilst some areas of performance were awarded a rating of Good (protecting the public through fire regulation and responding to national risks), 24 areas were judged to be requiring improvement. An improvement plan covering the 24 areas has been developed along with an action tracking process to manage and record progress. An update report was submitted to Policy and Strategy Committee on 24 July 2020. Eight areas of improvement have already been completed. The remaining actions are programmed to be completed in 2020/21.
- 2.7 The Authority approved a balanced budget for 2020/21 in February 2020. Early monitoring of expenditure against the budget indicates that the Service is not expected to exceed the budget. Future year budgets will be influenced by the Medium Term Financial Strategy which is presented to Fire Authority elsewhere on this agenda. This will be influenced by the spending review which is expected later this year. The Authority will need to review its position once future years' funding is announced. The Authority does hold reserves which could be used to cushion the service in a transitional period if necessary, but at this stage it is not intended that reserves will be used to balance the budget over the forthcoming three years.
- 2.8 Ernst & Young LLP (EY) were appointed as the auditors to the Authority with effect from 1 April 2018. EY approved an unqualified Statement of Accounts for 2018/19 and it is anticipated this will be repeated in 2019/20. The Annual Internal Audit Report has been circulated to Finance and Resources Committee members and will be formally presented to the Committee when it sits in January 2021. It concluded that:
- “From the work carried out during the 2019/20 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.
- 2.9 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements.

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 IMPLICATIONS

An equality impact assessment has not been undertaken because the Authority's approach to inclusion and equality already forms part of its governance framework.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

The Accounts and Audit Regulations 2015, Part 1 Section 6 set out the requirement for an Authority to conduct an annual review of governance and prepare an annual governance statement. It also provides that an Authority must consider the findings of the review and approve the annual governance statement in advance of approving the Statement of Accounts.

8. RISK MANAGEMENT IMPLICATIONS

The governance framework of the Authority is the collection of systems, processes, culture and values which direct and control decision making and policy development within the organisation. The risk of not reviewing governance activity against this framework is that any weaknesses in governance may not be identified and rectified, thereby putting the organisation at risk of not achieving its objectives.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members approve the Annual Governance Statement 2019/20.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE FIRE AND RESCUE AUTHORITY
ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

- 1.1 Nottinghamshire Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, use of its resources and including arrangements for the management of risk and the maintenance of an effective internal control environment.
- 1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / Solace framework *Delivering Good Governance in Local Government*.
- 1.4 This statement sets out how the Authority has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, cultures and values for the direction and control of the Authority and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is part of an on-going process designed to identify and prioritise the risks to the achievement of Nottinghamshire Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 A key element of the Internal Control Environment is the development and maintenance of Strategic, Corporate and Departmental risk registers which are understood and managed by senior managers.
- 2.4 The governance framework has been in place at the Authority for a number of years and regular reviews have been carried out periodically. In 2016/17 a full review of the Local Code of Corporate Governance was carried out and a new Local Code was adopted in line with the CIPFA / Solace framework which was revised in 2016.

3.0 THE GOVERNANCE FRAMEWORK

- 3.1 In addition to the Annual Governance Statement the Authority has a Code of Corporate Governance that the Authority will commit to in carrying out its duties and responsibilities. In this document, officers have identified against each of the Code's principles what source documentation or existing practice demonstrates how the Authority complies with the principles that make up the Code.
- 3.2 In developing a code of corporate governance, the Authority had the aim of seeking compliance with the CIPFA / Solace guidelines and recognised that these constitute good practice for local authority organisations.
- 3.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017. This Annual Governance Statement, and the annual review of governance is against this framework.
- 3.4 Summarised below are some of the key elements of the systems and processes that underlie the Authority's governance arrangements:
- 3.5 **Identifying and Communicating the Authority's vision and outcomes for citizens and service users**

3.5.1 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority is required to prepare an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The IRMP is delivered via the [Strategic Plan 2019 - 2022](#) which was approved by Fire Authority in February 2019 and revised in February 2020 to reflect the outcome of the HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services) and the appointment of a new Chair to the Fire Authority.

3.5.2 The Strategic Plan sets out how the service aims to achieve its vision of creating safer communities. The vision is underpinned by our three strategic aims:

- To provide high quality services;
- To ensure that our employees are engaged and motivated;
- To provide strong Governance and Financial Sustainability.

3.5.3 The Plan sets out to achieve these aims using annual action plans which detail the key objectives for the year ahead. These cascade down to departmental business plans. Progress is monitored by the Programme and Performance Board and reviewed through Fire Authority governance. Every year a Statement of Assurance is produced which outlines how the service has performed against the Strategic Plan.

3.6 The Internal Control Environment

3.6.1 The Authority's internal control environment comprises many systems, policies, procedures and operations. These can be 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 system cannot eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority, where possible, will eliminate that risk. If this is not possible or not cost effective then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below.

3.6.2 Policy and Decision-Making Process

The Authority has democratic control over its activities via an approved committee structure with agreed powers and duties that are periodically reviewed. The Authority has a written constitution that sets out how the 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 Authority also runs Member seminars and training sessions to help Members discuss issues in more detail and in an informal environment.

3.6.3 Management Structure

The Authority has a clear management structure with defined roles and responsibilities. The Strategic Leadership Team 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 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.

3.6.4 Established Policies, Procedures & Regulations

The Authority ensures compliance with established policies, procedures, laws and regulations. The information regarding policies and procedures is held on the intranet, and these are continually enhanced and developed through the introduction of new policies and procedures as and when required. The Authority has established policies on anti-fraud and whistleblowing. The Authority carries out a regular review of financial regulations which clearly define how decisions are taken and the processes and controls required to manage risk. The list below outlines some of the key policies and process in place to enhance the internal control system, which are reviewed as and when required:

- Treasury Management Strategy;
- Procurement Strategy;
- Financial Regulations & Standing Orders;
- Scheme of Delegation;
- Counter Fraud, Money Laundering, Corruption and Bribery policy;
- Whistleblowing Policy;
- Complaints procedure;
- Code of Corporate Governance;
- Constitution;
- Code of Conduct;
- Equality and Diversity framework;
- Workforce plan;
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedures, discipline processes, through to performance development reviews.

3.6.5 Internal Audit Function

The Authority has a strong Internal Audit function arrangement with Nottinghamshire County Council, and has well-established protocols for working with External Audit.

3.6.6 Risk Management Strategy

The Authority has a well-established and embedded risk management strategy. This 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 emergent risk. Members scrutinise risk registers and receive explanations for changes. The Committee is advised by the Head of Finance and the Service's Risk Manager on behalf of the Chief Fire Officer.

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Service

policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and facilitate a risk management culture to enable risks to be effectively assessed, managed, monitored and reported.

3.6.7 Business Continuity Management (BCM)

Under the Civil Contingencies Act (2004) (Part 1. Para 2(1) (C)) and The Fire and Rescue Services Act 2004 there is a duty for all Category 1 Responders to prepare plans to ensure so far as reasonably practicable, that if in an emergency the Service can perform its core functions.

3.6.8 Best Value Duty

The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty. The requirement to deliver services within a reducing budget over recent years has increased the focus on Best Value and the Authority has procurement policies in place, providing a framework within which to buy goods and services which offer good value for money.

3.6.9 Financial Management

Financial management in the Authority and the reporting of financial standing is undertaken through a financial system which integrates the general ledger, sales ledger and purchase ledger functions and facilitates good budgetary control. Budget Managers are supported by Finance Officers in the use of this system for monitoring financial performance.

The timetable for publishing and auditing the Authority's Statement of Accounts is set out in the Accounts and Audit Regulations 2015. These have been amended for the 2019/20 Statement of Accounts to allow additional time to prepare the accounts in the light of Covid-19. The publishing date of the unaudited accounts has been extended from 31 May to 31 August and the approval by Fire Authority of the audited accounts from 31 July to 30 November.

4.0 REVIEW OF EFFECTIVENESS

- 4.1 The Authority has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control, at least annually. The review of effectiveness is informed by the work of the Strategic Leadership Team and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Maintaining and reviewing the effectiveness of the governance framework throughout the financial year has been carried out by the following:

- The Authority and its Committees
- Management Review
- Internal audit
- External bodies

4.3 **The Authority and its Committees**

4.3.1 The Authority reviewed the vision and strategic service objectives as part of the development of the Strategic Plan and has annual action plans in place to help deliver these objectives. The budget process takes into consideration the strategic objectives, with all new projects being evaluated against them. The budgeting process also had a measure of Member scrutiny with the Chair of the Finance and Resources Committee taking an active role.

4.3.2 At the annual general meeting in June of each year, the format and structure of its democratic decision process is reaffirmed and approval is given to the powers and make-up of the following committees:

- The Policy and Strategy Committee;
- The Finance and Resources Committee;
- The Community Safety Committee;
- The Human Resources Committee.

4.3.3 In addition to the above Committees, there are also panels for appointments, Equalities, Personnel matters and the Firefighters' Pension Schemes.

4.3.4 Terms of reference and responsibilities for all these Committees form part of the Authority's Governance arrangements.

4.4 **Management Review**

4.4.1 Included in the day to day management of the organisation are a number of key officers, systems and procedures designed to provide core elements of the internal control mechanism, with a nominated lead officer responsible for reviewing the effectiveness of these systems.

Performance Management

4.4.2 There is a system of performance management and review embedded within the Authority's management structure and processes. The 2019/22 Strategic Plan set out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by the Programme and Performance Board and managed by the individual departmental management teams.

4.4.3 Work is almost complete on a new performance management framework. New software has been purchased and has been populated, with some refinement work in the process of being completed. The aim of this work is to improve the management of organisational performance and to increase accountability to the community in respect of the way that services are delivered.

Risk Management

4.4.4 Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management and receive update reports every six months. Risk Management is an integral part of project management and business planning within the Corporate Support department and both this and operational risk management are considered strong. The Service has a Risk Assurance Team which is responsible for corporate risk, operational risk and health and safety risk. The purpose of this is to enhance the co-ordination of assurance activities and management of risk within the Service.

Business Continuity

4.4.5 Throughout 2019/20 business continuity plans were reviewed and developed covering both strategic requirements and departmental level actions that should be taken in the event of a business disruption. These were tested using table top exercises. Plans were completed early in 2020 which coincided with the significant disruptions caused by the Covid-19 pandemic. The pandemic allowed for real life testing of plans and of the management systems and processes in place and they ensured that the service continued to deliver critical activities to the communities of Nottinghamshire, in addition to ensuring staff welfare was maintained. The service was also able to support local agencies and partners by taking on additional activities during the pandemic.

4.4.6 The business continuity arrangements allowed the service to quickly react to changing information from the ground and from our key partners through Local Resilience Forums. Continual and effective communications with staff enabled decisions to quickly be turned into actions on the ground.

Professional Staff

4.4.7 The Authority employs appropriate professional staff:

- A Statutory Monitoring Officer is responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year. All relevant laws and regulations are being complied with. The monitoring officer is a qualified solicitor

provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council. This arrangement also includes support for the Authority's wider governance structure.

- A Responsible Finance Officer is appointed as the independent Treasurer to the Authority to ensure the proper and effective administration of the financial affairs of the Authority. The Strategic Leadership Team ensures that the Authority approves a realistic and affordable financial plan for both revenue and capital expenditure which links to the Strategic Plan. The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. An in house financial team managed by the Head of Finance 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.

4.4.8 In addition to the Treasurer the Authority also employs a Head of Finance who fulfils the role of Chief Financial Officer. This post holder is responsible for advising both senior managers and elected members on all financial matters. This is a role shared with the Treasurer who is seen to act independently of the Strategic Leadership Team's advice to the Fire Authority. In reality, these two officers work very closely together. Both officers are professionally qualified and have many years' experience within Local Government finance.

4.4.9 A full review was most recently carried out in 2015 of the role of Chief Financial Officer and, always accepting that the key statutory responsibilities under Sections 114 of the Local Government and Finance Act 1988 are held by the Treasurer, all of the principles set out in the CIPFA document *The Role of the Chief Financial Officer* are met.

Budget Monitoring / Efficiency

4.4.10 Budget monitoring remains robust at both strategic and service level via the production of monthly financial monitoring reports for both Capital and Revenue budgets. These reports as well as being scrutinised by budget managers are also reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.

4.4.11 Functional Heads also exercise a detailed degree of budget monitoring against the capital programme.

4.4.12 The Authority published its first Efficiency Plan (Sustainability Strategy) back in 2016/17 to cover the period up to 2019/20. The plan set out targets for achieving savings over the period. All the original objectives

within the Plan have now been concluded. The key savings are identified below:

- A new Mixed Crewing (or day shift crewing) model has been introduced at Ashfield and Retford fire stations. This delivered savings in the region of £1.2m per year;
- Surplus capacity within the operational ridership resulting from changes implemented over preceding years enabled the reduction of 14 surplus posts with a saving of £600k per year;
- A joint Command and Control Centre has now been opened in Derbyshire, which led to the closure of the Nottinghamshire control room delivering savings in the region of £200k per year.

4.4.13 A new Transformation and Efficiency Strategy for 2020/21 and 2021/22 was approved by Fire Authority in February 2020 with the objective of further transforming the service and increasing efficiency and effectiveness.

4.5 Internal Audit

4.5.1 The 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 for 2019/20, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was 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 were submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports are submitted to the Finance and Resources Committee acting in its role as Audit Committee. There has been a delay in the Committee reviewing the 2019/20 reports due to the Committee not meeting during the Covid-19 pandemic. All reports have, however, been circulated to members of the Committee and will be reviewed when meetings commence in January 2021.

4.5.2 The Annual Internal Audit Report, which has been circulated to Finance and Resources Committee and considered at its January meeting reported that of the 6 final and one draft reports, one offered substantial assurance, 4 offered reasonable assurance and 2 did not contain any opinion / policy review. It concluded that:

“From the work carried out during the 2018/19 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.

4.6 External Review

4.6.1 The External Auditors (currently Ernst Young LLP) are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements with those charged with governance. This communication is in the form of a written report which will be presented to Fire Authority at its meeting in November 2020.

4.6.2 The principal purposes of the Auditors' report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March 2020 and any material misstatements in the accounts;
- To report on any key issues for governance;
- To report on the Auditors' Value for Money conclusion;
- To give an "audit opinion" on the financial statements;
- To report on the implementation of any recommendations in the previous year's ISA 260 report;
- To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements.

4.6.3 EY approved an unqualified Statement of Accounts for 2018/19. There were several unadjusted differences. These were not adjusted for in the accounts as the cumulative effect of these was not considered to be material. The audit did highlight some reporting issues in the ledger which have now been resolved.

4.6.4 It is anticipated that EY will similarly be able to approve an unqualified Statement of Accounts for 2019/20. As part of their 2019/20 External Audit Plan 5 risks were identified. These related to:

- Misstatements due to fraud or error;
- Risk of fraud in revenue and expenditure recognition and incorrect capitalisation of expenditure;
- Valuation of pension liabilities – firefighters pension scheme;
- Valuation of land and buildings;
- Valuation of pension liabilities – LGPS.

4.6.5 Covid-19 also has had a significant impact on the authority's land and building valuations at 31 March 2020 and the Local Government Pension Scheme asset valuations.

4.6.6 EY were unable to audit the Accounts in accordance with the 2018/19 timetable as set out in the Accounts and Audit Regulations 2015 due to resourcing issues. It is anticipated that the revised deadline for the 2019/20 accounts (see 3.6.9) will provide sufficient time for the audit to be completed in line with the revised 2019/20 deadline.

4.6.7 EY were appointed for a 5 year term through a procurement exercise managed by the Public Sector Audit Appointments Ltd (PSAA). 2019/20 is the second year of the contract. EY have indicated that the charge for undertaking the audit on the 2019/20 Statement of Accounts is likely to significantly increase from that originally set out in the contract. This is due to increasing audit regulation, introduction of a new Code of Audit Practice, increased scrutiny relating to the McCloud pension age discrimination case and a general shortage of public sector qualified staff. The situation is common across the whole public sector and negotiations remain ongoing between the Authority, EY and PSAA.

4.7 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspection

4.7.1 In addition to the usual Internal and External Audit reviews, the Authority had its first inspection by HMICFRS which took place in January and February 2019. The inspection focused on Efficiency, Effectiveness and People and will provide a useful benchmarking opportunity against other Fire Authorities. The inspection delivered an overall rating of Requires Improvement. Whilst some areas of performance were awarded a rating of Good (protecting the public through fire regulation and responding to national risks), 24 areas were judged to be requiring improvement. An improvement plan covering the 24 areas has been developed along with an action tracking process to manage and record progress. An update report was submitted to Policy and Strategy Committee on 24 July 2020. Eight areas of improvement have already been completed. The remaining actions are programmed to be completed in 2020/21.

5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2020/21

5.1 The single most significant issue for governance in 2020/21 is the Covid-19 pandemic. This has impacted on many levels of governance throughout the Service.

Business Continuity

5.2 The service has responded well on the ground with all critical activities being maintained and additional activities being undertaken to work alongside and to assist partner organisations. The services business continuity arrangements have been thoroughly tested (sections 4.4.5 to 4.4.6), and the continuation of key services demonstrates that the BCM arrangements held up to scrutiny. The service is now taking time to review and update these arrangements to ensure that any lessons learned are built into future BCM procedures. HMICFRS are undertaking an inspection on the fire sectors' response to Covid-19 which will feed into this learning process.

5.3 The outcome of a staff survey completed in June 2020 suggests that staff feel that the organisation responded well to the pandemic and has been a

good place to work. Lessons learned will be fed into the BCM process to enable systems to be improved for the future.

Fire Authority Governance Arrangements

- 5.4 The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales Regulations 2020 came into force on 4 April 2020.
- 5.5 Under this legislation, the Annual General meeting was cancelled and the Policy and Strategy Committee, being the committee responsible for matters of urgency has met virtually on 1 May and 24 July 2020. Fire Authority met virtually on 11 September and will meet again on 27 November to enable the audited Statement of Accounts to be authorised. A normal meeting schedule is due to recommence from January 2021. Meetings may be held virtually or in person depending on the Covid-19 conditions at the time.
- 5.6 In May 2020, the Policy and Strategy committee approved some amendments to the 2020/21 Treasury Management Strategy and Prudential Indicators to build in additional cashflow resilience following the covid-19 outbreak. It is now not considered likely that the Authority will need to take advantage of these amendments.
- 5.7 The impact of Covid-19 on the economy is expected to have a significant impact on collection rates of Council Tax and Business rates as well as on the tax base. This is expected to place pressure on Council tax and business rate income in 2021/22 and beyond.

Strategic Plan

- 5.8 The National Framework contains the continued requirement for the authority to have an Integrated Risk Management Plan (IRMP), which is delivered through the Authority's Strategic Plan. The current Strategic Plan is due to end in March 2022. The service is about to embark on a fire cover risk review to assess risk across Nottinghamshire. This will feed into the future strategic plan of the Authority.

2020/21 Budget

- 5.9 The Authority approved a balanced budget for 2020/21 in February 2020. Early monitoring of expenditure against the budget indicates that the service is anticipating an underspend caused by the delay of a whole-time recruitment course into 2021/22.
- 5.10 The service has received grant of £1.058m towards the cost of Covid-19 and the government has recently announced a further tranche of funding although details are still to be finalised. As at the end of September 2020, expenditure for the year is expected to be in the region of £628k. Any unspent grant at the end of the year will be held in an earmarked reserve for use in 2021/22.

Medium Term Financial Strategy / 2021/22 Budget

- 5.11 Future year budgets will be guided by the Medium Term Financial Strategy which will be approved by Fire Authority on 27 November 2020. There are several financial uncertainties facing the service in the coming years, the main ones being:
- The government spending review;
 - Impact of Covid-19 on the Council Tax and Business Rates collection;
 - Cost of pensions;
 - Responding to the outcome of HMICFRS inspections.
- 5.12 Given these uncertainties, the service is confident that it remains financially secure going forward. Reserves are in a strong position (totalling £9.75m as at 31 March 2020). They are expected to further increase during 2020/21 due to the current year underspend (see 5.9). The additional costs related to Covid-19 are expected to be contained within the amount of government grant received (section 5.10). Should further savings be required these will be determined following the forthcoming fire cover review where areas for potential efficiencies can be identified. However, at this stage it is anticipated that a balanced budget will be possible without the need for using reserves or requiring significant savings.

Pensions

- 5.13 There remains a significant amount of uncertainty regarding pensions. The change in the discount rate applied to future payments into the pension scheme has increased the service's employer liability by £2.57m. For 2019/20 and 2020/21 the Home Office has provided additional grant of £2.34m but the future of this additional funding will not be known until the spending review.
- 5.14 The McCloud remedy is also ongoing regarding the transition arrangements in the 2015 firefighter's pension scheme. These have been judged to be discriminatory on the grounds of age. Central Government have released consultation regarding the remedy in July 2020 with a closing date of October 2020. There are expected to be considerable additional costs related to the case and it is unclear at present how these costs will be met.
- 5.15 The Firefighters' Pension Scheme Administration has been provided by Leicestershire County Council for several years. Following their withdrawal from the provision of this service, the contract has been awarded to West Yorkshire Pension Fund following a full OJEU tendering process. The service is due to transfer over from 1 December 2020. The McCloud remedy will have a large impact on the pension administration service as its implementation is expected to be highly complex. This will need to be monitored under the new contract.

Brexit

- 5.16 The Service may also be affected by the UK's exit from the European Union in January 2021, but at this stage in the process the impacts are unclear. The risk associated with "Brexit" is on the Authority's strategic risk register and will continue to be monitored and managed as appropriate.

Financial Management Code

- 5.17 In October 2019, CIPFA issued a new Financial Management Code. The purpose of the code is to support good practice in financial management and to assist authorities in demonstrating their financial sustainability. It contains a set of minimum standards for financial management for local authorities, including fire authorities. These cover the areas of:
- Organisational leadership – clear strategic direction;
 - Accountability – based on medium term financial planning;
 - Transparency – using consistent, meaningful and understandable data;
 - Adherence to professional standards;
 - Assurance;
 - Long term sustainability.
- 5.18 The Financial Management code is required to be adopted by the 2021/22 financial year. Most of the requirements of the code are already being met by the service and is expecting to adopt the code formally by this date.
- 5.19 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements.

Signed..... Signed.....

Councillor Michael Payne
CHAIR OF THE FIRE AUTHORITY

John Buckley
CHIEF FIRE OFFICER