



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL GOVERNANCE STATEMENT 2020/21

Report of the Chief Fire Officer

Date: 25 February 2022

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 2020/21.

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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 Annual Governance Statement is expected to be up to date at the time of publication of the Statement of Accounts. It reflects the governance of the organisation as at 31 March 2021 but is updated to reflect any retrospective factors that should be taken into account, such as the impact of any audit reports received between 31 March 21 and approval of the Statement. The draft Governance Statement was included in the unaudited Statement of Accounts when they were considered by Fire Authority on 23 July 2021. With the audit of the final accounts now underway, the Annual Governance Statement is now being presented to members for approval.
- 1.4 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 2020/21 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 2020/21 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 brought significant challenge to the organisation during 2020/21. The service 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 were thoroughly tested but the continuation of key services demonstrated that the BCM arrangements held up to scrutiny. The Service has subsequently taken time to review and update these arrangements to ensure that any lessons learned have been built into current BCM procedures. HMICFRS undertook an inspection on the fire sectors' response to Covid-19 which has fed into this learning process.
- 2.6 In addition to the usual internal and external audit reviews, the Authority had its first inspection by HMICFRS early in 2019. 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 was developed along with an action tracking process to manage and record progress. Of the 24 areas, 23 were completed during 2020/21, with the final action programmed to be completed in 2021/22. These were reviewed at the 2021 inspection which took place in October and November 2021. The report for this inspection is not expected to be released until Spring 2022.
- 2.7 The service received a Covid-19 inspection in 2020. The [report](#), published in January 2021, provided a reassuring overview of the Service and stated that the service had 'adapted and responded to the pandemic effectively'. It also praised the additional humanitarian work the Service undertook during the pandemic.
- 2.8 The Authority approved a balanced budget for 2021/22 in February 2021. Current monitoring of expenditure against the budget indicates that the Service is expected to exceed the budget by £116k (as reported to Finance and Resources Committee on 21 January 2022). The 2022/23 to 2025/26 budget is the subject of a separate report on this agenda.
- 2.9 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 2019/20 and it is anticipated this will be repeated in 2020/21. The Annual Internal Audit Report was presented to Finance and Resources Committee in January 2021. It concluded that:
- "From the work carried out during the 2020/21 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".
- 2.10 The Governance arrangements have continued to be developed during 2021/22 and will be reported to Fire Authority as part of the 2021/22 Annual Governance Statement at a future date, which will be dependent on the timing of the 2021/22 external audit.

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 2020/21.

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

None.

John Buckley
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE FIRE AND RESCUE AUTHORITY
ANNUAL GOVERNANCE STATEMENT

1 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, effectively, and equitably. 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 In 2017 the Authority approved and adopted a new local code of corporate governance, which is consistent with the principles of the 2016 CIPFA (Chartered Institute of Public Finance and Accountancy) / Solace framework *Delivering Good Governance in Local Government*:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.
 - Defining outcomes in terms of sustainable economic, social, and environmental benefits.
 - Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - Managing risks and performance through robust internal control and strong public financial management.
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

- 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 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.

3 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:

Identifying and Communicating the Authority's vision and outcomes for citizens and service users

- 3.5 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) report and the appointment of a new Chair to the Fire Authority.

- 3.6 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.
- 3.7 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.

The Internal Control Environment

- 3.8 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.

Policy and Decision-Making Process

- 3.9 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.

Management Structure

- 3.10 The 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.

- 3.11 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.

Established Policies, Procedures & Regulations

- 3.12 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.

Internal Audit Function

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

Risk Management Strategy

- 3.14 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.

- 3.15 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.

Business Continuity Management (BCM)

- 3.16 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.

Best Value Duty

- 3.17 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.

Financial Management

- 3.18 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.
- 3.19 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 2020/21 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 July and the approval by Fire Authority of the audited accounts from 31 July to 30 September 2021.

4 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
- HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue)
- External bodies

The Authority and its Committees

4.3 In normal circumstances, at the Annual General Meeting of the Fire Authority in June of each year, the format and structure of its democratic decision process is re-affirmed, and approval is given to the powers and make-up of the following committees:

- The Policy and Strategy Committee,
- The Finance and Resources Committee (which undertakes the role of the Audit Committee),
- The Community Safety Committee,
- The Human Resources Committee.

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

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

4.6 In 2020, Covid-19 restrictions meant that face to face committee meetings could not be held. 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.

4.7 Under this legislation, the Annual General meeting was cancelled and the Policy and Strategy Committee, being the committee responsible for matters of urgency met virtually on 1 May, 24 July and 13 November 2020. Fire Authority met virtually on 11 September and 27 November to enable the Statement of Accounts to be authorised. A normal meeting schedule recommenced from January 2021, albeit that the meetings were held virtually until they returned to face to face from the Annual General Meeting on 28 May 2021.

Management Review

4.8 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

- 4.9 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 (which is made up of SLT members) and managed by the individual departmental management teams.
- 4.10 Performance against the Strategic Plan is reviewed in the [Annual Statement of Assurance](#) published each year.
- 4.11 A new performance management framework has been developed. 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

- 4.12 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. During 2020/21, however, Finance and Resources Committee did not meet between January 2020 and January 2021 due to amended governance arrangements during the Covid-19 pandemic (see section 4.7). Consequently, the Corporate Risk Register was only considered once during 2020/21 at the [March 2021](#) meeting.
- 4.13 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

- 4.14 Business continuity arrangements had been reviewed in January 2020 just prior to 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.
- 4.15 Towards the end of 2020 business continuity plans were reviewed and developed again to learn from the Covid-19 experience, covering both strategic requirements and departmental level actions that should be taken in the event of business disruption. These were tested using tabletop exercises

to ensure that the Service could still fulfil its statutory duties in terms of responding to multiple major incidents during a pandemic situation.

Professional Staff

4.16 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.
- The Treasurer to the Authority ensures the proper and effective administration of the financial affairs of the Authority and holds the key statutory responsibilities under Section 114 of the Local Government and Finance Act 1988. Prior to January 2021, the Treasurer role was fulfilled through a Service Level Agreement with the Nottinghamshire Office of the Police and Crime Commissioner (OPCC). In November 2020, the Fire Authority approved that the role of Treasurer be amalgamated into the current Head of Finance post within the Service, thus becoming the Head of Finance and Treasurer. This post holder is responsible for advising both senior managers and elected members on all financial matters in line with CIPFA's document *The Role of the Chief Financial Officer*. The post holder is professionally qualified and has many years' experience within Local Authority Finance.

Financial Planning

4.17 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.

4.18 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.

4.19 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 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.

Budget Monitoring / Efficiency

- 4.20 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.
- 4.21 Functional Heads also exercise a detailed degree of budget monitoring against both revenue and capital budgets.
- 4.22 A Transformation and Efficiency Strategy for 2021/22 and 2022/23 was approved by Fire Authority in February 2020 with the objective of further transforming the service and increasing efficiency and effectiveness.
- 4.23 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. This was done as precautionary measure and it was not necessary to take advantage of these amendments.

Internal Audit

- 4.24 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 2020/21, 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.
- 4.25 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 reviewed by SLT and 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 were taken to Finance and Resources Committee as part of the Annual Internal Audit Report when meetings commenced January 2021.
- 4.26 The Internal Audit Annual Report for 2020/21 was reported to Finance and Resources Committee on 2 July 2021. A link to the meeting reports can be found [here](#). Within the report the auditors provided a view on the internal control environment and concluded that:

“Based on the coverage and outcomes, overall, we consider the collective evidence provides reasonable assurance concerning the arrangements in place for corporate governance, risk management and the control environment.”

4.27 Four 2020/21 audits have been finalised during the year. The reports gave overall assurance levels of substantial (Risk levels are low) or reasonable (risk levels are acceptable):

Report	Assurance Level
Treasury Management	Substantial
Cardiff Checks	Substantial
Purchase Cards	Reasonable
Purchasing and Creditor Payments	Reasonable

4.28 The annual report also covers the adequacy and effectiveness of the corporate governance and risk management frameworks. The report concludes that the service has:

- **Strong corporate governance arrangements** in place and complied with. Strong assurance from internal and external reviews.
- **Strong risk management framework** in place and complied with. Covid-19 risks accounted for promptly.

External Review

4.29 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 on completion of the Audit.

4.30 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 2021 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.

4.31 EY approved an unqualified Statement of Accounts for 2019/20. 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 also concluded that the Service has put in place proper arrangements to secure value for money in its use of resources.

4.32 *It is anticipated that EY will similarly be able to approve an unqualified Statement of Accounts for 2020/21. As part of their 2020/21 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.*

4.33 EY were unable to audit the 2018/19 Accounts in accordance with the timetable as set out in the Accounts and Audit Regulations 2015 due to resourcing issues, with the final ISA 260 report not being issued until December 2019. This was replicated for the 2019/20 which were not approved until February 2021. The 2021/22 accounts have still not been approved at the date of approving this Governance Statement (February 2022).

4.34 The ongoing delay in the audit of the Accounts presents a risk to the Authority as any audit findings will not be reviewed and corrected in a timely manner.

4.35 EY were appointed for a 5-year term through a procurement exercise managed by the Public Sector Audit Appointments Ltd (PSAA). 2020/21 is the second year of the contract. EY have indicated that the charge for undertaking the audit on the 2020/21 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.

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

4.36 In addition to the usual Internal and External Audit reviews, the Authority had its first inspection by HMICFRS early in 2019. 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 was developed along with an action tracking process to manage and record progress. Of the 24 areas, 23 were completed during 2020/21, with the final action programmed to be completed in 2021/22. These were reviewed at the 2021 inspection which took place in October and November 2021. The report for this inspection is not expected to be released until Spring 2022.

4.37 The service received a Covid-19 inspection in 2020. The [report](#), published in January 2021, provided a reassuring overview of the Service and stated that the service had 'adapted and responded to the pandemic effectively'. It also

praised the additional humanitarian work the Service undertook during the pandemic.

5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2021/22

- 5.1 The recovery from the Covid-19 pandemic remains a significant issue for governance in 2021/22. This has impacted on many levels of governance throughout the Service.
- 5.2 The service maintained fortnightly BCM meetings into 2021/22 to ensure that the service's response to Covid remained appropriate and to enable the service to return to normal ways of working once restrictions started to be lifted.

Fire Authority Governance Arrangements

- 5.3 In March 2021 the Home Secretary announced that the Government was to issue a Fire Reform White Paper to respond to the recommendations from the Grenfell Tower Inquiry, the Kerslake Review (on the Manchester Arena Attack) and to build on the findings from Sir Thomas Windsor's State of Fire and Rescue reports. The White Paper is expected to cover three key areas: people; professionalism; and governance. It is expected to include consultation on whether to mandate the transfer of fire and rescue functions to the Police, Fire and Crime Commissioner model.

Strategic Plan

- 5.4 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 has undertaken a fire cover risk review to assess risk across Nottinghamshire. This is being used to develop the next strategic plan (known as the Community Risk Management Plan) of the Authority.

2021/22 Budget

- 5.5 The Authority approved a balanced budget for 2021/22 in February 2021. Monitoring of expenditure against the budget as reported to Finance and Resources Committee in January 22 indicates that the service is anticipating an overspend position of £116k.
- 5.6 There was a significant underspend in 2020/21 (£1.6m) caused by delayed activity because of the Covid-19 pandemic. £1.051m of the underspend was transferred to earmarked reserves to address additional pressures to the 2021/22 budget.

Medium Term Financial Strategy and 2022/23 Budget

- 5.7 Budgets for 2022/23 to 2025/26 are due to be agreed by Fire Authority on 25 February 2022. If a 1.95% Council Tax increase is approved, the budget will

require £153k to be drawn from reserves to obtain a balanced position. The budget is based on several assumptions, including a 3% wage increase for 2022/23. An efficiency strategy will be presented to Policy and Strategy Committee in May 22 to address the longer-term financing issues.

- 5.8 Given these uncertainties, the service is confident that it will financially secure going forward. Reserves are in a strong position (totalling £10.7m as at 31 March 2021).

Pensions

- 5.9 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 2020/21 and 2021/22 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.
- 5.10 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. There are expected to be considerable additional costs related to the case and it is unclear at present how these costs will be met.

Financial Management Code

- 5.12 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.
- 5.13 The Financial Management Code was adopted by the Authority in July 2021. The report to Finance and Resources Committee can be found [here](#). A gap analysis has been undertaken which provided assurance that most of the requirements of the code are already being met. A small number of improvements were identified. Work is underway to ensure the Authority is fully compliant by the end of the current financial year when a further report will be taken to Finance and Resources Committee.

External Audit

- 5.14 Delayed local audit opinions are a huge concern across the public sector. These delays have been caused by the increased amount of regulatory

requirement and the lack of audit resources within the public sector. The increasingly delayed audit of the Statement of Accounts (see sections 4.29 - 4.35) presents an increased risk to the Authority over the remaining 2 years of the current contract. Against this backdrop PSAA are commencing the procurement for audit services from 2023/24 onwards with a view to implementing measures to ensure the short-term sustainability of the market. The Fire Authority has approved the participation in the PSAA's tendering process to appoint auditors for the 5 years from 2023/24.

Signed.....

Signed.....

Councillor Michael Payne
CHAIR OF THE FIRE AUTHORITY

John Buckley
CHIEF FIRE OFFICER