



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL GOVERNANCE STATEMENT 2021/22

Report of the Chief Fire Officer

Date: 22 July 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 2021/22.

CONTACT OFFICER

Name: Becky Smeathers
Head of Finance and Treasurer to the Authority

Tel: 0115 967 0880

Email: becky.smeathers@notts-fire.gov.uk

Media Enquiries Contact: Simon Cotton
0115 967 0880 simon.cotton@notts-fire.gov.uk

1. BACKGROUND

- 1.1 The Annual Governance Statement is a statutory document which explains the processes and procedures in place to enable the Service to carry out its functions effectively. 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. 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 Governance Statement will be included in the unaudited 2021/22 Statement of Accounts when they are made public on the website by 31 July 22 in line with the Accounts and Audit Regulations 2015.
- 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 2021/22 sets out how the Service has complied with the current local code of corporate governance during the year and 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 2021/22 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. 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. The framework is reviewed and evaluated annually and updated as necessary.
- 2.4 The Authority adopted CIPFA's Financial Management Code in July 2021. Internal Audit were requested to undertake a review of the Authority's compliance with the Code which provided a judgement of Reasonable Assurance. Recommendations included in the report are in the process of being implemented (Sections 4.22 to 4.25).

2.5 The Internal Audit Annual Report for 2021/22 was reported to Finance and Resources Committee on 24 June 2022. Within the report the auditors provided a view on the internal control environment and concluded that:

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

2.6 A provisional ISA 260 report was presented to Fire Authority in May 2022 which indicated that the External Auditors, Ernst & Young, are expecting to issue an unqualified 2020/21 Statement of Accounts (Sections 4.36 to 4.41).

2.7 The Annual Governance Statement concludes that the Service has well developed and evolving governance arrangements in place that are fit for purpose (Section 6).

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 2021/22.

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

None.

Craig Parkin
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.

2 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 2019-22 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. From April 2022 the Community Risk Management Plan (CRMP) replaces the Strategic Plan.

- 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 2021/22 Statement of Assurance was approved by Fire Authority in July 2022.

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
- Code of Ethics
- 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 requirement for an Authority to maintain an Internal Audit function is derived from local government legislation, including Section 112 of the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015 in that a relevant body must:

“maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”

- 3.14 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.
- 3.15 The Authority has a strong Internal Audit function arrangement with Nottinghamshire County Council and has well-established protocols for working with External Audit. Finance and Resources Committee review all internal audit reports and receive an annual internal audit report providing an audit opinion on the Authority’s arrangements for governance, risk management and control as well as details of audits to be completed in the forthcoming year.
- 3.16 The Authority reviews Internal Audit as an integral part of the corporate governance framework

Risk Management Strategy

- 3.17 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.
- 3.18 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)

- 3.19 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

- 3.20 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

- 3.21 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.
- 3.22 The timetable for publishing and auditing the Authority's Statement of Accounts is set out in the Accounts and Audit Regulations 2015. These were amended for the 2020/21 and 2021/22 Statement of Accounts to allow additional time to prepare the accounts in the light of Covid-19 and resourcing issues within the audit sector. 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.

Financial Management Code

- 3.23 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.
- 3.24 The Financial Management Code was adopted by the Authority in July 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 The format and structure of the Authority's democratic decision process is re-affirmed at the Annual General Meeting of the Fire Authority in June of each year 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.

Management Review

4.6 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

4.7 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 have been monitored by the Programme and Performance Board (which is made up of SLT members) and managed by the individual departmental management teams.

4.8 Performance against the Strategic Plan is reviewed in the Annual Statement of Assurance published each year.

4.9 A new performance management framework was developed early in the life of the Strategic Plan 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

4.10 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.

- 4.11 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

- 4.12 Business continuity arrangements are regularly reviewed. The Covid-19 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.
- 4.13 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

- 4.14 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 112 of the Local Government and Finance Act 1988. The role of Treasurer is provided by the current Head of Finance and Treasurer post within the Service. 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

- 4.15 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.
- 4.16 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.
- 4.17 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. It ensures that funding is matched to the strategic goals identified in the Strategic Plan. 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

- 4.18 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.
- 4.19 Functional Heads also exercise a detailed degree of budget monitoring against both revenue and capital budgets.
- 4.20 A 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.
- 4.21 The 2022/23 budget report considered by Fire Authority in February 2022 identified a potential £2m gap in funding from 2023/24 onwards. The Policy and Strategy Committee approved an approach to developing further efficiencies in May 2022 as part of its Futures 2025 Efficiency Strategy.

Financial Management Code

- 4.22 The Financial Management Code was adopted by the Authority in July 2021. A gap analysis was undertaken where a small number of improvements were identified. All but one of these have now been implemented. This related to making more governance related information available on the website. This is pending a review of governance which is due to be completed in summer 2022.

4.23 Internal Audit have undertaken an audit of the Service's compliance against the Code. This provided a Reasonable Assurance level – ie that risk levels were acceptable. The report acknowledged that effective controls were in place regarding self-assessment, leadership, accountability, long term sustainability and value for money.

4.24 The report identified 4 areas where improvements are required:

- Leadership – Several policies and procedures in relation to governance arrangements have not been updated in accordance with the revision schedule and have been found to be out of date;
- Accountability – The processes to identify when a budget holder has over-committed capital expenditure are not robustly applied and have allowed a budget to become significantly overspent;
- Professional Standards – Financial Regulations, Financial Procedures and Statement of Financial Principles are out of date;
- Sources of Assurance – several internal audits have been delayed or could not be completed as a result of incomplete information being provided.

4.25 An action plan for improvement in these areas has been agreed and will be monitored by the Strategic Leadership Team.

Internal Audit

4.26 The Authority views Internal Audit as an integral part of the corporate governance framework, particularly in so far as it relates to the system of Internal Control. Whilst it is acknowledged that Internal Control is a managerial responsibility, it is considered that Internal Audit can provide managers with independent assurance that the system is working effectively and draw any deficiencies in the system to the attention of managers and elected members.

4.27 These assurances, however, can only be relied upon providing the internal audit service is adequate to meet the needs of the organisation and is provided professionally.

4.28 The Internal Audit Service of the Authority is provided under a Service Level Agreement with Nottinghamshire County Council and requires the Auditors to operate within the Public Sector Internal Audit Standards set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). Operating to these standards will ensure that the Authority meets its obligations under statute.

4.29 CIPFA published a guide on the role of the Head of Internal Audit in 2019 which led to the adoption of an Audit Charter in June 22, improved planning

of audits and closer engagement with SLT and the Chair of Finance and Resources Committee, which fulfils the role of the Audit Committee.

4.30 The annual audit plan is reviewed each year by SLT and Finance and Resources Committee but remains flexible to enable the Treasurer to adapt to any changing needs within the year.

4.31 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, Chair of the Finance and Resources Committee 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.

4.32 The Internal Audit Annual Report for 2021/22 was reported to Finance and Resources Committee on 24 June 2022. Within the report the auditors provided a view on the internal control environment and concluded that:

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

4.33 Seven 2021/22 audits have been finalised during the year. A summary of the 7 audits is provided in the table below:

Summary of 2021/22 Audits

Report	Assurance Level	Comments
Payroll and ITrent	Substantial	
Financial Management Code	Reasonable	
Asset Disposals	Limited	To be re-audited 22/23
Performance Management	None – due to insufficient evidence.	To be re-audited 22/23
Ethical Policies and Procedures	Substantial	
Pensions Administration	Substantial	
Facilities Management	Substantial	

4.34 The annual report also provided *substantial assurance* regarding the adequacy and effectiveness of the corporate governance and risk management frameworks, concluding that:

- Governance arrangements at all three lines of assurance are comprehensive and adaptable.
- Standards, policies, strategies, plans, and budgets are prepared or reviewed.

- Performance and financial information and data are monitored and reported on regularly.
 - There is clear accountability for risk, and ownership of individual risks.
 - Significant risks linked to strategic goals are identified, assessed, and reviewed. Risk mitigations are identified.
 - There are protections against fraud and cyber risks.
- 4.35 In addition to the audits undertaken by Internal Audit, the service has had external validation of our procedures regarding Water Rescue and Working at Height, both of which provided substantial assurance. Working practices in both of these areas have been amended to reflect the recommendations in the reports.

External Review

- 4.36 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.
- 4.37 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 2022 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.
- 4.38 The 2021/22 audit has been delayed due to resourcing issues at EY and the audited statement of accounts are therefore yet to be finalised. A provisional ISA 260 report was presented to Fire Authority in May 2022 which indicated that EY are expecting to issue an unqualified 2020/21 Statement of Accounts. The authority to sign off the final audited Accounts has been delegated to the Head of Finance and Treasurer, in consultation with the Chair of Fire Authority subject to there being no further changes of a material nature. The ISA 260 is expected to be finalised in July 22. A Value for Money conclusion is yet to be completed.
- 4.39 Further delays are expected with regards to the audit of the 2021/22 Statement of Accounts, again due to the lack of External Audit resources.

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.

- 4.40 EY were appointed for a 5-year term through a procurement exercise managed by the Public Sector Audit Appointments Ltd (PSAA). 2021/22 is the fourth year of the contract. EY have indicated that the charge for undertaking the audit on the 2021/22 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.
- 4.41 Fire Authority have opted in to Public Sector Audit Appointment (PSAA) appointment process to select External Auditors for the five years from 2023/24.

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

- 4.42 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, identifying 24 areas to be requiring improvement. An improvement plan covering the 24 areas was implemented with all areas now addressed.
- 4.43 A second full inspection took place in October and November 2021. The report for this inspection is expected to be released in July 2022.

Impact of Covid-19

- 4.44 The Service coped well during the Covid-19 outbreak with no significant impact on service delivery. It was able to provide support to East Midlands Ambulance Service, the vaccination programme and to local communities through the delivery of food parcels and medicine to residents in need. Governance arrangements were impacted during 2020/21 with some temporary emergency measures put in place. These were no longer required in 2021/22 with governance arrangements returning to normal.

5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2022/23

Fire Authority Governance Arrangements

- 5.1 In May 2022 the Home Office released a White Paper on Reforming Fire and Rescue Services. This is the Government response 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 covers three key areas: people; professionalism; and governance. It includes consultation on

whether to transfer governance to an executive model such a Combined Authority Mayor or to the Police, Fire and Crime Commissioner model. The consultation ends on 26 July 2022.

Devolution Programme

- 5.2 In February 22 an invitation from the Government was received to begin negotiating a devolution deal for Nottingham, Nottinghamshire and Derby and Derbyshire. Negotiations have commenced to develop a bid for a Mayoral Combined Authority (MCA). This would compare with areas such as Greater Manchester and the West Midlands.
- 5.3 These negotiations are still in their infancy, but if approved, it could be implemented as soon as May 2024.

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 2019-22 Strategic Plan ended in March 2022. The service has undertaken a fire cover risk review to assess risk across Nottinghamshire. This has been used to develop the next strategic plan (known as the Community Risk Management Plan) of the Authority, which was approved by Fire Authority in February 2022.

2022/23 Budget

- 5.5 The Authority approved a budget for 2022/23 in February 2022 which required a small £153k use of General Fund Reserves. This was only achievable after making temporary savings in the region of £2m. Monitoring of expenditure against the budget as reported to Finance and Resources Committee in June 22 indicated a potential underspend position of £469k, largely due to a high number of vacant posts.
- 5.6 At present there are still some significant uncertainties around the 2022/23 budget as the pay award (budgeted at 3%) has not yet been agreed and inflation is continuing to increase, with the Bank of England expecting it to peak at 11% in the Autumn.

Medium Term Financial Strategy and 2023/24 Budget

- 5.7 Budgets for 2023/2 to 2026/27 are due to be agreed by Fire Authority in February 2023. When the current budget was set in February 2022 there was an expected deficit position for 2023/24 onwards in the region of £2m. With current inflation levels and pressure on pay awards this could increase further if funding is not significantly increased. The Futures 25 Efficiency Strategy was outlined at Policy and Strategy Committee in May 22 and work is underway to identify a range of savings to enable the service to meet the financial challenges expected in the coming years.

- 5.8 Fire Authority approved the creation of £1.8m Earmarked Reserve in December 2021 to provide resources to implement any necessary changes coming out of the Futures 25 programme. these uncertainties, the service is confident that it will financially secure going forward. Reserves are in a strong position (totalling £9.9m as at 31 March 2022).

Pensions

- 5.9 The McCloud remedy is ongoing regarding the transition arrangements in the 2015 firefighter's pension scheme which were found to be discriminatory on the grounds of age in December 2018. All members have now been moved to the 2015 pension scheme as from 1 April 22. The transition arrangements effective between 1 April 2015 and 31 March 22 need to be removed and members given the choice between their legacy scheme and the 2015 scheme between this period. However, this requires new pension legislation to be passed, and this is not expected before October 23.
- 5.10 Following the ruling and lack of progress, the Fire Brigades Union (FBU) commenced legal proceedings in the High Court for three test cases against Fire and Rescue Authorities. Two of these cases were against NFRS as they related to former NFRS employees. A settlement agreement on these cases was reached on 8 October 2021.
- 5.11 In the interim, the Home Office issued some guidance to assist implementation of the remedy and a Memorandum of Understanding was agreed between the Local Government Association and the Fire Brigades Union in October 21. However, in November 21 the Home Office withdrew its guidance stating that there could be significant financial risk if Authority's decided to proceed implementing Memorandum of Understanding.
- 5.12 With the ongoing threat of legal action, Policy and Strategy Committee approved the continuation of implementing the Memorandum of Understanding on 1 April 22, acknowledging the financial risks that it may face. An earmarked reserve of £200k has been set aside to cover any additional costs.

External Audit

- 5.13 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 4.38 to 4.41) presents an increased risk to the Authority over the remaining years of the current contract and beyond. Against this backdrop PSAA have commenced 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.

Covid-19

- 5.14 The Service does not anticipate any ongoing impact on governance arrangements during 2022/23 and beyond. Finance and Resources Committee removed Covid-19 from the corporate risk register in April 22. This will be kept under review should circumstances change.

6 CONCLUSION

- 6.1 Nottinghamshire Fire and Rescue Authority has well developed and evolving governance arrangements in place that are fit for purpose.
- 6.2 The Local Code of Corporate Governance was adopted by the Authority in February 2017 and CIPFA's Financial Management Code was adopted by the Authority in July 2021. The Authority's compliance against the Financial Management Code was reviewed by Internal Audit during the year – the report acknowledged that effective controls were in place regarding self-assessment, leadership, accountability, long term sustainability and value for money.
- 6.3 External assurance regarding the Authority's governance arrangements has been obtained through the Internal Audit Annual Report and the Financial Management Code audit (see sections 4.22 to 4.35).
- 6.4 All recommendations arising from internal audit reviews are actioned and monitored by SLT and Finance and Resources Committee. The relationship with the Internal Audit function is under continual development. The Internal Audit Charter was adopted by Finance and Resources Committee in June 2022.
- 6.6 A provisional ISA 260 report was presented to Fire Authority in May 2022 which indicated that the External Auditors, Ernst & Young, are expecting to issue an unqualified 2020/21 Statement of Accounts (sections 4.36 to 4.41).
- 6.7 The Service's policies and procedures continue to be updated and reviewed (3.12).
- 6.8 The Service continues to address any governance issues as they arise and commits to keeping governance arrangements under review.

Signed.....

Councillor Michael Payne

Signed.....

Craig Parkin

CHAIR OF THE FIRE AUTHORITY

CHIEF FIRE OFFICER