



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **ANNUAL GOVERNANCE STATEMENT 2022/23**

Report of the Chief Fire Officer

**Date:** 14 July 2023

**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 2022/23.

## **CONTACT OFFICER**

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## **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 2023 but may be updated to reflect any retrospective factors that should be taken into account, such as the impact of any audit reports received between 31 March 23 and approval of the Statement of Accounts. The Governance Statement will be included in the unaudited 2022/23 Statement of Accounts when they are made public on the website by 31 May 23 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 2022/23 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 2022/23 is attached to this report as Appendix A. It concludes that the Service has well developed and evolving governance arrangements in place that are fit for purpose. The reasoning behind this conclusion is outlined in the paragraphs below.
- 2.3 The Service's policies and procedures continue to be updated and reviewed.
- 2.4 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 in 2021/22 – the report acknowledged that effective controls were in place regarding self-assessment, leadership, accountability, long term sustainability and value for money.

- 2.5 Whilst the 2021/22 and 2022/23 Statement of Accounts are yet to be audited, the External Auditors, Ernst & Young (EY), issued unqualified audits for the first 3 years of their contract (2018/19 and 2020/21), which indicates that the financial systems in place are robust.
- 2.6 Despite the delays to the audit of the Statement of Accounts and Value for Money Audits by the Authority's external auditors (EY), the Service's internal auditors (Nottinghamshire County Council) have completed a comprehensive audit programme which provides a high level of assurance. The Internal Audit Annual Report provided a judgement of Substantial Assurance regarding the arrangements in place for corporate governance, risk management and the control environment.
- 2.7 Seven internal audits have been completed within the year, 2 being graded as having Substantial Assurance and 5 being as having Reasonable Assurance. Three other external reviews have taken place, all of which provided reasonable or substantial assurance.
- 2.8 The Internal Audit Charter was adopted by Finance and Resources Committee in June 2022. The annual Internal Audit Plan is reviewed by SLT and approved by Finance and Resources Committee. All recommendations arising from internal audit reviews are actioned and monitored by SLT and Finance and Resources Committee.
- 2.9 The Service's second full HMICFRS inspection provided a rating of Good against all 11 areas of assessment.
- 2.10 The Service continues to address any governance issues as they arise and commits to keeping governance arrangements under review.

### **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 2022/23.

## **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 is accountable 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

Community Risk Management Plan 2022-25 (CRMP) which was approved by Fire Authority in February 2022.

3.6 The CRMP sets out how the Service aims to achieve its vision of creating safer communities by being one of the best fire and rescue services in England. Our ambition is focused around four strategic pillars:

- Community Outcomes,
- Equality Diversity and Inclusion,
- Strong governance and financial sustainability,
- Our professional and committed workforce.

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 CRMP Assurance 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 2022/23 Statement of Assurance will be presented for approval by Fire Authority in July 2023.

### **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 the Corporate Risk Register and receive explanations for changes. The Committee is advised by the Head of Finance and the Head of Risk and Assurance on behalf of the Chief Fire Officer.
- 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 / Efficiency**

- 3.20 The Local Government Act 1999 requires that the Authority makes arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Fire and Rescue National Framework for England also requires that the Authority to produce an Efficiency Plan, which is currently delivered through our Futures 2025 Efficiency Strategy. The requirement to deliver services within a reducing budget over recent years has increased the focus on Best Value. 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. The deadline for publishing the unaudited accounts for 2022/23 has now gone back to 31 May (from 31 July in the previous 2 years) and the approval by Fire Authority of the audited accounts back to 31 July (from 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 (His 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.
- 4.6 A Constitutional Update Report was presented to Fire Authority in July 22. Members approved several amendments to the Scheme of Delegation to ensure that the constitution remains relevant and up to date. The revised Scheme of Delegation can be found on the [Service's website](#).
- 4.7 At the July 22 Fire Authority Members commented on the need for a more frequent schedule to review governance. This resulted in a [Governance Update](#) report being presented to its meeting on 16 December 22 which approved a small amendment to the Business Continuity Arrangements in the event that the Chief Fire Officer were to become incapacitated and an update on proposals to further review the Authority's Governance.

## **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 Corporate Risk Management Plan 2022-25 (CRMP) sets out the Authority's key objectives and these are broken down into annual delivery plans. These plans, along with any areas for improvement identified as part of the HMICFRS assessment, are monitored by the CRMP Assurance Board (which is made up of SLT members) and managed by the individual departmental management teams. The Board uses a performance management framework

to monitor progress against the CRMP targets and HMICFRS recommendations.

- 4.10 Performance against the CRMP is reviewed in the Annual Statement of Assurance published each year.

### **Risk Management**

- 4.11 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 the Corporate Risk Register which is reported to the Committee every six months.
- 4.12 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**

- 4.13 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. The Business Continuity Management (BCM) group worked well alongside a newly created Task and Finish group which ensured that decisions were actioned in a timely manner.
- 4.14 Following on from Covid-19, all departmental business continuity plans have been reviewed and updated to reflect any learning. Plans were again tested whilst the Service prepared for potential industrial action over the pay dispute. Whilst this was settled in February without the need for industrial action, it has provided a further learning opportunity and BCM arrangements will be updated during 2023/24 to reflect lessons learned. The 2023/24 Internal Audit Plan contains an audit of BCM arrangements towards the end of the financial year.
- 4.15 During 2022/23 internal audit reviewed the Service's cyber security and delivered a judgement of reasonable assurance.

### **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 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**

- 4.17 The Medium-Term Financial Strategy sets out a 4-year financial plan which is approved by Fire Authority in December each year. This, alongside the CRMP, provides the framework for developing the annual budget for the coming year.
- 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. It ensures that funding is matched to the strategic goals identified in the CRMP. 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 The Service presented its Futures 25 Efficiency Strategy to Policy and Strategy Committee in May 2022, with a further report being considered by the Authority in September 22. Whilst initial estimates of the required level of savings have significantly reduced given the decision to increase Band D Council Tax by £5, the Strategy remains the vehicle for transforming the Service and increasing efficiency and effectiveness.

4.23 The 2023/24 budget report considered by Fire Authority in February 2023 identified a potential £1.1m gap in funding from 2024/25 onwards which remains to be addressed through careful budgeting and savings identified through the Futures 25 Efficiency Strategy.

### **Financial Management Code**

4.24 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.

4.25 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.

4.26 The report identified four recommendations, two of which have been actioned. The remaining two are still in progress:

- 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 – whilst progress is being made on this recommendation, this is a significant task and has been delayed due to other priorities for the Service over the last year.
- Professional Standards – Financial Regulations, Financial Procedures and Statement of Financial Principles are out of date – these are almost complete and will be presented to Fire Authority for approval by September 23.

### **Internal Audit**

4.27 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.

4.28 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.

4.29 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.

- 4.30 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 the Strategic Leadership Team (SLT) and the Chair of Finance and Resources Committee, which fulfils the role of the Audit Committee.
- 4.31 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.
- 4.32 All internal audit reports include an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports are submitted to the Chief Fire Officer, the Head of Finance, 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.
- 4.33 The Internal Audit Annual Report for 2022/23 was reported to Finance and Resources Committee on 16 June 2023. 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 **substantial assurance** concerning the arrangements in place for corporate governance, risk management and the control environment.”*
- 4.34 Substantial Assurance means that arrangements are effective at managing the risks and achieving the objectives, with no or few control weaknesses. This is an improvement on previous years where a rating of Reasonable Assurance was awarded. The report gave the rationale for the opinion as follows:
- *Although the assurance opinions on our audits are divided between substantial and reasonable assurances, the core systems audited in recent years have tended towards substantial assurance.*
  - *There were positive outcomes from following up the implementation of agreed actions from previous audit reports.*
  - *Other sources provided positive assurance in relation to governance, risk management, and control.*
- 4.35 Seven 2022/23 audits have been finalised during the year. A summary of the 7 audits is provided in the table below:

## Summary of 2022/23 Audits

Report	Assurance Level	Comments
Budget Management	Substantial	
Risk Management	Substantial	
Asset Disposals – Follow up Audit from 2021/22	Reasonable	The 2021/22 Audit provided only limited assurance
Performance Management – Follow up Audit from 2021/22	Reasonable	Re-audited due to insufficient evidence in 2021/22
Cyber Security	Reasonable	
Vehicle Maintenance Contract	Reasonable	
Joint HQ Cost Apportionment		Opinion still to be finalised

4.36 The annual report also provided *substantial assurance* regarding each individual strand of governance, risk management and control arrangements, concluding that:

*Our opinion is that there is **substantial assurance** over the **Governance** arrangements:*

- *Governance arrangements are well structured with comprehensive reporting.*
- *Plans are in place to achieve strategic goals and to identify and realise improvements.*
- *There are regular reviews of performance.*

*Our opinion is that there is **substantial assurance** over the **Risk Management** arrangements:*

- *Risks are closely managed including through a corporate risk register that is actively maintained – reviewed, updated, and reported.*
- *Community Risk Management Plan (CRMP) is in place, with arrangements to measure progress on its delivery.*
- *Emerging national and local risk issues are identified and addressed by local actions.*

*Our opinion is that there is **substantial assurance** over the **Control** arrangements:*

- *Close control over the finances, including current and future spending, and the financial assets held.*
- *Workforce requirements are identified and acted upon.*
- *Workforce performance is managed.*

## External Review

4.37 The External Auditors (currently Ernst Young LLP - EY) 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 is presented to Fire Authority on completion of the Audit.

4.38 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 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.

4.39 The 2020/21 statement of accounts received an unqualified audit. They were approved by Fire Authority in May 22 subject to any non-material changes following completion of the external audit. This was completed with one minor change and the final accounts were presented to Finance and Resources Committee in October 22. A Value for Money conclusion is yet to be completed.

4.40 The statement of accounts in the first 2 years of the contract with EY (2018/29 and 2019/20) both received an unqualified audit and unqualified Value for Money conclusion. This provides some assurance around that the financial systems in place are robust.

4.41 Both the 2021/22 and 2022/23 audits have been delayed due to resourcing issues at EY. The 2021/22 audit is not due to commence until July 23, resulting in a delay to the accounts being presented to Fire Authority for approval until Autumn 23 at the earliest. The 2022/23 statement of accounts are not expected to be audited until mid 2024.

4.42 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.

4.43 The contracted audit fee for the 2022/23 Statement of Accounts was originally set at £23,909. However, the Public Sector Audit Appointment (PSAA), who are responsible for issuing the audit contracts, have reviewed the audit fee scales and adjusted them to take account of a change to the scope of audit work required and an inflationary adjustment of 5.2%. The expected charge for the 2022/23 audit is now expected to be in the region of £32,648 plus any further charges for additional work agreed through PSAA.

4.44 EY were appointed for a 5-year term through a procurement exercise managed by the PSAA. The 2022/23 statement of accounts will be the final year of the contract.

4.45 Fire Authority opted into Public Sector Audit Appointment (PSAA) appointment process to select External Auditors for the five years from 2023/24. The contract has been awarded to KPMG. The 2023/24 audit cannot commence until EY have completed the 2022/23 audit. Given that the resourcing issues are a national problem, it is not guaranteed that the situation will improve under the new contract.

### **His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspection**

4.46 In addition to the usual Internal and External Audit reviews, the Authority had its second inspection by HMICFRS in October and November 2021. The final report was not published until July 22. The inspection graded the Service as Good in all 11 areas of assessment and gave an overall rating of Good. The grading was an improvement on the Service's first inspection rating of Requires Improvement in 2018. There were 4 Areas for Improvement (AFIs) identified which are:

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

4.47 To address these areas for improvement, the Service has undertaken a gap analysis against areas of work that were already being progressed under the current CRMP. This has assured that work to address the AFIs was either already planned or has now been included in the Service's annual delivery planning. Progress against the AFIs is monitored through the Committee Structure.

### **Other External Audits**

4.48 The Service had 3 other external audits during 2022/23.

- Babcock International undertook an audit of the Service's Terrorism Personal Protective Equipment on behalf of the Home Office. The equipment was found to be in good order and well organised, enabling a swift response if required.
- Again, working on behalf of the Home Office, the National Resilience and Assurance Team (NRAT) audited the Service's National Resilience Enhanced Logistic Support. The audit concluded that the

crews perform the role well in a practical scenario and the team size is such that this allows for good resilience within the team. There was a small action plan that the Service is working alongside NRAT to complete.

- NRAT also audited the Service's Flood and Rescue capabilities. The audit determined that the Service was well prepared and qualified to respond nationally if called upon. Again, there was a small action plan that the Service is working alongside NRAT to complete.

## **National Fire Standards**

4.49 The National Fire Chief's Council (NFCC) are undertaking a body of work to set minimum standards for key operational and non-operational areas of work. To date 16 have been released:

- Fire Investigation
- Operational Competence
- Operational Learning
- Operational Preparedness
- Code Of Ethics
- Community Risk Management Plans
- Emergency Preparedness and Resilience
- Emergency Response Driving
- Prevention
- Protection
- Safeguarding
- Communications and Engagement
- Data Management
- Leading the Service
- Leading and Developing People
- Fire Control

4.50 The Service has undertaken gap analyses for the above standards and is undertaking a programme of work to ensure compliance. This is being monitored by SLT through the CRMP Assurance Board.

## **HMICFRS Report on Values and Culture of the Fire and Rescue Service**

4.51 Following recent reports of misconduct, and the findings of the Independent Cultural Review of London Fire Brigade, the Minister of State for Crime, Policing and Fire commissioned a spotlight report into the values and culture of the Fire and Rescue Service.

4.52 HMICFRS considered the specific themes of values and culture (including bullying, harassment, and discrimination); training and skills; fairness and diversity; and leadership. The report was published on 30 March 2023.

4.53 The report presents 35 recommendations from HMICFRS to improve the sector. Of note, 19 are detailed as a requirement for Chief Fire Officers to

deliver, whilst the other recommendations are directed to other national bodies such as the Local Government Association, the National Fire Chiefs' Council, the Home Office, Government, the Fire Standards Board, and Chief Constables.

- 4.54 The Service had an independent review of Equality, Diversity and Inclusion (EDI) undertaken in 2021 which presented recommendations, and a resulting 12-point action plan, that is being implemented.
- 4.55 This work has complemented and supported the Service's approach to embedding the Core Code of Ethics which has been progressed since their publication in 2021, alongside the Service's values which have been central to the Service's approach since 2015. The Service's own Behavioural Framework was updated in 2020 to incorporate the Core Code of Ethics.
- 4.56 In order to maintain the focus, resource and momentum on these improvements, and to address the required recommendations of the HMICFRS spotlight report, the Service's EDI strategic lead is drawing together a single approach under the Service's Year Two Annual Delivery Plan.
- 4.57 This approach will see assurance against the delivery of the HMICFRS recommendations, but also oversee the delivery of the Service's commitment to embed an inclusive culture and approach at NFRS which is set out in the Services' Community Risk Management Plan (CRMP).
- 4.58 Whilst progress of this workstream will be monitored by the Chief Fire Officer through the CRMP Assurance Board, actions against the HMICFRS specific recommendation will also be reported to the Human Resources Committee.

## **5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2023/24**

### **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 ended on 26 July 2022 but to date there has been no response from the Government.

### **Devolution Programme**

- 5.2 In August 22 an East Midland devolution deal was announced by the Government to cover Nottingham, Nottinghamshire and Derby and Derbyshire, which sees the creation of a long-term investment fund totalling

£1.14bn over 30 years. The deal will see the creation of a Mayoral Combined County Authority (MCCA). This would compare with areas such as Greater Manchester and the West Midlands. Elections for the MCCA are expected to take place in May 2024.

- 5.3 Whilst the full implications on governance for the Fire Authority is unclear at present, it is expected that the service will benefit from the additional investment within the County.

### **2023/24 Budget**

- 5.4 The Authority approved a budget for 2023/24 in February 2022 which required £404k use of General Fund Reserves. This was only achievable after making temporary savings in the region of £1.6m. Monitoring of expenditure against the budget is reported to Finance and Resources Committee.

### **Medium Term Financial Strategy and 2023/24 Budget**

- 5.5 Budgets for 2024/25 to 2026/27 are due to be agreed by Fire Authority in February 2023. When the current budget was set in February 2023 there was an expected deficit position for 2024/25 in the region of £1.1m. The Futures 25 Efficiency Strategy was initially outlined at Policy and Strategy Committee in May 22 and work is underway to identify a range of savings to help balance the budget and enable the Service to meet the financial challenges expected in the coming years.
- 5.6 Fire Authority approved the creation of a £900k Earmarked Reserve to provide resources to implement any necessary changes coming out of the Futures 25 programme. A further reserve £1.126m has been created to provide support to the 2023/24 and future year budgets. Given these earmarked reserves and anticipated savings from the Efficiency Strategy, the Service is confident that it will be financially secure going forward.

### **Pensions**

#### **McCloud**

- 5.7 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.
- 5.8 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 this Authority as they related to former Nottinghamshire Fire and Rescue Service (NFRS)

employees. A settlement agreement on these cases was reached on 8 October 2021.

- 5.9 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.
- 5.10 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.
- 5.11 New pension legislation is expected to be passed in October 23 which will provide more certainty about how the remedy is to be applied. The Service will then have a further 18 months to ensure that it is properly implemented.

### **Matthews / O'Brien**

- 5.12 On-call firefighters employed between 1 July 2000 and 4 April 2006 were retrospectively allowed to join 2006 Firefighters' Pension Scheme in 2014 following the Matthews court case. Following a further European Court of Justice case (O'Brien) the UK Government have recognised the right for on-call firefighters employed before 1 July 2000 to elect to join the pension scheme from the start of their employment. Revised legislation is due to be laid before Parliament in October 23.
- 5.13 The Local Government Association is working alongside Fire Services to prepare for the proposed changes and, an exercise is now underway to identify individuals who may be affected. It will be necessary to estimate data for some individuals whose employment records are likely to have been deleted in order to comply with data protection legislation.

### **Internal Audit**

- 5.14 The 2023/24 Internal Audit Plan, approved by Finance and Resources Committee in June 23, includes provision for 6 audits during 23/24. These include compliance with the National Fire Standard for Leading the Service, Contract management and workforce planning and recruitment.

### **External Audit**

- 5.15 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 as a whole and is not limited to NFRS. The increasingly delayed audit of the Statement of Accounts (see sections 4.41 to 4.45) presents an increased risk to the Authority over the remaining years of the current contract and beyond.

- 5.16 KPMG have been awarded the contract to audit the Statement of Accounts from 2023/24 to 2027/28. However, they will not be able to commence the 2023/24 audit until EY have completed the 2022/23 audit which is currently not scheduled until mid 2024. Given that the resourcing issues are a national problem, it is not guaranteed that the situation will improve under the new contract.

## **HMICFRS**

- 5.17 The third round of full HMICFRS inspections has commenced. All Fire Services will be inspected over a 2 year period. NFRS are in the second tranche of inspections which is due to commence in the Autumn of 2023.

## **Covid-19**

- 5.18 The Service does not anticipate any ongoing impact on governance arrangements during 2023/24 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 Service's policies and procedures continue to be updated and reviewed (3.12).
- 6.3 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 (sections 1.3 and 3.23 - 3.24). The Authority's compliance against the Financial Management Code was reviewed by Internal Audit in 2021/22 – the report acknowledged that effective controls were in place regarding self-assessment, leadership, accountability, long term sustainability and value for money.
- 6.4 Whilst the 2021/22 and 2022/23 Statement of Accounts are yet to be audited, the External Auditors, Ernst & Young (EY), issued unqualified audits for the first 3 years of their contract (2018/19 and 2020/21), which indicates that the financial systems in place are robust (see sections 4.37 – 4.45).
- 6.5 Despite the delays to the audit of the Statement of Accounts and Value for Money Audits by the Authority's external auditors (EY), the Service's internal auditors (Nottinghamshire County Council) have completed a comprehensive audit programme which provides a high level of assurance. The Internal Audit Annual Report provided a judgement of Substantial Assurance regarding the arrangements in place for corporate governance, risk management and the control environment (see sections 4.27 - 4.36).

- 6.6 Seven internal audits have been completed within the year, 2 being graded as having Substantial Assurance and 5 being as having Reasonable Assurance. Three other external reviews have taken place (see section 4.35), all of which provided reasonable or substantial assurance.
- 6.7 The Internal Audit Charter was adopted by Finance and Resources Committee in June 2022 (section 4.30). The annual Internal Audit Plan is reviewed by SLT and approved by Finance and Resources Committee (4.31). All recommendations arising from internal audit reviews are actioned and monitored by SLT and Finance and Resources Committee (4.32).
- 6.8 The Service’s second full HMICFRS inspection provided a rating of Good against all 11 areas of assessment (sections 4.46 - 4.47).
- 6.9 The Service continues to address any governance issues as they arise and commits to keeping governance arrangements under review (see sections 4.6 – 4.7).

Signed.....

Councillor Michael Payne  
**CHAIR OF THE FIRE AUTHORITY**

Signed.....

Craig Parkin  
**CHIEF FIRE OFFICER**