



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL GOVERNANCE STATEMENT 2023/24

Report of the Chief Fire Officer

Date: 26 July 2024

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:

It is recommended that Members:

- Approve the draft Annual Governance Statement 2023/24 presented at Appendix A to this report;
- Delegate authority to the Chair of the Authority and the Chief Fire Officer to update the final Annual Governance Statement 2023/24 for any retrospective factors that occur between the draft Annual Governance Statement and the publication of the final Annual Governance Statement.

CONTACT OFFICER

Name: Bev Bull
Head of Finance and Treasurer to the Authority

Tel: 0115 8388100

Email: bev.bull@notts-fire.gov.uk

Media Enquiries Contact: Corporate Communication Team
0115 8388100 corporatecomms@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. The draft Annual Governance Statement was included in the draft unaudited 2023/24 Statement of Accounts which were made public on the website by 31 May 2024, in line with the Accounts and Audit Regulations 2015. It reflects the governance of the organisation as at 31 March 2024 taking into account factors up to the 31 May 2024, it is required to be updated to reflect any retrospective factors up to the approval of the final audited Statement of Accounts, such as the impact of HMICFRS inspection report and any audit reports received.
- 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 2023/24 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 draft Annual Governance Statement 2023/24 is attached to this report at 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 the Chartered Institute of Public Finance and Accountancy'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 three 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 Five internal audits have been completed within the year, four being graded as having 'Substantial Assurance' and one having 'Limited Assurance', where limited assurance was received, six recommendations have been agreed by management and actions to implement the recommendations are in progress.
- 2.8 The Internal Audit Charter was adopted by the Finance and Resources Committee in June 2022. The annual Internal Audit Plan is reviewed by the Strategic Leadership Team (SLT) and approved by the Finance and Resources Committee. All recommendations arising from internal audit reviews are actioned and monitored by SLT and the Finance and Resources Committee.
- 2.9 The Service's second full HMICFRS final inspection report issued in July 2022 provided a rating of 'Good' against all 11 areas of assessment. The Service is currently waiting for the HMICFRS final inspection report and ratings for the third inspection that took place in March and April 2024.
- 2.10 The Service continues to address any governance issues as they arise and commits to keeping governance arrangements under review.
- 2.11 On 17 July 2024, the Service received the Annual Review letter 2023-24 from the Local Government and Social Care Ombudsman (LGSCO). LGSCO is the final stage of the complaints process for fire and rescue authorities. The letter reports:
- No complaints and enquiries received in the period;
 - No decisions made in the period;
 - No requirements for compliance with recommendations recorded during the period.
- 2.12 LGSCO encourages the Service to report the letter with colleagues with scrutiny and oversight responsibilities and for it to be considered as part of the corporate governance processes. Therefore, the Annual Governance Statement will be updated between the draft and final to reflect this information.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report.

5. EQUALITIES AND ETHICAL IMPLICATIONS

An equality impact assessment has not been undertaken because the Authority's approach to inclusion and equality already forms part of its governance framework. There are no ethical implications arising from this report.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental or sustainability 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

It is recommended that Members:

- 10.1 Approve the draft Annual Governance Statement 2023/24 presented at Appendix A to this report.
- 10.2 Delegate authority to the Chair of the Authority and the Chief Fire Officer to update the final Annual Governance Statement 2023/24 for any retrospective factors that occur between the draft Annual Governance Statement and the publication of the final Annual Governance Statement.

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

None.

Craig Parkin
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE FIRE AND RESCUE AUTHORITY
DRAFT 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.
- 3.7 Our ambition is focused around four strategic pillars:
- Community Outcomes,
 - Equality Diversity and Inclusion,
 - Strong governance and financial sustainability,
 - Our professional and committed workforce.
- 3.8 The plan sets out our priorities, focusing on six strategic goals which explain how we will deliver for our commitments.
- Strategic goal 1: We will help people stay safe from fires and other emergencies
 - Strategic goal 2: We will improve fire safety in the buildings people live and work in
 - Strategic goal 3: We will respond immediately and effectively to emergency incidents
 - Strategic goal 4: We will continue to support and develop our workforce and promote an inclusive Service
 - Strategic goal 5: We will continue our improvement journey to deliver an outstanding Service
 - Strategic goal 6: We will manage and invest in our Service to ensure it is fit for the future
- 3.9 The Plan sets out to achieve these goals using annual delivery 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 2023/24 Statement of Assurance will be presented for approval by Fire Authority in July 2024.

The Internal Control Environment

- 3.10 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

3.11 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

3.12 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.

3.13 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 and Regulations

3.14 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

- 3.15 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”

- 3.16 The responsibility for ensuring an effective internal audit function rests with the Authority Treasurer as part of their Section 112 obligations.
- 3.17 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.
- 3.18 The Authority reviews Internal Audit as an integral part of the corporate governance framework

Risk Management Strategy

- 3.19 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 Service’s Head of Risk and Assurance on behalf of the Chief Fire Officer.
- 3.20 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)

- 3.21 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

- 3.22 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.
- 3.23 In 2023/24 and 2024/25 the Home Office has required that the Authority produce and publish Productivity and Efficiency plans. The plan requires the authority to demonstrate 2% non-pay efficiency savings and 3% increase in productivity. The [Productivity and Efficiency plans](#) are published in the website.

Financial Management

- 3.24 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.
- 3.25 The timetable for publishing and auditing the Authority's Statement of Accounts is set out in the Accounts and Audit Regulations 2015, amended by the Accounts and Audit (Amendments) Regulations 2022. The deadline for publishing the unaudited accounts for 2023/24 is the 31 May 2024 and the approval by Fire Authority of the audited accounts is due by the 30 September 2024. (The deadline for the audited accounts may change following consultation on addressing the backlog in local government audits.)

Financial Management Code

- 3.26 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.

3.27 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 May 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.
- The Personnel Committee.
- The Appointments Committee.

4.4 In addition to the above Committees, there are also boards for Strategic Inclusion 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's have been updated to reflect lessons learned. During 2023/24 internal audit reviewed the service's BCM arrangements and delivered a judgement of substantial assurance.
- 4.15 Information Security (data and physical security) were also reviewed by internal Audit during 2023/24 and delivered a judgement of substantial 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. During 2023/24 the monitoring officer role has been fulfilled by a qualified solicitor provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council, this has been the arrangement for many years. From the 28 April 2024 the post holder has retired from Nottingham City Council and the Authority has approved the appointment of the post holder as Monitoring Officer employed directly by the Authority. Nottingham City Council continue to provide 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 Head of Finance and Treasurer post within the Service. This post holder for Head of Finance and Treasurer changed during 2023/24, with the former post holder leaving the Service in November 2023 and the new post holder commencing in March 2024. In the interim period the role of the Treasurer to the Authority was provided by the Chief Finance Officer for Nottinghamshire Police. The 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*. Each post holder during the year have been professionally qualified and have 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 further reports being considered by the Authority in September 22, July 2023 and February 2024. The Strategy remains the vehicle for transforming the service and increasing efficiency and effectiveness in 2024/25.
- 4.23 The 2024/25 budget report considered by Fire Authority in February 2024 identified a potential £1.9m gap in funding for 2025/26 which remains to be addressed through careful budgeting and savings identified through the Futures 25 Efficiency Strategy and through a newly established Efficiency Roadmap to achieve further savings. The service is predicting that it will need to utilise the earmarked budget pressure reserve to smooth the budget gap whilst savings are fully achieved and embedded.

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 – i.e. 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 – progress has been made on this recommendation, with the updated Scheme of Delegation being approved at the December 2022 Authority meeting and the Members’ Allowances scheme being reviewed by the Independent Remuneration Panel and reported to The Fire Authority 23rd February 2024. A review of standing orders has been completed with the review of Financial Regulations.
 - Professional Standards – Financial Regulations, Financial Procedures and Statement of Financial Principles are out of date – these have been reviewed and updated, there has been a delay in finalising them due to the change in Head of Finance and Treasurer. This will be completed and presented to Finance and Resources Committee for approval by October 24.

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 2023/24 will be reported to Fire Authority on the 26 July 2024. 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:

- *The assurance opinions on our audits are mostly substantial assurances, in particular for the core systems audited in this and recent previous years*
- *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 Five 2023/24 audits have been finalised during the year. One of the planned audits for 2023/24 has been postponed until 2024/25 due to the area of work not being progressed enough to enable meaningful assurance to be given. A summary of the six 2023/24 planned audits are provided in the table below:

Summary of 2023/24 Audits

Report	Assurance Level
Contract Management	Limited – 6 recommendations made and agreed by management
Information Security (data and physical security)	Substantial
Workforce Planning & Recruitment	Substantial
Health & Safety	Substantial
Business Continuity Planning	Substantial
Leading the Service – National Fire Standard	None – audit postponed to 2024/25

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 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 are appointed through a national contract via Public Sector Audit Appointments (PSAA). The External Auditors for 2018/19 through to 2022/23 were Ernst Young LLP – (EY). From 2023/24 to 2027/28 the External Auditors are KPMG.

4.38 The External Auditors 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.

4.39 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.
- 4.40 Both the 2021/22 and 2022/23 audits have been delayed due to resourcing issues at EY. This is a national issue caused by the increased amount of regulatory requirement and the lack of audit resources within the public sector. The 2021/22 audit commenced during July 23 and a substantial amount of the audit has been completed. In February 2024 the Department of Levelling Up, Housing and Communities opened a consultation on 'Addressing the local audit backlog in England'. The consultation proposed a backstop date for all accounts up to and including financial year 2022/23 to be cleared by 30 September 2024 and proposed to allow auditors to issue a modified or disclaimed opinion due to the backstop.
- 4.41 In light of the consultation EY are not progressing any further work on the 2021/22 and 2022/23 Statement of Accounts, they are continuing to progress their work for their commentary on Value For Money (VFM) for 2021/22 and 2022/23 and this is expected to be reported to the Fire Authority in July 2024.
- 4.42 A response to the consultation or any further guidance has not yet been published.
- 4.43 The statement of accounts in the first 2 years of the contract with EY (2018/19 and 2019/20) both received an unqualified audit and unqualified VFM conclusion. The 2020/21 statement of accounts received an unqualified audit however a VFM conclusion is yet to be received. The previous years unqualified audits and VFM conclusions provides some assurance around that the financial systems in place are robust.
- 4.44 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.
- 4.45 The contracted audit fee for the 2023/24 Statement of Accounts is £94,838 (£32,648 for 2022/23). There has been a significant increase in audit fees, this is due to additional work that is required by the Code of Audit Practice and supporting guidance published by the National Audit Office on behalf of the Comptroller and Auditor General, and following the PSAA's national auditor appointment procurement for the period 2023/24 to 2027/28, which has resulted in a procurement adjustment of 151% for the new contract rates for audit firms.

Her 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 a third inspection by the HMICFRS during Services during March and April

2024. The inspection includes an assessment of 11 areas, with possible gradings of outstanding, good, adequate (an additional grade added as part of the third inspection regime), requires improvement and inadequate for each area. The service is waiting for feedback.

4.47 The second inspection by HMICFRS was completed in October and November 2021. The final report was published 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.

4.48 Actions have been taken to address each of the 4 AFI's. The AFI relating to understanding of well-being provision by staff was closed by the Policy and Strategy Committee 2 February 2024 and the other three AFI's were closed by Fire Authority 23rd February 2024.

Other External Audits

4.49 The National Resilience Assurance Team (NRAT) seek to provide assurance to the Government relating to national resilience arrangements. They do this through a comprehensive assurance programme. The Service had 5 areas audited by NRAT during 2023/24.

- **Marauding Terrorist Attack Capability.** NRAT concluded that the Service demonstrated that the MTA capability is in a very strong position with an effective and tested response evidenced. The audit highlighted that the Service's MTA specialist responders are well-trained and well-equipped, and that Service have evidenced strategic planning, allowing a swift and coordinated response to a terror attack.
- **National Interagency Liaison Officer Capability.** The Service were deemed to have a capable, knowledgeable, well-trained, and prepared NILO cadre and were commended by the national NILO group. Two actions for improvements were required, one has been implemented and the other will be complete by December 2024.

- **High Volume Pump Capability.** The Service received 15 instances of good and 1 area requiring improvement where the final action is in the process of being implemented.
- **Service's Flood and Rescue Capability.** The audit determined that the Service were deemed to have a prepared and capable flood rescue asset and were commended in the report. There was one area for improvement which is being completed.
- **Enhanced Logistical Support.** NRAT carried out an assessment of the Service's ELS capability. However, as the asset has now been removed from the Service in April 2024, following a change in the national model for this capability, it has not been possible for this assessment to be finalised. The Service's ELS capability has been widely commended over the years.

National Fire Standards

4.50 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

4.51 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

4.52 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.

- 4.53 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.
- 4.54 The report presents 35 recommendations from HMICFRS to improve the sector. Of note, 20 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.
- 4.55 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.
- 4.56 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 to incorporate the Core Code of Ethics.
- 4.57 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.
- 4.58 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).
- 4.59 Whilst progress of this workstream will be monitored by the Chief Fire Officer through the CRMP Assurance Board, actions against the HMICFRS specific recommendation are also be reported to the Human Resources Committee.
- 4.60 An update report was presented to Human and Resources Committee 19 April 2024. In relation to the 35 recommendations, 20 of which are owned by Chief Fire Officers. Whilst some of the timescales have lapsed on these recommendations, 12 have been completed, with work well underway on the remaining eight recommendations.
- 4.61 A range of other workstreams relating to the Service's culture, diversity and inclusion aims and objective are being progressed. The Service continues to invest in the workforce and community engagement, via staff networks, the community advisory group and the community befriending scheme, including rolling out inclusive leadership training to all middle and senior leaders and undertaking a review of the prevention service to enhance dedicated resources for community engagement.

5 SIGNIFICANT ISSUES FOR GOVERNANCE IN 2024/25

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, the response from the consultation was issued by Government in December 2023. An update on the consultation response was reported to the Fire Authority meeting 23 February 2024.
- 5.2 In summary, many of the consultation responses require further detail for the implications to be clearly understood and any implementation of changes identified will require legislative change, or changes to the National Framework Document. Fire Authority will continue to receive further updates on sector reform.

East Midlands Combined County Council Authority - Devolution Programme

- 5.3 In February 2024 regulations were passed to allow the East Midland Combined County Council Authority (EMCCA) to be created and in May 2024 an election to appoint the first Mayor of the EMCCA took place. The creation of the EMCCA covering Nottingham, Nottinghamshire and Derby and Derbyshire, sees the creation of a long-term investment fund totalling £1.14bn over 30 years to improve people's lives through better housing, improved transport, and new job opportunities.
- 5.4 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.

2024/25 Budget

- 5.5 The Authority approved a budget for 2024/25 in February 2024 which required £139k use of General Fund Reserves. This includes an approved council tax increase of 2.95% and a Guaranteed Core Spending Power increase of 4%. Monitoring of expenditure against the budget is reported to Finance and Resources Committee.

Medium-Term Financial Strategy and 2025/26 Budget

- 5.6 Budgets for 2025/26 to 2027/28 are due to be agreed by Fire Authority in February 2025. When the current budget was set in February 2024 there was an expected deficit position for 2025/26 in the region of £1.9m.

- 5.7 The Futures 25 Efficiency Strategy was initially outlined at Policy and Strategy Committee in May 22 with the high level aims of identifying savings, as well as supporting increased productivity through investment in systems and process improvements. Updates were received by the Authority in July 2023 and February 2024. An Efficiency Roadmap has also been developed to support the 2025/26 budget onwards to deliver savings and ensure alignment of the new CRMP with the Medium-Term Financial Strategy.
- 5.8 The Fire Authority approved the creation of a Future 25 Programme earmarked reserves to provide resources to implement any necessary changes coming out of the Futures 25 programme and a Budget Pressure reserve to support future year budgets. Given these earmarked reserves and anticipated savings from the Future 25 programme and the Efficiency Roadmap, the service is confident that it will be financially secure going forward.

Pensions

McCloud

- 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.
- 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 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.
- 5.11 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.
- 5.13 New pension legislation was passed in October 23 which provides more certainty about how the remedy is to be applied. The service has a further 18 months to ensure that it is properly implemented. There remains unresolved complications and uncertainties around interest and tax implications.

Matthews

- 5.14 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 was passed in October 23 and the service have a further 18 months to implement the remedy.
- 5.15 The Local Government Association is working alongside Fire Services to implement the changes and, an exercise is now underway to contact individuals who are 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.
- 5.16 Nationally there are known issues with the Government Actuary's Department (GAD) calculator that is used to calculate the financial implications for individuals of the remedy and there are unresolved complications and uncertainties around interest and tax implications which are currently delaying implementation.
- 5.17 The corporate risk register includes a high risk in relation to the service ability implementing the pension remedies for McCloud and Matthews by the 31 March 2025. The Authority approved the creation of a £200k earmarked reserve to cover potential pension related remedy costs in April 2022 which remains in full, and the pension remedies have been identified as a contingent liability in the Accounts.

Internal Audit

- 5.18 The 2024/25 Internal Audit Plan is to be approved by Fire Authority in July 2024. It includes provision for 6 audits during 24/25. These are procurement, corporate governance, replacement mobilising system, data protection, firefighters' remuneration system and compliance with the National Fire Standard for Leading the Service.

External Audit

- 5.19 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.
- 5.20 In February 2024 the Department of Levelling Up, Housing and Communities opened a consultation on 'Addressing the local audit backlog in England', which closed on the 7 March 2024. The consultation proposed a backstop date for all accounts up to and including financial year 2022/23 to be cleared by 30 September 2024 and proposed to allow auditors to issue a modified or

disclaimed opinions due to the backstop. A response to the consultation has not yet been published.

- 5.21 In light of the consultation EY are not progressing any further work on the 2021/22 and 2022/23 Statement of Accounts, they are continuing to progress their work for their commentary on Value For Money (VFM) for 2021/22 and 2022/23 and this is expected to be reported to the Fire Authority in July 2024.
- 5.22 KPMG have commenced their interim audit work for the 2023/24 Statement of Accounts and VFM commentary. They are planning to undertake the final audit work in July/August 2024. However, they will not be able to conclude their audit opinion on the Statement of Accounts until the 2021/22 and 2022/23 audit opinions are issued. Potentially, they may need to complete additional work around the opening balances if modified or disclaimed opinions are given for the 2021/22 and 2022/23 accounts due to the proposed backstop.

HMICFRS

- 5.23 The service is expecting to receive the report on the findings from the third round of inspection and will undertake actions to implement any Areas For Improvement.
- 5.24 The latest HMICFRS State of Fire report was issued in May 2024, and a thematic inspection report on the handling of misconduct allegations in fire and rescue services is to be released. These reports will be reviewed, and any learning and action needed will be embedded within the Service.

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 (3.14).
- 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 3.26 - 3.27). 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 Five internal audits have been completed within the year, 4 being graded as having Substantial Assurance and 1 having Limited Assurance, where limited assurance was received 6 recommendations have been agreed by management. Five other external reviews have taken place (see section 4.49), which in the main received reasonable or substantial assurance and action plans are being implemented for any required improvements.
- 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 4.47 - 4.48).
- 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