



# Auditor's Annual Report for Nottinghamshire and City of Nottingham Fire Authority

Year-ended 31 March 2024

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[Date]

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This report is addressed to Nottinghamshire and City of Nottingham Fire Authority (the Authority). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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**01**

# **Executive Summary**



# Executive Summary



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## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Nottinghamshire and City of Nottingham Fire Authority (the ‘Authority’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Authority alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Authority and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting (‘the Code’).



**Narrative report** - We assess whether the narrative report is consistent with our knowledge of the Authority.



**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Authority’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



**Other powers** - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Accounts</b>	<p>We issued a disclaimed opinion on the Authority accounts on [Date]. We do not express an opinion on the financial statements. Due to the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.</p> <p>We have provided further details of the key risks we identified and our response on page 8 and 9.</p>
<b>Narrative report</b>	<p>We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Authority.</p>
<b>Value for money</b>	<p>We are required to give an opinion as to whether the Authority has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.</p> <p>Our opinion is that the Authority does have appropriate arrangements in place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 10.</p>
<b>Other powers</b>	<p>See overleaf.</p>

# Executive Summary



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There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Authority is taking. We may also apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

**We have not applied to the courts this year.**

## Recommendations

We can make recommendations to the Authority. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Authority does not need to take any action, however, should the Authority provide us with a response, we will include it within this report.

**We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.**

**We have not raised any other recommendations.**

## Advisory notice

We may issue an advisory notice if we believe that the Authority has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**We have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Authority. Where we raise observations we report these to management and the Finance and Resource Committee. The Authority is not required to take any action to these, however it is good practice to do so and we have included any responses that the Authority has given us.

02

# Audit of the financial statements



# Audit of the financial statements



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## KPMG provides an independent opinion on whether the Authority's financial statements:

- Give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Our audit opinion on the financial statements

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date.

We do not express an opinion on the financial statements. Due to the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

The full audit report is included in the Authority's Annual Report and Accounts for 2023/24 which can be obtained from the Authority's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements



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The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>Professional standards require us to communicate the fraud risk from management override of controls as significant.</li> <li>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</li> <li>We have not identified any specific additional risks of management override relating to this audit.</li> </ul>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address the significant risk associated with management override of controls:</p> <ul style="list-style-type: none"> <li>We evaluated accounting estimates and have not identified any indicators of management bias in these nor did we identified any significant unusual transactions that impacted both our assessment or response to this area of significant risk.</li> <li>We assessed the underlying assumptions used to prepare accounting estimates.</li> <li>We evaluated the selection and application of accounting policies.</li> <li>We analysed all journals through the year and focused our testing on those with a higher risk, such as journals impacting non pay expenditure, journals posted containing fraud or error in its descriptions, and journals posted without description.</li> </ul>	<p>We did not identify any material misstatements relating to this risk..</p>



# Audit of the financial statements



Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Valuation of post-retirement benefit obligations</b></p> <ul style="list-style-type: none"> <li>The valuation of the post-retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.</li> <li>The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Authority in completing the year end valuation of the pension deficit and the year-on-year movements.</li> <li>We have determined that this risk applies to the Firefighters' pension scheme only and does not apply to LGPS. This is due to the fact that LGPS pension scheme defined benefit pension liability is less significant compared with Firefighters' pension scheme.</li> </ul>	<p>We have performed the following procedures :</p> <ul style="list-style-type: none"> <li>Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;</li> <li>Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;</li> <li>Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;</li> <li>Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</li> <li>Confirmed that the accounting treatment and entries applied by the Authority are in line with IFRS and the CIPFA Code of Practice;</li> <li>Considered the adequacy of the Authority's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;</li> <li>Evaluated the design and implementation of controls in place for the Authority to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;</li> </ul>	<p>We did not identify any material misstatements relating to this risk.</p>

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# **Value for Money**



# Value for Money



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## Introduction

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Authority for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



**Financial sustainability:** How the Authority plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Authority ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	13	14	15
<b>Identified risks of significant weakness?</b>	x No	x No	x No
<b>Actual significant weakness identified?</b>	x No	x No	x No
<b>2022-23 Findings</b>	No significant weakness identified	No significant weakness identified	No significant weakness identified
<b>Direction of travel</b>	↔	↔	↔

# Value for Money

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## National context

We use issues affecting Fire Authorities nationally to set the scene for our work. We assess if the issues below apply to this Fire Authority.

## Financial performance

Fire Authorities are generally funded through council tax, business rates and other government grants. Over recent years, Fire Authorities have been expected to do more with less, experiencing a real-term decrease in funding over the years when compared to inflation. This has caused Fire Authorities to change the way that services are delivered in order to remain financially viable and affordable.

As part of the 2021/22 Spending Review, the National Fire Chiefs Council and the Local Government Association proposed that across Fire and Rescue Authorities in England, the fire and rescue sector could create 2% of non-pay efficiencies and increase productivity by 3% by 2024/25. It is a requirement that all Fire Authorities publish their Efficiency and Productivity Plan on the Authority's website, explaining how they intend to plan and report on efficiencies and outline the savings they plan to deliver, as well as the plan to increase productivity outputs and their commitment to increasing efficiency where possible to enable reinvestment and maintain a sustainable financial position.

## Culture and workforce

Culture in the Fire and Rescue Service has faced significant national scrutiny in 2023/24 following adverse media at some authorities and a focus on culture as part of inspections performed by HM Inspectorate of Fire and Rescue Services.

Fire Authorities are very people-intensive organisations, with circa 77% of total expenditure being made up of staff costs. The culture a Fire Authority embeds across the organisation therefore plays a big part in how successfully the Authority is able to provide and deliver services and achieve their priorities. This requires an effective strategy and culture to be established to ensure a highly-skilled, motivated and diverse workforce are in place to deliver services to the communities they serve, without feeling discriminated or harassed within the workplace.

## Local context

The Nottinghamshire and City of Nottingham Fire Authority is responsible for ensuring Nottinghamshire Fire and Rescue Service has the people, equipment and training needed to carry out its duties for fire prevention, fire safety, firefighting and rescue, road traffic collision extrication and rescue, and other emergency rescue activities such as responding to flooding or terrorism.

The Authority is known as a Combined Fire Authority (CFA) as it's made up of councillors from Nottingham City Council and Nottinghamshire County Council. It is chaired by Councillor Audra Wynter (City Council) and the Vice-Chair is Cllr Sybil Fielding. Bev Bull is the Treasurer of the Authority, and Malcolm Townroe is the Monitoring Officer of the Fire Authority.

The Authority has a legal duty to:

- Identify and assess all foreseeable fire and rescue related risks that could affect the county of Nottinghamshire
- Put in place appropriate measures to reduce those risks

The Authority makes decisions on key matters such as strategy, policy and the budget. Meetings are held at our Fire and Rescue Service Headquarters in Arnold and the public is welcome to attend (although you will not be able to ask questions), apart from when confidential or personal information is being discussed.

# Financial Sustainability

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## How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Financial Planning

The Authority has a statutory duty to breakeven within the budget. The budget setting process involved stakeholders at all levels of management hierarchy and takes place as part of the annual business planning process. A “Medium Term Financial Strategy” (MTFS) has been formulated encompassing the financial implications of the known challenges encountered to maintain current operations whilst pursuing the goals and objectives. The MTFS takes into account the financial forecast, encompassing both internal and external resources, over the medium term, and services as the foundation for compiling the budget for the following years.

A revenue budget is prepared alongside a capital program that are both strategically aligned with the aims and objectives outlined in the MTFS. This process takes into consideration local pressures as well as efficiency savings necessary to achieve the aims and objectives. It is seamlessly integrated into the annual budget setting process.

The budgets and MTFS undergo review and approval by Community Risk Management Plan Board and the Fire and Rescue Authority. This multi-tiered approval process ensures thorough considerations of the budgets by key stakeholders across all levels within the Authority. Presenting reports at these meetings facilitates open discussion, allowing for issues to be raised, deliberated upon, and appropriate actions agreed.

## Monitoring of ongoing financial performance

Various stakeholders, including the FRA members, closely monitor and scrutinise the financial position. Quarterly revenue and capital performance monitoring reports are presented to the Finance and Resource Committee by the Head of Finance and Treasurer, encompassing fund budgets and capital allocations.

The 2023/24 MTFS highlighted a funding shortfall for 2023/24 onwards. The projected revenue for 2023/24 was set as £49.97m. The approved budget included a £404k use of the budget pressure support reserve to address the budgeted funding deficit. During the year, additional use of other specific earmarked reserves were approved, increasing the budget to £50.26m. As of July 2024, the revenue and capital outturn report indicated a total underspend of £1.33m, representing 2.64% of total spend. This includes a £735k underspend on pay expenses which is largely due to vacancies in the establishment.

The 2024/25 MTFS presented and approved in February 24 also highlighted a funding shortfall that might necessitate utilising transformation reserves for 2024/25 onwards. The gaps arises from several challenges, notably the inflation pressures and uncertainties around funding allocation and pay awards. However, the MTFS have accounted for the uncertainty within the reserve strategy and the Authority maintains sufficient reserves to address any additional funding gap as a result of this.

# Governance



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## How the Authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Authority approaches and carries out its annual budget setting process;
- how the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

## Risk Management

The Authority has a risk management process in place, which allows the Authority to identify and monitor risks. All identified risks are subject to scrutiny and challenge by the principal officers and the area management team, to ensure an appropriate risk score and mitigations in place. It was noted that the risk register does not currently include climate change risks. As a result, a recommendation has been raised to address this gap. Our review of the risk register found this was sufficiently detailed to effectively manage key risks, and sufficient actions identified which set out how the Authority intends to achieve a target risk level. Relevant reporting of current and open risks take place on a six monthly basis to Finance and Resource Committee.

## Framework of control, decision making and audit arrangements

The Authority have in place a governance structure and a Financial Principles, Financial Procedures and Final Regulations policy which are aligned to best practice and show clear delegated responsibilities. It was noted that the Terms of Reference for the Finance and Resources Committee and Performance Committee date back to 2015. Consequently, a recommendation was made for the Authority to conduct regular reviews and updates of the Terms of Reference to ensure they remain relevant and aligned with current practices.

The Authority undertakes a number of measures to prevent and detect fraud. The Authority has established policies and procedures, including the Employee Code of Conduct, which outlines expected standards of behaviour, policy on conflict of interest and whistleblowing, in place to monitor any fraud and related risks. The policies are reviewed regularly to ensure that these are up to date. The Authority operates under the oversight of the Fire and Rescue Authority responsible for managing and approving critical decision. The Terms of Reference governing Fire and Rescue Authority operations undergo regular review to ensure compliance and effective in monitoring processes.

Internal audit services are outsourced and management responses and action plans are devised to address any deficiencies identified in the audit recommendations.

## Response to reports from regulators

The Authority has implemented improvement plans to address findings from 2020/21 HMICFS inspections. Additionally, recommendations arising from the inspection were incorporated into the Community Risk Management Plan. It was noted that the most recent HMICFRS inspection report was released in September 2024. The report highlighted 10 out of 11 areas inspected received "Good" ratings, while one area was rated as "Adequate". This demonstrates that appropriate governance arrangements are in place to support the improvement plan following the previous inspection in 2020/21.

# Improving economy, efficiency and effectiveness



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## How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

## Planning and delivery of efficiency plans

The Authority's MTFS budget setting process includes steps to identify planned efficiencies and savings for the upcoming four years. An Efficiency and Productivity plan has been implemented for 2023/24. The National Fire Chiefs Council (NFCC) and the Local Government Association (LGA) have proposed that across Fire and Rescue Authority's in England, the sector could create 2% of non- pay efficiencies. During the budget- setting process for 2023/24, the Authority identified savings of £1.1m, which were either reinvested in Community Risk Management Plan projects or contributed towards reducing the deficit. This amount exceeds the 2% target set by the NFCC and the LGA. However, it is important to note that some of these savings include pay related expenses, some of which are one- off in nature.

## Performance reporting

The Authority has established strategic goals outlined in its Community Risk Management Plan and the Service developed supporting projects, including Future 25 and Home Office Efficiency and Productivity Plan, to achieve these objectives. Progress on program delivery is reviewed quarterly during the Fire and Rescue Authority.

A quarterly performance report on non- financial metrics is presented to the Community Safety Committee, highlighting areas where performance falls below targets. For example, 2023-24's report noted that the average attendance time was higher than the target set for the year. However, detailed explanations and action plans were provided to address the shortfall. Based on this, we consider the processes for identifying and responding to areas of poor performance to be sufficient

The Authority has established the Programme and Performance Board to monitor progress against the strategic objectives set by the Combined Fire Authority (CFA). The Programme and Performance Board reviews performance reports and key performance indicators from all areas of the Authority and provides oversight for significant corporate projects.

## Response to reports from regulators

The most recent HMICFRS inspection report was released in September 2024. The report indicated that the Authority have appropriate arrangements to ensure its services are effective. See page 14 for details.



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