

MERSEYSIDE FIRE AND RESCUE AUTHORITY ANNUAL GOVERNANCE STATEMENT

1.0 SCOPE OF RESPONSIBILITY

- 1.1** Merseyside 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 and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty 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, delivering its functions, and which includes arrangements for the management of risk.
- 1.3** The Authority sets out the arrangements for the governance of its affairs in its constitution (a copy of this can be found at www.merseyfire.gov.uk). The Authority has also approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework "*Delivering Good Governance in Local Government*". A copy of the Code is attached as Appendix B to this statement.
- 1.4** This statement explains how MFRA has complied with the Code and also meets the requirements of the relevant legislation and applies best practice in governance.

2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1** The governance framework comprises the systems and processes, culture and values, for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.2** The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Merseyside Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3** The governance framework has been in place at the Authority for a number of years and in particular for the year ended 31 March 2011.

3.0 THE GOVERNANCE FRAMEWORK

- 3.1** Attached as Appendix B to this Annual Governance Statement is the current Code of Corporate Governance that the Authority has committed to in carrying out its duties and responsibilities

- 3.2** Summarised below are some of the key elements of the systems and processes that underpin the Authority's governance arrangements:

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

- 3.3.1** After consulting with the citizens of Merseyside and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the purpose, aims and service objectives for the organisation. The Authority approved the 2010 – 2013 IRMP at its meeting on the 18 March, 2010, and the IRMP established the service priorities for 2010/11.

- 3.3.2** The Authority's purpose is to "Make Merseyside a safer, stronger, healthier community" and it delivers this by working in partnership with others to provide an excellent, affordable service to all the diverse communities of Merseyside that strives to reduce risk, respond quickly and restore the quality of life in the communities. To deliver this the Authority has established four key corporate aims:

- **Reduce Risk** – risk throughout the community by protective community safety services.
- **Respond** quickly to emergencies with professional staff who reflect the diverse communities we serve.
- **Restore**, maintain and improve the quality of life in our communities.
- **Resource** the organisation in a manner which will provide an efficient, cost effective and sustainable service to the people of Merseyside

3.4 Monitoring the achievement of the Authority's objectives through a comprehensive performance management framework:

- 3.4.1** IRMP and other service projects together with the Best Value Performance Plan targets and Equality schemes are incorporated into one document – the Service Plan. There is an ongoing system of monitoring and reporting on the achievement of projects in the Service Plan via regular reports to the Community Protection Committee and the senior management team. Local IRMPs have also been developed to give details of the activities taking place in each district. The reporting process applies traffic light status to each action point in the Service Plan and attention is drawn to progress achieved and matters to be addressed. Copies of the Service Plan can be found on the Authority's website.

3.5 The Internal Control Environment:

3.5.1 The Authority's internal control mechanism comprises many systems, policies, procedures and operations, however the system can not eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority where possible eliminates the risk. If this is not possible then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below:

3.5.2 Policy and decision making process

The Authority has meaningful democratic control over its activities via an **approved committee structure** with agreed powers and duties that are reviewed once a year at the Authority's annual general meeting. The Authority has a **written constitution** that was reviewed in 2010/11 and approved by the Authority meeting on 9th June 2010 (CFO/108/10), which is published and sets out how the Authority operates, how decisions are made, and the procedures which are followed to ensure these are efficient, transparent and accountable to local citizens. The Constitution is reviewed every year at the Authority's AGM

The Authority operates an **Executive Leadership Board** at which the Chairman, Vice-Chairman, and Party Group Leaders meet with ELT and other stakeholders as required to consider the strategic vision and instigate future plans/targets for the Authority.

The Authority also runs Member strategy days and "learning lunches" to help Members discuss issues in more detail and in an informal environment.

3.5.3 Management Structure

Management Structure - The Authority has a **clear management structure** with defined roles and responsibilities, an Executive Leadership Team, ELT, who meet on a weekly basis. In 2010/11 ELT included the Chief Executive & Chief Fire Officer, Deputy Chief Executive & Deputy Chief Fire Officer, Assistant Chief Fire Officer and the Assistant Chief Executive & Treasurer. ELT is supported by a Corporate Leadership Team, CLT, who meet on a fortnightly basis which in addition to the Executive Team includes all the directors from operational and non operational sides of the Authority in addition to a non executive director post. The non executive director post offers a level of independence on ELT and CLT, provide additional scrutiny and advice that can assist Members and management, and, potentially improve the performance of the Authority by presenting a challenge to the culture and strategy of the organisation. The Authority has an **approved scheme of delegation** to officers that is reviewed by Members on an annual basis.

3.5.4 Established Policies, Procedures & Regulations

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, fraud response and confidential reporting. The Authority carries out an annual review of standing orders, financial instructions and the scheme of delegation which clearly define how decisions are taken and the processes and controls required to manage risks. The list below outlines some of the **key policies and process in place to enhance the internal control system** that are reviewed as and when required:

- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations, Procedural & Contract Standing Orders, Scheme of Delegation
- Anti Fraud & Corruption Policy & Strategy
- Fraud Response Plan
- Confidential Reporting Policy
- Complaints procedure
- Code of Corporate Governance
- Constitution
- Code of Conduct
- Full range of Equality and Diversity schemes
- Staffing Model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedure, discipline process, through to performance development reviews

3.5.5 The Corporate Leadership Team carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress against the action plans.

3.5.6 Internal Audit function

The Authority has a strong Internal Audit function arrangement with Liverpool City Council, and has well-established protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws, and regulations within their remit.

3.5.7 Risk Management Strategy

The Authority has a well established and embedded risk management strategy. The Audit & Value for Money Scrutiny Panel has corporate ownership of the risk register and receive quarterly updates on any new risks or changes to risks. The Corporate Leadership Team has corporate risk/opportunity and horizon scanning as a standing item for discussion at their fortnightly meetings. A risk management group is led by a principal officer from the Executive Leadership Team. The Authority has a nominated Member Sponsor for Risk Management.

3.5.8 Financial Management

Financial management in the Authority and the reporting of financial standing is undertaken through a general ledger and management information system which integrates the general ledger function with those of budgetary control and payments.

4.0 REVIEW OF EFFECTIVENESS

4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive 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
- External bodies

4.3 The Authority and Its Committees

4.3.1 The Authority Committee

The committee reviews the Authority's purpose, aims and strategic service objectives before the commencement of each financial year when considering the coming year's IRMP action plan. The approved action plan for 2010/11 continued to place prevention, protection and response at the heart of the organisation's focus of activity, set stringent performance targets which must be met, continued the strive for the efficient effective use of resources and created a core set of values through which it conducts its business.

The Authority considered at its Annual General Meeting on 09th June 2010 the format and structure of its democratic decision process by approving the powers and make-up of the approved committees. The full and detailed list of committee responsibilities can be found in the constitution document on the Authority's web site:

[http://www.merseyfire.gov.uk/asp/asp/pages/fire_auth/pdf/CFO_108_10_APPE
NDIX_A.pdf](http://www.merseyfire.gov.uk/asp/asp/pages/fire_auth/pdf/CFO_108_10_APPE
NDIX_A.pdf) ,

but are summarised as follows:

- Strategic Assets Committee – to determine new strategies, policies or changes in strategy relating to the development and delivery of services. Exercise financial control over expenditure within the approved revenue budgets and capital programme of the Authority. Establish and direct procedures for the implementation, monitoring and amendment of the revenue budget and capital programme and all other financial matters that impact on the Authority's financial position. Consider all matters related to the management of the Authority's assets including buildings, land, ICT and other assets.
- The Community Protection Committee – Consider all matters related to the development and delivery of services appropriate to this Committee. Consider all matters related to the delivery of services to the diverse communities of Merseyside, and the development, promotion and delivery of a coordinated strategy for developing and maintaining safer communities. To include safer & healthier communities, emergency response, reduction in fires, deaths & injuries, reduction in road traffic collisions, community cohesion, and youth engagement. To consider all matters relating to involvement with and delivery of Local District District Plans, and the preparation and delivery of the Authority's IRMP.
- The Standards Committee - charged with promoting and maintaining high standards of conduct by the elected and co-opted independent Members of the Authority. To monitor the operation of The Code of Conduct and to consider guidance from the Standards Board relating to conduct of Members. There have been no issues in 2010/11 However this may not be in operation after 2011 as the Localism Bill proposes that such Committees should be voluntarily established. Discussions are ongoing with other Authorities in Merseyside to consider a joint, pan Merseyside approach in the future
- Audit and VFM Scrutiny Panel – to act as the Authority's Audit Committee and ensure that the Authority provides value for money in all it's work. Scrutinise reports referred from the Authority or any of its Committees in relation to VFM issues. Receive reports on the effectiveness of internal control processes, including probity and to receive Internal Audit reports in this respect. Liaise with Audit Commission over the appointment of the external auditor. Comment on the scope and depth of external audit work, consider in detail the recommendations of the external auditor's annual audit's letter.
- Asset Management Scrutiny Panel – undertake scrutiny of the services provided by the Authority in relation to its Asset Management and Procurement functions.
- IRMP Scrutiny Panel – undertake scrutiny in the ongoing development of the Authority's Integrated Risk Management Plan. Assist in the development of the IRMP and Corporate Plan and scrutinise progress against these plans.

- Community Safety Scrutiny Panel – undertake scrutiny of the services provided by the Authority in relation to its Community Safety functions. These functions encompass matters relating to safer & healthier communities, emergency response, reduction in fires, deaths & injuries, reduction in road traffic collisions, community cohesion, and youth engagement.
- Executive Leadership Board – meeting of the Chairman, Vice-Chairmen, and Party Group Leaders. Also attended by ELT and other stakeholders as required. The Board consider the strategic vision and instigate future plans/targets for the Authority. The group consider new strategies for policies or changes in policy relating to the development and delivery of services appropriate to the Board. The Board contributes toward the overall savings target of the Authority through the regular scrutiny of expenditure and other budget related issues. Members and officers continued to work effectively together throughout the year in a constructive way.

4.4 Management Review

4.4.1 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.

4.4.2 There is a comprehensive system of performance management and review embedded within the Authority management structure and processes. The 2010/11 Service Plan broke down the Authority's key objectives for the year and identified a lead officer for each project. A "traffic light" system identified the actual progress against targets throughout the year and any areas of concern with options to bring the project back on track were reported to management and the Community Protection Committee. The Corporate Leadership Team received regular presentations from managers on the deliver of services against targets throughout the year and allowed the senior management team an opportunity to scrutinise progress. A fundamental part of the Authority's purpose was improved community safety and fire prevention and in 2010/11 the Authority set a target of just over 60,000 home fire safety visits and delivered over 70,000.

4.4.3 Risk management is a standing item on the Corporate Leadership Team agenda and the Authority's Risk Management Group lead by the Assistant Chief Executive & Treasurer meet on a regular basis throughout the year. The Risk Register was updated for new risks and the status of existing risks was re-assessed during the year. Risk management continued to be an integral part of the project management process and was a fundamental aspect of the business of the Authority.

4.4.4 The Authority employed appropriate professional staff:

- A Statutory Monitoring Officer (Section 5 LGHA) 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 and all relevant laws and regulations have been complied with.

- A Responsible Finance Officer (Section 73 LGA 1985) to ensure the proper and effective administration of the financial affairs of the Authority. The Assistant Chief Executive & Treasurer and his team have ensured the Authority approved a realistic and affordable five year financial plan for both revenue and capital expenditure which links to the IRMP and the Service Plan. The Authority continued to ensure it had strong 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. Details of the approved budget are available to all stakeholders in a simple and summarised statement on the Authority's website.

4.4.5 The Non Executive Director post allows independent external view and provided valuable contributions to the efficient and effective running of the Authority throughout 2010/11. The current post holder has carried out an important liaison and management role in relation to the Authority's work with the voluntary sector as well as offering challenge, advice and support to CLT and ELT.

4.4.6 Budget monitoring remained robust at strategic and service levels via the production of monthly financial monitors for cost centre managers. The "funds management" system prevents orders being raised against accounts with insufficient budget and provides an affective enhancement to the budget control process.

4.4.7 The Audit Commission approved an unqualified Statement of Accounts for 2009/10 and it is anticipated this will be repeated in 2010/11. A presentation by the Assistant Chief Executive & Treasurer on the final accounts together with a detailed year-end report to the Authority helped communicate the year-end message to Members in a clear and understandable format. A simplified summary statement of accounts is available on the Authority's Website to ensure the outturn position is communicated effectively to all stakeholders.

4.5 Internal Audit

4.5.1 The Authority procured its internal audit service under a service level agreement from Liverpool City Council and the arrangement and service was in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The internal audit plan for 2010/11, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Authority during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the relevant managers as appropriate and the Director of Finance. All finalised reports were submitted to the Audit and VFM Scrutiny Panel as part of the quarterly financial review reports, including a summarised statement on internal audit findings. The Annual Review of Internal Audit Report concluded that:

“the Authority’s internal control environment is adequate and generally effective, bearing in mind that any control system can provide only reasonable assurance and not absolute assurance”....”From our work carried out in 2010/11 we are not aware of any significant control weaknesses within MFRS which impact on the Annual Governance Statement”

Internal Audit carried out a review of the Authority’s governance arrangements in 2009/10 and concluded that the Authority has ***“a sound system of control in place with controls in the area of governance being consistently applied and effectively managed”***.

The Service has in place a system of policies, procedures and processes to enable it to support the six core CIPFA/SOLACE principles of good governance.

4.6 External Review

4.6.1 External audit services are carried out by the District Auditor on behalf of the Audit Commission. Under the revised Code of Audit Practice, the District Auditor is required to focus on corporate performance management and financial management arrangements, as these form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives, determining policy and making decisions;
- ensuring compliance with established policies, procedures, laws and regulations including the general duty of best value, where applicable;
- identify, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- managing its financial and other resources, including arrangements to safeguard the financial standing of the Authority;
- ensuring that the Authority’s affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption.

4.6.2 The District Auditor will comment upon whether the Authority is carrying out these arrangements satisfactorily during the 2010/11 financial year in the Annual Governance report and Annual Audit and Inspection Letter. These documents reflect the Auditor’s findings and conclusions from auditing the Statement of Accounts. The Auditor’s Annual Governance Report and District Audit Annual Letter (covering 2009/10) confirmed the Authority’s overall performance continues to be strong and the Authority received an unqualified opinion on the 2009/10 financial statements.

SIGNIFICANT GOVERNANCE ISSUES

4.7 The Authority faces significant challenges in 2011/12 & 2012/13 and the future as it modernises and implements its IRMP and delivers the medium term financial plan. Whilst no significant weaknesses have been identified in

control systems at present, the following have been identified as critical internal control issues for the forthcoming year;

- 4.7.1** The Authority has major plans to continue to tackle its relatively high costs, and to deliver a balanced medium-term financial plan. This involves introducing a number of new and innovative ways of working. The Authority will need to ensure its control frameworks make sure that these deliver the efficiencies and improvements expected.
- 4.7.2** The assumptions made in the medium term financial plan, particularly around inflation, pay awards, fire fighter pension contributions and future Government grants whilst based on the best information available are subject to change in such volatile times from the economy and public finances in general. The delivery of the savings in cash terms also assumes an estimate of the rate of staff turnover and in particular firefighter retirements. Taken together these factors result in a significant potential risk to the Authority's medium term financial plan. Reliable monitoring and forecasting processes are in place and the Treasurer will ensure any variation to assumptions made in the medium term financial plan are identified at the earliest possible time. The Financial Review reports will keep Members informed on the impact of any variation to the assumptions in the financial plan and recommended corrective action. ELT and the Executive Board will work to develop a range of contingency plans for managing risks.
- 4.7.3** The Authority is leading a North West PFI Project to replace 16 fire stations in Merseyside, Lancashire and Cumbria. It has set in place strong management arrangements for this £48m project, but needs to make sure this large scheme continues to be implemented effectively. The approved action plan and timetable is constantly reviewed and updated for any developments that require an alteration to the plan, and regular updates are provided to Members and the project board.
- 4.8** We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review

Signed.....
A. NEWMAN
CHAIRMAN

Signed.....
A. J. McGUIRK
CHIEF EXECUTIVE & CHIEF
FIRE OFFICER

Signed
K. TIMMINS
ASSISTANT CHIEF EXECUTIVE & TREASURER