

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 2010 and up to the date of the approval of the 2009/2010 Statement of Accounts.

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 vision and service objectives for the organisation. In 2009/10 the final part of the Authority's second IRMP (covering the period 2007 – 2010), outlined the service priorities for 2009/10.

3.3.2 The Authority's vision 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** – the Authority will reduce risk of fire and other emergencies in all communities of Merseyside through a combination of prevention and protection, working in partnership with other service providers.
- **Response** – the Authority will respond to all emergency calls for assistance with a level of response appropriate to the risk and deal with all emergencies efficiently and effectively.
- **Restore** – the Authority will work with partners to help individuals, businesses and communities recover from the impact of emergencies and help the return to normality.
- **Organisation** – the Authority will operate efficient and effective organisational functions that will support the core functions of the Authority in a way that provides value for money for the communities 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 Race, Gender, and Disability 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 Performance and Audit Committee and the senior management team. Operational plans have also been developed to give details of each station's business plans and operational team plans. 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 2008/09 and approved by the Authority meeting on 26 March 2009 (CFO/0171/09), 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 Authority operates a **Management Board** to allow a close interaction between management and elected Members based around a formal briefing process prior to reports being finalised for Committee consideration and allowing Members an opportunity to scrutinise in detail proposed reports.

The Authority also runs Member away-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 2009/10 ELT included the Chief Fire Officer, Deputy and Assistant Chief Fire Officers and the Executive Directors of Resources and Legal Services. 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 are 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 Strategy and Resources Committee have 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 Champion for Risk Management.

3.5.8 Best Value duty

The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty.

3.5.9 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 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 vision and strategic service objectives before the commencement of each financial year when considering the coming year's IRMP action plan. At the 26th February 2009 Authority Committee meeting Members re-affirmed the Authority's vision and strategic service objectives contained in the updated Integrated Risk Management Plan. The approved action plan for 2009/10 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 set a core of values with which it conducts its business.

The committee considered at its Annual General meeting on 11th June 2009 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 on the Authority's web site but are summarised as follows:

- The Strategy & Resources Committee – to determine new strategies, policies or changes in strategy relating to the development and delivery of services. To examine the performance and delivery of services and introduce measures to improve performance if necessary. Co-ordinate response to any reports received from the Audit Commission or other external body. 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. It has formal responsibility for the corporate risk management of the Authority.
- The Performance & Audit Committee – Consider all matters relating to internal and external audit activity and all matters relating to the regulatory framework. To monitor Authority policies on Raising Concerns at Work and the anti-fraud and corruption strategy and the Authority's complaints process. To advise the Authority on the strategic processes for risk, control and governance. To advise the Authority as to the effectiveness of its performance management framework and in particular consider regular updates as to progress in meeting service planning targets and any issues that arise. The committee received regular finance, audit and performance reports throughout the year.
- The 08 Legacy Committee – consider all matters relating to the hosting by the Authority and its partners of the World Firefighter Games in 2008. To consider all matters relating to the contribution the Authority may make to the staging of the European Capital Culture celebrations in Liverpool during 2008. Consider any matters relating to the legacy from both WFG08 and the Capital of Culture year. Consider all matters relating to the development of the Fireworld Project.

APPENDIX A (CFO/076/10)

- The Community Safety & IRMP Committee – Consider all matters related to the development, promotion and delivery of a coordinated strategy for developing and maintaining safer communities. To consider all matters relating to involvement with and delivery of Local Area Agreements, 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 2009/10.
- Stronger and Diverse Communities Committee - Consider all matters related to the development, promotion and delivery of a co-ordinated strategy for developing and maintaining stronger communities. Consider any matters relating to the provision of services to the diverse communities of Merseyside.
- Asset Management and Shared Services Committee – Consider all matters related to the management of the Authority’s assets including buildings, land, ICT and other assets. Consider opportunities for and delivery of shared services and oversee the Authority’s procurement strategy. And PFI project.
- Regional, Economic Development and Sustainability Committee - Consider all matters related to the RMB and region. Consider all matters relating to environmental management and sustainability. Consider all matters relating to Merseyside’s interest in Europe.
- North West Regional Control & Firelink Committee - Consider all matters related to the delivery of the Regional Control project.
- A Management Board – meeting of the Chairman, Vice-Chairman, Opposition Spokespersons, Chief Fire Officer, Statutory Monitoring Officer and the Responsible Finance Officer to determine how to process items of business, act as a forum for informal discussion, training and development for members, and raise awareness of the detail of policy issues and how the Service operates in practice. All Members are invited to attend the Management Board and in this way it offers an opportunity to scrutinise policies, projects, initiatives and reports. 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 2009/10 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 Performance & Audit 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 vision was improved community safety and fire prevention and in 2009/10 the Authority set and delivered a target of just over 100,000 home fire safety visits.
- 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 Deputy Chief Fire Officer met 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. External Audit commented in the most recent Use of Resources assessment Internal Control theme that the Authority's Risk Management arrangements are embedded in day to day activity down to station level and fully integrated with performance management and strategic planning frameworks.
- 4.4.4** The Authority employed appropriate professional staff:
- A Statutory Monitoring Officer (Section 5 LGHA 1989) 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 Executive Director of Resources 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 2009/10. 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 2008/09 and it is anticipated this will be repeated in 2009/10. A presentation by the Executive Director of Resources 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 2009/10, 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 Performance and Audit Committee 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 2009/10 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;
- monitoring and reviewing performance, including arrangements to ensure data quality; and
- 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 2009/10 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 and the Use of Resources and Managing Performance assessments for 2009/10. The Auditor's Annual Governance Report and District Audit Annual Letter (covering 2008/09) confirmed the Authority's overall performance continues to be strong and the Authority received an unqualified opinion on the 2008/09 financial statements.

4.6.3 The 2009 Organisational Assessment rated the Authority's performance as 3 out of 4, or "Performs Well". The Audit Commission reported that:

Managing Performance:

"Merseyside Fire and Rescue Authority scores 3 out of 4 for managing performance. This is because it responds well to fires and other emergencies and works hard to prevent such emergencies and protect communities. It targets prevention work to those people and communities that are at the highest risk. Its Home Fire Safety Check programme is ambitious and successful."

Use of Resources:

“Merseyside Fire and Rescue Authority scores 3 out of 4 for use of resources to deliver value for money. This is because the Authority manages its finances well and has a good track record of delivering efficiency savings by changing working practices and increasing productivity. As fires have reduced the Authority has shifted resources from emergency response to prevention and protection in the highest risk areas. It is working with other public services to deliver better outcomes in all the communities across Merseyside.”

SIGNIFICANT GOVERNANCE ISSUES

- 4.7** The Authority faces significant challenges in 2010/11 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 Director of Finance 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. The Budget Working Party 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 £46m project, but needs to make sure this large scheme continues to be developed 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 AND
TREASURER