

DRAFT - ANNUAL GOVERNANCE STATEMENT 2015/16

1. INTRODUCTION

Leicester, Leicestershire and Rutland Combined Fire Authority (the CFA) is responsible for ensuring that its business is conducted in accordance with prevailing legislation, regulation, government guidance and that proper standards of stewardship, conduct, probity and professional competence are set and adhered to by all those working for and with the Authority. This ensures that the services provided to the residents of Leicester, Leicestershire and Rutland are properly accounted for and delivered economically, efficiently and effectively.

The CFA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The CFA publicises all agenda, meeting papers and minutes on our website. We also publish an Annual Report and Statement of Assurance which includes information on outcomes, achievements, satisfaction and progress against key priorities and plans and provides assurance that the CFA is meeting its statutory and legal requirements. We continue to support our communication to social media, which includes a Facebook Page and an increasing use of Twitter both corporately and at Station level.

In discharging this overall responsibility, the CFA is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

2. WHAT IS GOVERNANCE?

Corporate Governance is defined as how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The CFA's governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled. It enables the CFA to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The CFA has approved and adopted a local Code of Corporate Governance, which is consistent with the six core principles of the Chartered Institute of Public Finance and Accountancy's (CIPFA) / the Society of Local Authority Chief Executives (SOLACE) Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website www.leicestershire-

fire.gov.uk and this statement explains how the CFA has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to conduct a review of the effectiveness of the system of internal control and prepare and publish an Annual Governance Statement (AGS).

3. WHAT THE AGS TELLS YOU

The AGS provides a summarised account of how our management arrangements are set up to meet the principles of good governance set out in our Code and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any improvements made, and any weaknesses or gaps in our current arrangements that require addressing. The main aim of the AGS is to provide the reader with confidence that the Authority has an effective system of internal control that manages risks 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.

4. HOW THIS STATEMENT HAS BEEN PREPARED

There is a statutory requirement in England, for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and overall corporate governance arrangements. This review requires the sources of assurance, which the Authority relies on, to be brought together and reviewed. The governance framework has been in place at the CFA for the year ended the 31 March 2016 and up to the date of approval of the Annual Report and Statement of Assurance and the Statement of Accounts.

5. THE CFA's GOVERNANCE FRAMEWORK

The Authority's Constitution provides the framework for its decision making processes and sets out the detailed procedures and codes of conduct by which Members and Officers operate to achieve the Authority's objectives. It defines the CFA's political structure, roles and responsibilities of the CFA, its Committees, Members and Officers and the rules under which they operate.

The CFA currently promotes its purpose and vision through "Towards 2020 Our Corporate and Integrated Risk Management Plan 2016-2020 ('Our Plan')". This plan will set out what our priorities are, what changes will be implemented and how the changes will impact on our communities. It is available to view at: www.leicestershire-fire.gov.uk. The plan needs to be considered in conjunction with the Budget Strategy 2016/17 to 2019/20 which

was agreed by the CFA in February 2016. This highlights the current financial risk to the Authority and identifies efficiency proposals in order to achieve a balanced budget by 2019/20.

Members of the CFA also need to satisfy themselves that the Authority's Statement of Accounts have been prepared in accordance with best practice. This is achieved through receiving the annual External Audit Report which also gives an opinion on how the CFA is achieving Value for Money.

In July 2015 the CFA reviewed the governance arrangements and dispensed with both the Policy Committee and the Overview and Scrutiny Committee. They are replaced by a Corporate Governance Committee and an Employment Committee. The function of the Corporate Governance Committee is to promote and maintain high standards within the CFA in relation to its Code of Governance. The Committee ensures that; an adequate risk management framework and control environment is in place; the CFA's financial and non-financial performance is monitored, there is proper oversight of the financial reporting process and that the CFA's Treasury Management arrangements are monitored regularly. The minutes of the Committee are reported to the CFA. The Employment Committee will make recommendations to the CFA on appointments to the roles of the Chief and Deputy Chief Fire and Rescue Officer, the Monitoring Officer and the Treasurer. The Committee will hear grievances and disciplinary proceedings against these officers. A new Chief Fire and Rescue Officer was appointed from 1 June 2016. The CFA has also established and conducted meetings of a Pension Board for the Firefighters' Pension Schemes as required by legislation.

The Authority also reviewed its political management arrangements, and the Leader of the County Council and elected mayor of the City Council have been made Chair and Vice-Chair respectively. By appointing leadership from the highest political level in the area, the constituent councils have signalled their determination to drive forward an ambitious programme of change and modernisation.

To ensure quality of service and efficient use of resources, and furthermore to ensure the information needed to review service quality effectively and regularly, the Authority has established a Performance Management Framework, which requires each Directorate to produce annual service plans, setting out their objectives and targets in support of the Authority's policy priorities. These plans, with "Our Plan", form the basis of the Authority's Annual Report and Statement of Assurance.

To ensure effective leadership throughout the Authority, Members and Officers work together to deliver a common purpose with clearly defined functions and roles. The CFA's Constitution includes details of the role and

responsibilities of the Committees, the full Authority and Officers and the rules under which they operate. The CFA agreed a revised Constitution in December 2015. This was based upon recommendations proposed from an independent report. The CFA noted that the Director of Finance and Corporate Services had agreed to terminate his employment with the Authority and that the statutory Treasurer role and responsibilities was re-assigned to the Director of Finance at Leicester City Council. Furthermore, the CFA's Solicitor and Monitoring Officer agreed to his termination of employment with the Authority and the statutory Monitoring Officer role and responsibilities was re-assigned to the Monitoring Officer at Leicestershire County Council. Following the retirement of the Monitoring officer at the County Council in March 2016, a temporary reassignment of responsibilities for the Monitoring Officer role was taken up by the Monitoring Officer at Leicester City Council. This temporary arrangement remained in place until the appointment of a permanent post-holder at the County Council. The reversion of responsibilities back to the County Council was noted at the CFA meeting of 22 June 2016.

As Chief Financial Officer, the Director of Finance at the City Council is responsible for the proper administration of the Authority's financial affairs. The Authority's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Chief Financial Officer is a key member of the Senior Management Team and has available a suitably qualified Finance function. The Chief Financial Officer is actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, are fully considered and in alignment with the Budget Strategy. The former Chief Fire and Rescue Officer was a director of Forge Health Limited, a wholly owned subsidiary of the CFA. New directors have been appointed following his departure, to ensure that appropriate governance arrangements are maintained.

The success of the CFA's services relies substantially on the contribution of staff to the planning, development and delivery of services. The CFA recognises that the value of staff contributions will be enhanced through: clear communication of the Authority's expectations; nurturing and developing staff skills and abilities; encouraging, celebrating and rewarding achievements; providing a safe, healthy, supportive and inclusive working environment and by treating all people fairly and with respect. The Chief Fire and Rescue Officer is responsible for determining the terms and conditions on which staff hold office, including remuneration, disciplinary and grievance procedures and for making effective arrangements to ensure compliance with employment legislation and where necessary employment codes of practice.

The People Strategy priorities have been established to promote an organisational culture that delivers excellent services. It is focused on providing the Authority's workforce with opportunities and experiences to maximise their full potential and enables managers to recruit, manage, develop, reward and retain the right people with the right skills and attributes. Engagement of the workforce is a key strand of the People Strategy and the CFA uses various well established means of communicating and consulting with staff to ensure understanding and, to secure commitment in terms of delivering services and managing change. A process of identifying individual employee targets and development needs has been established and implemented. Within this process, every employee must receive an annual Personal Development Review with an optional six monthly review if requested. A staff survey was undertaken in April and May 2016 and the findings were presented to the Senior Management Team. Performance information is made available to the public through the Authority's website, primarily through the production of the annual report.

The importance of a strong ethical framework and culture has always been recognised by the CFA. The revised Constitution agreed by the CFA in December 2015 included both the Members' and Officers' Codes of Conduct. Members have attended briefings and training. The values embedded in the Codes of Conduct define the standards of behaviour for all Members and staff. The system of internal financial control is based on a framework of regular management information, financial procedure rules and standard financial instructions, contract procedure rules, administration arrangements (including segregation of duties), management supervision and a system of delegation and accountability.

The Authority's scheme of members' allowances was developed after consultation with the Independent Remuneration Panels of our constituent Authorities. Reports on members' allowances are public and the CFA publicises information in accordance with Members' Allowance Regulations together with details of allowances received by every member. Declarations of personal and prejudicial interests are recorded in minutes of meetings which are available on the CFA's website, as is the members' Register of Interests including gifts and hospitality which is also made available for public inspection. Members receive induction and training is offered regularly. The CFA's political groups monitor the performance of their membership.

The Authority actively recognises the necessity of compliance with relevant laws, regulations, internal policies and procedures. The Monitoring Officer monitors reports to ensure probity of decision making and that legal advice is included where necessary and appropriate and is fully involved in policy development and the Scrutiny process. The Authority's whistle-blowing policy is available to all staff. The CFA's constitution states that it is the policy of the CFA to take seriously all complaints and concerns made by members of the

public and to thoroughly investigate them. A summary of the current complaints, concerns and compliments procedure is available on the Authority's website.

An updated Anti-Fraud and Corruption Statement has been incorporated into the Constitution. An Internal Audit review in 2015/16 found that the CFA had reached a good level of performance against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014).

All Officers receive an Induction Pack on commencement of employment at the Authority which includes information on Conditions of Service and other various personnel subjects. Officers are required to declare all gifts and hospitality over £25 and this is also made available for public inspection on the CFA's website.

The CFA takes account of feedback to review outcomes so they reflect progress and wider changes. Procedures are in place to identify trends and to follow up and report on the outcomes of complaints. This will inform and improve service delivery.

We work in partnership and collaboration where it is beneficial to do so and ensure appropriate arrangements are in place to safeguard us against unacceptable levels of risk. The Authority's significant partnerships are underpinned by Partnership Agreements and governance frameworks to ensure there is a common vision for their work. As part of the Authority's governance arrangements, guidance has been provided on assessing partnership risks. It is the Authority's aim to ensure that all future and new agreements, partnerships and collaborations continue to include a section on Governance and risk management arrangements.

The CFA already makes available a large amount of information through several means, but is also committed to meeting its obligations to give rights of public access to information held by Local Authorities, through the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. This legislation helps the Authority to create a climate of openness and dialogue with all its stakeholders, which in turn will help to increase public confidence in the way that the Authority is operating. The CFA complies with all transparency requirements of the Department for Communities and Local Government (DCLG) and the Localism Act 2011. The Authority's Pay Policy Statement ensures the Authority manages its policy on pay and benefits in a fair, non-discriminatory, consistent and transparent way.

6. REVIEW OF EFFECTIVENESS

The CIPFA Governance Framework details the key sources of typical systems and processes that an Authority can adopt to ensure it has an effective system of internal control. Using this guidance, the CFA can provide assurance that it has effective governance arrangements which includes:

- Providing effective internal audit
- Effective risk management arrangements
- A Corporate Governance Committee
- Independent External Audit review

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the CFA's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The CFA 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 senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit Service's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

The Monitoring Officer has a duty to monitor and review the operation of the Constitution and to report to the Authority on matters which could be considered as unlawful or give rise to maladministration. As part of this process the Monitoring Officer ensures compliance with the local Code of Corporate Governance.

Formal assurance is provided by Directors that the policies and procedures are being applied in the initiation, development and delivery of service plans. Where gaps have been identified, action plans have been drafted and responsibility for implementation assigned.

The effectiveness of the Authority's key financial and ICT controls and parts of its wider internal control environment are examined through the work of our internal audit provider, Leicestershire County Council's Internal Audit Service (LCCIAS). The annual plan is based on an assessment process that focuses resources on higher risk areas. The plan for 2015/16 was produced from a risk assessment and consultation with the former Director of Finance and Corporate Services. It was agreed and reported to the Overview and Scrutiny Committee in March 2015. Internal Audit findings are reported to the Senior Management Team, together with recommendations for improvement and agreed action plans. Specific follow up checks are undertaken by LCCIAS to

ensure that all agreed high importance recommendations have been implemented. All Internal Audit findings are reported to the Corporate Governance Committee.

The CFA's Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010). The Head of Internal Audit Service (HoIAS) at LCCIAS works with the Chief Financial Officer to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service so that it makes a contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the CFA's control environment.

LCCIAS has adopted the principles of the Public Sector Internal Audit Standards (PSIAS) introduced from April 2013. An Internal Audit Charter, formally defining the purpose, authority and responsibility of the internal audit activity, was approved by the CFA at its meeting of 24 September 2015.

During 2015-16, the HoIAS conducted a further self-assessment of LCCIAS's conformance to the PSIAS. The self-assessment identified that current practices sufficiently conform to the PSIAS. Whilst a few specific areas were identified where action is needed these are not significant deviations to the PSIAS. Whilst there has been further movement towards full conformance, for the time being, the HoIAS is continuing to state that LCCIAS abides by the principles of the PSIAS.

The PSIAS require the HoIAS to form an opinion on the overall adequacy and effectiveness of the CFA's control environment i.e. the framework of governance, risk and control. Based on the combined sum of individual audit opinions and other assurances gained throughout the year (e.g. attendance at Committees) the following conclusions have been drawn:

- a) On governance, on the whole, nothing of such significance, adverse nature or character has come to the HoIAS' attention and as such reasonable assurance is given that the CFA's governance arrangements during 2015-16 were robust.

Nevertheless, a separate isolated issue will be considered by the full CFA once the report has been issued as final.

- b) On risk management, management agreed to implement relevant audit recommendations, which will mitigate risk. Therefore reasonable assurance is given that risk is managed.

- c) On financial (and ICT) controls, reasonable assurance can be given that the CFA's core financial practices during 2015/16 remained strong.

Nevertheless, a separate isolated issue will be considered by the full CFA once the report has been issued as final.

The Chief Financial Officer reviews this information along with other relevant information such as budget monitoring reports in compiling this statement. The work of LCCIAS and the wider financial aspects of corporate governance and performance management are examined each year by the Authority's External Auditors. Further assurance is provided by regular reports produced by independent review bodies such as the National Audit Office. We assess ourselves against the CIPFA 'Code of Practice on Managing the Risk of Fraud and Corruption' to gain better knowledge of fraud exposure and direct potential improvement. We have a 'zero tolerance' approach to fraud or corruption perpetrated against us.

The CFA's Code of Corporate Governance sets out a requirement to ensure that an effective risk management system is in place. Risk management is about identifying and managing risks effectively, helping to improve performance and aid bold decision making relating to the development of services and the transformation of the wider organisation. The Service's Corporate Risk Management Guidance provides the framework within which these risks can be managed.

Risk management is undertaken as part of the normal service planning and project management process. The Senior Management Team reports progress on mitigating the risks in the Organisational Risk Register to the Corporate Governance Committee. This register captures strategic risk, which by its nature has a long time span. Regular performance monitoring reports are also brought to the Corporate Governance Committee showing progress against 'Our Plan'.

The risk management system was updated and was subject to an external independent peer review in 2015-16. A LCCIAS audit of the risk management framework returned substantial assurance. A report using the updated format was presented to the Corporate Governance Committee at its meeting of 23 March 2016.

Improvements have been made to the service's external website to improve the end user experience. The new website publishes new pages which are innovative, dynamic and easy to navigate, contain all required relevant and legislative information and include social media integration. The website has the capability to provide real time reporting of statistical/performance information.

KPMG were appointed as external auditors by Public Sector Audit Appointments Ltd in April 2015. This appointment will commence from the 2015/16 accounts and remain until completion of the 2017/18 accounts.

The CFA's Constitution includes Standing Financial Instructions, Contract Procedure Rules and Schemes of Delegation. These translate into key operational internal controls such as: control of access to systems, offices and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Authority which contribute to the production of the Annual Statement of Accounts. The CFA's external auditors KPMG review these arrangements and detail findings from their planned audit work to those charged with governance.

Under International Auditing Standards, KPMG are required to report to those charged with governance (the CFA) on the significant findings from their audit before giving their audit opinion, the purpose of which is to highlight any significant matters. The last report presented by PwC concluded that no significant audit and accounting issues were identified and that there were no material deficiencies in internal control, leading to an overall unqualified opinion. The audit involves obtaining evidence about the amounts and disclosures in the Statement of Accounts are sufficient to give reasonable assurance that the Statement of Accounts is free from material misstatement, whether caused by fraud or error. For 2014/15, the CFA's Statement of Accounts presented a true and fair view, in accordance with the relevant codes and regulations.

The CFA is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Having regard to the guidance on the specified criteria by the Audit Commission, PwC are satisfied that, in all significant respects, the CFA put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

As Chief Fire and Rescue Officer and the Chair of the CFA we have been advised on the implications arising from the review of the effectiveness of the governance framework by the Chief Financial Officer (the Treasurer) and Monitoring Officer, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

7. GOVERNANCE ISSUES AND AREAS FOR IMPROVEMENT

The reviews of effectiveness undertaken by both Internal and External Audit have advised that the Authority's overall financial management and corporate governance arrangements during 2015/16 are sound. The review of the Authority's governance arrangements has been undertaken in order to produce this statement and has highlighted a number of governance issues (detailed below) that require attention and the action being taken to address these issues: -

- The pressure on public spending will continue to present new pressures for the CFA. In order to obtain some certainty over future funding, the CFA can opt to accept the Government's offer of a four year financial settlement by submitting and getting approved an 'Efficiency Plan' to the Home Office by October 2016. The CFA will identify within the Efficiency Plan, how it delivers services as efficiently as possible and how it plans to meet the efficiency targets for the period to 2019/20. We will continue to undertake extensive public consultation and involvement on proposed changes and will continue to communicate with, and publish results of our consultations with stakeholders on future plans and proposals.
- Whilst the Organisation Risk, Corporate and Project Risk Registers are in place, there is a constant need to further develop risk management processes to ensure risk management principles are embedded and applied consistently throughout the Authority's operations. The CFA is a consortium member of the Fire and Rescue Indemnity Company (FRIC) to provide cover for low value losses previously covered by conventional insurance arrangements. FRIC aims to reduce the frequency and cost of risk related incidents through improved risk management. Based on management information from a new claims database, the CFA will participate in the management of a consortium action plan to identify areas, causes and costs of incidents. The CFA will support and work together with consortium members to identify methods to reduce incidents and develop best practice.
- Information risk is a growing risk area with the potential for fines for loss of personal data and damages to an organisation's reputation. The CFA will continue to review and strengthen its data protection where necessary to prevent such loss and damage.
- Collaboration between the three regional CFAs on both the Agresso Financial System and the Tri-Service Control project has led to collaborative steering groups being established. The CFA will ensure that these enable good governance and collective responsibility.

- The CFA is the lead accountable body for the Braunstone Blues Project, which started during 2015/16. Activity will be coordinated in a multi-agency team arrangement with Police, Health and the City Council. The project aims to reduce operational demand and improve citizen outcomes by delivering a fully coordinated range of activities based on improving health, safety and security in the Braunstone area. The CFA has agreed an innovative partnership agreement that will lead to better identification of vulnerable persons and their needs through improved data sharing arrangements and transparency between the agencies.
- The Authority will ensure that it gives regard to new legislation due in 2016/17 that provides a 'Duty to Collaborate' with the Office of the Police and Crime Commissioner.
- Full conformance to the Public Sector Internal Audit Standards will strengthen the governance arrangements in relation to internal audit activity.
- To improve working relations between the Authority, Management and the Representative Bodies, it is proposed that members of the Representative Bodies are invited to attend and speak at senior management team meetings. This will promote inclusion and transparency of decision making.

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with areas for particular focus and attention in 2016/17 identified in Section 7. 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.

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that the CFA has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Steve Lunn
Chief Fire and Rescue Officer/
Chief Executive Officer

Nicholas Rushton CC
Chairman of the CFA