

Annual Governance Statement

Report of the Chief Fire Officer

For further information about this report please contact Alan Taylor, Chief Fire Officer, on 01743 260201 or Andy Johnson, Head of Performance and Risk, on 01743 260287.

1 Purpose of Report

The report sets out the draft Annual Governance Statement (AGS) to be included in the Fire Authority's Final Accounts for 2007/08.

2 Recommendations

The Committee is asked to consider and, if deemed appropriate, give their approval for the draft Annual Governance Statement 2007/08 and AGS Improvement Plan 2008/09 to be forwarded for signing at the meeting of the Fire Authority in June 2008.

3 Background

Corporate Governance (and Accounting Regulations) requires the Fire Authority to publish, on a timely basis, within its annual report, an objective, balanced and understandable statement and assessment of the Fire Authority's Governance Framework, including risk management and internal control mechanisms, and their effectiveness in practice.

In previous years this statement was known as the Statement on Internal Control (SIC). However, from this year onwards it will be known as the Annual Governance Statement (AGS).

4 SIC 2006/07 and SIC Improvement Plan 2007/08

Last year, the SIC for 2006/07 set out a statement of the Fire Authority's responsibility for Internal Control; the purpose of the system of Internal Control; the scope and nature of that system; a review of its effectiveness; and as a result produced a SIC Improvement Plan for 2007/08 which included details about the improvements to be made during the following year. Following its publication in June 2007, the SIC Improvement Plan 2007/08 was implemented by the responsible officers, whilst being monitored by the Service's Policy Group and the Authority's Audit and Performance Management Committee.

The SIC Improvement Plan 2007/08 was formally closed in March 2008 with nine of the twenty two planned activities not fully completed in time for its completion. These exceptions were duly reported to the Service's Policy Group and the Audit and Performance Management Committee. Those issues that will not have been completed prior to publication of this year's Annual Governance Statement have been carried forward into the new AGS Improvement Plan 2008/09, with appropriate target dates being set for their completion within the new Plan.

5 AGS 2007/08 and AGS Improvement Plan 2008/09

During April and May 2008, officers have again reviewed the Authority's internal control systems, that constitute the Authority's Governance Framework, with the aim of identifying further improvements where required. This process involves the responsible Officers having to sign 'Assurance Statements' for each of the areas they are responsible for. Officer's statements were then reviewed by the Lead Executive Officer to ensure the areas identified for improvement were appropriate and achievable.

These 'Statements' have then been reviewed in light of the various audit reports received from Internal Audit over the last year, and together have formed the basis of the Annual Governance Statement 2007/08 and its associated Improvement Plan 2008/09.

Members are asked to duly consider and, if deemed appropriate, give their approval for the two documents attached as appendices A and B to be forwarded for signing by the Chair of the Fire Authority, the Chief Fire Officer and the Treasurer at the meeting of the Fire Authority in June.

6 Financial Implications

There are no direct financial implications arising from this report.

7 Legal Comment

The AGS is a legal requirement under the Code of Practice on Local Authority Accounting in the United Kingdom and must be included in the Fire Authority's Statement of Accounts 2007/08. The implementation plan will assist the Authority in achieving compliance in this area.

8 Equality Impact Assessment

An Initial Equality Impact Assessment has been completed and is attached to this report.

9 Appendices

Appendix A Draft Annual Governance Statement 2007/08

Appendix B Draft AGS Improvement Plan 2008/09

10 Background Papers

Strategy and Resources Committee

6 March 2008, Paper 8, Annual Governance Statement

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card	Integrated Risk Management Planning	
Business Continuity Planning	Legal	
Capacity	Member Involvement	*
Civil Contingencies Act	National Framework	
Comprehensive Performance Assessment	Operational Assurance	
Efficiency Savings	Retained	
Environmental	Risk and Insurance	*
Financial	Staff	
Fire Control/Fire Link	Strategic Planning	
Information Communications and Technology	West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information	Equality Impact Assessment	*

Draft Annual Governance Statement

For inclusion in the Statement of Accounts 2007/08

Scope of Responsibility

Shropshire and Wrekin Fire 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 Fire Authority 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.

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

The Fire Authority has 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 on our website at:

<http://www.shropshirefire.gov.uk/engine/managing-the-service/cfa/members-handbook/section-1.htm>

or can be obtained in paper form from the Corporate Services Department within the Service.

This statement explains how the Fire Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Fire Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Fire Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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 Shropshire and Wrekin Fire 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.

The governance framework has been in place at the Shropshire and Wrekin Fire Authority for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The Fire Authority's governance framework comprises many systems, policies, procedures and operations in place to:

- identify and communicate the authority's vision of its purpose and intended outcomes for citizens and service users;
- review the authority's vision and its implications for the authority's governance arrangements;
- measure the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and that they represent the best use of resources;
- define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- develop, communicate and embed codes of conduct, which define the standards of behaviour for members and staff;
- review and update standing orders, standing financial instructions, the scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities;
- ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- enable whistle-blowing and the receiving and investigating of complaints from the public;
- identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- ensure good governance arrangements in respect of partnerships and other group working.

Review of Effectiveness

The Fire 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 managers within the authority who have overall responsibility for the development and maintenance of the governance environment, as well as:

- the Fire Authority's Monitoring Officer;
- Legal advisors to the Fire Authority;
- Internal Auditors; and
- Managers within the Fire Authority, who have day to day responsibility for ensuring the governance framework is in functioning correctly.

Comments made by the External Auditors and other review agencies and inspectorates in their Annual Audit Letters and other reports also contribute to this review.

Throughout 2007/08, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) The Authority's Standing Orders, including the Terms of Reference for its Committees and its Fraud and Corruption Policy have been reviewed;
- b) The Fire Authority has introduced a review process for all capital investment projects which identifies any learning outcomes from each project. The process also enables the Fire Authority to quantify the actual benefit to the public from its Capital Investment Programme;
- c) Advances with the Authority's Risk Management procedures have included:
 - A procedural manual for the Corporate Risk Register has been developed to ensure that people, other than the Risk Manager, can undertake the recording and reporting procedures;
 - The Service's Business Continuity procedures have been tested to ensure they are fit for purpose;
- d) The Fire Authority has designated a specific member to act as its Member Champion for Health and Safety;
- e) The Fire Authority has received and/or adopted:
 - Statement of Accounts 2006/07;
 - Performance Plan 2007/08;
 - Integrated Risk Management Plan and Action Plan;
 - Annual Audit Letter 2006/07;
 - Budget Monitoring reports;
 - External inspections;
 - Periodic performance reports;
 - Medium term financial plan, strategy and budget.

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- f) The Fire Authority's Policy Group of officers carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress made towards last year's Improvement Plan.
- g) Internal Audit has undertaken a number of planned reviews of systems and internal control procedures across a range of functions in the Fire Authority. Each review contains an opinion on the internal controls in place and any unsatisfactory audit opinions result in recommendations for improvement, which are implemented by management. Progress against these recommendations is monitored by the Risk Management Group, with regular reports to Policy Group and to the Audit and Performance Management Committee.

Audits completed by Internal Audit during 2007/08 related to:

- Corporate Governance
- Creditors
- Banking
- Income
- Partnerships
- Payroll
- Fraud & Corruption
- Risk Management

Internal Audit will be conducting audits into the following areas during 2008/09:

- Data Quality
- Payroll
- Health and Safety
- Computer Services
- Capital Budgeting and Accounting
- Firefighters pension account
- Risk Management and Business Continuity
- Corporate Governance
- Review of Annual Governance Statement
- Fraud and Corruption

The Fire Authority underwent various audits in relation to the 2007/08 Comprehensive Performance Assessment (CPA), by the Audit Commission. The assessments covered the following themes:

- What progress the Authority is making in achieving its improvement priorities;
- How the Authority manages its finances and provides value for money; and
- How well the Authority is actually delivering the service to the communities of Shropshire.

Combined with the 'Good' rating obtained from the CPA 2005 process, the results from this process have resulted in the Authority being rated as 'Performing Strongly – Well above minimum standards'. The Authority is looking to maintain these excellent results in this year's CPA process and is already preparing for the new Comprehensive Area Assessment (CAA) process that will replace CPA in 2009.

Significant Internal Control Issues

No issues were raised in the Annual Audit Letter 2006/07. The outcome of the 2007/08 internal audit produced no fundamental issues. The minor points arising from these reviews were used to enhance the existing system of controls. Although the 2007/08 audit is not yet complete, Internal Audit has been able to give an unqualified verbal assurance that no issues have emerged within the Authority's operating systems.

[NOTE: a written assurance will be available from Internal Audit prior to this statement being signed off in June. The above paragraph will be changed to reflect this.]

The Fire Authority undertook a review of its systems of internal control, that underpin its governance framework, during April and May 2008. An Annual Governance Statement (AGS) Improvement Plan 2008/09 has been produced, based on the findings from this process. Progress made against the Plan will be monitored by the Risk Management Group, with quarterly progress reports to the Fire Authority's Audit and Performance Management Committee and the Service's Policy Group.

Details about the various areas for further development, contained in the AGS Improvement Plan 2008/09, are given below:

1. Strategic Planning Process

- 1.1. A Communications and Consultation Strategy will be developed to ensure the Authority has an integrated approach to providing information to, and getting feedback from, everyone that has a vested interest in the Service;

2. Finance Management

- 2.1. Financial monitoring and reporting of all capital schemes is to be improved, and systems put in place to regularly review and report progress on these schemes.

3. Resource Management

- 3.1. The new Asset Management System (AMS) will be implemented which will ensure the Authority is able to fully demonstrate how its assets comply with all relevant legislation and standards.

4. Human Resource Management

- 4.1. The short falls identified in current employment policies will be addressed;

5. Achieving the Authority's Strategic Aims and Objectives

- 5.1. An Improvement Plan to meet the requirements of the recently developed Operational Resilience Contingency Plan (ORCP) will be implemented;
- 5.2. A Water Supply Strategy will be introduced and the recommendations made will be implemented to ensure a sustained water supply is available for fighting all fires anywhere in the County within 60 minutes;
- 5.3. Appropriate measures will be taken to ensure a sufficient number of staff, with appropriate levels of skills, knowledge and experience, is maintained in Fire Control up to the cut-over to the new Regional Fire Control;
- 5.4. A report will be brought to the Service's Senior Management Group detailing options for adequately resourcing all activities currently undertaken by the Authority's Fire Control staff, that will not be undertaken by the new Regional Fire Control.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategy and Resources Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Stuart West
*Chair of Shropshire and Wrekin
Fire Authority*

Alan Taylor
Chief Fire Officer

Keith Dixon
Treasurer

Annual Governance Statement Draft Improvement Plan 2008/09

Area of review	IRN	Improvement required	Improvement Owner	Completion date
Strategic Planning Process	1	With no formal communication strategy in place, the Authority cannot be sure it is providing information to, and getting feedback from, everyone that has a vested interest in the Service. A Communication and Consultation Strategy will be developed to ensure that the Authority is clear about who it needs to consult with, when and why.	Steve Worrall	08/2008
Finance Management	2	The current capital monitoring processes do not effectively link financial monitoring to the actual progress made on all schemes. Financial monitoring and reporting will be improved, and systems put in place to regularly review and report progress on all capital schemes.	Joanne Coadey	12/2008
Resource Management	3	The new Asset Management System has not yet been fully implemented. Service is therefore not able to fully demonstrate compliance with standards. The Asset Management System (AMS) will be fully implemented	Andrew Kelcey	03/2009
Human Resource Management	4	A review of our current employment policies has identified certain policies that require modification or creation to ensure compliance with all applicable legislation. The identified short falls will be addressed.	Louise McKenzie	09/2008
Operational Response	5	On occasions it proves difficult to provide a sustained supply of water to incidents sufficient for firefighting. This particularly impacts on firefighter safety in rural areas of the county. A Water Supply Strategy will be introduced and the recommendations made will be implemented to ensure a sustained water supply anywhere in the County within 60 minutes.	Martin Timmis	03/2009
	6	Operational resilience needs to be improved to ensure the Authority is able to continue to deliver its frontline services during incidents that may in themselves cause severe disruption to our Service. An Improvement Plan to meet the requirements of the recently developed Operational Resilience Contingency Plan (ORCP) will be implemented according to a Policy Group approved timetable.	Martin Timmis	To be decided by Policy Group in July 2008

Annual Governance Statement Draft Improvement Plan 2008/09

Area of review	IRN	Improvement required	Improvement Owner	Completion date
Fire Control/Convergence	7	<p>Without appropriate planning and resourcing, there is a chance that staffing levels in Fire Control will be impacted as we move towards the cut-over to Regional Control.</p> <p>We will develop a plan that will ensure a sufficient number of staff, with appropriate levels of skills, knowledge and experience, is maintained in Fire Control up to cut-over.</p>	Jim Cameron	05/2010
	8	<p>There is a significant amount of work, currently undertaken by Fire Control staff that will not be undertaken by the new Regional Control. This will have an impact on many areas of work in the service if not adequately planned for.</p> <p>A report will be brought to Policy Group detailing options for adequately resourcing all out-of-scope activities into the future.</p>	Jim Cameron	12/2008