
ANNUAL GOVERNANCE STATEMENT 2021-22

1. Scope of Responsibilities

- 1.1 Governance comprises the systems, processes, culture and values by which the Cheshire Fire Authority (the Authority) and Cheshire Fire and Rescue Service (the Service) direct and manage together, along with the activity through which they account to and engage with the people of Cheshire.
- 1.2 The Authority covers the four unitary areas of Cheshire East, Cheshire West and Chester, Halton and Warrington. The Authority is a separate legal body, with the power to set council tax and to set its own policies and procedures, without seeking the approval of these local councils. Each council appoints a number of elected Members to serve on the Authority. As an Authority Member, councillors represent the whole of Cheshire and are not just required to act as the formal representatives of their own council. The Authority as the governing body ensures that the Service operates in a lawful, open, inclusive and honest manner, making sure public money is safeguarded, properly accounted for and spent wisely and has effective arrangements in place to manage risk.
- 1.3 Production of an Annual Governance Statement (AGS) is a requirement under the Accounts and Audit Regulations (England) 2015 and helps to ensure that a reliable system of internal controls can be demonstrated.
- 1.4 In March 2022, CIPFA published an advisory note setting out key messages surrounding recent governance failures identified in statutory and non-statutory reviews and public interest reports. While the Authority has not been part of these reviews or reports, there are lessons to be learned for all organisations that take governance seriously. One key message relates to the AGS which is a key document for any organisation, and when completed correctly and with rigour, can be used to identify failings of governance and provide an opportunity internally to improve and thereby reduce risk. It should normally be approved at the same time or no later than the Statement of Accounts and should be regarded as a vital tool by those charged with governance and the leadership team.
- 1.5 The AGS is a key corporate document for the Authority which provides an accurate representation of the corporate governance arrangements and controls in place that have supported the delivery of organisational objectives during the year. The AGS provides information about where arrangements have been effective and notes where any improvements are required.

2. The Governance Framework

- 2.1 The Authority is responsible for ensuring that business is conducted in accordance with the law, with openness and engagement with stakeholders and that risk is managed through robust internal control and strong public finance management to deliver effective accountability. The Authority's Constitution sets out the governance framework which assists in enabling the Authority and the Service to fulfil their statutory obligations. The Constitution is reviewed on a regular basis to ensure it remains up to date and relevant taking into account local and national changes in the way fire and rescue services operate.
- 2.2 The Authority's Constitution:

- Explains the Authority's decision-making arrangements;
- Sets out the responsibilities of elected Members and officers; and
- Contains details of rules and controls.

2.3 A copy of the Authority's Constitution is available on the website (www.cheshirefire.gov.uk).

2.4 The Governance Framework focuses on the Authority's strategic aims and objectives and includes:

Corporate

- The Authority's vision and purpose which drive the service planning, delivery, risk, project and performance management frameworks
- The Integrated Risk Management Plan (IRMP)
- Consultation Engagement and Communications Strategies
- A published set of core values

Committee Structure and Member Scrutiny

- The Authority's Constitution
- Established structure of Authority and Committee meetings, each with formal Terms of Reference
- Scrutiny by Members e.g. Performance and Overview Committee responsible for thematic areas such as Finance, Equality & Diversity, Performance Management
- Crisis Management Plan – owned and scrutinised by Risk Management Board
- Local Code of Corporate Governance Action Plan reviewed by the Governance and Constitution Committee
- Published Anti-Fraud, Corruption, Whistle-blowing and Complaints policies and procedures
- Medium term financial forecasting and budget management processes
- Code of Conduct

Scrutiny and Reporting

- Integrated Corporate and Financial planning processes with regular reporting
- Treasury Management Strategy
- Risk Management Board which is responsible for championing an effective Risk Management Policy and Framework and regularly reviewing the Strategic Risk Register
- Performance and Programme Board which is responsible for monitoring and reviewing organisational performance including the Corporate Performance Scorecard, which sets out the Authority's key indicators, and scrutiny of key projects and programmes
- Service Management Team which provides strategic direction for service delivery
- Information governance arrangements

People

- Dynamic, intelligent training programme which is tailored to the development needs of the Authority's frontline staff
- Appraisal system and personal development programmes
- Established Health, Safety and Wellbeing policies monitored by the Health, Safety and Wellbeing Committee
- Health, Safety and Wellbeing Committee review of fitness performance

- 2.5 CIPFA published 'The Financial Management Code' (FM Code) in 2019. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets the standards of financial management for local authorities. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- manage the short, medium and long-term finances of a local authority;
 - manage financial resilience to meet unforeseen demands on services; and
 - manage unexpected shocks in their financial circumstances.
- 2.6 Each organisation designated to apply the FM Code must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of the Authority, the Treasurer and colleagues in the leadership team.
- 2.7 In the External Audit Report for 2020-21, the auditors recommended that the Authority consider the establishment of an audit committee. Their findings noted that the Authority covered the general functions of an audit committee and upheld the Nolan principles. However, they stated that a smaller more focused audit committee, with a membership that had the necessary skills and experience, would enhance the appropriate scrutiny and further support the principles outlined in the Redmond Review. A report was taken to the Governance & Constitution Committee in early 2022 where approval was granted to create an audit committee. This will be put in place during 2022-23, so the Authority continued to cover the responsibilities to be assigned to the Audit Committee by other means during 2021-22.
- 2.8 The above paragraphs describe the arrangements in a normal year and were being followed until the outbreak leading to the Coronavirus Pandemic. In response, the Government passed the Coronavirus Act 2020 on 25th March 2020 and introduced the 'lockdown' restrictions. Within this Act, provision was been made for regulations to be issued to amend the legislation around authority meetings. These regulations, The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 , allowed meetings to be held virtually.
- 2.9 In response to the above, the Authority amended and supplemented its constitution to enable virtual meetings to take place. The first such meeting was the Fire Authority which took place in this way was on 1st July 2020. This format of meetings continued for the rest of 2020/21, and into 2021/22 until June 2021, at which point in-person meetings recommenced.
3. **Internal Financial Controls**

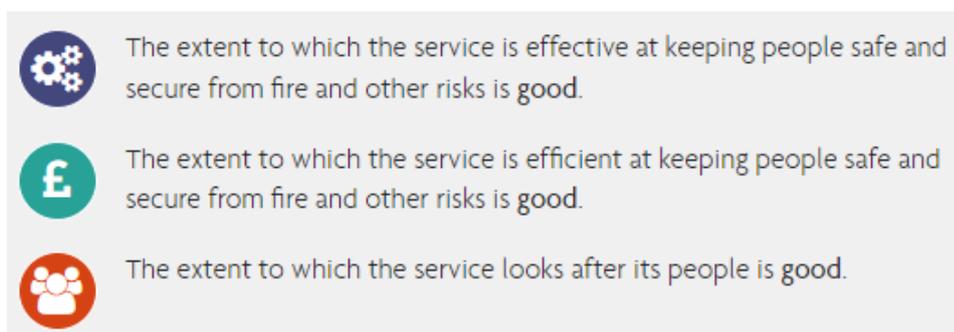
3.1 The objective of the internal financial controls is to: maintain sound and proper financial arrangements; to explain why safeguards and controls are important and necessary; and to profile a framework for financial management, which will enable, wherever possible, managerial and financial responsibilities to be aligned, safeguarding all Members and officers.

3.2 The key documents that set out the internal financial controls are:

- Financial Regulations as set out in the Constitution
- Scheme of Delegation as set out in the Constitution
- Treasury Management Strategy, which is approved by the Authority each year which sets out the Annual Investment Strategy, Borrowing Strategy, and the Minimum Revenue Provision Statement
- Treasury Management Practices which set out the detailed processes and practices to be followed in order to deliver the Treasury Management Strategy

3.3 In addition to the above, there are a series of governance checks and controls carried out through the Finance and Human Resources teams to ensure financial systems are operating effectively. These are supported by periodic Internal and External Audit reviews and with the production of action plans where necessary to provide appropriate assurance to those charged with governance.

3.4 Further assurance is now provided through HM Inspectorate of Constabularies and Fire & Rescue Services (HMICFRS), which carried out its second inspection of the Service in 2021/22. The HMICFRS examines the Service's effectiveness, efficiency and how well it looks after its people. It is designed to give the public information about how their local fire and rescue service is performing in several important areas, in a way that is comparable with other services across England. The high-level ratings for the Service are shown below with further details available on the HMICFRS website (www.justiceinspectors.gov.uk/hmicfrs).



3.5 In the commentary, HMICFRS stated that 'overall, the service is effective and efficient at keeping people safe and secure from fire. And, on balance, it looks after its people well. It has made an impressive investment to promote culture and values, and equality, inclusion and diversity throughout its organisation. We are pleased to see the service working on the areas for improvement identified in our 2018 inspection. There has been good progress, for example, to increase protection resource and capability.'

- 3.6 In addition, it was noted that the Service worked in line with government and National Fire Chiefs Council guidelines to provide prevention and protection activities throughout the Pandemic. More than 100 staff were trained to administer the vaccine and support the vaccination programme. Staff also visited vulnerable members of the community to encourage vaccine take up.

Good Governance in the Fire Service

- 3.7 In 2016, CIPFA, in association with various groups including representation of fire and rescue services, issued best practice guidance on Delivering Good Governance. It sets out seven principles of good governance which are illustrated below:



- 3.8 The ethos of the above is for principles A and B to permeate the implementation of principles C to G. It also illustrates that good governance is dynamic and that an organisation as a whole should be committed to continually improving through a process of evaluation and review. Each principle is considered from the Authority and Service's perspectives.

4. Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- 4.1 Core Values inspire and guide how teams behave. They set out a platform to guide our current and future activities and help achieve our organisational priorities. Staff were at the heart of the development of the Core Values through conferences, the staff engagement forum and staff survey. This engagement was vital to ensure the Core Values remain relevant so that the Service and individuals are able to identify with them.

4.2 As a result, the Core Values are:

- **Be inclusive** – by acting fairly, with integrity, respect and without prejudice
- **Do the right thing** – by holding each other to account for ensuring high standards of professionalism in everything we do
- **Act with compassion** – by being understanding and offering help to each other and to our communities with warmth, patience and kindness
- **Make a difference** – by making an impact in our organisation and in our communities in whatever ways we can, for as many people as we can

4.3 The Director of Governance and Commissioning is the Authority’s Monitoring Officer as set out in section 5 of the Local Government and Housing Act 1989, whose role is to advise on the rule of law and ensure decision making is legally sound. The Monitoring Officer is a qualified solicitor and is supported by the Joint Legal Services Team that includes a number of professionally qualified legal officers.

4.4 The Treasurer is the Authority’s “Chief Financial Officer”, as defined by CIPFA and as set out in section 151 of the Local Government Act 1972, whose role is to ensure the proper administration of the Authority’s financial affairs. The Treasurer is a qualified accountant and is supported by the Head of Finance (who is also the Deputy S151 Officer) and by the Joint Finance Team that includes a number of professionally qualified finance officers.

4.5 The two Statutory Officers have collective meetings on a regular basis with the Chief Fire Officer and Chief Executive to ensure that robust governance arrangements are maintained and to consider potential future policy decisions, ensuring that these are consistent with available resources. These Statutory Officers, or their representatives, review all proposals that are to be submitted to meetings of the Authority and its various committees and these officers, or their representatives, attend such meetings.

5. **Principle B: Ensuring openness and comprehensive stakeholder engagement**

5.1 The Authority has a clear Consultation Strategy that sets out how and when it will consult with communities and other stakeholders. The Community Engagement Strategy includes guiding principles and explains how the Service will engage with its communities.

5.2 The Integrated Risk Management Plan (IRMP) sets out how the Authority intends to deliver the services over a period, and is widely consulted on before it is finalised and approved by the Authority. The IRMP sets out the rationale behind planned activity including current performance and forecasts. The IRMP essentially reviews the effectiveness of previous activity and highlights any areas of focus for the future. An annual action plan is created.

5.3 Consultation with stakeholders includes both staff and public events at various venues, a web-based questionnaire and consultation with stakeholders during which the proposed plans are put forward and feedback is requested. The results of consultation are published on the website and reported to Members before the IRMP is finalised and approved.

5.4 Working in partnership with others is a key part of the Authority’s ethos. For example, the Blue Light Collaboration arrangement has brought together most of the back office and professional services, which support the Service and Cheshire Constabulary in a single, shared headquarters site at Clemonds Hey, Winsford.

5.5 The Police and Crime Commissioner for Cheshire has the right to attend Authority meetings.

6. Principle C: Defining outcomes in terms of sustainable economic, social & environmental benefits

6.1 The Service's vision is a Cheshire where there are no deaths, injuries or damage from fires and other emergencies. The Integrated Risk Management Plan (IRMP) explains the approach the Authority will take to support this vision, given the context in which the Service operates, and sets out the planned activity to deliver and achieve the intended outcomes.

6.2 The IRMP specifies which activity will take place in each year, what the result will be and when there may be an impact. Performance indicators are agreed, setting out the projected performance and reported to Members and the public in line with the approved corporate planning and reporting timelines. The Service approach to risk is explained in its risk management policy, which is reviewed at least every three years, and risks to key projects are outlined and managed through the project management framework.

6.3 A Medium Term Financial Plan (MTFP) is produced annually, reviewed regularly and updated as necessary setting out the financial assumptions and demands upon the Service to highlight budgetary pressures and set out options to address any funding shortfalls to ensure sustainability. The MTFP is supplemented by a Capital Strategy and Reserves Strategy.

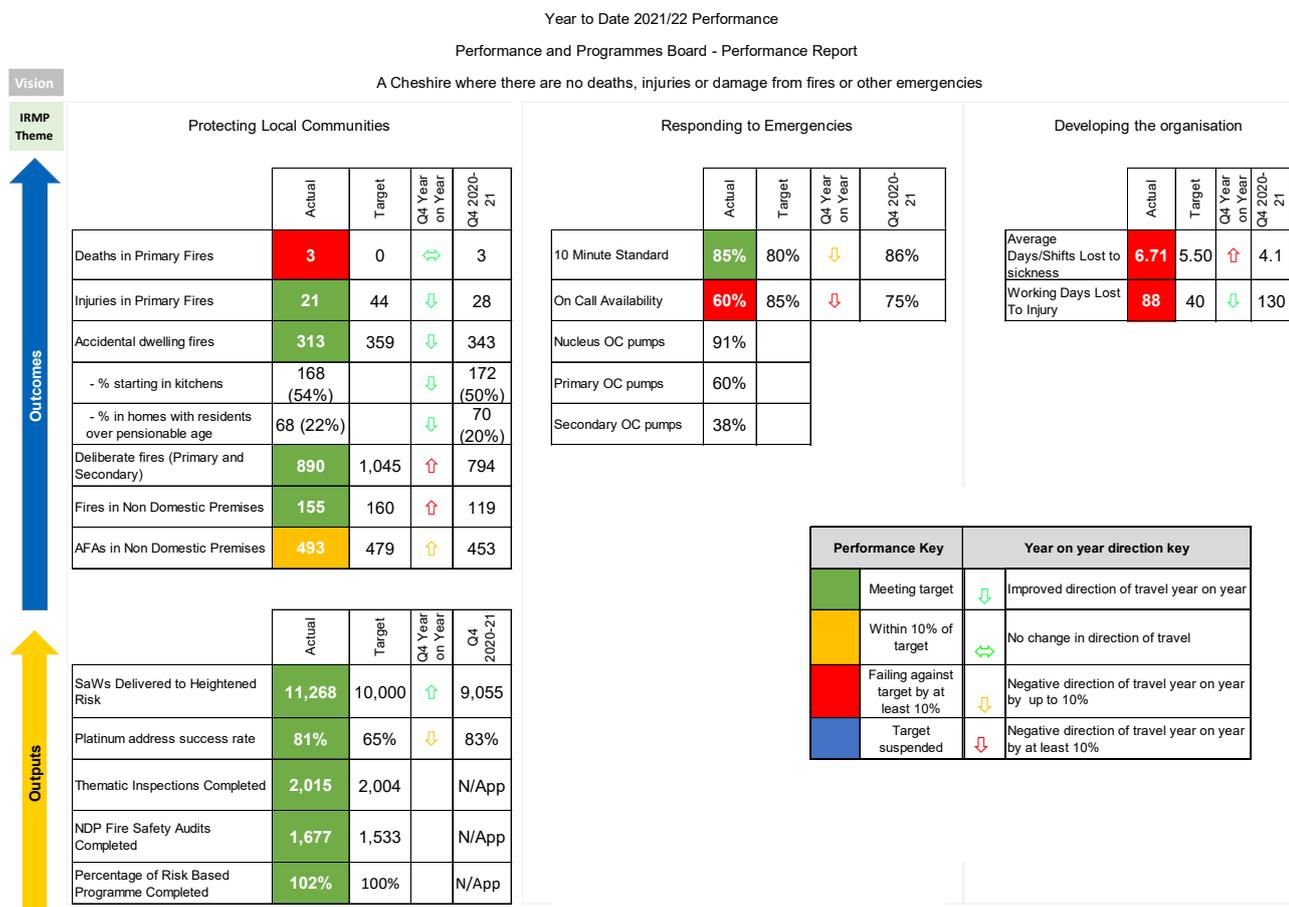
6.4 The financial sustainability of the Authority has largely remained unchanged as a result of the Pandemic but the long term impact on funding is unknown and the MTFP will continue to link vision and intent to funding scenarios, ensuring value for money is achieved within a balanced and sustainable budget.

7. Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

7.1 The Constitution sets out a decision making framework which ensures that all decisions are supported by all relevant information, including financial, legal and other appropriate professional advice, that available options are considered and that internal and external stakeholders are consulted. Decisions are formally recorded and published subject to confidentiality requirements.

7.2 Progress against planned activity and projects is monitored and risks are reviewed regularly and reported quarterly to Performance and Overview Committee. Quarterly reports also include performance against targets for Key Performance Indicators (KPIs) as well as financial and project delivery performance. If the circumstances in which the Service operates change, activity can be adapted accordingly. Decisions affecting service delivery are delegated to officers in order to ensure they are able to react to changing circumstances quickly.

7.3 KPIs are set as part of the planning process and reported on every quarter. A Corporate Scorecard is produced showing performance against each of the KPIs. The corporate scorecard is published on the public website and the annual report is produced detailing the activity and performance of the Service. The following is an extract from the scorecard based on fourth quarter results.



7.4 KPI data is generated from various internal systems and analysed by the Business Intelligence Team. The Team works closely with the Prevention, Protection and Service Delivery teams to provide data and analysis that highlights any current issues or emerging trends so that activity can be targeted and resources deployed effectively.

7.5 Budgets are prepared in accordance with the priorities set out in the IRMP and Medium Term Financial Plan, which integrates and balances priorities, affordability and resources. This ensures the budget process is all-inclusive, taking into account all costs of operations over the medium and long term.

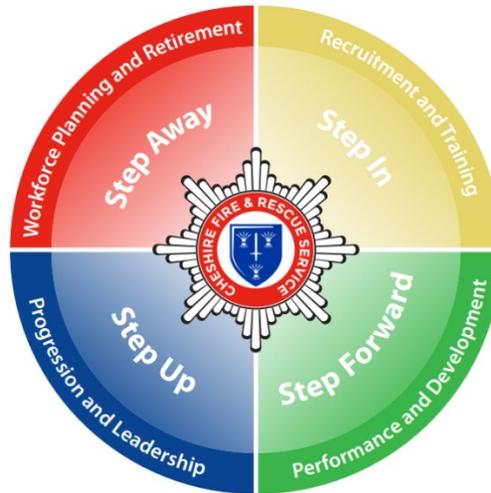
7.6 Performance against budgets is monitored by the Performance and Programme and Budget Management Boards within the Service, which examine the progress against planned activity and spend against set budgets.

8. Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

8.1 Workforce planning has a crucial role in ensuring the Service has the capacity to meet its obligations and fulfil its aims and objectives. Regular reviews, planning updates and

analysis are reported to the Staffing Committee and action taken when issues are identified.

- 8.2 The Service has developed a framework that encompasses and structures the Service's strategic people priorities and objectives. This is referred to as the 'Steps' Framework and aligns the aims and activities to the employee lifecycle under four key stages:



9. **Principle F: Managing risks & performance through robust internal control and strong public financial management**

- 9.1 There is a Risk Management Policy and Practitioner Guide used throughout the Service which is applied to projects, programmes and some planned departmental activity. All strategic risks are reviewed quarterly by the risk owners and six monthly by the Risk Management Board (RMB).
- 9.2 There is a well-established network of Risk Champions who promote good practice and ensure that risk is considered locally as part of regular team meetings. This network gains some real value in sharing of best practice and acting as a 'peer group' in the management and maintenance of risk.
- 9.3 Members and officers at all levels of the Authority recognise that risk management is part of their day-to-day job. An owner is allocated to risks on the risk register and they are responsible for regularly reviewing and managing the risks to which they are assigned. Risk training is scheduled every two years and forms part of the Member development and induction programmes.
- 9.4 With the high level risks of the Pandemic and the speed with which changes were made in response to the virus, there was an increase in risk to officer safety; operational cover and provision; and the financial impact on the organisation. In response, the Authority set up a COVID-19 Group which initially met daily. This Group provided strategic direction and guidance and agreed policies to allow the organisation to deliver operational functions and those additional services that could safely be delivered during the Pandemic. The last formal meeting of the group was in February 2022 but the group still operates and any COVID-19 issues are referred to its members by email.
- 9.5 Health and Safety risks are robustly managed in accordance with the Health and Safety Policies and Procedures and by the application of Standard Operating Procedures that are regularly reviewed and updated as necessary.

- 9.6 Within the strategic risk register, identified risks are scored based on both probability and level of impact, the outcome of which is rated using a Red, Amber and Green basis.
- 9.7 The Service's Performance and Programme Board (members of the Service Management Team) receives a quarterly review of performance against KPIs. The Board is responsible for monitoring and reviewing progress against performance targets and ensuring that action is taken wherever possible if targets are not being met. The performance reviews are also reported to the Performance and Overview Committee.
- 9.8 Financial performance is also reported to the Performance and Overview Committee on a quarterly basis. Budget Managers are provided with detailed information monthly and all financial activity is subject to audit. The Director of Internal Audit provides an annual assurance statement together with the External Auditor's Annual Audit Letter both of which are published together with the Statement of Accounts on the website.
- 9.9 The use and disclosure of personal data is governed in the United Kingdom by the Data Protection Act 2018 (the Act) and the General Data Protection Regulation (GDPR). The Service ensures that all personal data is handled in accordance with the Act.
10. **Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**
- 10.1 The Corporate Communications Strategy sets out the approach the Service will take to communicating with the public and other stakeholders. It recognises the need for different approaches for different audiences and the increased use of social media as a communications tool.
- 10.2 The Service's website includes details of performance, strategies, plans, financial statements and the Annual Report. The Annual Report highlights key challenges and achievements from the year and includes performance and financial information set out in a simple but informative way. Members and Service Management Team agree the report before it is published.
- 10.3 The process for assessing the Authority against this framework is agreed by the Governance and Constitution Committee. Evidence is reviewed yearly and an action plan is maintained highlighting areas for improvement. Progress against the action plan is reported to the Service Management Team and to Governance and Constitution Committee. The framework and the evidence supporting the assessment is included in the annual Statement of Assurance. Internal Audit review the assessment and evidence against at least two of the sections of the Code of Corporate Governance Framework each year and make recommendations for improvement accordingly.
- 10.4 As a public service organisation, the Fire Authority will use public funds prudently and apply the highest standards of conduct throughout the organisation. Under the remit of the Governance and Constitution Committee, the Authority has an Anti-Fraud Policy and Whistleblowing Policy and Procedure (confidential reporting) in support of this aim.
- 10.5 External assurance in terms of accountability is provided by both Internal and External Audit, HMICFRS reviews and partner reviews of collaborations. The Head of Internal Audit carries out their role in accordance with guidance issued in the CIPFA Statement on the

role of the head of internal audit (2010). The Head of Internal Audit's Opinion and the overall opinion for the period 1 April 2021 to 31 March 2022 provides Substantial Assurance, that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.

11. **Review of Effectiveness**

11.1 As part of the on-going governance roles, each of the above principles is reviewed and evidence sourced to show effectiveness in terms of communications, actions, policies and procedures. This evidence is scrutinised and challenged by the Treasurer together with the Director of Governance and Commissioning.

11.2 These statutory roles have the responsibility to ensure the Authority has a sound system of governance (incorporating the system of internal control) and as such maintain the Authority's Code of Governance including financial regulations.

11.3 **Report on Areas for Action during 2021-22**

Within the 2020-21 Annual Governance Statement, the review of effectiveness identified three areas where further action was required. The following re-visits the actions and reports on the outcome in 2021-22.

Coronavirus – Continue to monitor and respond to the Pandemic, including health and safety together with the financial impact in the short, medium and longer term.

UPDATE: The Authority continually reviewed the potential financial impact upon its operations as a result of the Pandemic during 2021/22. Where appropriate it accessed financial support from the government. Within its MTFP it recognises medium and longer term financial risks, including those attributable to the impact of the Pandemic.

The Authority continued to support the County's response to the pandemic, working with other agencies to help to all members of the community deal with the impacts. Throughout the Pandemic, firefighter safety has remained a principal objective of the Authority.

Governance – As stated within the Home Secretary's Written Statement made on 16 March 2021, a consultative White Paper on fire reform will be launched in 2021. Review and respond to the White Paper when published.

UPDATE: The White Paper was not released until May 2022, so the Authority will now consider its implications and respond in 2022/23.

HMICFRS Inspections – To provide a response to the inspection report and produce an action plan should any areas of improvement be identified.

UPDATE: An action plan has been produced and work is underway to ensure that the required actions are completed.

11.4 **Areas for Action in 2022-23**

The governance framework, internal controls and application of the principles have been reviewed during 2021-22 with the following areas highlighted as risks together with the mitigating actions required.

1. The Authority does not have an asset management strategy in place.

Action: Develop an asset management strategy

2. The Authority's budget managers require development and support in managing their budgets.

Action: Work with budget managers in formal and informal setting to improve budget management.

3. The Authority should ensure that its MTFP has sufficient sensitivity analysis on future sustainability

Action: Review the contents of the MTFP.

4. The Authority has no formal Section 114 notice process in place

Action: Create a Section 114 process

5. The Authority's budget bid forms do not include sufficient information on options.

Action: Review option appraisal element of the budget bid form.

6. The draft White Paper on Reforming Fire and Rescue Services has been released and the Authority will need to respond to it.

Action: Respond to the draft White Paper (first step will be to respond to the consultation).

12. **Summary**

12.1 We propose over the coming year to take steps to address the issues identified above to further enhance the governance arrangements. We are satisfied that these steps will address the need for improvement as identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Signed

Cllr Bob Rudd
Chair of Fire Authority

Alex Waller
Chief Fire Officer and Chief Executive

Andrew Leadbetter
Director of Governance and Commissioning

On behalf of the Members of Cheshire Fire Authority and officers of Cheshire Fire and Rescue Service.