

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2020/21



1 SCOPE OF RESPONSIBILITY

- 1.1 Tyne and Wear 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 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.
- 1.2 In discharging this overall responsibility, the 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.
- 1.3 The Authority has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of good governance as published by the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA / SOLACE) *Delivering Good Governance in Local Government*. This statement explains how the Authority has complied with the Local Code of Governance and also meets the Accounts and Audit (England) Regulations 2015 requiring the Authority to prepare an Annual Governance Statement to accompany the Statement of Accounts.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises of systems, processes, culture and values by which the Authority is directed and controlled 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, cost-effective services.
- 2.2 The system of internal control is a significant part of the governance 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 the 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 continued to be in place at the Authority for the year ending 31 March 2021 and up to the date of approval of the 2020/21 Statement of Accounts.

3 COVID 19 PANDEMIC

- 3.1 An assessment of the ways in which the Authority's governance systems have been deployed and adapted in response to the Covid 19 pandemic and aligned to the CIPFA / SOLACE principles of good governance can be viewed in Appendix Di.

4 THE GOVERNANCE FRAMEWORK

- 4.1 **There is a clear vision of the Authority's purpose and intended outcomes for service users that is clearly communicated, both within the organisation and to external stakeholders:**
- The Strategic Community Safety Plan (SCSP) incorporating the Integrated Risk Management Plan (IRMP) draws together a shared vision, principles and priorities (strategic objectives) for action. For each strategic objective, key targets have been identified. The SCSP / IRMP sets out the key actions and performance targets for the future, which clearly link to departmental / district plans and resources. The SCSP / IRMP outlines the Authority's roles and responsibilities, the context in which it operates, what the strategic priorities and improvement objectives are, how the Authority will realise its vision, what its performance improvement and monitoring arrangements are, performance indicators and a financial overview. The financial overview section provides background commentary to the issues the Authority has considered in setting the budget and in preparing the Medium Term Financial Strategy.

- The SCSP / IRMP is informed by the Community Risk Profile (CRP) which provides a comprehensive and forward looking assessment of the risks in the communities of Tyne and Wear. The SCSP / IRMP contain actions which recognise the risks as identified in the CRP and are addressed to ensure available resources are targeted at these risks.
- Communication of objectives to staff and stakeholders takes place through the following means:
 - SCSP / IRMP published on the Authority's website and intranet.
 - CRP published on the Authority's website and intranet.
 - The Statement of Assurance and Annual Report setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been published on the Authority's website and intranet.
 - Through the Authority's Investors in People (IIP) processes.
 - Consultation with staff, members of the public and stakeholders on IRMP proposals.
 - Community engagement and focus groups.
 - Internal communication channels including staff engagement sessions (listening events / watch talks), management / employee briefings and vlogs.
 - Promotional material throughout the Authority's premises.

4.2 Arrangements are in place to review the Authority's vision and its implications for the Authority's governance arrangements:

- The SCSP / IRMP and priorities are regularly reviewed to provide a long-term focus for the Authority.
- Through reviews by external bodies, including HMICFRS and other external reviews and assessments the Authority constantly seeks ways of securing continuous improvement. The Authority has professional and objective relationships with these external bodies.
- A comprehensive annual review of the Local Code of Corporate Governance to ensure that it is up to date and effective.

4.3 Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources:

- There are clear and effective performance management arrangements in place including personal development reviews for staff, which address financial responsibilities and include equality objectives.
- There is regular reporting of performance against key targets and priorities to the Authority's Executive Leadership Team, the Governance Committee and the Policy and Performance Committee. Performance reports are also published on the Authority's website and intranet.
- Services are delivered by suitably qualified / trained / experienced employees and all posts have detailed job profiles / descriptions and person specifications.
- Continuous professional development programmes are in place to support staff as are training needs analysis and capability processes.
- External auditors deliver an opinion annually on whether the Authority is providing value for money.

4.4 The roles and responsibilities of all officers and employees are clearly defined and documented, with clear delegation arrangements and protocols for effective communication:

- Standing Orders and Financial Regulations are in place and these set out how the Authority operates and how decisions are made, including a clear Delegation Scheme.
- The Standing Orders and Delegation Scheme indicates responsibilities for functions and sets out how decisions are made.
- The Standing Orders contain the Terms of Reference of the full Authority and other committees, setting out executive and scrutiny functions within these.

4.5 Codes of Conduct defining the standards of behaviour for Members and employees are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:

The following are in place:

- Members' Code of Conduct
- All Personnel Code of Conduct
- Registers of gifts and interests
- Monitoring Officer protocols

4.6 Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:

- The Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations. The Finance Director employed by the Authority is the designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs. The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.
- The Authority has in place up to date financial procedure rules and procurement rules which are subject to regular review.
- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:
 - Anti-Fraud Staretyg
 - Anti-Fraud and Corruption Policy
 - Anti-Bribery Policy
 - Codes of Conduct (Members and All Personnel)
 - Malpractice occurring in the workplace (whistleblowing policy)
 - Health and Safety Policy
 - Risk Management Policy
 - Procurement codes of practice
 - Partnerships procedure
 - Appreciations and Complaints Procedure
 - Treasury Management Strategy based upon CIPFA's Treasury Management Codes
 - Functional budget management protocols
- There are robust and well embedded risk management processes in place, including:
 - CRP
 - SCSP / IRMP
 - Community Safety Strategy
 - Organisational Development Strategy
 - Risk Management Procedure
 - Corporate Risk Management Group
 - Risk Management and Assurance Database
 - Partnerships register and agreements
 - Information Asset Management Policy and register
 - Information Security Policy
 - ICT Acceptable Use Policy
- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.
- The Authority aligns with ISO 22301 Business Continuity Management System for business continuity, arrangements and plans are in place which are subject to ongoing review, development and testing.
- There are clearly defined capital expenditure guidelines and capital appraisal procedures in place.
- Appropriate project management disciplines are utilised and oversee by the Programme Management Office.
- The Authority participates in the National Fraud Initiative and subsequent investigations.

4.7 The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*, are undertaken by members.

- The Authority has a Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:
 - Consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors.
 - Be satisfied that the Authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it.
 - Receive and consider (but not direct) internal audit's strategy, plan and monitor performance.
 - Receive and consider the external audit plan.
 - Review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary.
 - Receive and consider the annual report of internal audit.
 - Consider the reports of external audit and inspection agencies, including the Annual Audit and Inspection Letter.
 - Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
 - Review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit, and
 - Make recommendations or comments to the Authority as appropriate.

4.8 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members:

- The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers, to safeguard the legality of all Authority activities.
- The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent periodic review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

4.9 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:

- The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, a Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way.
- A framework in place to ensure the aims of this policy are met are set out in the malpractice occurring in the workplace (whistleblowing policy) which forms part of the code of conduct for all personnel. Members of the public currently raise issues through the appreciations and complaints procedure and there is also a whistle-blowing policy and procedure for members of the public.
- Monitoring records held by the Deputy Clerk on behalf of Members, and the Chief Fire Officer on behalf of staff and members of the public reveal that the whistle blowing arrangements are being used, and that the Authority is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

- 4.10 **Arrangements exist for identifying the development needs of Members and Principal Officers in relation to their strategic roles:**
- The Authority has a Member learning and development programme in place which sets out a clear commitment to Members to provide a range of learning and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Authority strategic objectives. In addition Members have access to their nominating authority learning and development policies, plans and procedures.
 - The elected Member learning and development programme aims:
 - To provide comprehensive Member development
 - To ensure that all newly elected Members are properly inducted into the Authority
 - To ensure that all emerging needs for both individuals and across the board are identified and addressed
 - To ensure that resources available for Member development are effectively used.
 - The Authority has an Organisational Development Strategy to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices and is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual performance review focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Authority.
- 4.11 **Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**
- The Authority has a consultation policy which aims to ensure that consultation activity is effectively co-ordinated across the Authority and with partner agencies, impacts on service delivery, and is delivered to a high standard.
 - The consultation policy is complemented by the Community Safety Strategy which outlines the Authority's approach to engaging with the community, in particular minority and vulnerable sectors of society.
- 4.12 **Governance arrangements with respect to partnerships and other group working incorporate good practice as identified in guidance on the governance of partnerships, and are reflected in the Authority's overall governance arrangements:**
- The Authority a partnerships procedure which includes a template for Partnership Agreements and a Partnership Toolkit. The procedure is designed to provide a corporate framework for all employees involved in considering new partnership working, and to assist Members and officers to review existing arrangements.
 - A Register of partnerships is maintained. The deliverables of all prospective and existing partnership is closely measured using a standard framework.
 - An information sharing protocol is published which underpins information sharing agreements with partners.
 - The Authority's governance arrangements extend to cover the wholly owned trading subsidiary "TWFRS Ltd".

5 REVIEW OF EFFECTIVENESS

- 5.1 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 the effectiveness is informed by feedback from Members, the Senior Leadership Team within the Service 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.
- 5.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:

5.3 The role of the Authority:

- Elected Members have participated in the annual review of the Authority's corporate governance arrangements.
- The Chair of the Authority, the Chief Fire Officer and the Finance Director have overseen the review and signed the Annual Governance Statement.

5.4 The role of the Executive Leadership Team:

- All Area Managers and Directors have participated in the annual governance review by providing controls assurance statements relating to their area of responsibility, following consideration of their department heads' detailed self-assessments.
- The findings of the annual governance review have been reported to the Executive Leadership Team for their consideration and comment.

5.5 The role of the Governance Committee:

- The findings of the annual governance review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- There is a system of scrutiny delivered through the HR Committee, Governance Committee and the Policy and Performance Committee including scrutiny of:
 - The effectiveness of corporate governance arrangements;
 - The Authority's treasury management strategy, including the annual borrowing and investment strategy;
 - Organisational performance; and
 - Potential for future changes in service provision based on relevant performance information, risk analysis and changes in economic, social and environmental conditions or statutory requirements.

5.6 The role of Internal Audit:

- The Internal Audit Plan for 2020/21 was noted and agreed by Governance Committee at their meeting held on 13 March 2020 which set out the proposed plan of audit work for the Authority. The following audits took place during the year despite the Covid 19 pandemic:
 - **Human Resource Management** – reviewed the workforce planning cycle to ensure that the maximum level of operational capacity is available at all times.
 - **Business Development/Income Generation** - examined the process following the liquidation of Impeller Assurance and Resilience Limited and the plans in place within the Service to generate business development commercial income.
 - **Procurement and Contract Management** - reviewed the arrangements in place for managing the contracts in place for PFI buildings.
 - **Information Governance** – reviewed the results of the Service's Data Protection Officer's assurance work and compliance with GDPR Regulations.
 - **Fraud and Corruption** - involved regular annual testing of a sample of transactions relating to Payroll and Accounts Payable.
 - **ICT** - reviewed the Service's arrangements for in house software development and the development lifecycle.
- Each audit is linked to the appropriate key risk area(s) to identify the audit work that will inform the opinion of each key risk area. It should be noted that some audits contribute towards the opinion of more than one key risk area and some key risk areas rely on a number of audits for assurance.
- In addition to the above, audit work was also undertaken on the Lead Authority's key financial systems, which are used by the Fire and Rescue Authority. Systems audited covered during the year included:
 - Accounts Payable;
 - Accounts Receivable / Periodic Income; and
 - Payroll.

- The Governance Committee were updated on progress against the audit plan at their meeting held on 30 November 2020 and received and noted the annual report on 24 May 2021.
- Reviews of the areas set out above provided substantial assurance in five of the seven audits and moderate assurance in the other two audits. The transaction testing audit provided substantial assurance to both the respective specific audit areas tested and also to the testing of the financial systems.
- In summary, there were no high or significant risks identified from the audits completed in 2020/21 and there were no matters material to the overall internal control environment of the Service. For reassurance, any risks classified as medium risks or above are included in the organisation wide improvement plan and monitored directly by the Executive Leadership Team. There were 20 medium risk actions resulting from the audits and 4 other low risk improvement actions, which are included in the departmental plans (annual plans) of the relevant specific teams to address. The Authority has addressed 96% of all of the medium risk actions recommended.
- The main conclusion from the annual report from the Internal Auditor provides the re-assurance that 'using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2020/21, it is considered that overall, throughout the Service, there continues to be a good internal control environment'.

5.7 The role of External Audit:

- External audit is undertaken by Mazars, a limited liability partnership appointed by Public Sector Audit Appointments Limited for this purpose. The Annual Audit Letter gives independent assurance of the Authority's financial control and Value for Money arrangements (including financial resilience and the overall efficiency and effectiveness of the Authority's arrangements).
- The Annual Audit Letter and Audit Completion Report prepared by the Authority's external auditors, Mazars, covering the financial year 2019/20, which gives their independent opinion and assurance of the Authority's financial statements and their Value for Money Conclusion (including financial resilience and the overall efficiency and effectiveness) for the Authority.
- Mazars issued an unqualified opinion on both the Authority's financial statements and Value for Money Conclusion. Their report included comments that:
 - Our opinion is that the financial statements give a true and fair view of the Authority's financial position as at 31st March 2020 and of its expenditure and income for the year then ended and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
 - Our opinion is that the other information in the Statement of Accounts was consistent with the audited financial statements.
 - They confirmed that they did not use their powers under Section 24 of the 2014 Act to issue a statutory report in the public interest or to make recommendations to the Authority.
 - The audit made one medium risk recommendation to review the system of the payment of councillor allowances in order to improve the accuracy and consistency of the payments being reclaimed by each constituent council. The Authority agreed to address this issue, which has already been completed in this financial year (2020/2021).
 - The Authority has continued to report regularly on its financial performance to the Policy and Performance Committee and the full Authority. The 2019/20 outturn was an overall net underspend of £1.515m (2018/19 £1.681m), with the Authority having a good track record of effective budget management.
 - The Authority has continued to make good progress in addressing the financial challenges from public sector austerity and has a proven track record of delivering planned budget reductions.
 - The Authority's usable reserves (excluding its general fund balance) were £29.420 million as at 31 March 2020 (£25.038 million at 31 March 2019). The underspend for the year has been earmarked in a specific Covid 19 reserve. Although these are earmarked for specific purposes, they do provide flexibility to manage the medium-term financial position.

- The Audit report concluded that the Auditors were satisfied that in all significant respects, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.
- The Covid 19 pandemic had created significant uncertainties and pressures in the Authority's medium term financial planning arrangements and there was also uncertainty stemming from the UK's new trading arrangements with the European Union on the overall economy. It was critical in their opinion that the Authority continues to monitor and refresh its medium term financial strategy so that potential funding shortfalls can be identified as early as possible and mitigations identified to minimise the impact on services.

5.8 It is considered that the Annual Audit Letter 2019/20 gives reassurance that the Authority's overall governance and control arrangements are satisfactory.

5.9 Findings of external bodies / audits are collated, acted upon and monitored by the Executive Leadership Team.

6 CONCLUSION AND AGREED ACTIONS

6.1 The 2021/22 corporate governance action plan was presented to Fire Authority in July 2021. A small number of minor improvements were identified as part of the annual governance review, resulting in eight new actions on the 2021/22 corporate governance action plan (Appendix Dii). A further seven actions have been carried forward from the 2020/21 action plan, bringing the total number of actions for completion to 15. There has been a delay in completing some of the 2020/21 actions due to the Covid 19 pandemic however, there is a commitment to have all outstanding actions closed by the end of the financial year. Progress made against the 2020/21 actions was reported to the Governance Committee on the 8 March 2021.

7 ASSURANCE STATEMENTS

7.1 The Executive Leadership Team, the Governance Committee and the Authority have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Authority's corporate governance and internal control arrangements which is provided in addition to this Statement for information.

7.2 We propose over the coming year to take steps to implement the action plan to further enhance the Authority's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Cllr Tony Taylor
Chair of the Authority

Chris Lowther
Chief Fire Officer and Chief
Executive

Dennis Napier
Finance Director

Date: 12 July 2021