

# Annual Governance Statement

Position as at 31<sup>st</sup> March 2020 including plans for the financial year 2020/21.

During 2018/19 North Yorkshire Fire and Rescue Authority (NYFRA) was abolished and replaced by the North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority (PFCC FRA). This annual governance statement reflects the first full year of the new governance framework put in place for the PFCC FRA for the year ended 31 March 2020 including plans for the financial year 2020-21.

## **1. Scope of Responsibility**

- 1.1 The PFCC FRA is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The PFCC FRA also has a duty to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the PFCC FRA is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PFCC FRA places reliance on the Chief Fire Officer to support the governance and risk management processes.
- 1.3 The PFCC FRA has an overarching code of corporate governance in place to ensure the governance arrangements are easily accessible with all of the key documents captured in one place. The code is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government and while under constant review to ensure it meets the needs of the organisation is it the subject of formal review and publication annually.
- 1.4 Copies of the Code of Corporate Governance are available on our [website](#).
- 1.5 This statement explains how the PFCC FRA has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of a statement on internal control.

## **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises both the culture and value, and systems and processes, by which the PFCC FRA is directed and controlled and their activity through which it accounts to and engages with the community. It enables the PFCC FRA to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 2.2 A new [Fire and Rescue Plan 2019-21](#) has been put in place which sets out the strategic vision, priorities and objectives for North Yorkshire Fire and Rescue Service over the next two years for how it will better respond to the needs of the communities of North Yorkshire. The plan sets out the following 4 priorities:
- Caring about the vulnerable
  - Ambitious collaboration
  - Realising our potential
  - Effective engagement
- 2.3 These priorities help shape the governance framework of the Fire Service.
- 2.4 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it 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 PFCC FRA'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 effectively, efficiently and economically.
- 2.5 A governance framework has been in place at the PFCC FRA for the year ended 31 March 2020 and up to the date of the approval of the financial statements.

## **3. The Governance Framework**

- 3.1 In April 2016 CIPFA published an updated version of their "Delivering Good Governance in Local Government: Framework". The 2016 Framework sets out seven principles of good governance which are taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) ('the International Framework') and interprets them for local government.
- 3.2 The seven principles (A to G) are considered below and have been utilised in our review of governance and in developing this AGS.

#### **4 PRINCIPLE A: BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW**

The PFCC FRA is accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

##### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The Code of Corporate Governance requires all parties to abide by the 7 Nolan Principles, these will be central to the behaviour of everyone in the organisation. It also highlights the expectation that the relationship between all parties will be based on the principles of goodwill, professionalism, openness and trust
- The Financial Management Code of Practice requires the PFCC FRA to ensure that the good governance principles are embedded within the way that the organisation operates
- The PFCC FRA has set out their values in the respective corporate and strategic plans

##### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Behaving with integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of law

The review didn't highlight any areas, within this principle, that were worthy of note within the Annual Governance Statement.

## **PRINCIPLE B: ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

Public Services, including the Fire and Rescue Service, are run for the public good. Organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The PFCC FRA is accountable to local people and draws on this mandate to set and shape the strategic objectives for the North Yorkshire area in consultation with the Chief Fire Officer.
- The Police, Fire and Crime Plan will clearly set out what the strategic direction and objectives are to be and how they will be delivered.
- To complement this, the PFCC FRA's communication and engagement strategies set out how local people will be involved with the PFCC FRA to ensure they are part of decision making, accountability and future direction. This will be a mixture of being part of the yearly planning arrangements and becoming involved in issues of interest to local people as they emerge.
- The PFCC FRA has developed arrangements for effective engagement with key stakeholders, ensuring that where appropriate they remain closely involved in decision making, accountability and future direction
- The strength of the PFCC FRA's working relationship with the Police, Fire and Crime Panel, constituent local authorities and other relevant partners.

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Openness
- Engaging comprehensively with institutional stakeholders
- Engaging stakeholders effectively, including individual citizens and service users

Significant progress has been made in this area since the transfer of Governance including holding the Fire Service to account including live broadcasting of the [Public Accountability Meeting](#) which provides the opportunity for members of the public to email questions in advance of the meeting and/or to use Twitter during the meeting to ask questions.

In forming the Fire and Rescue Plan, the PFCC considered the views of 1,000 members of the public, as well as local businesses, partners and the Fire and Rescue Service themselves, as to how the Service should evolve.

This progress will need to be built upon in the coming year to consult and engage on the development of the Risk and Resource Model which will consider options of how resources can best match the risks aligned to current budget provision, the purpose of which is to produce a flexible and affordable 4-year Risk and Resource Model that best fits our resources to risk. This work is scheduled to complete in time for the revised PFCC elections so that they can inform the future Fire and Rescue Plan.

## **PRINCIPLE C: DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS**

The long term nature and impact of many of the PFCC FRA's responsibilities mean that they should seek to define and plan outcomes and that these should be sustainable. Decisions should contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The FRS Act 2004 requires the PFCC FRA to issue a Fire and Rescue Plan and the Fire and Rescue Statement, which defines the fire and rescue objectives (outcomes) and the strategic direction for the Fire Service.
- The Fire and Rescue Service will have a corporate/strategic plan which sets out how it will operate to support achievement of these outcomes.
- Collaboration agreements will set out those areas of business to be undertaken jointly with other fire and rescue authorities, local policing bodies and other emergency services, in order to reduce cost, increase capability, and/or increase resilience to protect local people.
- A medium term financial strategy will be developed and thereafter reviewed regularly to support delivery of these plans. Where necessary protocols will ensure proper arrangements for financial management

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Defining outcomes
- Sustainable economic, social and environmental benefits

Much work has been undertaken during 2019/20 in relation to the Enable Collaboration with the Police Force in North Yorkshire. Most of the formal documentation is now in place and the senior management team for the delivery and oversight of services to both Fire and Police is now in place. These new governance and service delivery processes will need to be developed and embedded during 2020/21 to ensure that the Fire Service can continue the development that has been apparent over the last 18 months.

Part of the Chief Fire Officers' Ambition 2025 programme refers to 'We care about our impact on the environment and are committed to minimising it' – the review of the Governance arrangements recognises this as an area that requires further development.

## **PRINCIPLE D: DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

Local Government, including the Fire and Rescue Service, achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The PFCC FRA will maintain a medium term financial strategy which will form the basis of the annual budgets, and provide a framework for evaluating future proposals
- There will be a comprehensive process of analysis and evaluation of plans, which will normally include option appraisal, techniques for assessing the impact of alternative approaches on the service's outcomes, and benefits realisation
- Processes will be in place to monitor efficiency and value for money, including benchmarking of performance and costs
- The PFCC FRA should maintain effective workforce development and asset management plans (eg Estate; ICT)

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

The review recognises that the Service has done a significant amount of work on the medium term financial plans over the last 18 months and has returned the Authority to a recurring and sustainable financial position based on current projection of both income and expenditure. This is a significant achievement given the position inherited in November 2018.

To develop the organisation and service further however will require some significant development around both the Estate and Work Force development. The latter point was highlighted as part of the first [HMICFRS inspection](#) of North Yorkshire Fire and Rescue Service, where it is concluded amongst other things that the Service requires improvement to how it ensures fairness and promotes diversity.

## **PRINCIPLE E: DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT**

The PFCC FRA need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A public organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Both the individuals involved and the environment in which the Fire and Rescue Service operates will change over time, and there will be a continuous need to develop its capacity as well as the skills and experience of the leadership and individual staff members. Leadership in the Fire and Rescue service is strengthened by the participation of people with many different types of background, reflecting the structure and diversity of communities.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The 'People' and personal development strategies of the Fire and Rescue Service set the climate for continued development of individuals. The respective performance development review processes will ensure that these strategies are turned into reality for members of staff.

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

There has been a real focus on the development of Leadership with the Fire and Rescue Service over the last year including a very successful Learning and Development Week involving all Leaders within the Service.

This development must continue and was another area that the HMICFRS inspection highlighted as an area that the Service 'requires improvement in how it manages performance and develops leaders'

In addition to this, like many Fire and Rescue Authority's there is challenge for the Service to be more reflective of the diversity of the communities it serves.

The final area for consideration is that the organisation needs to consider and plan for a new PFCC who will be elected in May 2021.

## **PRINCIPLE F: MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT**

Public bodies need to ensure that the organisation's and governance structures that they oversee have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management, business continuity and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving outcomes. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The decision making protocol sets out principles for how decisions will be taken by the PFCC FRA and the standards to be adopted
- It requires a combined forward plan of decisions, which brings together the business planning cycles for the Police, Fire and Crime plan, the Fire and Rescue Plan and the Integrated Risk Management Plan. This will ensure proper governance by bringing together the right information at the right time
- The scheme of governance highlights the parameters for decision making, including consents, financial limits for specific matters, and standing orders for contracts
- The risk management strategy establishes how risk is embedded throughout the various elements of corporate governance of the organisation
- The Communications and Engagement strategies demonstrate how the PFCC FRA will ensure that local people are involved in decision making
- The information publication scheme ensures that information relating to decisions will be made readily available to local people, with those of greater public interest receiving the highest level of transparency, except where operational or legal constraints exist
- The forward plan of decisions combined with open and transparent information schemes enables the Police, Fire and Crime Panel to be properly sighted on the decisions of the PFCC FRA.

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

Work has continued throughout 2019/20 to develop both the management and governance structures within the Fire Service to underpin, support and enable delivery against the Fire and Rescue Plan. These new arrangements will require embedding during 2020/21 to maintain the progress that the service has made over the last 18 months.



## **PRINCIPLE G: IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- Legislation sets out the functions of the PFCC FRA.
- The PFCC FRA is required to appoint a Chief Fire Officer, Monitoring Officer and Chief Financial Officer
- The Financial Management Code of Practice sets out the responsibilities of the Chief Financial Officer/s151 Officer for the PFCC FRA.
- Internal audit, reflecting published guidance on standards
- The Scheme of corporate governance highlights the parameters for key roles in the organisation including delegations from the PFCC FRA, financial regulations and standing orders
- Employees of the PFCC FRA will operate within
  - PFCC FRA policies and procedures
  - The corporate governance framework
  - Disciplinary regulations
  - Codes of conduct
- An independent Audit Committee operates within the CIPFA guidance and in accordance with the Financial Management Code of Practice

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

The review didn't highlight any areas within this principle that were worthy of note within the Annual Governance Statement.

## **5 Review of effectiveness**

5.1 The PFCC FRA has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:-

- The system of internal audit
- The system of internal control

5.2 The governance framework within the PFCC FRA has been reviewed, and continues to be reviewed for its effectiveness by the PFCC FRA's Chief Finance Officer.

5.3 The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below: -

### **PFCC**

5.4 The PFCC has a statutory duty and electoral mandate to ensure an efficient and effective fire and rescue service. The review and maintenance of the governance framework is the responsibility of the independent audit committee which will discuss the majority of governance issues, referring reports to the PFCC when it is felt necessary. Given that the ultimate responsibility for Governance rests with the PFCC the Audit Committee requires a Member of the management team to attend each Audit Committee meeting. This provides the Committee with a direct opportunity to engage at the right level in the organisation but also develop strong working relationships. In addition to this and to further strengthen their role the Audit Committee has direct access to both the PFCC and Chief Fire Officer if and when required.

### **Independent Audit Committee**

5.5 The Independent Audit Committee receives regular reports on governance issues. This includes the review of the Annual Governance Statement for publication with the Annual Statement of Accounts and update reports on progress made in addressing governance issues included in it.

5.6 Chaired independently, the role of the Committee, in part, is to provide independent assurance on the adequacy and effectiveness of the internal control environment and risk management framework, advising the PFCC FRA according to good governance principles and overseeing governance and monitoring of governance within the organisation.

### **Head of Internal Audit**

5.7 In maintaining and reviewing the governance framework, the PFCC's Chief Finance Officer places reliance on the work undertaken by Internal Audit and in particular, the Head of Internal Audits independent opinion on the adequacy and effectiveness of the system of internal control.

5.8 For 2019/20 the Head of Internal Audit is of the overall opinion of the Head of Internal Audit on the framework of governance, risk management, and control operating in the service is that it provides Substantial Assurance. There are no qualifications to that opinion and no reliance was placed on the work of other assurance bodies in reaching this opinion. There are also no significant control weaknesses which, in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement.

5.9 The opinion is however qualified, in light of the current coronavirus pandemic and the impact of this on the Service. The opinion is based on internal audit work undertaken, and completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.

### **External Audit**

- 5.10 External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the PFCC FRA's services, with their annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports.
- 5.11 In addition to the above other review/assurance mechanisms such as Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) independently assesses the effectiveness and efficiency of police forces and fire & rescue services – in the public interest.

## **6 Evaluation**

- 6.1 Following this review, governance and decision making arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

## 7 Governance Issues

### Action Plan for 2020/21 to address issues raised:

Areas which require further/continued focus	Action	Owner	Target Implementation Date
ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT	Progress around openness and engagement will need to be built upon during 2020/21 to ensure that a comprehensive programme of consultation and engagement takes place on the development of the Risk and Resource Model. This Model will consider options of how resources can best match the risks aligned to current budget provision, the purpose of which is to produce a flexible and affordable 4-year Risk and Resource Model that best fits our resources to risk. This work is scheduled to complete in time for the revised PFCC elections, in May 2021, so that they can inform the future Fire and Rescue Plan	Deputy Chief Fire Officer	31st March 2021
DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS	Much work has been undertaken during 2019/20 in relation to the Enable Collaboration with the Police Force in North Yorkshire. Most of the formal documentation is now in place and the senior management team for the delivery and oversight of services to both Fire and Police is now in place. These new governance and service delivery processes will need to be developed and embedded during 2020/21 to ensure that the Fire Service can continue the development that has been apparent over the last 18 months.	Director of Assurance	31st March 2021
DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS	Part of the Chief Fire Officers' Ambition 2025 programme refers to 'We care about our impact on the environment and are committed to minimising it' – this as an area that requires further development to determine how this will be progressed.	Chief Fire Officer	31st March 2021
DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES	To develop the organisation and service further will require some significant development around both the Estate and Work Force development. The latter point was highlighted as part of the first HMICFRS inspection of North Yorkshire Fire and Rescue Service, where it is concluded amongst other things that the Service requires improvement to how it ensures fairness and promotes diversity.	Director of Assurance and Director of Enable	31st March 2021
DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT	There has been a real focus on the development of Leadership with the Fire and Rescue Service over the last year including a very successful Learning and Development Week involving all Leaders within the Service. This development must continue and was another area that the HMICFRS inspection highlighted as an area that the Service 'requires improvement in how it manages performance and develops leaders' In addition to this, like many Fire and Rescue Authority's there is challenge for the Service to be more reflective of the diversity of the communities it serves.	Chief Fire Officer and Deputy Chief Fire Officer	31st March 2021
DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT	The organisation needs to consider and plan for a new PFCC who will be elected in May 2021	Chief Fire Officer and PFCC Chief Executive	May-21
MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT	Work has continued throughout 2019/20 to develop both the management and governance structures within the Fire Service to underpin, support and enable delivery against the Fire and Rescue Plan. These new arrangements will require embedding during 2020/21 to maintain the progress that the service has made over the last 18 months	Chief Fire Officer and Deputy Chief Fire Officer	31st March 2021

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

Signed:



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Julia Mulligan  
Police, Fire and Crime Commissioner for North Yorkshire



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Andrew Brodie  
Chief Fire Officer



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Michael Porter  
PFCC Chief Finance Officer

Date: