

## **Statement On Annual Governance Arrangements by The Chairman of The Combined Fire Authority, The Treasurer to The Combined Fire Authority and The Chief Fire Officer**

### **Scope of Responsibility**

Lancashire Combined Fire Authority (the Authority) is responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Authority approved and adopted an updated Local Code of Corporate Governance in 2018 and this was reviewed by the Audit Committee in July 2023. It aligned with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government Framework 2016*. Included within the Code were the following core principles: -

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it would do this can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Code-of-Corporate-Governance.pdf>)

This statement explained how the Authority had complied with the code and also meets the requirements of regulation 6(2) of the Accounts and Audit Regulations 2015 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 Authority was directed and controlled and its activities through which it accounts to, engages with and leads the community. It enabled the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives had 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 could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an on-going 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.

The governance framework had been in place at the Authority for the year ended 31 March 2023 and up to the date of approval of the 2022/23 Statement of Accounts.

## **The Governance Framework**

The Authority's Local Code of Corporate Governance set out its framework for corporate governance. The key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the seven principles of the Local Code of Corporate Governance include: -

- The Community Risk Management Plan (CRMP) sets out the direction of the Service and how we will make Lancashire safer. It was informed by the greatest risks to the people and communities of Lancashire which are identified in our strategic assessment of risk (opens in a new tab). The plan describes our aim, priorities, equality objectives and values, alongside how we will prevent, protect and respond to the risks in Lancashire. The current plan covering 2022-2027 can be found on our website at [Community Risk Management Plan 2022-2027 - Lancashire Fire and Rescue Service \(lancsfireandrescue.org.uk\)](https://www.lancsfireandrescue.org.uk/Community-Risk-Management-Plan-2022-2027);
- The Strategic Assessment of Risk' (SAoR) seeks to underpin our Community Risk Management Plan (CRMP) by ensuring that risk management drives decision-making within Lancashire. This document can be found on our website at [Strategic Assessment of Risk 2022-2023 - Lancashire Fire and Rescue Service \(lancsfireandrescue.org.uk\)](https://www.lancsfireandrescue.org.uk/Strategic-Assessment-of-Risk-2022-2023);
- The Annual Service Plan details the activities we will undertake to deliver the strategy set out in our CRMP. The current plan was approved this year and can be found on our website at [Annual Service Plan 2023-24 - Lancashire Fire and Rescue Service \(lancsfireandrescue.org.uk\)](https://www.lancsfireandrescue.org.uk/Annual-Service-Plan-2023-24);
- A Communication Strategy and the Consultation Strategy;

- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Service Report;
- A Corporate Programme Board provides oversight across 5 areas: -
  - Business Process Improvement Programme
  - Service Delivery Change Programme
  - Capital Projects Programme
  - People Strategy
  - Risk Management

All major projects and reviews followed similar format and report to the Corporate Programme Board;

- The Authority operated a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows: -
  - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operated in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities;
  - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues
  - The Planning Committee - To consider reports and make decisions relating to all aspect of planning arrangements, including consultation and communication arrangements
  - The Performance Committee - To consider reports and make recommendations on all aspects of performance management,
  - The Appeals Committee -To hear relevant appeals, grievances and complaints
- Clear management structure within the Service. The Executive Board, comprising the Chief Fire Officer (head of paid service), and 4 Executive Directors, was responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and was assisted in this process by the Service Management Team;
- The Combination Scheme Order, Standing Orders, Terms of Reference of individual Committees, Scheme of Delegation and Financial Regulations establish overall arrangements for policy setting and decision making and the delegation of powers to members and officers;
- Comprehensive suite of strategies and policies in place and regularly reviewed;

- Codes of Conduct for members and officers, and member/officer protocol, which set out clear expectations for standards of behaviour;
- Both the Monitoring Officer and Treasurer were involved in the Authority's decision-making process, and ensure compliance with established policies, procedures, laws and regulations; All Authority reports were considered for human resource, financial, business risk, environmental and equality and diversity implications in order to identify key issues;
- The Treasurer's role and financial management arrangements aligned with requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government and CIPFAs Financial Management Code;
- Well publicised arrangements for dealing with complaints and whistleblowing, and for combating fraud and corruption;
- A Risk Management Strategy and framework which ensured that risks to the Service's objectives are identified and appropriately managed;
- Comprehensive Business Continuity arrangements in place, and tested on a regular basis;
- A framework to review potential partnership arrangements utilising set criteria prior to entering into such arrangements;
- Compliance with data transparency requirements, including publication of all key documents, committee agenda and minutes, pay policy and publication scheme on the internet;
- Regular assessment of training & development needs of both members and officers, including appropriate appraisal system. Sufficient budget to meet relevant training requirements; and
- Comprehensive service review process in place, comprising external views in the form of HMICFRS Inspection review, External Audit reviews, Internal Audit reviews and internal reviews undertaken by our own staff. Ultimately these culminate in the production, and publication, of an Annual Assurance Statement.

### **Review of effectiveness**

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 effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A statement of assurance was approved by the Authority in December 2022, it sets out the effectiveness of the governance arrangements for which it is responsible,

including the system of internal control. The statement of assurance covered all the principles set out in the Authority's Code of Corporate Governance. The statement of assurance reveals no areas of weakness in the Authority's corporate governance arrangements; the arrangements were in all cases, at least adequate, and in the majority of areas, good.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following had been considered: -

- A review of minutes of the Executive Board, Audit Committee and Authority to ensure that periodic monitoring and reviews were being reported appropriately and governance issues were addressed.
- We updated our Strategic Assessment of Risk that underpins our Community Risk Management Plan (CRMP) by ensuring that risk management drives decision-making within Lancashire. We undertook an emergency cover review (ECR) to ensure that its emergency response remains effective and efficient, and that the Service is well equipped to respond to future challenges.
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) reported the outcome of their second full inspection in July 2022; the focus was on the service they provide to the public, and the way they use the resources available. The HMICFRS reported that the Service was performing exceptionally well and had been recognised as 'outstanding' for promoting values and culture. As well as being rated 'outstanding' for culture and values, the service was rated as 'good' in the other 10 categories and there were no areas that 'require improvement.' The results mirror those of the service's first full inspection in 2018, with the new report highlighting that the service had improved in almost all areas since then.
- A new Annual Service Plan had been published, providing clarity, both internally and externally, on our priorities set out in the CRMP and described what our ambitions were for each priority, as well as setting out the projects and actions that would be delivered, developed or reviewed during the coming year against each of our priorities. This was supported by Local Delivery Plans.
- Statement of Intent: Enhanced Collaboration agreed between LFRS, Lancashire Constabulary and North West Ambulance Services. Collaboration group established with regular reports to Members.
- An Operational Assurance Team. The newly formed Organisational Assurance team under Planning, Performance and Assurance, would now have a broader reference than just a focus on operational assurance. The team had the responsibility for HMICFRS liaison, operational preparedness and would undertake internal audits/ assurance across the whole organisation based on trends, themes and emerging needs. The team would identify and share good practice as well as areas for improvement, items would be tracked through to completion. The Organisational Assurance team would work closely with the Operational Assurance team (under Training and Operational Review) who had the responsibility for operational learning and response. The Operational

Assurance team would continue to create the operational assurance performance summary which was published quarterly. A programme of preparedness visits would be managed by the Organisational Assurance team which had expanded on the operational audits undertaken previously.

- Performance appraisal incorporating values was undertaken throughout the Service.
- Internal Audit services were provided by Lancashire County Council, who complied with CIPFA’s Code of Internal Audit Practice. The Service was designed to give assurance that the Authority maintained adequate systems of internal control and to make recommendations on ways to enhance these, where felt necessary. The Assurance mapping exercise, with our Internal Auditors, had confirmed that a strong assurance framework was in place. As part of the 2022/23 internal audit plan the auditors undertook various reviews and gave the overall opinion that they could *“provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.”*
- The Authority’s external auditors were Grant Thornton, they were required to consider whether the service had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Their conclusions are set out below:
  - Financial Sustainability – “No significant weaknesses in arrangements identified but two improvement recommendations made”
  - Governance – “No significant weaknesses in arrangements identified”
  - Improving economy, efficiency and effectiveness - “No significant weaknesses in arrangements identified”
- On 30 November 2022 Grant Thornton gave an unqualified opinion on the Authority’s finance statements ended 31 March 2022.

Last year’s Annual Governance Statement identified a number of areas for improvement, and progress against these are set out below:

Area for Improvement	Action to date	Complete/ On-going	Owner
A project to replace the existing Performance Management System would commence	Two projects had been initiated which would replace our data warehouse and performance reporting dashboards. A new data warehouse had been built and the first three service level KPI’s had been delivered including a front end PowerBi	On-going	Head of Service Improvement

	reporting dashboard. A scoping exercise was underway to determine the requirements for the wider performance management dashboards with a focus on service delivery performance reporting initially.		
An upgraded Finance system would be implemented in April 2022, as part of that we would review and implement improvements to the monthly budget monitoring process, making greater use of additional functionality provided.	The upgraded Finance System was implemented in 2022/23. Improvements to the monthly budget monitoring processes was taking place in 2023 and further development work to improve functionality was also taking place in 2023.	On-Going	Head of Finance
Embed the Core Code of Ethics into our corporate policy, and recruitment and promotion process	The ethical principles in the national Code of Ethics had been built into the Services corporate policies, human resources policies and job descriptions. Recruitment and promotion assessment of candidates incorporated the Services values and the Code of Ethics.	Complete	

### Significant governance issues

On the basis of the review of the sources of assurance set out in this statement, we were satisfied that Lancashire Combined Fire Authority and Lancashire Fire and Rescue Service had in place a satisfactory system of internal control which facilitated the effective exercise of its functions, and which included arrangements for the management of risk.

Whilst no significant governance issues were identified, the following new areas for improvement, are listed below:

- Identify a mechanism to report to Members of the CFA our response to national recommendations made by the HMICFRS during the year.

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

**Approved:**

<i>David O'Toole</i>	<i>Justin Johnston</i>	<i>Steven Brown</i>
County Councillor D O'Toole, Chairman, Lancashire Combined Fire Authority [DATE]	J Johnston, Chief Fire Officer, Lancashire Fire and Rescue Service [DATE]	S Brown, Treasurer, Lancashire Combined Fire Authority [DATE]