

Annual Governance Statement

Position as at 31st March 2019 including plans for the financial year 2019/20.

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 both the governance framework in place up until 15th November 2018 when the NYFRA was abolished and the new governance framework put in place for the PFCC FRA for the year ended 31 March 2019 including plans for the financial year 2019-20.

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 at www.northyorkshire-pcc.gov.uk
- 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 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.

- 2.3 A governance framework has been in place at the PFCC FRA and prior to that the NYFRA for the year ended 31 March 2019 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 organisations operate
- 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

Given that the transfer of Governance only took place on the 15th November 2018, there are a couple of areas that aren't yet in place, or are new requirements, and therefore require continued focus over the coming year. These relate to the development of a Police, Fire and Crime Plan and also the development of the working relationship with the Police, Fire and Crime Panel.

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

Given that the transfer of Governance only took place on the 15th November 2018, there are a couple of areas that aren't yet in place, or are new requirements, and therefore require continued focus over the coming year. These relate to the development of a Fire and Rescue Plan and also the development, agreement and delivery of collaboration agreements with North Yorkshire Police.

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

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 significant turnover of staff, and a reduction in the number of staff, within the Corporate Management Board since the Transfer of Governance on the 15th November 2018. It is vital that these people are provided with the right personal and professional development to further develop their capabilities and that the organisation is mindful of the capacity of the Board members to oversee and deliver significant organisational change. 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 2020.

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

The review didn't highlight any areas within this principle that were worthy of note within the Annual Governance Statement although work to embed the new ways of working and governing will be needed over the coming year.

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.

Audit and Performance Review Committee/Independent Audit Committee

5.5 The NYFRA had delegated responsibility for reviewing and maintaining the effectiveness of the governance framework to the Audit and Performance Review Committee, with the Committee receiving regular reports on governance issues at its meetings.

5.6 The Committee has now been replaced by the Independent Audit Committee and will continue to receive regular reports on governance issues. This will include 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.

5.7 Chaired independently, the role of the Committee, in part, will be 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

5.8 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. For 2018/19 the Head of Internal Audit is of the opinion that,

5.9 For 2018-19 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.

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 2019/20 to address issues raised:

| Areas which require further/continued focus | Action | Owner | Target Implementation Date |
|--|--|--|----------------------------|
| ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT | Given that the transfer of Governance only took place on the 15th November 2018, there are a couple of areas that aren't yet in place, or are new requirements, and therefore require continued focus over the coming year. These relate to the development of a Police, Fire and Crime Plan and also the development of the working relationship with the Police, Fire and Crime Panel. | OPFCC - Policy and Scrutiny Officer (Fire) in relation to the Plan. | By end of Sept-19 |
| DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS | Given that the transfer of Governance only took place on the 15th November 2018, there are a couple of areas that aren't yet in place, or are new requirements, and therefore require continued focus over the coming year. These relate to the development of a Fire and Rescue Plan and also the development, agreement and delivery of collaboration agreements with North Yorkshire Police | The delivery of a Fire and Rescue Plan links to the action above. Chief Fire Officer (in relation to the collaboration agreements with North Yorkshire Police) | By end of Sept-19 |
| DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT | There has been a significant turnover of staff, and a reduction in the number of staff, within the Corporate Management Board since the Transfer of Governance on the 15th November 2018. It is vital that these people are provided with the right personal and professional development to further development their capabilities and that the organisation is mindful of the capacity of the Board members to oversee and deliver significant organisational change. 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 | Mar-20 |
| 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 2020 | Corporate Management Board | May-20 |

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:

Julia Mulligan
Police, Fire and Crime Commissioner for North Yorkshire

Andrew Brodie
Chief Fire Officer

Michael Porter
PFCC Chief Finance Officer

Date: