



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

**ANNUAL GOVERNANCE STATEMENT**

**2016/2017**

**FOR**

**HAMPSHIRE FIRE AND RESCUE AUTHORITY**

# **Annual Governance Statement for Hampshire Fire and Rescue Authority**

## **1. Scope of Responsibility**

Hampshire Fire and Rescue Authority is responsible for ensuring that:

- its business is conducted in accordance with the law and to proper standards;
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively;
- pursuant to the Local Government Act 1999 it secures continuous improvements in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy; and
- there is a sound system of internal control which facilitates the effective exercise of the Fire Authority's functions and which include arrangements for the management of risk.

This Annual Governance Statement explains how the Authority meets with the requirements of the Accounts and Audit (England) Regulations 2015, and complies with the principles contained in the Delivering Good Governance in Local Government Framework in 2016-2017.

## **2. The purpose of Corporate Governance**

The governance framework comprises the systems and processes, and cultures and values, by which the Hampshire Fire and Rescue Service is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Fire Authority to monitor the achievement of its priorities and to consider whether they have led to the delivery of appropriate, cost effective and efficient services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve its 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 risk to the achievement of the Authority's priorities. It evaluates the likelihood of those risks being realised and the impact should they be realised, in order to manage them efficiently, effectively and economically.

The governance framework was in place at Hampshire Fire and Rescue Authority for the year ending 31 March 2017 and up to the date of approval of the Statement of Accounts.

### **3. Core Principles of good governance**

#### **3.1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 3.1.1 The Fire Authority took a proactive approach in reviewing its governance arrangements during 2015/16. The aim was to ensure the Authority was in the best position to continue to lead Hampshire Fire and Rescue Service in delivering excellent quality services to the residents of Hampshire whilst remaining resilient and responsive to challenges in the future. The new shaped Authority will comprise 10 members. The Police and Crime Commissioner attends Authority meetings and has the ability to speak on items on the agenda. The aim of the new arrangements is to have a strategic and business focus with Member engagement and scrutiny across the business of the Authority.
- 3.1.2 The key policies that set out the scope of authority for Members and that delegated to staff is detailed in the Scheme of Delegation, Contract Standing Orders and Financial Regulations. Both Members and staff are aware of their responsibilities within these policies. In particular, the Scheme of Delegation and Financial Regulations have been reviewed and will be presented to the Fire Authority at their meeting in June 2017.
- 3.1.3 There are a well-established set of core values which Members and staff are expected to observe and promote. These values are underpinned by a range of policies and procedures including Codes of Conduct for Members and for staff, registers of interests and gifts and hospitality.
- 3.1.4 The Fire Authority is committed to the highest ethical standards. A Code of Corporate Governance has been included in the refreshed Fire Authority Constitution to be considered in June 2017. The Code of Corporate Governance demonstrates a comprehensive commitment on the part of the Fire Authority to accountability, integrity, ethical values and the rule of law.
- 3.1.5 Members of Service Management Team have the relevant professional external networks and expertise to identify the impacts of new legislation. Legal advice is also provided to ensure the Authority continues to comply with legislation and regulation.
- 3.1.6 The Service has reviewed its internal governance structures and set up several internal boards to oversee key areas such as performance, risk management and assurance, culture, inclusion and diversity (people) and physical assets (vehicles and estates). These boards provide extra scrutiny on behalf of the Service Management Team, to which they report on a regular basis.
- 3.1.7 A Policy Framework has been developed and approved and a newly formed Policy Group is overseeing a review and embedding of all Service policies which will be completed by December 2017.

#### **3.2 Ensuring openness and comprehensive stakeholder engagement.**

- 3.2.1 The Authority's Service Plan 2015-2020 sets out our aim to be the best fire and rescue service in the country and vision to work smarter, be more efficient, and to make life safer for everyone in Hampshire. It contains clear strategic Priorities. The Plan is on the Authority's website and available to stakeholders in electronic and paper formats.

- 3.2.2 The Authority operates in an open and transparent way. It complies with the Openness of Local Government Bodies Regulations 2014. The Authority's meetings are open to the public, and its papers and decisions are available through our website (save for individual items of a sensitive nature properly considered in confidential session). In addition, Fire Authority meetings are live-streamed to enable staff and the public better access to view decision making.
- 3.2.3 Clear guidance and protocols on decision making, effective arrangements for the approval of exempt reports and a revised template for reports and decisions ensures that the Fire Authority takes decisions in public when appropriate and after full consideration of relevant information.
- 3.2.4 The Authority enjoys a constructive relationship with the Trade Unions and Associations representing staff groups within the Service, through which meaningful consultation and negotiation on service issues takes place.
- 3.2.5 Public consultation to listen to stakeholders and inform decision making is undertaken. Extensive consultation was undertaken during the Authority's recent Risk Review which was the most comprehensive integrated risk review the Service has carried out in recent years. The consultation process for the proposals enabled our staff, the public and other stakeholders to have their say on how their fire and rescue service should operate in the future. The process was quality assessed by the Consultation Institute and found to have conformed to best practice.
- 3.2.6 Hampshire Fire and Rescue Authority has a long history of collaborative working with partner agencies. In particular, Blue Light Collaboration is governed by an Executive Board consisting of the chief officers of Hampshire Constabulary, South Central Ambulance Service and Hampshire Fire and Rescue Service. The Board sets the strategic direction and oversees collaboration projects. The Chief Officer reports progress to the Fire Authority on a periodic basis.

### **3.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.**

- 3.3.1 Delivery of fire and rescue services and the associated community safety activity remains the Authority's core activity.
- 3.3.2 Our aim, vision and priorities are set out in the Hampshire Fire and Rescue Service Plan 2015-2020. The Plan sets out – for the benefit of our stakeholders – how the Authority:
- Assesses the risks
  - Responds to changes and challenges, and
  - Sets priorities and targets for improvement
- 3.3.3 Our priorities and aims are clear and arranged under the themes of 'Making life safer' and 'Making our Service stronger' – our 'Safer, Stronger' aims. These focus our resources to the relevant community risks, and our organisational improvements to support our service delivery to ensure that we are efficient and effective. This Plan is underpinned by detailed departmental plans and our corporate Portfolio of projects. Progress against these plans is monitored through regular performance updates to the Service Management Team, Safer Stronger Board and the Fire Authority.

- 3.3.4 People Impact Assessments (PIAs) are used to assess the impact of projects to inform decision making. These include assessments of equality, health and safety, environmental and financial impacts.
- 3.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.**
- 3.4.1 Clear guidance and protocols for decision making and the involvement of legal and finance officers in all significant decisions of the Authority ensures that they are only made after relevant options have been weighed and associated risks assessed.
- 3.4.2 The budget setting process is well established and prioritises budgets and spending to achieve intended outcomes. In recent years, the budget setting process has focussed on the achievement of savings to meet reductions in Government grant funding. However it is clear that it is focussed to deliver the Authority's aims and priorities which is underpinned by improvement.
- 3.4.3 Risks associated with the achievement of intended outcomes are detailed in Risk Registers held at strategic, departmental and project level. These evaluate the effectiveness of existing control measures as well as identifying proposed mitigation.
- 3.5 Developing the entity's capacity including the capability of its leadership and the individuals within it**
- 3.5.1 The relationship between Members and Officers is established on a professional culture of mutual respect, trust and co-operation. Both uphold the principles set out in the Leadership Framework.
- 3.5.2 Members receive good induction training and attend regular 'awareness' sessions on current topics which are delivered during the year. The topics are decided by Members and officers to ensure that decision-making is based on knowledge and understanding of the issues involved. Regular bulletins (Members' Updates) are issued and Members receive copies of key internal staff communications. The Fire Authority has a Member Development champion who supports and oversees the development of Members in a number of ways, such as internal and external briefings and courses. The Fire Authority has achieved the South East Employers Charter for Member Development.
- 3.5.3 The Authority, its committees and the Chief Officer have access to a full range of professional advisers to enable them to carry out their functions effectively and in compliance with statutory requirements. Some legal, ICT and democratic services are provided through contracts for services (service level agreements) with Hampshire County Council. The Shared Service partnership with Hampshire County Council and Hampshire Constabulary provides a wide pool of professional advice for areas such as HR, finance and procurement.
- 3.5.4 The Service has a People Strategy which describes what is required of our people and provides clarity about what we will achieve in order to meet the changing needs and expectations of society and future opportunities for the Service.

- 3.5.5 Hampshire Fire and Rescue Service regularly reviews the shape of its workforce against the needs of the Service in the context of its capacity and capability requirements. This then informs a range of strategies, for example; recruitment, retention and people development in order to provide effective leadership and deploy appropriate resources to meet the needs of the Service.
- 3.5.6 A refreshed Performance Development Review Process provides a framework for staff and managers to meet to discuss and set goals. The system now focuses on individual contribution within a team approach with effective performance conversations at all levels. This is supported by the development of a culture of on-going coaching style conversations which focus upon high performance in all aspects of our work. Staff are held accountable for their own performance and how this contributes to the overall performance of their team. They are encouraged to use the range of learning opportunities that are available across the Service.
- 3.5.7 Leadership and change management development programmes have been delivered to all levels of management.

### **3.6 Managing risks and performance through robust internal control and strong public financial management.**

- 3.6.1 The Authority operates a Risk Management Strategy, with oversight of the arrangements provided by the Risk and Assurance Board, which reports to Service Management Team and the Fire Authority.
- 3.6.2 Effective performance management is in place to measure progress against aims and priorities to prompt remedial action where appropriate. Our newly formed Service Performance Board adds improved scrutiny of the performance management process. The Authority has a framework for regularly monitoring its performance with timely and relevant information. Both the Service Management Team and the Fire Authority review our key performance indicators on a regular basis.
- 3.6.3 We compare our performance to that of other fire and rescue services; for example, we make use of national benchmark information. This continues to show that we are performing well when compared with other fire and rescue services.
- 3.6.4 The Internal Audit Plan 2016 – 17 was developed to operate at a strategic level providing a value-adding, and proportionate level of assurance aligned to the Authority's key risks and objectives. This includes a regular review of the Service's risk management processes.
- 3.6.5 The internal audit plan incorporates provision for both proactive and reactive counter fraud and corruption work, which is underpinned by an Anti-Fraud and Corruption Strategy and Policy.
- 3.6.6 The delivery of the internal audit plan enables the Chief Internal Auditor to provide an annual report providing an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control which is reported to the Service Management Team and the Fire Authority.
- 3.6.7 The Standards and Governance Committee has a clear 'Terms of Reference' providing an effective source of scrutiny, challenge and assurance regarding the arrangements for managing risk and maintaining an effective control environment.

- 3.6.8 The Authority has strong financial management arrangements at both the strategic and operational level and consistently obtains unqualified opinions for its annual accounts and value for money assessments. The Section 151 Officer is the Chief Finance Officer and all formal significant financial decision making has the benefit of advice and review from this officer or his team.
- 3.6.9 Financial management in key risk areas across the Service focusses on activity and performance management alongside the budget management processes and the financial management framework throughout the Service is appropriately advised and supported by the Finance team.
- 3.6.10 The Authority has a medium term financial plan to inform its corporate planning. This identifies the likely levels of funding available to the Authority, the cost of its current spending plans and the shortfall we are anticipating in future years. It also provides information on the level and use of reserves in transforming and improving the Service. It has established a clear Financial Plan to 2021 with the specific purpose of closing our predicted and estimated funding gap of £1.75m. The medium term financial plan is overseen and monitored by our Safer Stronger Board and regularly reported to the Fire Authority.
- 3.6.11 The Authority has submitted an Efficiency Plan to the Home Office setting out its performance and plans for sustainable financial stewardship.
- 3.6.12 Financial planning and management is fully integrated with, and driven by, the corporate planning and monitoring processes set out above. This includes processes for the forward planning of expenditure, consultation on budget proposals, setting and monitoring income and budgets, and the completion of final accounts.
- 3.6.13 The Treasury Management Strategy is reviewed regularly and approved by the Fire Authority annually with the budget.
- 3.7 Implementing good practices in transparency reporting and audit to deliver effective accountability.**
- 3.7.1 The 'Internal Audit Charter' is presented annually for approval by the Standards and Governance Committee. The purpose of the Internal Audit Charter is to formally define its purpose, authority, and responsibility. The Chief Internal Auditor has direct access to elected Members of the Authority and those who serve on the Standards and Governance Committee.
- 3.7.2 The on-going work of internal audit is presented through a quarterly progress report to the Standards and Governance Committee providing an overview of Service performance; delivery against the plan; and progress made by the Service in the implementation of management actions agreed to mitigate risks identified through internal audit work.
- 3.7.3 Where appropriate, internal audit will gain assurances from third parties to contribute to their overall assurance opinion.
- 3.7.4 Representatives of External Audit routinely attend Standards and Governance Committee meetings and present External Audit reports. Any recommendations for corrective action detailed within Internal or External Audit reports are highlighted to Members.

3.7.5 Financial reporting complies with relevant statute, codes and good practice guidance. Financial and performance information are reported consistently throughout the year. Where relevant and appropriate, performance comparisons are made to other organisations.

#### **4 Obtain assurances on the effectiveness of key controls**

4.1 Key controls relating to risks, internal control (including financial management), and governance processes are identified by senior managers as part of the governance framework and recorded on an annual return (assurance statement). Risks are included in risk registers at corporate and departmental level. Internal Audit, as part of its planned review of internal controls regularly evaluates the key controls to determine their adequacy and also carries out tests to confirm the level of compliance. An audit opinion on effectiveness is provided to management, and any actions for improvement to be agreed.

4.2 Hampshire Fire and Rescue Authority prides itself on being a professional learning organisation that actively seeks challenge and review.

4.3 In November 2015, the Authority underwent the Local Government Association's (LGA) Fire Peer Challenge, as part of sector led improvement. In January 2017, the Peer Challenge team was invited back to the Service to review our progress in implementing the improvements to which it had committed.

4.4 Other external reviews include the following:

- the ISO 270001 accreditation we hold for information security.
- a Home Office review of arrangements for our Public Sector Network.
- the LGA was used to help with the HFRA Governance Review.
- Hampshire Safeguarding Board's review of our safeguarding arrangements.

#### **5 Evaluate assurances and identify gaps in control/assurance**

5.1 One of the key elements of the Corporate Governance regime and the production of the Annual Governance Statement is the methodology applied to obtain the necessary assurance. This has included:

- a self-assessment assurance statement being sent every year to members of Service Management Team.
- consultation with other relevant officers throughout the Service.

5.2 The assurance statements cover a range of corporate governance and performance issues and they refer to the existence, knowledge and application within departments of governance policies generally.



## **6 Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance**

- 6.1 The Service's Policy Group will ensure that all Service policies are up to date reviewed, and then embedded where appropriate by the end of the calendar year.
- 6.2 The Service Risk and Assurance Board is currently overseeing the review of Risk Registers and framework.
- 6.3 The Service will review its consultation strategy.
- 6.4 Preparation will be made to prepare the Service for the requirements under the new General Data Protection Regulations which come into force in May 2018.
- 6.5 The Service is currently reviewing its partnership policy and framework.
- 6.6 We will review the framework and arrangements that govern our People Impact Assessments.
- 6.7 The Service is reviewing its procurement practices and Contracts Register to ensure they are effective and ensure value for money.

## **7 There is a robust mechanism to ensure that an appropriate action plan is agreed to address identified control weaknesses and is implemented and monitored.**

### **In response to the Action Plan identified in the 2015-2016 Annual Governance Statement:-**

- 7.1 The Authority has concluded a review of its governance arrangements, including a review of the terms of reference of all committees of the Authority. The revisions have been included in a refreshed Constitution for the Fire Authority to be considered by Members at its meeting in June 2017.
- 7.2 The Authority has reviewed the Scheme of Delegation to officers to ensure that it remains effective. This is included in the Fire Authority's refreshed Constitution to be considered by Members in June 2017.
- 7.3 We have used external expertise to review the maturity of our Project Management Office function and benchmarked with our partners, particularly Hampshire Constabulary. We continue to improve the function to ensure that the form and structure of programme and project management is effective and efficient.
- 7.4 Having reviewed our internal governance arrangements, we have established several internal boards that report to Service Management Team. These provide added scrutiny to further improve how we make decisions and plan within the Service.
- 7.5 We continue to ensure our people are equipped with the appropriate knowledge, skills and equipment to have a culture that is focussed on high

performance. This will be further enabled through the Performance Management and Assurance project taking place from 2016 – 2018.

- 7.6 We remain committed to embedding our engagement principles (time, space, conditions to think, talk, listen, include, and do) into the work that we do to include, involve, and consult with our stakeholders. The Service Plan and the Pathway to our cultural vision continue to focus our efforts. Responsibility to meaningfully engage with key groups of people is integrated into our programme and project management process. This is now overseen by our newly formed People Committee.
- 7.7 As part of the planned approach to ensuring that in the medium term, Hampshire Fire and Rescue Authority has a sustainable and balanced budget, a phase 3 savings programme is already in development which is expected to close the remaining forecast budget gap of £1.75m by 2020/21.
- 7.8 We have made some improvements to the technical relationship between our availability and payroll systems and continue to optimise these.
- 7.9 We have implemented most the recommendations from the 2015 Peer Review (some are longer term). In January 2017, we invited the LGA Peer Review team visited to follow up on our progress. This team reached a positive conclusion.
- 7.10 We have developed the new Service Performance Board to improve the oversight of performance of Service activity. This Board focusses on performance on behalf of the Service Management Team to ensure that appropriate measures are in place to enable effective performance monitoring and that reports are relevant and timely.

## **Declaration**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in this Statement.

We propose over the coming year to take steps to address the above matters 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.

Signed:

Chief Officer

Date:

Signed:

Chairman

Date: