

Appendix 1**ANNUAL GOVERNANCE STATEMENT**
2023/2024**1. Scope of Responsibility**

- 1.1 West Midlands Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.
- 1.3 The Authority has complied with the code of corporate governance which is consistent with the principles of the revised CIPFA/SOLACE Framework 2016 published by CIPFA in association with the International Federation of Accountants (IFAC) – Delivering Good Governance in Local Government. The Authority has also complied with the requirements of CIPFA's statement on the role of the Chief Financial Officer in Local Government. This Annual Governance Statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, Regulation 6 which requires the Authority to prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 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 policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives. Additionally, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place for the year ended 31st March 2024 and up to the date of the approval of the annual report and statement of accounts.

3. The Governance Framework

The key elements of the systems and processes that comprise the Authority's governance arrangements include the following:

- 3.1 The Authority has produced a Corporate Strategy setting out its objectives and there is regular performance monitoring in which achievement of the Authority's objectives is measured and monitored.
- 3.2 The Authority has established clear channels of communication with the community and stakeholders regarding consultation on the key priorities of the Service. This also encourages open communication.
- 3.3 The Authority facilitates policy and decision-making via regular Policy Planning Forums and Authority meetings. An Audit and Risk Committee provides independent assurance to the Authority on risk management and internal control and the effectiveness of the arrangements the Authority has for these matters. The constitution of the Committees, including the terms of reference, is reviewed annually and available on the Internet.
- 3.4 The Authority ensures compliance with established strategies, procedures, laws and regulations – including risk management. The Authority also maintains and reviews regularly its Elected Member Code of Conduct, Code of Conduct applicable to Officers and Public Interest Disclosure/Whistle-blowing policy. There is a comprehensive induction programme in place for Elected Members and staff and information regarding strategies and procedures are held on the intranet, which continues to be developed. The Authority has a strong Internal Audit function and established protocols for working with External Audit.
- 3.5 West Midlands Fire and Rescue Authority will continue to enhance and strengthen its internal risk control environment through the review of current policies and procedures.
- 3.6 The Authority has corporate risk management arrangements in place which are supported by an approved Risk Management Strategy enabling Managers and other senior officers to identify, assess and prioritise risks within their own work areas which impact on the ability of the Authority and its services to meet objectives. To consider the effectiveness of the Authority's risk management arrangements is a specific term of reference for the Audit and Risk Committee and risk management is a specific responsibility of both the Chair and Vice Chair.
- 3.7 The Authority's Corporate Risk Register identifies the principal risks to the achievement of the Authority's objectives and assesses the nature and extent of those risks (through assessment of likelihood and impact). The Register

identifies risk owners whose responsibility includes the identification of controls and actions to manage them efficiently, effectively and economically.

- 3.8 The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. The Authority plans its spending on an established planning cycle for policy development, budget setting and performance management through the business planning process. This ensures that resources are aligned to priorities and secures Best Value from the resources that are available.
- 3.9 The Chief Financial Officer is a key member of the leadership team, helping to develop and implement the Authority's strategy. The Authority's financial system is an ORACLE based general ledger and management information system, which integrates the general ledger function with those of budgetary control and payments. Financial Regulations and Contract Procedure Rules are approved and regularly reviewed by the Authority. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action initiated.
- 3.10 The Authority's performance management and reporting of performance management continues to be improved with a more focused Corporate Strategy, the setting of priorities and is supported by regular performance monitoring.
- 3.11 The Authority within its committee framework has an Appointment, Standards and Appeals Committee to promote high ethical standards amongst Members. This Committee leads on developing policies and procedures to accompany the Code of Conduct for Members and is responsible for local assessment and review of complaints about members' conduct. The Authority also has a Scrutiny Committee which undertakes performance management functions, informs policy development and holds officers and the Authority to account.
- 3.12 The Fire and Rescue National Framework for England sets out a requirement for Fire and Rescue Authorities to publish 'Statements of Assurance'. Specifically, Fire and Rescue Authorities must provide assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their Community Risk Management Plan and the requirements included in this Framework. The Authority has approved the Statement of Assurance which is available on the Service's website.

4. Review of Effectiveness

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the statutory officers and principal managers of the Authority who have responsibility for the development and maintenance of the governance environment, the internal

audit annual report and comments made by the external auditor in their Auditor's Annual Report and other reports.

- 4.2 Section unit business plans contain a variety of performance indicators and targets that are regularly reviewed.
- 4.3 The Authority's political governance arrangements, which are appropriately reviewed by officers, set out the responsibilities of both Members and senior managers. In particular, the Authority has the following Statutory Officers in post:
- Chief Fire Officer/Chief Executive Officer
 - Treasurer
 - Monitoring Officer
 - Clerk to the Authority
- 4.4 The arrangements for the provision of internal audit are contained within the Authority's Financial Regulations. The Treasurer is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Authority's Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Authority's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Authority establishments and fraud investigations. Internal Audit leads on promoting a counter-fraud culture within the Authority.
- 4.5 The resulting Audit Plan is discussed and agreed with officers of the Strategic Leadership Team and the Audit and Risk Committee and shared with the Authority's external auditor. Meetings between the internal and external auditor ensure that duplication of effort is avoided. All Authority Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.
- 4.6 The Authority's review of the effectiveness of the system of internal control is informed by:-
- The work undertaken by Internal Audit during the year;
 - The work undertaken by the external auditor reported in their annual audit;
 - Other work undertaken by independent inspection bodies.
- 4.7 From the work undertaken by Internal Audit in 2023/2024 the Internal Audit has given a 'reasonable assurance' that the Authority has adequate and effective governance, risk management and internal control processes. This represents an unqualified opinion and the highest level of assurance available to Audit Services. In giving this opinion it is recognised that assurance can never be

absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.

- 4.8 The Authority is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 4.9 Audit Services have reported and advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

5. **Significant governance arrangements within the Authority**

- 5.1 West Midlands Fire & Rescue Authority has a legal duty to provide an efficient, safe and effective fire and rescue service. The key priorities are:-
- working with their communities and partners to make them safer and healthier through **prevention** of fires and other emergencies.
 - working to **protect** life and property to make communities safer and businesses stronger.
 - delivering an assertive, safe, and effective emergency **response** to fires and other emergencies.
 - safeguarding their people, planet, and future by delivering a **sustainable** service.
 - promoting positive **culture and values** to maintain the trust of their communities and ensure that West Midlands Fire Service is a safe and welcoming place for everyone to work.
 - providing **value for money** by delivering their services efficiently and driving improved productivity in everything they do.
- 5.2 These formed the basis of the Authority's three year rolling strategy 2024-27 which set out the outcomes and priorities based on the CRMP (Community Risk Management Plan) and Medium-Term Financial Plan. The CRMP is an assessment of the foreseeable challenges and risks facing our communities and what needs to be done to meet them. We use this analysis to inform the strategic goals, as well as to determine the specific projects we will undertake to achieve those goals and address the risks.
- 5.3 Grant Thornton, the Authority's External Auditors, published the Audit Findings Report for its 2022/2023 audit work which reported an unqualified opinion on the financial statements. They are also required to issue an Auditor's Annual Report (AAR) which provides commentary on the arrangements the Authority has in place to ensure value for money in its use of resources. The AAR for 2021/22 and 2022/23 are in progress and will be reported in due course but no significant weaknesses have been communicated to the Authority to date.

5.4 Based on Internal Audit work undertaken during the year, an Annual Internal Audit Report will be presented to the Audit and Risk Committee on 22nd July 2024. Audit work which was completed in 2023/2024 included:-

- Absence Management
- Governance
- Partnerships
- Data Protection
- Risk Management
- Accounts Payable
- Budgetary Control
- Accounts Receivable
- Fixed Asset Accounting
- Payroll

5.5 As a result of these audits the following were identified as the main issues:-

Partnerships

An audit was undertaken to review and assess the partnership governance and monitoring processes, and to provide assurance on how well they were embedded within the Authority.

A key function of the Partnership Team is the provision of strategic support to identify, implement and manage appropriate partnerships. This was managed by the introduction of the Partnership and Governance Arrangements and Framework Guidance and Toolkit which were introduced in 2016/2017.

Since the previous audit review in this area the partnership activity has reduced significantly over the past 12-18 months due to both the Covid pandemic and a reduction in the funding available for partnership activities.

Of those partnership arrangements that remained, a number of key issues were identified relating to:

- The Partnerships Governance Arrangements and Framework Guidance /Toolkit documents had not been updated since 2017 and therefore may not reflect current working practices or guidance.
- It was agreed at the time of the last review that quarterly performance checks would be formally undertaken and documented. However, there was no real clear evidence of this on a routine basis for the period reviewed. As such, it was not explicit whether the expected outcomes of projects were being achieved and recognised as so.
- For one of the projects reviewed, there appeared to be an inadequate initial set up, or ongoing monitoring arrangements, due to the lack of a formally agreed memorandum of understanding being established at the outset of the project.

- For the same project there was also a lack of a formally agreed guidance and output requirements from the outset for the funding received for the project.
- For another project, the memorandum of understanding was not signed/endorsed by an appropriate officer from the Fire Service evidencing the formal acceptance of the terms and conditions for the project.
- The memorandum of understanding for a further project was not signed/endorsed by all parties to the project to evidence their formal acceptance of the terms and conditions for the project.

An action plan has been produced by the Authority to address these matters and the implementation of them will be confirmed during a follow-up exercise to be undertaken as part of the internal audit plan for 2024/25.

Budgetary Control

A review of the budgetary control system was undertaken to ensure the Fire Service had established its budget and was managing it appropriately. The review covered controls over monitoring, reporting, changes to budgets and the process to link budgets to medium and long-term plans. One issue was identified relating to the volume and checking of journals. It was acknowledged that a checking regime was in place, but that this could be further strengthened to mitigate the risk of errors not being identified. This would require a check of all journals above a specified limit and a sample check of other transactions. An action plan has been produced by management to address this matter and a commitment made to review the reasons why journals are necessary and to reduce the volume as appropriate.

- 5.6 The issues outlined above, together with any other issues highlighted in the Annual Internal Audit Report, have been raised with relevant managers and actions have been taken to achieve improvements.

Funding Position

- 5.7 In February 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) confirmed the Authority's funding settlement for 2023/24 at £56.867m, which was a one-year only settlement.
- 5.8 On 18 December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) set out the one-year provisional settlement for 2024-25 at £65.614 million, resulting in a funding increase of 4.85% (2023-24: £56,867 million). Pensions Grant of £5.713 million (2023-24: £5.713 million) has been rolled into the settlement for 2024-25, this grant covers the cost of previous increases to the Firefighters Pensions Employers' Contributions. The Services Grant reduced by 85% to £0.215 million (2023-24: £1.364 million). The Government also proposed a general Council Tax referendum threshold of 3% for Fire and Rescue Authorities (2023-24: £5 / 7.3%). The funding guarantee ensures that the Authority receives a minimum

3% increase before local Council Tax decisions. This was enacted for the 2024-25 settlement and came in at £0.152 million (2023-24: nil).

- 5.9 The Fire Authority's provisional budget position was presented at the West Midlands Local Authorities Leaders' Group meeting on 31 January 2024. The Leaders were supportive of the proposal to increase precept tax for Band D properties by 2.99% in line with the referendum limit that applies to the Authority.
- 5.10 West Midlands Fire Service receives a 1% share of business Rates via the seven Constituent West Midlands Councils. This equated to funding of approximately £10.863 million due to the Authority, as part of the Settlement Funding. Following completion of NNDR1 returns the actual income was £9.828 million, plus grant to cover business rates relief of £1.668 million. There are substantial uncertainties regarding Central Government policy for future local government finance with regards to the business rates reset. This, as well as the fair funding review have the potential to significantly impact the funding level for future years.
- 5.11 Furthermore, there are significant budget pressures affecting the Authority arising from the 'Cost of Living' crisis, particularly pay awards and inflation levels. Therefore, whilst the Government funding allocation in 2024/25 is higher in cash terms compared to 2023/24, a high level of caution still needs to be applied to future financial years as the funding position and expenditure position remains volatile for the Fire Sector.

6. Certification

- 6.1 To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. 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 during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Greg Brackenridge
Chair
West Midlands Fire & Rescue Authority

Oliver Lee
Chief Executive Officer

