



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **ANNUAL GOVERNANCE STATEMENT 2018/19**

Report of the Chief Fire Officer

**Date:** 26 July 2019

**Purpose of Report:**

To seek the approval of Members to the signing of the Annual Governance Statement by the Chair of the Authority and the Chief Fire Officer.

## **CONTACT OFFICER**

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## **1. BACKGROUND**

- 1.1 The Fire Authority is required to include an Annual Governance Statement within its annual Statement of Accounts. The Annual Governance Statement contains details of the most recent review of governance arrangements and sets out challenges for those arrangements going forward.
- 1.2 The Authority must approve the Annual Governance Statement each year prior to adopting the Statement of Accounts. Once approved by the Authority, the Chair of the Authority and the Chief Fire Officer can sign the Annual Governance Statement.
- 1.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017. This Annual Governance Statement, and the annual review of governance is against this framework.

## **2. REPORT**

- 2.1 The Annual Governance Statement 2018/19 sets out how the Service has complied with the current local code of corporate governance during the year and also meets the requirements of the Accounts and Audit Regulations 2015 with regards to the preparation and approval of an annual governance statement.
- 2.2 The Annual Governance Statement 2018/19 is attached to this report as Appendix A.
- 2.3 The governance framework has been in place at the Authority for a number of years and regular reviews have been carried out periodically. In 2016/17 a full review of the Local Code of Corporate Governance was carried out and a new Local Code was adopted in line with the CIPFA / Solace framework which was revised in 2016.
- 2.4 The Service has recently received an internal audit inspection on its corporate governance activity. This has provided a reasonable level of assurance. Section 4.4.10 of the statement provides further information.
- 2.5 The External Auditor approved an unqualified Statement of Accounts for 2017/18 and it is anticipated this will be repeated in 2018/19. The Annual Internal Audit Report was reported to Finance and Resources Committee on 29 June 2018. It concluded that:

“From the work carried out during the 2018/19 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.
- 2.6 Ernst & Young LLP have been appointed as the auditors to the Authority with effect from 1 April 2018 following a national procurement exercise undertaken

by Public Sector Audit Appointments Ltd. The 2018/19 Statement of Accounts will be audited by Ernst & Young LLP. Transitional arrangements from the 2017/18 auditors, KPMG, have enabled a smooth transfer between auditors.

- 2.7 The Service received its first inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) early in 2019 and the report, which has now been published, identifies areas where improvements can be made. The Service will need to ensure that governance arrangements are in place to deliver any required changes.
- 2.8 The Service published its Integrated Risk Management Plan, now called the Strategic Plan 2019 - 2022 in February 2019. The plan will help align resources to the corporate priorities when the Medium Term Financial Strategy is developed in the autumn.
- 2.9 There is significant financial uncertainty over the next year and the Authority needs to ensure that the Service continues to operate within a balanced budget. The Medium Term Financial Plan will need to be a prudent but flexible document and identify different options for creating necessary savings in future years, allowing for the impact of any budget reductions to be delivered in a manageable way.
- 2.10 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements.

### **3. FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no human resources or learning and development implications arising from this report.

### **5. EQUALITIES IMPLICATIONS**

The Annual Governance Statement contains the Authority's approach to inclusion and equality as part of its governance framework.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

## **7. LEGAL IMPLICATIONS**

The Accounts and Audit Regulations 2015, Part 1 Section 6 set out the requirement for an Authority to conduct an annual review of governance and prepare an annual governance statement. It also provides that an Authority must consider the findings of the review and approve the annual governance statement in advance of approving the Statement of Accounts.

## **8. RISK MANAGEMENT IMPLICATIONS**

The governance framework of the Authority is the collection of systems, processes, culture and values which direct and control decision making and policy development within the organisation. The risk of not reviewing governance activity against this framework is that any weaknesses in governance may not be identified and rectified, thereby putting the organisation at risk of not achieving its objectives.

## **9. COLLABORATION IMPLICATIONS**

There are no collaboration implications arising from this report.

## **10. RECOMMENDATIONS**

That Members approve the Annual Governance Statement 2018/19.

## **11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

John Buckley  
**CHIEF FIRE OFFICER**

**NOTTINGHAMSHIRE FIRE AND RESCUE AUTHORITY**  
**ANNUAL GOVERNANCE STATEMENT**

**1.0 SCOPE OF RESPONSIBILITY**

- 1.1 Nottinghamshire Fire and Rescue Authority (the Authority) is responsible for ensuring that 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 Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, use of its resources and including arrangements for the management of risk and the maintenance of an effective internal control environment.
- 1.3 The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / Solace framework *Delivering Good Governance in Local Government*.
- 1.4 This statement sets out how the Authority has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an annual governance statement.

**2.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems, processes, cultures and values for the direction and control of the Authority and the activities through which it accounts to, engages with and leads 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 and cost-effective services.
- 2.2 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 can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is part of an on-going process designed to identify and prioritise the risks to the achievement of Nottinghamshire Fire and Rescue 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.

- 2.3 A key element of the Internal Control Environment is the development and maintenance of Strategic, Corporate and Departmental risk registers which are understood and managed by senior managers.
- 2.4 The governance framework has been in place at the Authority for a number of years and regular reviews have been carried out periodically. In 2016/17 a full review of the Local Code of Corporate Governance was carried out and a new Local Code was adopted in line with the CIPFA / Solace framework which was revised in 2016.

### 3.0 THE GOVERNANCE FRAMEWORK

- 3.1 In addition to the Annual Governance Statement the Authority has a Code of Corporate Governance that the Authority will commit to in carrying out its duties and responsibilities. In this document, officers have identified against each of the Code's principles what source documentation or existing practice demonstrates how the Authority complies with the principles that make up the Code.
- 3.2 In developing a code of corporate governance, the Authority had the aim of seeking compliance with the CIPFA / Solace guidelines and recognised that these constitute good practice for local authority organisations.
- 3.3 The Local Code of Corporate Governance was adopted by the Authority in February 2017. This Annual Governance Statement, and the annual review of governance is against this framework.
- 3.4 Summarised below are some of the key elements of the systems and processes that underlie the Authority's governance arrangements:
- 3.5 **Identifying and Communicating the Authority's vision and outcomes for citizens and service users**
- 3.5.1 After consulting with the citizens of Nottinghamshire and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and service objectives for the organisation. The [IRMP covering 2014 – 2019](#) has now been replaced with a new [Strategic Plan 2019 - 2022](#) which was approved by Fire Authority in February 2019.
- 3.5.2 The Authority's vision is "Creating Safer Communities" and it strives to deliver this by developing a set of cohesive business plans and working in partnership with others to provide an excellent, affordable service to all the diverse communities of Nottinghamshire. To deliver this the Authority has established three strategic aims, which are:
- to provide high quality services;
  - to offer strong governance and financial sustainability; and
  - to ensure that our employees are engaged and motivated.

### **3.6 Monitoring the achievement of the Authority's objectives through a comprehensive performance management framework**

3.6.1 The Service operates a system of cascading business plans. The IRMP is the highest level and from this an annual corporate plan is produced followed by a series of departmental and functional business plans. Progress against these plans is regularly reported on to the Executive Delivery Team (EDT) and the Strategic Leadership Team (SLT). Officers also report on progress and outcomes to the relevant committees of the Fire Authority.

### **3.7 The Internal Control Environment**

3.7.1 The Authority's internal control environment comprises many systems, policies, procedures and operations. These can be broadly split into risk management, internal check/financial control and internal audit. Internal check and financial control are targeted towards financial matters whereas risk management has a much broader brief and is more associated with the risk of non-achievement of objectives and targets. The system cannot eliminate all risks of failure to achieve the Authority's aims and objectives. Once a risk has been identified the Authority, where possible, will eliminate that risk. If this is not possible or not cost effective then procedures are established to manage the risk effectively, efficiently and economically. Some of the significant control processes are outlined below:

#### **3.7.2 Policy and Decision Making Process**

The Authority has democratic control over its activities via an approved committee structure with agreed powers and duties that are periodically reviewed. The Authority has a written constitution that sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable. There is a formal briefing process prior to reports being finalised for Committee or Fire Authority meetings thus allowing key Members an opportunity to scrutinise proposed reports in detail. The Authority also runs Member seminars and training sessions to help Members discuss issues in more detail and in an informal environment.

#### **3.7.3 Management Structure**

The Authority has a clear management structure with defined roles and responsibilities. The Strategic Leadership Team includes all department heads as well as the Principal Officers. The current structure empowers managers to make appropriate decisions but also places accountability at the centre of this process.

The Authority has an Executive Delivery Team which is comprised of all the Departmental Heads and augmented by specialists as required. As part of a more empowering style of management this group has decision making powers with only the most significant or challenging decisions reserved for

the Strategic Leadership Team. These arrangements enable good quality decision-making.

The Authority has an approved scheme of delegation to officers that is reviewed periodically by the Chief Fire Officer and the Clerk to the Fire Authority, with any changes being approved by the Fire Authority.

#### **3.7.4 Established Policies, Procedures & Regulations**

The Authority ensures compliance with established policies, procedures, laws and regulations. The information regarding policies and procedures is held on the intranet, and these are continually enhanced and developed through the introduction of new policies and procedures as and when required. The Authority has established policies on anti-fraud and whistleblowing. The Authority carries out a regular review of financial regulations which clearly define how decisions are taken and the processes and controls required to manage risk. The list below outlines some of the key policies and process in place to enhance the internal control system, which are reviewed as and when required:

- Treasury Management Strategy
- Procurement Strategy
- Financial Regulations & Standing Orders
- Scheme of Delegation
- Counter Fraud, Money Laundering, Corruption and Bribery Policy
- Whistleblowing Policy
- Complaints procedure
- Code of Corporate Governance
- Constitution
- Code of Conduct
- Equality and Diversity schemes
- Workforce plan and establishment model
- Full range of robust policies and procedures to underpin the conduct of staff from operational procedures, discipline processes, through to performance development reviews

#### **3.7.5 Internal Audit Function**

The Authority has a strong Internal Audit function arrangement with Nottinghamshire County Council, and has well-established protocols for working with External Audit.

#### **3.7.6 Risk Management Strategy**

The Authority has a well-established and embedded risk management strategy. This is managed at the corporate/strategic level by The Finance and Resources Committee which receive regular reports on risk exposures both in terms of existing and emergent risk. Members scrutinise risk registers and receive explanations for changes. The Committee is advised by the Head of Finance and the Service's Risk Manager on behalf of the Chief Fire Officer.

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Service policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and facilitate a risk management culture to enable risks to be effectively assessed, managed, monitored and reported.

### **3.7.7 Best Value Duty**

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 requirement to deliver services within a reducing budget over recent years has increased the focus on Best Value and the Authority has procurement policies in place, providing a framework within which to buy goods and services which offer good value for money.

### **3.7.8 Financial Management**

Financial management in the Authority and the reporting of financial standing is undertaken through a financial system which integrates the general ledger, sales ledger and purchase ledger functions and facilitates good budgetary control. Budget Managers are supported by Finance Officers in the use of this system for monitoring financial performance.

## **4.0 REVIEW OF EFFECTIVENESS**

4.1 The Authority has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control, at least annually. The review of effectiveness is informed by the work of the Strategic Leadership Team and other senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Maintaining and reviewing the effectiveness of the governance framework throughout the financial year has been carried out by the following:

- The Authority and its Committees
- Management Review
- Internal audit
- External bodies

### **4.3 The Authority and its Committees**

4.3.1 The Authority has reviewed the vision and strategic service objectives as part of the development of the Strategic Plan, creation of the year 1 corporate plan and as part of the budgeting process. The budgeting process also had a measure of Member scrutiny with the Chair of the Finance and Resources Committee taking an active role.

4.3.2 At the annual general meeting in June the format and structure of its democratic decision process was reaffirmed and approval was given to the powers and make-up of the following committees:

- The Policy and Strategy Committee
- The Finance and Resources Committee
- The Community Safety Committee
- The Human Resources Committee

4.3.3 In addition to the above there are also panels for appointments, Equalities, Personnel matters and the Firefighters' Pension Schemes.

4.3.4 Terms of reference and responsibilities for all these Committees form part of the Authority's Governance arrangements.

### **4.4 Management Review**

4.4.1 Included in the day to day management of the organisation are a number of key officers, systems and procedures designed to provide core elements of the internal control mechanism, with a nominated lead officer responsible for reviewing the effectiveness of these systems.

4.4.2 There is a system of performance management and review embedded within the Authority's management structure and processes. The 2014/19 Integrated Risk Management Plan and the 2019/22 Strategic Plan set out the Authority's key objectives and these are reflected in annual departmental business plans. These plans are then monitored by Corporate Support and managed by the individual departmental management teams.

4.4.3 Risk management at the strategic / corporate level forms part of the overall responsibilities of The Finance and Resources Committee and Members of this committee take a keen interest in Risk Management and receive update reports every six months. Risk Management is an integral part of project management and business planning within the Corporate Support department and both this and operational risk management are considered strong. The Service has a Risk Assurance Team which is responsible for corporate risk, operational risk and health and safety risk. The purpose of this is to enhance the co-ordination of assurance activities and management of risk within the Service.

4.4.4 The Authority employs appropriate professional staff:

- A Statutory Monitoring Officer is responsible for ensuring the legality of Authority actions and supporting the Committee decision making process. No actions of the Authority were deemed ultra vires in the year. All relevant laws and regulations are being complied with, although a correction of the tax treatment of car leasing arrangements and essential user lump sums was required during the year following an independent tax audit requested by the service. The monitoring officer is a qualified solicitor provided on a contractual basis to the Authority by the Legal Services Department of Nottingham City Council. This arrangement also includes support for the Authority's wider governance structure.
- A Responsible Finance Officer is appointed as the independent Treasurer to the Authority to ensure the proper and effective administration of the financial affairs of the Authority. The Strategic Leadership Team ensures that the Authority approves a realistic and affordable financial plan for both revenue and capital expenditure which links to the IRMP / Strategic Plan. The Authority continued to ensure it had good arrangements for managing its finances including strong leadership throughout the year. The financial planning process is well embedded and understood across the Authority by staff and Members. An in house financial team managed by the Head of Finance maintains the correct competencies and ensures that the Strategic Leadership Team receives all appropriate information to support the key decisions and objectives of the service.

4.4.5 In addition to the Treasurer the Authority also employs a Head of Finance who fulfils the role of Chief Financial Officer. This post holder is responsible for advising both senior managers and elected members on all financial matters. This is a role shared with the Treasurer who is seen to act independently of the Strategic Leadership Team's advice to the Fire Authority. In reality, these two officers work very closely together. Both officers are professionally qualified and have many years' experience within Local Government finance.

4.4.6 A full review was most recently carried out in 2015 of the role of Chief Financial Officer and, always accepting that the key statutory responsibilities under Sections 114 of the Local Government and Finance Act 1988 are held by the Treasurer, all of the principles set out in the CIPFA document *The Role of the Chief Financial Officer* are met.

4.4.7 Budget monitoring remains robust at both strategic and service level via the production of monthly financial monitoring reports for both Capital and Revenue budgets. These reports as well as being scrutinised by budget managers are also reported to the Strategic Leadership Team and quarterly to the Finance and Resources Committee.

4.4.8 Functional Heads also exercise a detailed degree of budget monitoring against the capital programme.

4.4.9 The External Auditor approved an unqualified Statement of Accounts for 2017/18 and it is anticipated this will be repeated in 2018/19. A presentation by the Head of Finance on the final accounts by way of a detailed year-end

report to the Authority helped to communicate the year-end position to Members in a clear and understandable format.

- 4.4.10 Towards the end of the financial year, Internal Audit reviewed the Authority's governance arrangements against the Local Code of Corporate Governance adopted by the Authority in February 2017. The audit judged the authority to have a reasonable level of assurance, with no recommendations being made requiring immediate action. Six lower priority recommendations were made, which are being addressed.
- 4.4.11 In all, 26 policies have been reviewed during the year. These were mostly operational, ICT and Human Resources related but did include the Counter Fraud and Money Laundering Policy and the Business Continuity Management Policy.
- 4.4.12 Under the Civil Contingencies Act (2004) (Part 1. Para 2(1) (C)) and The Fire and Rescue Services Act 2004 there is a duty for all Category 1 Responders to prepare plans to ensure so far as reasonably practicable, that if in an emergency the Service can perform its core functions. NFRS has been developing its Business Continuity Management System (BCMS) for many years. Business Continuity plans have been reviewed during the year and a table top exercise was undertaken in November 2018 to test BCM arrangements. These exercises will be undertaken at regular intervals to ensure that the service has the capability to meet its obligations.
- 4.4.13 Work continues on a new performance management framework. New software has been purchased and is in the process of being populated. The aim of this work is to improve the management of organisational performance and to increase accountability to the community in respect of the way that services are delivered.
- 4.4.14 In addition to the usual Internal and External Audit reviews, the Authority has had its first inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) which took place in January and February 2019. The inspection focused on Efficiency, Effectiveness and People and will provide a useful benchmarking opportunity against other Fire Authorities. The process of being inspected did highlight areas where improvements could be made. Examples include using the IRMP more effectively to drive business and as a basis for monitoring performance and also ensuring that our policies and procedures are up to date and fit for purpose. These were also areas identified through the internal audit process.
- 4.4.15 The Authority published its first Efficiency Plan (Sustainability Strategy) back in 2016/17 to cover the period up to 2019/20. The plan set out targets for achieving savings over the period and update reports are regularly received by Fire Authority. In February 2018 Fire Authority approved the implementation of a mixed crewing model at both Ashfield and Retford fire stations which saw the replacement of overnight wholetime duty system cover with an on call duty system cover at the two stations from April 2019.

## 4.5 Internal Audit

4.5.1 The Authority procures its internal audit service under a contract with Nottinghamshire County Council and the arrangement and service was in accordance with the UK Public Sector Internal Audit Standards. The internal audit plan for 2018/19, prioritised by a combination of the key internal controls, assessment and review on the basis of risk, was approved by the Finance and Resources Committee during the year. All internal audit reports included an assessment of the internal controls and prioritised action plans, if relevant, to address any areas needing improvement. These reports were submitted to the Chief Fire Officer, the Head of Finance and the relevant managers as appropriate. All finalised reports were submitted to the Finance and Resources Committee acting in its role as Audit Committee.

4.5.2 The Annual Internal Audit Report, which will be reported to the Finance and Resources Committee during 2018 concluded that:

“From the work carried out during the 2018/19 financial year, we have been able to satisfy ourselves that the overall level of internal control is satisfactory and provides a good basis for effective financial and resource management”.

## 4.6 External Review

4.6.1 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority’s financial statements with those charged with governance. This communication is in the form of a written report which was presented to Members in July 2018.

4.6.2 The principal purposes of the Auditors’ report are:

- To present key issues identified during the audit of the financial statements for the year ended 31 March 2018 and any material misstatements in the accounts
- To report on any key issues for governance
- To report on the Auditors’ Value for Money conclusion
- To give an “audit opinion” on the financial statements
- To report on the implementation of any recommendations in the previous year’s ISA 260 report
- To seek approval to the management representation letter, which confirms the Authority’s responsibilities and actions in relation to the financial statements

4.6.3 The ISA 260 report for the 2017/18 Statement of Accounts from KPMG LLP confirmed that the quality of the accounts was good. The audit did not identify any material or significant errors in the financial statements. There were no presentational corrections required and no adjustments required to accounting policies.

- 4.6.4 From 2018/19, the audit of the final accounts will be provided by Ernst & Young LLP. Three significant risks were identified in their External Audit Plan for 2018/19. These related to the risk of management override in order to perpetrate fraud, valuation of assets and valuation of the pension liabilities. These areas will be reviewed as part of the 2018/19 audit.

## 5 **SIGNIFICANT ISSUES FOR GOVERNANCE IN 2019/20**

- 5.1 The Fire and Rescue National Framework for England came into force on 1 June 2018. Every fire and rescue authority must have regard to the Framework in carrying out their functions. Every authority must publish an annual statement of assurance of compliance with the framework. This will be presented annually to Fire Authority in September.
- 5.2 The framework addresses the requirements of the Policing and Crime Act 2017. This Act has introduced the duty for emergency services to consider collaboration opportunities in all that they do and, although much collaborative work already takes place, this will drive further collaboration over the coming years. The Act also allows Police and Crime Commissioners to take over responsibility for fire and rescue where a local business case is made and this may lead to significant changes in governance for the fire sector in the future.
- 5.3 In September 2017 Members agreed NFRS's collaboration strategy. The strategy identified that a Strategic Collaboration Board (SCB) should be established to provide oversight of the collaboration workstreams. The SCB should report into the existing Fire Authority structures and does not have autonomy as a decision-making body.
- 5.4 In February 2019 Fire Authority approved entering into a collaborative agreement with the Office of the Police and Crime Commissioner of Nottinghamshire for a joint headquarters. In June 2019, the Joint Control room will open which will provide the control room service for both Derbyshire and Nottinghamshire Fire and Rescue services. In addition to these projects, other collaboration opportunities are being identified and developed. This increased level of collaboration will also lead to changes in governance for these service areas.
- 5.5 Another feature of the new legislation was the creation of a new statutory inspectorate for fire and rescue services. The service has had its first inspection early in 2019 with the report due to be published in the summer. The service will need to ensure that governance arrangements are in place to deliver any required changes.
- 5.6 The National Framework contains the continued requirement for the authority to have an Integrated Risk Management Plan (IRMP). The Authority's Strategic Plan sets out the strategic objectives of the organisation and how the service will aim to achieve them. The plan will help align resources to the corporate priorities when the Medium Term Financial Strategy is developed in the autumn.

- 5.7 The 2019/20 budget process identified an ongoing budget deficit in the region of £800k. The Authority has funding agreed for 2019/20, but beyond this, funding levels will be agreed as part of the spending review. In normal circumstances, this would provide the service with a 4 year funding projection. However, due to the ongoing Brexit negotiations, it is likely that there will be a delay in the spending review and a 1 year agreement will be negotiated over the summer. Work is ongoing on the revision of the Fire Funding Formula and the methodology for business rates distribution.
  
- 5.8 There is a significant amount of uncertainty regarding pensions. The change in the discount rate applied to future payments into the pension scheme has increased the service's employer liability by £2.57m. For 2019/20 the Home Office has provided additional grant of £2.34m but the future of this additional funding is uncertain. There is also an ongoing court case regarding the transition arrangements in the 2015 firefighter's pension scheme. These have been judged to be discriminatory on the grounds of age. Depending on the remedy, there may be considerable additional costs which will need to be met.
  
- 5.9 The Service may also be affected by the UK's exit from the European Union, but at this stage in the process the impacts are unclear. The risk associated with "Brexit" is on the Authority's strategic risk register and will continue to be monitored and managed as appropriate.
  
- 5.10 With so much financial uncertainty, the Authority needs to ensure that the service continues to operate within a balanced budget. The Medium Term Financial Strategy will need to be a prudent but flexible document and identify different options for creating savings in future years, allowing for the impact of any budget reductions to be delivered in a manageable way.
  
- 5.11 During the coming year, the Service will seek to address the above matters through its current structures and processes to further enhance governance arrangements.

Signed.....

Councillor Michael Payne  
**CHAIR OF THE FIRE AUTHORITY**

Signed.....

John Buckley  
**CHIEF FIRE OFFICER**