

**TYNE AND WEAR FIRE AND RESCUE AUTHORITY
ANNUAL GOVERNANCE STATEMENT 2009/2010**

1 SCOPE OF RESPONSIBILITY

- 1.1 The Tyne and Wear 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 and 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 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 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, which includes arrangements for the management of risk.
- 1.3 The Authority has had a Code of Corporate Governance in place since 2003, revised during 2008/9. This Code has been updated alongside the annual governance review required for the production of this Statement and will be submitted to the Authority and its Governance Committee in June 2010 for approval and adoption. The revised Code will then be made available on the Authority's website (www.twfire.gov.uk) or can be obtained from the Fire and Rescue Service Headquarters.
- 1.4 This Statement explains how the Authority has complied with the SOLACE/CIPFA Framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework primarily includes systems and processes by which the Authority directs and controls its activities and engages with the community. Further 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, 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 based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Authority for the year ended 31st March 2010 and up to the date of approval of the Annual Report and Statement of Accounts.

3 THE GOVERNANCE FRAMEWORK

3.1 **There is a clear vision of the Authority's purpose and intended outcomes for service users that is clearly communicated, both within the organisation and to external stakeholders:**

- The Strategic Community Safety Plan draws together a shared vision, principles for action and priorities (strategic objectives). For each strategic objective, key targets have been identified. The Plan sets out explicitly the key actions and performance targets for the future, and these are clearly linked with functional/departmental/district/station service plans and resources. The Plan outlines the Authority's roles and responsibilities, the context in which it operates, what the Strategic Priorities and improvement objectives are, how the Authority will realise its vision, what its performance improvement and monitoring arrangements are, performance indicators, CAA framework and a financial overview. The financial overview section provides background commentary to the issues the Authority has considered in setting the Budget and in preparing the Medium Term Financial Strategy.
- The Authority's Integrated Risk Management Plan (IRMP) 2009/2012 is the Authority's own overarching Plan for recognising the risks within the Authority boundaries that need to be addressed, and providing detail on how those risks are being mitigated.
- Communication of objectives to staff and stakeholders takes place through the following means:
 - Wide distribution of the Strategic Community Safety Plan, as well as a summary version, including on the Authority's website and intranet;
 - Wide distribution of the Authority's Integrated Risk Management Plan;
 - The issue of an Annual Report setting out the Authority's priorities, how the Authority spent money on achieving these during the last financial year, and how successful the Authority has been;
 - Through the Authority's Investors in People (IIP) processes;
 - Advertisements in local and Council newspapers;
 - Focus groups with members of the public.

3.2 Arrangements are in place to review the Authority's vision and its implications for the Authority's governance arrangements:

During 2009/2010, the Strategic Community Safety Plan 2009-2012 and the Integrated Risk Management Plan and all priorities were reviewed to provide a refined, longer-term focus for the Authority.

- Through reviews by the Audit Commission and other external bodies the Authority constantly seeks ways of securing continuous improvement. The Authority has professional and objective relationships with these external bodies.
- There are comprehensive annual reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.

3.3 Arrangements exist for measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources:

- There are clear and effective performance management arrangements including personal development plans for all staff, which address financial responsibilities and include equality objectives.
- There is regular reporting of performance against key targets and priorities to the Authority's Strategic Management Team, the Governance Committee and the Performance and Review Committee.
- Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job profiles / descriptions and person specifications.

3.4 The roles and responsibilities of all Officers and staff are clearly defined and documented, with clear delegation arrangements and protocols for effective communication:

- Standing Orders and Financial Regulations are in place and these set out how the Authority operates and how decisions are made, including a clear Delegation Scheme.
- The Standing Orders and Delegation Scheme indicates responsibilities for functions and sets out how decisions are made.
- A system of scrutiny is in place which allows the Governance Committee to:
 - review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Authority's functions;
 - make reports and/or recommendations to the full Authority and/or the Strategic Management Team in connection with the discharge of any functions;
 - consider any matter affecting the Authority; and
 - exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Authority and/or Strategic Management Team.

3.5 Codes of Conduct defining the standards of behaviour for Members and staff are in place, conform with appropriate ethical standards, and are communicated and embedded across the organisation:

- The following are in place:
 - Members' Codes of Conduct;
 - Employees' Code of Conduct;
 - Registers of Interests, Gifts and Hospitality;
 - Monitoring Officer Protocols.

3.6 Standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which are reviewed and updated as appropriate, clearly define how decisions are taken and the processes and controls required to manage risks:

- The Director of Financial Resources of Sunderland City Council is the designated Finance Officer in accordance with Section 151 of the Local Government Act 1972 ensuring lawfulness and financial prudence of decision-making, and is responsible for the proper administration of the Authority's financial affairs.
- The Deputy Clerk is the Authority's Monitoring Officer who has maintained an up-to-date version of the Standing Orders and has endeavoured to ensure lawfulness and fairness of decision making.
- The Authority has in place up to date Financial Procedure Rules and procurement rules which are subject to regular review.
- Written procedures are in place covering financial and administrative matters, as well as HR policies and procedures. These include:
 - Whistle Blowing Policy;
 - Anti Fraud and Corruption Policy;
 - Codes of Conduct;
 - Health and Safety Policy;
 - Compliments, Comments and Complaints Policy;
 - Corporate Risk Management Strategy
 - Procurement Strategy;
 - Procurement Codes of Practice
 - Partnerships procedure;
 - Treasury Management Strategy based upon CIPFA's Treasury Management Codes;
 - Functional budget management schemes.

- There are robust and well embedded risk management processes in place, including;
 - Risk Management Strategy and Policy Statement;
 - Corporate Risk Profile
 - Integrated Risk Management Plan;
 - Risk Management Manual;
 - Nominated Risk Manager;
 - Corporate and Risk Management Groups;
 - Risk Management Training Programme;
 - Partnerships Risk Register;
 - Risk Management Annual Report;
 - Member Risk Champion.
- There are comprehensive budgeting systems in place and a robust system of budgetary control, including formal quarterly and annual financial reports, which indicate financial performance against forecasts.
- Business Continuity Plans are in place, which are subject to ongoing review, development and testing.
- There are clearly defined capital expenditure guidelines and capital appraisal procedures in place.
- Appropriate project management disciplines are utilised.
- The Authority participates in the National Fraud Initiative and subsequent investigations.

3.7 **The core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*, are undertaken by members.**

The Authority has a Governance Committee which, as well as approving the Authority's Statement of Accounts, undertakes an assurance and advisory role to:

- consider the effectiveness of the Authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anticorruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- to receive and consider (but not direct) internal audit's strategy, plan and monitor performance;
- receive and consider the external audit plan;

PREVENTING PROTECTING RESPONDING

- review a summary of internal audits, the main issues arising, and seek assurance that action has been taken where necessary;
- receive and consider the annual report of internal audit;
- consider the reports of external audit and inspection agencies, including the Annual Audit Letter;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the external auditor's opinions and reports to members, and monitor management action in response to the issues raised by external audit; and
- make recommendations or comments to the Authority as appropriate.

3.8 Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. All reports are considered for legal issues before submission to members:

- The Deputy Clerk is the Authority's designated Monitoring Officer and a protocol is in place with all Principal Officers, to safeguard the legality of all Authority activities.
- The Authority maintains an Internal Audit Service, provided by Sunderland City Council. An independent annual review of its effectiveness is undertaken which concluded that it operated in accordance with professional standards. Internal audit work is planned on the basis of risk.

3.9 Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised:

- The Authority is committed to establishing and maintaining effective reporting arrangements to ensure that, where an individual, whether an employee of the Authority, an Elected Member, or any member of the public, has serious concerns regarding the conduct of any aspect of the Authority's business, they can do so through a variety of avenues, promptly and in a straight forward way.
- The framework in place to ensure the aims of this Policy are met are set out in the 'Whistle Blowing Policy Arrangements' procedure for Authority staff. Members of the public currently raise issues through the Compliments, Comments and Complaints procedure and there has recently been developed a whistle blowing policy and procedure for members of the public.
- Monitoring records held by the Deputy Clerk on behalf of Members, and the Chief Fire Officer on behalf of staff and members of the public reveal that the whistle blowing arrangements are being used, and that the Authority is responding appropriately. The whistle blowing arrangements have assisted with the maintenance of a strong regime of internal control.

3.10 Arrangements exist for identifying the development needs of members and Principal officers in relation to their strategic roles:

- The Authority has a Members Learning and Development Policy and Programme in place which sets out a clear commitment to Members to provide a range of Learning and development opportunities which will improve their knowledge, skills and abilities in their individual or collective roles in meeting Authority strategic objectives. In addition Members have access to their nominating authority learning and development policies, plans and procedures.
- The Elected Member Learning and Development Strategy aims:
 - To provide a comprehensive Member Development programme;
 - To ensure that all newly Elected Members are properly inducted into the Authority;
 - To ensure that all emerging needs for both individuals and across the board are identified and addressed;
 - To ensure that resources available for Member Development are effectively used.
- The Authority has a Human Resource Strategy that identifies the need to enable and support the organisation in managing the performance of all of its employees through effective policies, procedures and working practices is key to ensuring that the organisation meets the needs of the community. This includes assessing ability against requirements of the role, annual performance review focusing on strengths and highlighting areas of weakness, job related training, and ongoing evaluation and includes the extent to which an employee understands and supports the values of the Authority.
- The Authority is also an active member of the Regional People Management Group which identifies and delivers regional learning and development whilst also developing regional framework policies for its constituent members.
- The Authority is a member of the Regional Equality and Diversity Steering Group which provides strategic direction and advice in terms of equality and diversity including improving community engagement for fire and rescue authorities.

3.11 Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

- The Authority has a Consultation Strategy which aims to ensure that consultation activity is effectively co-ordinated across the Authority and with partner agencies, impacts on service delivery, and is delivered to a high standard.
- The strategy is complemented by the Community Engagement Strategy which outlines the Authority's approach to consulting with minority and vulnerable sectors of society.

- 3.12 Governance arrangements with respect to partnerships and other group working incorporate good practice as identified by the Audit Commission's report on the governance of partnerships, and are reflected in the Authority's overall governance arrangements:
- The Authority has published a Partnerships procedure which includes a template for Partnership Agreements and a Partnership Toolkit. The procedure is designed to provide a corporate framework for all staff involved in considering new partnership working, and to assist Members and officers to review existing arrangements.
 - A Register of Partnerships is maintained. The deliverables of all prospective and existing partnerships is closely measured using a standard framework.
 - A review of all partnerships is presented to the Strategic Management Team on an annual basis.

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 the effectiveness is informed by feedback from Members and the work of all 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 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following:
- The role of the Authority:
 - Elected Members have participated in the annual review of the Authority's Corporate Governance arrangements;
 - The Chair of the Authority, the Chief Fire Officer and the Finance Officer have overseen the review and signed the Annual Governance Statement.
 - The role of the Strategic Management Team:
 - The findings of the Annual Governance Review have been reported to the Strategic Management Team for their consideration and approval of the Annual Governance Statement.
 - The role of the Governance Committee:
 - The findings of the Annual Governance Review have been reported to the Governance Committee. Under their Terms of Reference the Governance Committee has satisfied themselves that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

- There is a system of scrutiny which allows the Governance Committee and the Performance and Review Committee to:
 - review decisions made or actions taken in connection with the discharge of any of the Authority's functions;
 - make reports and recommendations to the full Authority or the Strategic Management Team in connection with the discharge of any functions;
 - consider any matter affecting the delivery of service; and
 - exercise the right to call-in, for reconsideration, decisions made but not yet implemented.
- The role of the Authority's Governance Committee also includes the following:
 - promoting and maintaining high standards of conduct by Members, co-opted members and Officers;
 - monitoring the operation of the Members' Code of Conduct;
 - monitoring the operation of the Authority's Anti-Fraud and Corruption Policy so far as it relates to the actions of Members of the Authority;
 - considering reports and complaints relating to the conduct of Members of the Authority;
 - supporting the Monitoring Officer in his role.
- All Area Managers have participated in the annual governance review through carrying out self-assessments relating to their areas of responsibility and have provided Controls Assurance Statements relating to their area of responsibility, having considered the detailed self-assessments.
- Internal audit planning processes include consultation with the Principle Officers, reviews of the Strategic Community Safety Plan, Integrated Risk Management Plan and the Corporate Risk Profile. Audit work is risk based audit work and includes risks in relation to the achievement of service objectives, and Internal Audit Services carries out regular systematic auditing of key financial and non-financial systems. The Audit Commission have conducted a review of the effectiveness of Internal Audit Services and concluded that there are robust arrangements in place to comply with the standards of the 2006 CIPFA Code of Practice for Internal Audit.

- Under the Annual Audit Inspection, the most recent assessment states that:

The Authority has demonstrated strong performance across a number of the Key Lines of Enquiry (KLOE). In particular the Authority:

- *Integrates financial and service planning, is well placed financially and maintains good budgetary control. There is a clear commitment to high quality financial reporting;*
- *Works well in partnership with others to contribute to wider community outcomes;*
- *Has a clear understanding of what skills and staffing levels are required to deliver service improvements, and invests accordingly. Effective processes are in place to manage sickness absence and prevent accidents at work;*
- *Communicates well with staff and partners, and has successfully managed significant organisational change whilst maintaining a highly motivated workforce;*
- *Collects comprehensive, accurate performance data; and*
- *Has good systems of governance and internal control.*

The Authority has delivered significant efficiency savings in recent years. Real costs have fallen by 6% since 2004, and precept increases were the lowest of all fire authorities nationally in 2008/9 and 2009/10. The organisation is becoming much more successful at targeting resources where they are needed most, and evaluating the outcomes and improvements that have been delivered.

A small number of improvement areas have been identified which include the following:

- *The cost and quality of back office functions has not yet been subject to review;*
 - *The Authority provides little information to stakeholders and the public in relation to policies on sustainability and its environmental footprint; and*
 - *Although there is a strong commitment to equality and diversity, with much improved female representation in the workforce, the Authority employs a very low proportion of minority staff.*
- Findings of external bodies / audits are collated / monitored by the Strategic Management Team.

5 ASSURANCE STATEMENTS

- 5.1 The Strategic Management Team, the Authority and the Governance Committee have advised us of the findings of the review of the effectiveness of the governance framework, and an action plan has been agreed for the continuous improvement of the Authority's Corporate Governance and Internal Control Arrangements.
- 5.2 We propose over the coming year to take steps to implement the action plan to further enhance the Authority's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Tom Wright
Chair of the Authority

Iain Bathgate
Chief Fire Officer

George Blyth
Director of Finance Resources

30th June 2010

