

MEETING: 13 JUNE 2011

SUBJECT: ANNUAL GOVERNANCE REVIEW 2010/2011

**JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY,
THE FINANCE OFFICER AND PERSONNEL ADVISOR**

1 INTRODUCTION

- 1.1 The purpose of this report is to provide details of the findings of the 2010/2011 Annual Governance Review and seek approval to the Annual Governance Statement, prior to its incorporation in the Statement of Accounts.

2 BACKGROUND

- 2.1 In 2001 the Society of Local Authority Chief Executive's (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) jointly published '*Corporate Governance in Local Government: A Keystone for Community Governance Framework and Guidance Note*'. In line with the guidance contained in this document the Authority introduced its first local Code of Corporate Governance (the Code), which was approved by Members in 2003.
- 2.2 Annual reviews of the Code have taken place to ensure that it remains up to date and effective. Minor updates to the Code have also been carried out to address any issues identified during the reviews. The Code was last updated in June 2010.

3 THE REVISED FRAMEWORK: DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT

- 3.1 In 2004, the Independent Commission on Good Governance in Public Services and the Chartered Institute of Public Finance and Accountancy (CIPFA), in partnership with the Joseph Rowntree Foundation, published a set of common principles that it would wish all public sector organisations to adopt. The commission recommended a common governance standard for public services similar to the private sector's Combined Code, namely the Good Governance Standard for Public Service. This builds on the existing principles for the conduct of individuals in public life by setting out six core principles that should underpin the governance arrangements of all bodies.

The principles are:

- a clear definition of the body's purpose and desired outcomes;
- well-defined functions and responsibilities;
- an appropriate corporate culture;
- transparent decision making;
- a strong governance team;
- real accountability to stakeholders.

3.2 Further to this, in June 2007, SOLACE/CIPFA issued a new framework and associated guidance on corporate governance, entitled 'Delivering Good Governance in Local Government'. In the new framework, these six core principles have been adapted for the local authority context. The principle of leadership has been developed to emphasise the role of authorities in 'leading' their communities and therefore this concept 'overarches' the other principles.

3.3 The framework identifies four key roles of a local authority, as follows:

- To engage in effective partnerships and provide leadership for and with the community;
- To ensure the delivery of high quality local services whether directly or in partnership or by commissioning;
- To perform a stewardship role which protects the interests of local people and makes the best use of resources;
- To develop citizenship and local democracy.

3.4 These four roles are to be borne in mind when considering the six core principles of good governance, as defined in the framework:

- Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

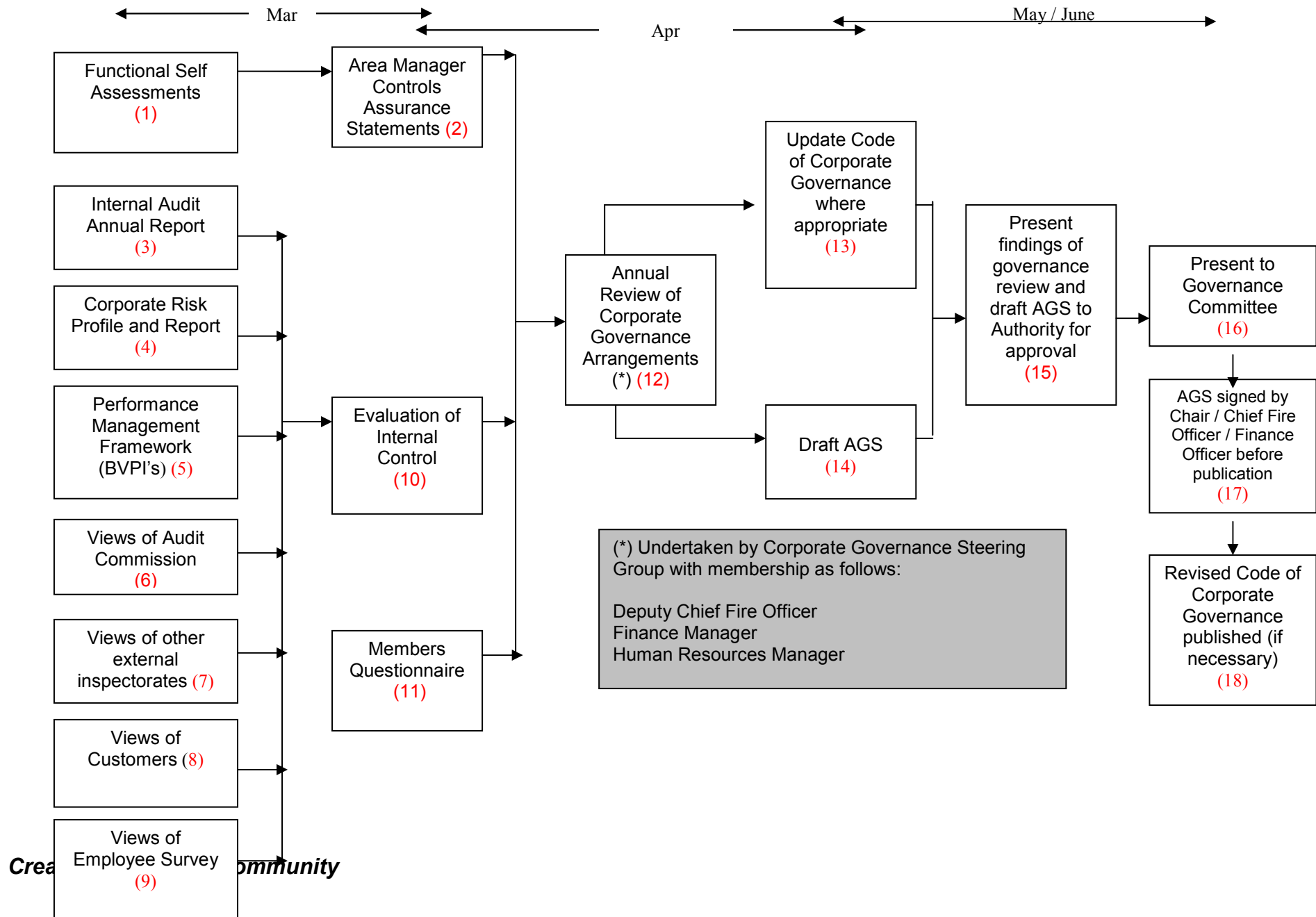
- 3.5 The framework does advocate that, in order to review current arrangements, authorities should take the following steps:
- Consider the extent to which the authority complies with the principles and requirements;
 - Identify systems, processes and documentation that provide evidence of compliance;
 - Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
 - Identify the issues that have not been addressed adequately in the authority and consider how they should be addressed;
 - Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
- 3.6 The framework document is intended to be followed as best practice for developing and maintaining a local code of corporate governance and for discharging accountability for the proper conduct of public business through the publication of an Annual Governance Statement (AGS), and the Authority is now required to publish its fourth AGS with the 2010/2011 Statement of Accounts.
- 3.7 The CIPFA Finance Advisory Network has also issued detailed practical guidance on meeting the requirements of the AGS. The AGS must be supported by a comprehensive assurance gathering process and as a result of this the Chief Fire Officer can confirm that an audit (undertaken during January to April 2011) of this process confirmed the arrangements in place were good.
- 4 2010/2011 ANNUAL GOVERNANCE REVIEW**
- 4.1 The review was undertaken by the Corporate Governance Steering Group whose membership is as follows:
- Deputy Chief Fire Officer ;
 - Finance Manager;
 - Human Resources Manager.

4.2 The review followed the agreed methodology, which comprises the following stages:

- Completion of Functional Self Assessments (covering all areas);
- Completion of Area Manager Controls Assurance Statements;
- Completion of a Members Questionnaire;
- Completion of an Officer's questionnaire;
- Detailed analysis and evidencing of internal control arrangements;
- Undertaking a Corporate Governance Steering Group Review Workshop;
- Preparation of an Action Plan to address any issues identified, including revision of the local Code of Corporate Governance as required;
- Drafting an Annual Governance Statement and Governance Review Report and presenting this to the Strategic Management Team;
- Presenting the Annual Governance Statement and Governance Review Report to the Governance Committee;
- Presenting the Annual Governance Statement and Governance Review Report to the Fire and Rescue Authority; and
- Chair of Fire and Rescue Authority, Chief Fire Officer and Finance Officer to sign Annual Governance Statement.

The above stages are set out diagrammatically below.

PREVENTING PROTECTING RESPONDING



- 4.3 **Functional Self Assessments (1)** - Governance and control self-assessments were completed by all Area Managers. The self-assessments cover compliance with the existing Authority Code of Corporate Governance, as well as key internal control arrangements within each service, and require evidence to be sited in relation to each question, and any significant plans for improvement within their area to be recorded.
- 4.4 **Area Manager Controls Assurance Statements (2)** - Each Area Manager personally signed a Controls Assurance Statement having reviewed the information and views compiled through the self assessment process to come to an opinion on the governance arrangements and internal control environment within their areas of responsibility. The completed functional self-assessments and Controls Assurance Statements were then considered by the Corporate Governance Steering Group (The Group).
- 4.5 **Evaluation of Internal Control Arrangements (10)** - The Authority's internal control arrangements were assessed in line with guidance from CIPFA's Financial Advisory Network.
- 4.6 **Views of Elected Members (11)** - The views of all Elected Members were sought via a questionnaire. Responses were received from 8 Members (69% return which is an increase from the 54% return of last year) and these were considered by the Group.
- 4.7 **Annual Review (12)** - The Group considered all aspects of corporate governance and supporting documentation including the existing Code of Corporate Governance to identify the areas that need to be amended to bring the Code in line with the new framework. Consequently the Group were able to form a view on the adequacy of the Authority's overall governance arrangements for incorporation in the Annual Governance Statement. Members are asked to note that the process was subject to a review by internal audit this year who concluded that the arrangements in place were good.

5 FINDINGS OF THE CORPORATE GOVERNANCE STEERING GROUP

- 5.1 Functional Self Assessments and Area Manager Controls Assurance Statements were examined to ensure that all documents had been completed in full and to identify any issues of significance.
- 5.2 It was noted that all Area Managers have identified some future plans for improvement to their governance and control arrangements. The future plans for improvement were summarised and issues highlighted to identify any which were significant in terms of the Authority's overall governance and control environment.

5.3 However, a large proportion of the future plans for improvement related to tasks which are already ongoing or which have already been included in existing service plans. In addition, a number of actions were included which were purely function based and not significant in terms of the Authority's overall governance and control environment. It was considered that none of the future plans for improvement are such that they would cause any concern regarding the adequacy of the current overall governance and control arrangements. Notwithstanding the above, some of the future plans for improvement are newly identified actions resulting directly from the annual governance review, which have corporate significance, and therefore have been included in the revised Code of Corporate Governance as actions to be addressed.

5.4 The Annual Internal Audit Report was considered by the Group and it was noted that the report indicates that the work undertaken during 2010/2011 did not identify any matters material to the overall control environment of the Authority. There is an agreed scheme in place for the audit of key financial and non-financial systems. Findings of audits of these systems this year were analysed with findings from previous years to enable an opinion to be formed on these systems.

One of the requirements of the Accounts and Audit (Amendment) (England) Regulations 2006 is for the Authority to have an independent review of the effectiveness of its system of internal audit once a year (in line with the CIPFA Code of Practice for Internal Audit), and for the findings of this review to be considered as part of the procedure for drafting the AGS.

5.5 The Corporate Risk Profile was considered by the Group and of the 15 corporate risks faced by the Authority, the following should be noted:

- Nine are now considered sufficiently significant to warrant close monitoring by the Corporate Risk Management Group, these will be subject to continual analysis and review during 2011/12;

Four risks are considered 'High Priority'.

The four high priority areas have been identified as follows:

1. Failure to effectively and safely deploy and manage operational staff and resources at incidents leading to staff and public being exposed to unnecessary risk.
2. Risk that a spending decision of one of our partners has a detrimental impact on the delivery of some of our services, e.g Safetyworks, etc.
3. Risk that spending and policy decisions of one of our partners has a detrimental impact on our collaborative work.
4. Risk that the spending review will reduce the allocation of funds thereby having a detrimental impact on our ability to deliver services to the same standard.

The Risk Manager has developed an action plan to manage and mitigate each risk. Where appropriate these actions have been included in the annual operating plans of the appropriate departments for action as necessary.

5.6 In addition, the Authority's performance management framework was considered with the main issues being:

- Improving performance through a range of improvement activities and evaluation to target specific risks;
- Improved understanding of performance and risk through partnership working to develop realistic targets and strengthen accountability at a local level;
- Further develop the linkages ("golden thread") between key objectives/key themes supported by District Plans and improved information systems;
- Reviewing and improving the Performance Management Framework to deliver the community safety agenda and provide value for money.

Plans are in place to address all of the above issues and none are considered significant in terms of the Authority's overall governance and control arrangements.

5.7 The Audit Commission's Annual Audit and Inspection Letter was considered as this letter provides an overall evaluation of the Authority's progress having regard to the core performance assessment, financial and service performance and a consideration of its strengths and areas for development. The Letter notes the following key headlines:

The Authority has maintained the strengths we identified last year in relation to financial planning and reporting, internal control, governance and partnership arrangements. We also note a number of improvements as follows:

- Performance monitoring and management had developed significantly, with a performance action group established to improve accountability and share best practice. Detailed incident reports at district and station levels have enabled more focussed preventative activity;
- Costs and performance have generally improved relative to other metropolitan fire services, with continued reductions in the number of deliberate and accidental primary fires, high levels of public satisfaction with the service, better targeting of preventative and community safety work and generally good outcomes from partnership initiative. All key activity objectives have been met;

- There is an increasing willingness to challenge established ways of doing things, with rigorous cost/benefit analysis and an expectation that all staff will identify and deliver efficiencies within their own service areas. Back office functions have also been reviewed using 'lean thinking' techniques;
- Management of natural resources was assessed as a value for money criteria for the first time in 2009/10. The Authority displays a clear commitment to managing its impact on the environment, and has delivered a number of successful outcomes in this area.
- Tyne and Wear Fire and Rescue Authority manages its finances well, and has developed a much clearer focus on value for money in recent years. In 2009/10 it completed a comprehensive review of back office services and reported efficiency savings well in excess of national targets. A culture has been successfully developed whereby all staff take responsibility for identifying and delivering efficiencies in their own service areas.
- The Authority recognises that the future may demand more difficult choices and changes to the established patterns of service provision. It may also wish to reconsider the future use of longstanding earmarked reserves and provisions in the light of changing circumstances.

Inevitably there remains some scope for improvement. Deliberate secondary fires remain high compared to other metropolitan fire authorities, as do automatic fire alarm call-outs, and the Authority has plans in place to tackle these areas in the coming the year.

It is considered that the Annual Audit and Inspection Letter gives reassurance that the Authority's overall governance and control arrangements are satisfactory.

- 5.8 The Authority commissions an on-going 'After the Incident Survey', the latest results of which recorded scores of 97 out of 100 and 99 out of 100 for user satisfaction with regard to the services we provide (non domestic/domestic incidents respectively). We also carry out satisfaction surveys on fire safety audits and our schools education programme.
- 5.9 The Authority undertakes a survey of the views of employees in relation to a range of issues on a regular basis. The latest employee survey indicated that:
- The majority of staff (over 87%) are satisfied with their current role, their working environment, their working pattern, feel secure in their job and have better personal development opportunities than in 2007;

- Employees felt that the three main priorities should be to deal with poor performers, minimise bureaucracy and further develop the promotion procedures;
- 69% of staff have regular team meetings where they are given the opportunity to speak and find out what is happening in their department. 36% of staff feel that communications have improved since 2007;

5.12 An information governance audit, conducted during the latter part of 2007, has recently been redone in 2011. The original one concluded:

- It was pleasing to note that the audit did not reveal any matters that are considered to be high risk;
- The systems and procedures adopted by the Fire Service are generally robust and incorporate effective controls. Information Governance policies and procedures are available to all Service staff via the Intranet and include version control.
- The Service has appropriate support mechanisms in place in relation to the development of information governance.
- The control and governance of information held, particularly with regard to security of data, appears to be well managed to ensure that data can only be accessed by the appropriate members of staff.

Details of the 2011 audit will be included in the next iteration when they become available.

5.13 A questionnaire issued to Members and Officers asked whether they felt that statements made in the existing Code of Corporate Governance were being met. All of the respondents were in full agreement that the statements in the Code were being met.

6 UPDATES TO THE CODE OF CORPORATE GOVERNANCE

6.1 It was also considered whether any updates or revisions to the Code of Corporate Governance are required, and agreed that the Code should be revised based upon the current SOLACE/CIPFA framework and guidance, "Delivering Good Governance in Local Government". An updated Code is attached at Appendix A for consideration and approval by Members.

7 ANNUAL GOVERNANCE STATEMENT

7.1 The Annual Governance Statement has been drafted taking into account the findings of the annual governance review. The review has found that only minor improvements are needed to the control environment in a small number of areas. The Annual Governance Statement is attached at Appendix B for consideration and approval by Members.

8 CONCLUSION

- 8.1 The Authority has robust and effective governance and internal control arrangements in place. The views elicited during the review from Members and all senior managers across the Authority demonstrate that the principles of good governance are embedded.
- 8.2 The review has not identified any weaknesses that would need to be highlighted in the Authority's Annual Governance Statement.
- 8.3 A small number of actions have been identified to further develop governance and control arrangements, as detailed in the action plan attached at Appendix C.

9 RISK MANAGEMENT

- 9.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control; the realisation of efficiencies; the most appropriate use of limited resources; and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place. The complete risk assessment is available on request from the Chief Fire Officer.

10 FINANCIAL IMPLICATIONS

- 10.1 All financial implications by virtue of this review are contained within existing budgetary headings.

11 EQUALITY AND FAIRNESS IMPLICATIONS

- 11.1 There are no equality and fairness implications in respect of this report.

12 HEALTH AND SAFETY IMPLICATIONS

- 12.1 There are no health and safety implications in respect of this report.

13 RECOMMENDATIONS

- 13.1 The Authority is requested to:
 - a) Consider and comment upon the revised Code of Corporate Governance;
 - b) Consider and comment upon the Annual Governance Statement;
 - c) Receive further reports as appropriate.

BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:

- CIPFA/SOLACE Guidance - 'Delivering Good Governance in Local Government'