

NORTH YORKSHIRE FIRE AND RESCUE AUTHORITY

AUDIT AND PERFORMANCE REVIEW COMMITTEE

Report of the Section 151 Officer

25th April 2018

ANNUAL REPORT OF GOVERNANCE

1.0 Purpose of Report

- 1.1 To receive a general update on a number of Governance related issues.
- 1.2 To seek approval of the Local Code of Corporate Governance.
- 1.3 To seek approval of the 2017/18 Annual Governance Statement including the revised Statement of Assurance and to recommend its approval to the Authority

2.0 Background

- 2.1 Regulation 6 (1)(a) of the Accounts and Audit Regulations 2015 requires the Authority to conduct a review at least once a year of the effectiveness of its system of internal control. Having considered the findings of the review, Members are then required to approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control, principally the Cipfa/SOLACE Framework, "Delivering Good Governance in Local Government" as updated in 2016. The statement must then be included with the Statement of Accounts. A draft of this AGS is attached to this report and further detail is set out below.
- 2.2 A further key part of the Authority's Governance Framework is the Local Code of Corporate Governance, consideration of which falls to this Committee rather than the full Authority.
- 2.3 Members can rely on a range of measures which are in place in order to ensure that good Governance prevails within the Authority. Such arrangements include:-
 - Clearly defined responsibilities for officers including Statutory Roles
 - Corporate Plan and Annual Report
 - Integrated Risk Management Plan
 - Protocol for Members / Officer relations
 - Scheme of Delegation
 - Constitution
 - Ethical Framework
 - Members and staff Codes of Conduct
 - Financial Management Framework
 - Terms of Reference for Committees
 - Partnership evaluation
 - Annual Audit and Inspection letter from External Audit

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- Standing Orders
- Whistleblowing Policy
- Reporting from Internal Audit

2.4 The above is not exhaustive and is further supplemented by the Local Code of Corporate Governance and the Annual Governance Statement.

3.0 The Local Code of Corporate Governance

3.1 The operation of the local code is subject to regular monitoring both internally and by external review agencies and through the Authority's reporting arrangements. The results of those reviews need to be drawn together and considered by the Committee with recommendations made to the Authority where necessary in the event of substantive non compliance with the Code.

3.2 The Code has concentrated on six Core Principles which are:-

- A focus on the purpose of the Authority and on outcomes for the community and the creation and implementation of a vision for the local area
- Members and officers work together to achieve a common purpose with clearly defined functions and roles
- The promotion of values for the Authority and demonstration of the values of good governance through the upholding of high standards of conduct and behaviour
- The taking of informed and transparent decisions which are subject to effective scrutiny and risk management
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

3.3 The six core principles above have been reinforced with a suite of supporting principles which have been used as a basis of a monitoring document. This remains important and relevant material for the purposes of Assurance but the CIPFA / Solace guidance on delivering good Governance has now been updated and the new 2016 principles that will need to be reflected in the Local Code in the Future are as follows:-

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b) Ensuring opening and comprehensive stakeholder engagement;
- c) Defining outcomes in terms of sustainable economic, social and environmental benefits;
- d) Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e) Developing the entities capacity, including the capability of its leadership and the individuals within it;
- f) Managing risks and performance through robust internal control and strong public financial management;
- g) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

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- 3.4 The CIPFA / Solace guide is frequently updated and the core principles that underpin the guidance remain essentially the same. It is suggested, however, that the Local Code is reviewed in light of the new principles and a further revision is brought for the Committee's consideration sometime later in the year.
- 3.5 The proposed Local Code of Governance is therefore attached as **Appendix A**. The tracked changes are merely to advise on changes in personnel.
- 3.6 No instances of substantive non-compliance with the Code have been identified within the year.

4.0 The Annual Governance Statement

- 4.1 A draft copy of the Statement for 2017/2018 is attached at **Appendix B**. The annual Statement of Assurance from the Internal Auditor will not be available for this meeting of the Committee but as evidenced by the Internal Audit progress reports which the Committee has received over the past year, a conclusion of less than Substantial Assurance is unlikely. This means that in overall terms, management of risk is satisfactory but with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made as reflected in the various audit reports.
- 4.2 In the previous year no significant Governance issues had been identified. The AGS should provide for the period for the year ending 31 March 2018 and up to the date of approval of the Statement of Accounts. As a result, it is considered that there are a number of significant Governance issues for the Fire Authority at this point in time. These areas are set out in more detail in **Appendix B** under the heading of "Significant Governance Issues" but encapsulate the following themes:–
- Uncertainty around future governance arrangements
 - Retention and recruitment of key personnel given uncertainties
 - Funding / savings pressures.
- 4.3 A high level assessment is included within **Appendix B** on how these areas are to be addressed in the forthcoming year.

5.0 Fire Service Assurance Statements

- 5.1 In addition to the requirement of the Accounts and Audit Regulations to publish an Annual Governance statement, there is also the requirement in the Fire and Rescue National Framework for the Authority to produce an annual Statement of Assurance.
- 5.2 It is recommended at this stage that the Authority continues with inclusion of a specific page with the Annual Report that contains a series of statements and links to discharge the requirements of the current Framework.

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6.0 Recommendations

- 6.1 To note progress on a number of Governance related issues.
- 6.2 To approve the Local Code of Corporate Governance as set out in **Appendix A**.
- 6.3 To approve the 2017/18 Annual Governance Statement including the revised Statement of Assurance as set out in **Appendix B** and to recommend its approval to the next meeting of the Authority

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11th April 2018

LOCAL CODE OF CORPORATE GOVERNANCE

1. INTRODUCTION

- 1.1 The term Corporate Governance refers to *system by which the Authority directs and controls its functions and relates to the community it serves*. It is therefore the framework of the policies, systems, procedures, and structures that together, determine and control the way in which the Authority manages its business, determines its strategies and objectives and sets about delivering its services to meet those objectives for the greater good of the communities of the City of York and North Yorkshire.
- 1.2 The basic principles of good corporate governance as set out in the Corporate Governance Policy, require the Authority to carry out its functions in a way that is completely open and inclusive of all sectors of the community; demonstrates the utmost integrity in all its dealings and is fully accountable to the public it serves. North Yorkshire Fire and Rescue Authority fully supports these principles. This Code is a public statement of the commitment to these principles and sets out clearly the way in which the Authority will meet that commitment.
- 1.3 The methodology adopted by the Authority has been updated to comply with guidance published in the Good Governance Standard for Public Services which set out six key principles to be adopted by the Authority, and using advice on Delivering Good Governance in Local Government produced by CIPFA/SOLACE in 2007 which was revised and updated in December 2012.
- 1.4 The main body of the Code is therefore structured around the six key principles of the Good Governance Standard designed to reflect the assurance gathering process for the Annual Governance Statement; each commitment covers a particular area of the Authority's responsibilities in terms of corporate governance. These areas are:
- 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 examination and manage 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

1.5 Outside of the six key principles there are other influences which the Authority believes are important for effective Corporate Governance:-

- a culture that demonstrates “Zero Tolerance” of Fraud and Corruption
- working with the requirements of key Stakeholders to demonstrate continuous improvement in the Authority’s procedures
- improving Information Governance

1.6 Under each area, the means by which the Authority will meet and demonstrate its commitment to good corporate governance in relation to that particular objective is exemplified below.

1.7 If you require further information about the Authority’s corporate governance processes, please contact the Section 151 Officer at Service Headquarters, Thurston Rd, Northallerton, DL6 2ND or by email at gary.fielding@northyorks.gov.uk

2. THE SIX KEY PRINCIPLES

2.1 **Focusing on the purpose of the authority and on outcomes for the Community and Creating and Implementing a Vision for the Local Area**

In order to achieve this commitment, the Authority will develop and promote its purpose and vision by having procedures which inform and influence key plans and performance measures. These will be subject to regular review and update. Partnership working is seen as key to delivering this objective and it will be important that all the organisations involved are working on a consistent basis towards a common purpose.

To reassure the local area that the vision is being developed and delivered, reports will be produced setting out the activities, achievements, financial position and performance of the Authority. These reports will set out how the quality of service delivery is set out, measured and reviewed. If procedures prove to be less than satisfactory then effective mechanisms will be adopted to ensure failures in service delivery can be corrected. In focusing on this key principle, the Authority recognises it operates in an environment where it needs to demonstrate that it makes the best use of the resources it has been allocated.

2.2 **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

Members and Officers are public servants and need to demonstrate to stakeholders that they conduct business in an appropriate manner. The Authority sets out statements about what is required of them. These statements will be supported by protocols so proper clarity is given to the respective roles.

Effective Corporate Governance policies and procedures assist the Authority to be more efficient. To assist this process the Authority will:

- develop and maintain Standing Orders, Financial and Contract Regulations
- have an appropriate scheme of delegation
- ensure separate officers at a senior level are given the appropriate section 151 and Monitoring Officer responsibilities
- with respect to its statutory responsibilities, discharge those responsibilities in accordance with legislation

One way that the Authority demonstrates it is effectively working together is by operating performance management arrangements which show it is improving and achieving value for money.

An effective Corporate Governance Policy is an integral part of the Authority's demonstration to stakeholders that its underlying policies and procedures are sound.

Partnership working with a number of third parties plays an increasing role in the manner in which services are delivered. These arrangements will need to demonstrate clear, appropriate and effective Governance arrangements which do not conflict with the Corporate Vision of the Authority.

2.3 Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The leadership of the Authority at both Member and Officer level has a culture of openness, support and respect by adopting relevant Codes of Conduct which hold individuals to account for their behaviour. To ensure all these individuals are aware of the Authority's expectations, an effective system of communication is in place. The Codes of Conduct will be subject to regular review to ensure they remain up to date.

The Standards Sub Committee promotes and maintains high standards of conduct by Members of the Authority and assists them in observance of the Authority's Code of Conduct whilst the Staff Code of Conduct and associated reporting arrangements cover officer conduct.

The Authority has in place a complaints procedure available to anyone who wishes to raise issues about the conduct and / behaviour of Members and officers.

2.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Authority promotes open government and has put in place within its Standing Orders, Financial and Contractual Regulations clear guidelines to both members and officers on decision making.

The Audit and Performance Review Committee ensures that key procedures such as Corporate Governance, Risk Management and Internal control are subject to Member level review.

Legal and financial implications are considered by the Monitoring Officer and the Section 151 officer in advance of decisions being taken. These officers also ensure that their delegated staff members are involved in detailed projects which have a legal or financial impact.

To minimise the risks facing the Authority, it has embedded risk management within the organisation. The Audit and Performance Review Committee monitors the progress made on this topic on a regular basis. In addition, the Authority has broadened the base of middle and senior management engagement in the decision making process by the establishment of Governance groups responsible for the key risk areas of Information Governance, Operational Risk, Human Resources and Physical Assets.

Whilst the Authority believes that it has robust Corporate Governance arrangements in place, the Authority has in place procedures for whistleblowing which allow members of the public, contractor staff and directly employed staff to raise concerns in a confidential manner. Whistleblowing and its supporting policy is an integral part of the Authority's Anti Fraud and Corruption Strategy. The effectiveness of the Whistleblowing Policy is subject to review.

2.5 Developing the capacity and capability of members and officers to be Effective

All new members and officers have a specific induction programme which is kept under regular review and tailored when required. For members, the Authority has in place a Development Programme which provides regular updates on new issues. All staff are subject to an annual appraisal which allows both staff and their managers to identify staff development needs.

All posts within the Authority have role profiles supported by person specifications which enable them to carry out their roles.

2.6 Engaging with local people and other stakeholders to ensure robust public Accountability

To ensure it engages with the relevant local people the Authority has established:-

- a communication and consultation strategy
- an Annual Report and Corporate Plan which set out the targets it will achieve and its performance in the previous year
- a series of reviews as part of its Integrated Risk Management Plan
- its role in Partnerships and the Local Area Agreement

3. **The Production of an Annual Governance Statement**

The Authority will produce an Annual Governance Statement. This Statement will follow all best practice guidance. Progress on monitoring action against any issues identified in the Statement will be the responsibility of the Corporate Management Board and the Governance Groups Management Team. The Statement will be reviewed by Members of the Authority prior to publication alongside the Statement of Accounts.

4. **Reports to Members**

The Authority's Audit and Performance Review Committee will receive an annual report on the Annual Governance Statement as well as regular reports on corporate governance and risk management matters. Any recommendations for action arising from these reports will be reported to the Authority.

5. **Reducing Fraud**

In relation to fraud the Authority will adopt and maintain:-

- a strategic approach to reduce the risk of fraud
- a culture of zero tolerance to fraud
- an effective anti fraud and corruption Framework
- a strong and pragmatic system of Internal Control
- effective partnership working arrangements.

6. **FURTHER INFORMATION**

6.1 If you have any concerns about the way in which the North Yorkshire Fire and Rescue Authority, its Members, officers or agents conduct its business, or believe that elements of this Code are not being complied with please contact the Authority. Subject to any legal requirements, your enquiry will be treated confidentially and a response made following investigation of the facts in each case.

6.2 Further details are available from the "Contact Us" section on the website www.northyorksfire.gov.uk or by direct contact with the following

Chief Fire Officer/Chief Executive

Nigel Hutchinson
North Yorkshire Fire and Rescue Authority
Service Headquarters
Thurston Rd
Northallerton
North Yorkshire DL6 2ND
Telephone: 01609 780150
Email: nigel.hutchinson@northyorksfire.gov.uk

Section 151 Officer (Chief Finance Officer)

Gary Fielding
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Monitoring Officer

Barry Khan
Assistant Chief Executive (Legal and Democratic Services)
North Yorkshire County Council
County Hall
Northallerton
North Yorkshire DL7 8AL
Telephone: 01609 532173
Email: barry.khan@northyorks.gov.uk

- 6.3 Should you wish to register a complaint or raise an issue with the External Auditor, the details are:-

Cameron Waddell
Engagement Lead (Director)
Email: Cameron.waddell@mazars.co.uk
Telephone: 0191 383 6300

April 2018

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ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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.

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 and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the code is on the website at www.northyorksfire.gov.uk/about-us/key-documents/governance-codes or can be obtained from the Central Administration Office, NYFRA Headquarters, Thurston Rd Northallerton. This statement explains how the Authority has complied with the code and meets the requirements of Regulation 6 (1)(b) of the Accounts and Audit Regulations 2015 which requires it to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its 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, cost-effective services.

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.

The governance framework has been in place at the Authority for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

The Governance Framework

Monitoring against the Local Code of Corporate Governance was considered by the Audit and Performance Review Committee at its meeting 25 April 2018. Full details can be found at www.northyorksfire.gov.uk/about-us/key-documents/committee-papers/performance-review.

The systems and processes that comprise the Governance Framework include arrangements for:

- a) the maintenance and review of
 - Standing Orders
 - Financial regulations
 - Conventions
 - Committee Membership and Terms of Reference
 - Scheme of Delegation to Officers
 - Members Code of Conduct
 - Staff Code of Conduct
- b) the Audit and Performance Review Committee which, as well as the Authority itself, receives regular reports monitoring and reporting on the Service's performance and governance arrangements
- c) an approved Corporate Risk Management Strategy and Policy which includes the maintenance of a comprehensive Risk Register overseen by the Risk Management Governance Group
- d) an approved "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance
- e) the designation of the Chief Fire Officer as Chief Executive responsible to the Authority for all aspects of operational management
- f) the designation of the a Chief Financial Officer in accordance with Section 112 of the Local Government Finance Act 1988
- g) the designation of the Legal Advisor as Monitoring Officer with the requirement to report to the full Authority if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration
- h) the continued work of the Governance Groups established to improve cross functional working in the key areas of Risk Management and Information Governance
- i) the production of an annual Assurance Statement
- j) the production of the Community Safety Plan
- k) Partnership Evaluation arrangements
- l) Anti Fraud and Corruption Policy
- m) Whistleblowing Policy
- n) Complaints procedure
- o) The work of the Standards Sub Committee
- p) The Communications Strategy
- q) Members and Staff Development Programmes

As required by the Code of Practice on Local Authority Accounting, specifically, the Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Review of effectiveness

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 process is overseen by the Authority's Audit and Performance Review Committee as the body charged with Governance in this Authority for the purposes of the International Standard on Auditing.

The review of the effectiveness of the governance framework is informed by:

- a) The work of the Authority, its Committees, Sub Committees and Working Groups
- b) The work of Corporate Management Board and the Governance groups
- c) The work of the internal auditors as described above
- d) The external auditors in their annual audit letter and other reports
- e) Other review mechanisms such as the Health and Safety Inspectorate

In overall terms, management of risk is satisfactory but with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. These weaknesses and improvements are being addressed. Where possible, full details of the Audit reports are published on the Authority's website as part of the Audit and Performance Review Committee papers at

www.northyorksfire.gov.uk/about-us/key-documents/committee-papers/performance-review

The Audit and Performance Review Committee considered the external auditor's Audit Completion Report for 2016/2017 on the 20 September 2017. No significant weaknesses in governance arrangements were identified. The report included an unqualified opinion on the Authority's 2016/17 Statement of Accounts and concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Committee also considered the External Annual Audit Letter on 13 December 2017 which provided a summary of the External Auditor's work and findings for 2016/17.

We have been advised on the implications of the result of the internal review of the effectiveness of the governance framework by the Audit and Performance Review Committee and that the arrangements continue to accord with the framework.

Significant Governance Issues

Following a review of Governance and internal control arrangements there are a number of areas identified which it is considered require attention in order to address weaknesses and ensure continuous improvement of Governance and control arrangements.

Issue requiring attention	Action planned
1. The Home Office is currently considering the future arrangements for the Governance of the Fire and Rescue Service. There is a significant risk that decision making is sub optimal pending the decision of The Home Office and / or that any decisions may ultimately prove to be at odds with the final decision made by The Home Office.	Continuation of collaboration meetings with the Office of the Police and Crime Commissioner in order to try and ensure alignment where possible. On-going progression of savings areas and service improvements between the Service and Police and other organisations where improvements are secured regardless of Governance decisions by The Home Office.

	On-going dialogue between Members of the Fire Authority and Senior Management with all stakeholders.
2. The current uncertainty around the Governance of the Service provides an uncertain environment for staff and there is an enhanced risk that staff leave the organisation meaning that skills and capacity are hampered	<p>Review of issues on an “as and when” basis to include discussions about possible interim arrangements; partnering arrangements with other organisations; or whether recruitment exercises are undertaken.</p> <p>Scenario and succession planning, and a review of the Senior Management structure.</p> <p>Communications with staff to ensure that all are aware of the situation and mis-information can therefore be minimised.</p>
3. The current Medium Term Financial Plan identifies a requirement for savings of £2.8m over a 3 year period from 2020/21 to 2022/23 following use of reserves in the previous 2 years. Whilst this is a manageable situation in the short term, the long term position must be addressed without dependency on reserves.	<p>Further savings proposals to be developed in time for the 2019/20 budget process.</p> <p>Exploration of funding flexibilities to be explored with The Home Office.</p> <p>Savings opportunities through collaboration with OPCC and other partners to be explored and to be fed into the proposals as identified above.</p>

Approved by the Authority at its meeting 27 June 2018

Signed

Cllr A Backhouse
Chairman of the Authority

N M Hutchinson
Chief Fire Officer /Chief Executive

G Fielding
S151 Officer