



ANNUAL GOVERNANCE STATEMENT 2017/18 (DRAFT)

SCOPE OF RESPONSIBILITY

1. County Durham and Darlington Fire 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. It must also ensure that public money is used economically, efficiently and effectively.
2. The Accounts and Audit Regulations 2015 require the Authority to prepare an annual governance statement, which must accompany the statement of accounts. 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.
3. 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.
4. The Authority has approved a code of corporate governance, which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – “Delivering Good Governance in Local Government”. This statement explains how the Authority has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework comprises the systems processes, culture and values by which the Authority is directed and the activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost effective services.
6. The system of internal control is a significant part of the governance 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.

7. 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.
8. The governance framework has continued to be 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

9. The Annual Governance Statement (AGS) provides a summary of the extent to which the Authority meets the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016.

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Authority fosters a culture based on shared values, high ethical principles and good conduct. The Authority does this by establishing and keeping under review:

- The Authority's own values on Leadership as enshrined in the Three Year Strategic Plan and evidenced in Codes of Conduct that set standards for behaviour;
- A Member Code of Conduct;
- An Officer Code of Conduct;
- A Register of Interests and declarations of Gifts and Hospitality accepted;
- Equality and Diversity arrangements;
- A Confidential Reporting policy;
- The roles of Members and Officers in decision-making;
- Appropriate and timely advice, guidance and training for both Members and Officers;
- Systems for reporting and dealing with any incidents of fraud and corruption.

The Authority ensures that appropriate legal, financial and other professional advice is always considered as part of the decision-making process and observes both specific requirements of legislation and general responsibility by Law.

The Authority is transparent about how decisions are taken and recorded. The Authority does this by:

- Ensuring that decisions are made in public and recording those decisions and relevant information and making them available publicly (except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Authority);
- Having rules and procedures which govern how decisions are made.

The Authority has adopted a confidential reporting policy, details of which have been communicated to staff and are available electronically.

The Authority ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The website includes facilities for complaints to be made against the Authority by the public and processes are in place to progress any complaints that are made.

Principle B - Ensuring openness and comprehensive stakeholder engagement

The Authority responds to the views of stakeholders and the community. The Authority does this by:

- Forming and maintaining relationships with the leaders of other organisations;
- Ensuring partnership arrangements demonstrate clear and appropriate governance accountabilities;
- Producing plans for service delivery within the community;
- Having a Communications Strategy and providing access to a range of consultation methods, particularly to those groups which are harder to reach;
- Using an approach that recognises that people are different and gives everyone the same or an equal opportunity to information, advice and support in ways that are suited to the needs or circumstances of the individual;
- Encouraging and supporting the public in submitting requests for aspects of the Authority's Service to be scrutinised;
- Providing and supporting ways for Citizens to present community concerns to the Authority;
- Providing for the public the opportunity to ask questions or make representations to the Authority;
- Publishing a Three Year Strategic Plan and Integrated Risk Management Plan (IRMP) providing information in relation to the Authority;
- Continually developing clear channels of communication;
- Providing a modernised Information Communication and Technology Service that meets the needs and aspirations of the organisation and the communities we serve.

The Authority recognises the key role it has to play in supporting partnership working within County Durham and Darlington and also the role partners have to play in assisting the Authority to deliver on its objectives.

The Authority ensures good governance in respect of partnerships by:

- Reviewing and evaluating partnerships on a regular basis;
- Auditing partnership strategies and policies through the internal audit function;
- Ensuring partnerships offer value and contribute to the Authority's strategic objectives.

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Authority published its Strategic Vision and corporate priorities for County Durham and Darlington as part of its Three Year Strategic Plan. The vision and priorities are focused on community needs and aspirations.

In delivering its vision and corporate priorities, the Authority explains and reports regularly on activities, performance and the Authority's financial position. Timely, objective and understandable information relating to the Authority's activities, achievements, performance and financial position is provided through the publishing of:

- A Three Year Strategic Plan incorporating the Integrated Risk Management Plan;
- A Medium Term financial Plan;
- An Efficiency Plan;
- Externally audited accounts;
- Detailed performance information.

The Authority considers the governance implications of its actions and has established its Code of Corporate Governance to be consistent with the principles of the CIPFA/SOLACE Framework – “Delivering Good Governance in Local Government”.

The Authority is committed to delivering quality services to the public in an efficient and effective way. The Authority does this by:

- Delivering services to meet local needs through the Three Year Strategic Plan and the Integrated Risk Management Plan, and putting in place policies and processes to ensure that they operate effectively in practice;
- Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors;
- Actively pursuing collaboration opportunities with the Police, Ambulance and other Fire Services;
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions;
- Comparing information about services with those provided by similar organisations, assessing why levels of efficiency, effectiveness and quality are different and considering other alternative means of service provision and procurement to maximise opportunities and improve value for money where appropriate.

Principle D - Determining the interventions necessary to optimize the achievement of the intended outcomes

To achieve this, the Authority:

- has a detailed medium term financial plan which includes actions to ensure financial sustainability;
- has a performance management framework, to ensure plans are met and remedial action taken;
- has processes in place to ensure data quality is high, so as to enable objective and rigorous decision making;
- has regular monthly Service Leadership Team (SLT) meetings together with weekly SLT catch up meetings where issues are raised and actions agreed upon;
- has a risk management process to identify where interventions may be required;
- has a sound understanding of demand (current and future) which informs resource allocation decisions.

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Authority ensures that the necessary roles and responsibilities for effective Governance are identified and allocated through its Constitution so that it is clear who is accountable for decisions that are made. The Authority does this by:

- Electing a Chair, establishing Committees and nominating Member Champions with defined responsibilities;
- Agreeing a scheme of delegated responsibilities to the Senior Management;
- Undertaking a regular review of the operation of the Constitution;
- Having in place effective and comprehensive arrangements for the scrutiny of services;
- Making the Chief Fire Officer responsible and accountable for all aspects of operational management;
- Ensuring at all times arrangements are in place for the proper administration of its financial affairs (S151 Officer);
- Ensuring at all times arrangements are in place for ensuring actions are taken in accordance with Statute and Regulation (Monitoring Officer);
- Developing protocols that ensure effective communications between Members and Officers.

In addition the Authority commissioned, in year, an independent review of its own Efficiency and Effectiveness, the outcome of which was reported and fully discussed at a meeting of the Combined Fire Authority.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Authority ensures that those charged with governance have the skills, knowledge and experience they need to perform well. The Authority does this by:

- Consistent application of the Workforce Strategy

- Operating robust recruitment and selection processes;
- Implementing Member Development strategies;
- Cascading regular information to Members and staff;
- Investing in Member and Officer Leadership training;
- Providing resources that support Member and Officer development;
- Promoting schemes supporting ongoing professional development;
- Undertaking the annual appraisal of the Chief Fire Officer and setting objectives that contribute to the Authority's vision, strategy and plans and that incorporate key development needs.

The Authority is fully compliant with the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Treasurer to the Authority is professionally qualified and suitably experienced. He plays a key role in providing a strategic insight to the direction and control of Authority business decisions affecting financial resources. He ensures compliance with financial standards and gives due consideration to the economic, efficient and effective use of resources. He works closely with the Chief Fire Officer in ensuring the finance function provided is fit for purpose and that the management of the Authority's resources is robust.

Principle F - Managing risks and performance through robust internal control and strong public financial management

The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified throughout the year and the Constitution is amended on an annual basis.

The Authority operates a risk management approach that aids the achievement of its strategic priorities, supports its decision making processes, protects the Authority's reputation and other assets and is compliant with statutory and regulatory obligations. The Authority ensures that the risk management approach:

- Enables a culture of risk awareness;
- Formally identifies and manages risks;
- Involves elected members in the risk management process;
- Maps risks to financial and other key internal controls;
- Documents and records details of risks in a risk management information system;
- Monitors the progress in mitigating significant risks, and reports this to appropriate Members;
- Reviews and, if necessary, updates its risk management processes at least annually;
- Considers risk within major projects.

The Audit and Risk Committee has responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure Internal Control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk

Management and making recommendations concerning relevant governance aspects of the Constitution.

Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability

To achieve this, the Authority:

- publishes relevant information relating to salaries, business interests and performance data on its website;
- has a Procurement Officer who provides advice and issues clear guidelines for procuring goods and services;
- has an Audit and Risk Committee that operates in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA);
- publishes information to the Authority and its Committees as part of established accountability mechanisms;
- acts upon the findings/recommendations of Internal Audit and External Audit Reports;
- prepares an Annual Governance Statement;
- prepares an annual Statement of Assurance;
- prepares an annual Efficiency Plan.

The Authority is committed to the publication of transparent performance information. This includes but is not limited to:

- Budget reports;
- Operational performance reports;
- Medium Term financial Plan;
- Efficiency plan;
- Statement of Accounts;
- Annual Governance Statement;
- Statement of Assurance;
- Information required under the Local Government Transparency Code.

REVIEW OF EFFECTIVENESS

10. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Service who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the Treasurer, external auditors and other review agencies and inspectorates.
11. The Authority has an Audit and Risk Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and

Risk Management and making recommendations concerning relevant governance aspects of Standing Orders.

SIGNIFICANT GOVERNANCE ISSUES

12. The Authority is fully committed to the principles of corporate governance. The Service Leadership Team and Audit and Risk Committee review, by way of an action plan, the governance issues contained within the Annual Governance Statement (AGS) on a quarterly basis. The position in relation to the action plan for 2017/18 is set out in Appendix A. Issues which were ongoing at 31st March 2018 will be included in the 2018/19 action plan. The progress made in implementing recommendations in relation to governance issues is confirmed by Internal Audit and forms the starting point of the work carried out in producing the AGS for 2017/18.
13. In addition, based on assurance work undertaken by Internal Audit during 2017/18, the Head of Internal Audit is expected to issue a Moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2017/18. This opinion provides assurance that, whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. Given the constant extent of change faced, the reduction in resources and the ever increasing diverse nature of the Internal Audit Plan this assurance opinion should be regarded as positive.
14. The issues detailed below have been agreed with the Service Leadership Team for inclusion in the 2018/19 action plan:

(i) Public Sector Spending

The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. Whilst the Authority has agreed to accept the Government's offer of a four year funding settlement to 2019/20 their still remains a funding gap over the medium term. Alternative delivery options for services continue to be considered and implementation plans are being progressed. Implementation will be closely monitored to ensure that planned service changes and associated savings are realised.

(ii) Assumptions Underpinning the Medium Term Financial Plan

The assumptions made in the medium term financial plan, particularly around savings, inflation, pay awards, employer pension contributions and potential liabilities, future Government grants and income from council tax and business rates whilst based on the best information available are subject to change from economic circumstances and public finances in general. This represents a potential risk to the Authority's medium term financial plan which will be monitored closely in order to enable corrective action to be taken where necessary.

(iii) Changes to the Governance of public services in light of stated Government policy direction

The Policing and Crime Act requires fire, police and ambulance services to collaborate, where the proposed collaboration would be in the interests of their own efficiency and effectiveness and one or more of the other services take the same view. The legislation also makes provision for a Police and Crime

Commissioner to take responsibility for the fire and rescue service in their area where a local business case is made, as well as to take the additional step to create a single employer for police and fire. The Service will closely monitor, at local, sub national and national level, the development and potential impact, of differing governance arrangements, the relevant underpinning statutory frameworks and current national negotiating machinery.

(iv) Impact of Changes to the Firefighters Pension Scheme

The service will closely monitor the impact of changes to the Firefighters Pension Scheme in terms of cost, business continuity, resilience and local industrial relations.

(v) Collaboration

Collaboration will continue to be addressed pro-actively in terms of collaborating with other Fire and Rescue Services, the Police, Ambulance and other organisations. The government have placed an increased emphasis on collaboration with Blue Light Services, and this is reflected in the Authority's governance structure in relation to collaboration.

(vi) Fire Service Inspectorate

The service will continue to closely monitor developments in relation to the introduction of the new Fire Service Inspectorate. A regional Inspectorate Working group (IWG) has been established and the service is actively engaging with Durham Constabulary and the National Fire Chief's Council IWG to share learning capacity.

We propose to take steps to address the above matters to further enhance our governance arrangements during the coming year. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

(vii) Independent Review of Building Regulations and Fire Safety

The service will closely monitor developments following the publication of Dame Judith Hackitt's independent review into building regulations and fire safety following the Grenfell Tower fire. Any changes to the regulatory requirements could potentially have significant resource implications for the service as the government is committed to doing more to set and enforce high standards.

Signed: _____

Chair

Signed: _____

Chief Fire Officer

Signed: _____

Treasurer

Corporate Governance Action Plan 2017/18 – Position at 31 March 2018

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
01	The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. Whilst the Authority has agreed to accept the Government's offer of a four year funding settlement to 2019/20 their still remains a funding gap over the medium term. Alternative delivery options for services continue to be considered and implementation plans are being progressed. Implementation will be closely monitored to ensure that planned service changes and associated savings are realised.	The Authority fails to balance its budget and service provision deteriorates as a result.	High	The Authority should look to further progress its implementation plans and monitor them in order to ensure that it's in year budget is balanced and service delivery maintained.	<p>Further savings for implementation during 2016/17 and 2017/18 were incorporated into the medium term financial plan which was approved by the CFA in February 2017. The savings which were identified produced a balanced budget for 2017/18. The revised MTFP presented to the CFA on 13 February 2018 sets out a balanced budget for 2018/19 and a deficit of £448K in 2019/20 rising to £735K in 2021/22.</p> <p>At the CFA planning day on 16 October 2017, members received an update on the emergency response review which included options for achieving further efficiency savings.</p> <p>Further work is currently being undertaken to develop savings options in line with the views expressed by members, the representative bodies and staff. Two of the options are currently being trialled which if successful, will substantially reduce the forecast deficit position in the MTFP.</p> <p>At this stage providing the assumptions contained in the revised MTFP turn out to be accurate, we are reasonably confident that the savings being considered will be sufficient to balance the budget over the medium term.</p>	<p>Head of Corporate Resources</p> <p>ONGOING</p>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
02	The assumptions made in the medium term financial plan, particularly around savings, inflation, pay awards, employer pension contributions and potential liabilities, future Government grants and income from council tax and business rates whilst based on the best information available are subject to change from economic circumstances and public finances in general. This represents a potential risk to the Authority's medium term financial plan which will be monitored closely in order to enable corrective action to be taken where necessary.	The Authority fails to balance its budget over the medium to longer term and service provision deteriorates as a result.	High	The Authority should monitor, as intended, the assumptions made within its medium term financial plan to ensure they accurately reflect the most up to date position known and enable corrective action to be taken where required at the earliest opportunity.	The MTFP assumptions are monitored on an on-going basis and have been updated during the preparation of the 2018/19 budget and MTFP. The revised MTFP includes allowance for a 2% increase in pay each year from 2018/19 onwards. Each additional 1% would cost £171K for firefighters and £195K for the whole workforce. Any increase in the cost of pay or inflation above 2% will have a significant impact on the MTFP deficit position unless further savings are identified to offset the additional cost.	Head of Corporate Resources ONGOING
03	The Policing and Crime Act requires fire, police and ambulance services to collaborate, where the proposed collaboration would be in the interests of their own efficiency and effectiveness and one or more of the other services take the same view. The legislation also makes provision for a Police and Crime Commissioner to take responsibility for the fire and rescue service in their area where a local business case is made, as well as to take the additional step to create a single employer for police and fire. The Service will closely monitor, at local, sub national and national level, the development and potential impact,	The Authority fails to comply with the requirements and wider implications of the Policing and Crime Act.	High	The Service should monitor as intended the impact of any changes that arise as a result of the Policing and Crime Act and act accordingly.	The Policing and Crime Act sets out the governments' intentions in relation to the governance of Fire and Rescue Services. This allows for governance of the fire service to be transferred to the Police and Crime Commissioner where a local business case is made. The Act also allows the PCC to request a place on the Fire and Rescue Authority in cases where governance does not transfer and sets out an expectation that emergency services will collaborate in order to improve services to the public and provide value for money. The PCC has formally written to the Authority stating that he does not	Chief Fire Officer ONGOING

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	of differing governance arrangements, the relevant underpinning statutory frameworks and current national negotiating machinery.				intend to submit a business case to take over the governance of the Service and he does not wish to have a place on the Combined Fire Authority.	
04	The Service will closely monitor the impact of changes to the Firefighters Pension Scheme in terms of cost, business continuity, resilience and local industrial relations.	The Authority fails to balance its budget and service provision deteriorates as a result.	High	The Service should monitor as intended the impact of changes to the Firefighters Pension Scheme both in terms of cost and service delivery.	<p>The potential impact of the changes to the Firefighters Pension Scheme (FPS) is closely monitored and reports are provided to the Finance and General Purposes Committee</p> <p>The financial impact of the revaluation of the FPS is currently unknown but is likely to have a significant impact on the budget from 2019/20 onwards. Provision for a 3% increase in the employer's contribution rate from 2019/20 has been built into the revised MTFP.</p> <p>Whilst the industrial dispute remains unresolved, the Service has proven resilience arrangements in place to deal with any further industrial action.</p>	<p>Head of Corporate Resources</p> <p>ONGOING</p>
05	Collaboration will continue to be addressed pro-actively in terms of collaborating with other Fire and Rescue Services, the Police, Ambulance and other organisations. The government have placed an increased emphasis on collaboration with Blue Light Services, and this is reflected in the Authority's governance structure in relation to collaboration	The Authority's collaboration aspirations are not achieved.	High	Opportunities for further collaboration should be investigated. Progress made across all Collaborative practices should be reported, for monitoring, to the Authority.	<p>Members are supportive of further collaboration where this is in the interests of the Authority and provides value for money. The Authority has signed a Statement of Intent with Durham Constabulary setting out our intention to work more closely together to enhance co-operation and collaboration. Progress is monitored through the Collaboration Delivery Group and overseen by the Joint Strategy Group.</p> <p>Work is continuing on the</p>	<p>Chief Fire Officer</p> <p>ONGOING</p>

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
					development of further collaboration opportunities and a Statement of Intent has been signed to enable closer working with Tyne and Wear FRS and Northumberland FRS.	
06	The service will continue to closely monitor developments in relation to the introduction of the new Fire Service Inspectorate. A regional Inspectorate Working Group (IWG) has been established and the service is actively engaging with Durham Constabulary and the National Fire Chief's Council IWG to share learning capacity.	The Authority suffers reputational damage as a result of an adverse judgement from the new Fire Service Inspectorate.	High	The Service should look to increase its learning capacity through representation at the newly established regional Inspectorate Working Group and through engagement with Durham Constabulary and the National Fire Chief's Council.	<p>Details of the HMICFRS proposed inspection methodology has been released and work is ongoing to gather evidence in response to the diagnostic questions.</p> <p>The service has been notified that it will be inspected in the third tranche of inspections which are likely to begin in spring 2019. This will enable the service to learn from earlier inspections and allow extra time for preparation.</p> <p>The service continues to actively engage with Durham Constabulary and the National Fire Chief's Council to share learning capacity.</p>	Chief Fire Officer ONGOING