



Item 3  
**AUDIT AND RISK COMMITTEE**

**22 MAY 2018**

**CORPORATE GOVERNANCE ACTION PLAN UPDATE**

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**REPORT OF HEAD OF CORPORATE RESOURCES**

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**Purpose of Report**

1. To provide an update of the progress being made in relation to the actions arising from the development of the Authority's corporate governance arrangements.

**Background**

2. The Authority developed an action plan to progress the high priority actions identified during the production of the Annual Governance Statement (AGS) and reported as part of the final accounts for 2016/17.
3. The Authority continues to develop its governance arrangements and has procedures in place for monitoring actions arising from the 2016/17 final accounts. The effectiveness of internal audit has also been reviewed and a Code of Corporate Governance is in place and approved in line with CIPFA/SOLACE guidance.

**Corporate Governance Action Plan**

3. The Service Leadership Team has responsibility for progressing key governance improvements that have been identified. These issues are reviewed quarterly and progress is monitored to ensure that appropriate actions are being taken to mitigate any risks to effective governance.
4. Regular meetings are held with Internal Audit to discuss progress made in relation to the Corporate Governance Action Plan.
5. The 2017/18 Corporate Governance Action Plan is attached at Appendix A. This action plan has been updated to reflect the position in relation to the action points as at 31 March 2018.

**Recommendation**

6. Members are requested to **note** the contents of the report and the on-going work in relation to the corporate governance arrangements of the Authority.

## 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><b>ONGOING</b></p>
02	The assumptions made in the medium term financial plan, particularly around savings, inflation, pay awards, employer pension contributions and potential	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	The MTFP assumptions are monitored on an on-going basis and have been updated during the preparation of the 2018/19 budget and MTFP.	<p>Head of Corporate Resources</p> <p><b>ONGOING</b></p>

**APPENDIX A**

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	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.			they accurately reflect the most up to date position known and enable corrective action to be taken where required at the earliest opportunity.	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.	
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, of differing governance arrangements, the relevant underpinning statutory frameworks and current national negotiating machinery.	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 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.	Chief Fire Officer  <b>ONGOING</b>
04	The Service will closely monitor the impact of changes to the Firefighters Pension Scheme in terms of cost, business continuity,	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	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	Head of Corporate Resources  <b>ONGOING</b>

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	resilience and local industrial relations.			in terms of cost and service delivery.	<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>	
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 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.</p>	Chief Fire Officer <b>ONGOING</b>
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	<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</p>	Chief Fire Officer <b>ONGOING</b>

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				and the National Fire Chief's Council.	<p>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>	