



AUDIT & FINANCE COMMITTEE

30 NOVEMBER 2023

ANNUAL GOVERNANCE STATEMENT 2022/23

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of the Report

1. The purpose of this report is to provide members with details of the 2022/23 Annual Governance Statement (AGS) for approval.

Annual Governance Statement

2. The AGS sets out the Authority's approach to corporate governance and identifies the key governance risks that have been identified throughout the year. Identification of governance risks is informed by the work of internal audit and managements own assessment of the key risks that may impact on the effective governance of the Authority.
3. The AGS reflects the requirements of the Delivering Good Governance in Local Government Framework (2016), which replaced the corresponding 2007 Framework.
4. The Audit and Finance Committee has delegated authority to approve the Annual Governance Statement.

Recommendations

5. Members are requested to **approve** the 2022/23 Annual Governance Statement.



Safest People, Safest Places

ANNUAL GOVERNANCE STATEMENT 2022/23

SCOPE OF RESPONSIBILITY

1. County Durham and Darlington Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. 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 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 2023 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 behavior.
- 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.
- 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 Community Risk Management Plan (CRMP) 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 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.
- Maintaining a partnership register.

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 Community 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, 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.
- Maintains a collaboration register to record individual collaboration initiatives.

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.
- Always ensuring arrangements are in place for the proper administration of its financial affairs (S151 Officer).
- Always ensuring 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.
- has robust performance management arrangements which enables each officer's needs, training, and development requirements to be identified.

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 People Strategy
- Operating robust and transparent 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 Finance 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 following 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 Finance 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.

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.
- 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 Service Leadership Team who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the Treasurer, external auditors and other review agencies and inspectorates.
11. The Authority has an Audit and Finance 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 following 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 Finance 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 2022/23 is set out in Appendix A. Issues which were ongoing on 31st March 2023 will be included in the 2023/24 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 2022/23.
13. In addition, based on assurance work undertaken by Internal Audit during 2022/23, the Head of Internal Audit has issued a Moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2022/23.
14. The moderate opinion provides assurance that there is a sound system of control in place however there are some weaknesses and evidence of ineffective controls. When taken within a context of the change the Authority continues to face, the reduction in resources and the increasing diverse nature of the Internal Audit Plan, this assurance opinion should be regarded as positive.

15. The issues detailed below have been agreed with the Service Leadership Team for inclusion in the 2023/24 action plan:

(i) Public Sector Spending

The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. To set a balanced budget for the forthcoming financial year (2023/24) the Authority was required to again draw from its already limited reserves. Further savings during the period 2024/25 to 2026/27 will be required to balance the budget going forward. 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 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 government also published a White Paper on Fire Reform for consultation in May 2022 however we are still awaiting the outcome of the consultation and the governments proposed response. The proposals for reform suggest that in County Durham and Darlington fire governance could be mandated to transfer to the Police and Crime Commissioner. The proposals for reform focus on three key areas: people, professionalism, and governance. The Service will continue to 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 legislation, 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, North-East Ambulance Service,

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 (HMICFRS)

The 2021/22 inspection is complete, and the Service has been rated as good across all 3 pillars – Effectiveness, Efficiency and People. An action plan has been developed to address the areas identified for improvement in the inspection report. Progress in completing the actions will be monitored by the Service Leadership Team and the Authority going forward.

(vii) Independent Review of Building Regulations and Fire Safety

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

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 we will monitor their implementation and operation as part of our next annual review.

(viii) HMICFRS Spotlight Report – Values and Culture in Fire and Rescue Services

On the 30 March 2023, HMICFRS released its spotlight report "Values and Culture in Fire and Rescue Services" which was commissioned by The Minister of State for Crime, Policing and Fire. The report draws on the evidence collected through all inspections since 2018 and recent data requests around the handling of misconduct cases and background checks of current and new employees. A gap analysis has been undertaken with the key objective to highlight any immediate actions required. Whilst the Service is well placed to address several of the recommendations with already established and well embedded processes in place such as background checks, confidential reporting lines, policies and procedures and undertaking staff engagement activities there are a few areas identified where we can strengthen. Progress in completing the actions will be monitored by the Service Leadership Team and the Authority going forward.

Signed: _____

Chair

Signed: _____

Chief Fire Officer

Signed: _____

Treasurer