

## Hampshire Fire and Rescue Authority

### Governance Committee

29 June 2009

### Draft Annual Governance Statement 2009/10

#### 1 Introduction and scope of responsibility

- 1.1 Hampshire Fire and Rescue Authority will ensure that its business is conducted in accordance with the law and proper standards; and that public money is safeguarded and properly accounted for, 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 through a combination of economy, efficiency and effectiveness.
- 1.2 The Authority must also ensure that there is in place a robust framework of corporate governance and a sound system of internal control that supports the effective exercise of the Authority's statutory functions - including arrangements for the management of risk.
- 1.3 The Authority has approved and adopted a code of corporate governance which is consistent with the principles set out in 'Delivering Good Governance in Local Government' – a framework and set of guidance notes jointly produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).<sup>1</sup> This Annual Governance Statement explains how the Authority has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 for the publication of a statement on internal control.
- 1.4 The Statement has also been prepared to satisfy new guidance recently issued by CIPFA on the role of the 'chief financial officer'. This guidance is currently in the form of an interim 'application note' [issued in March 2010].
- 1.5 Good governance arrangements are the foundations on which the Authority establishes its policies and delivers its services to the community. The arrangements must be regularly reviewed and adapted in the light of changing circumstances. This Annual Governance Statement is the opportunity to ensure that the fundamentals of good governance remain in place, and that they are responding to internal and external changes.

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<sup>1</sup> A copy of the relevant documents can be obtained on request from the Director of Corporate Services, Hampshire Fire and Rescue Service, Headquarters, Leigh Road, Eastleigh, Hampshire, SO50 9SJ.

## **2 The purpose of the governance framework**

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled, and the 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.
- 2.2 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. It provides only a reasonable, not an absolute, assurance of effectiveness. It is a continuous process that helps to evaluate the likelihood and impact of risks occurring and how they should be best controlled and mitigated.
- 2.3 The governance framework has been in place for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

## **3 Assessment against the six core principles of good corporate governance**

- 3.1 This statement is based largely on the outcomes of a detailed self-assessment of the Authority's governance arrangements. The assessment was based on the CIPFA/SOLACE 'good governance' framework and guidance. The full detail of this was first presented to the Governance Committee in June 2008. This has since been reviewed in the light of the additional requirements set out in the CIPFA's 'application note' on the role of the 'chief financial officer' (referred to above). The outcomes of the updated assessment are summarised in the following paragraphs. The headings used are the 'six core principles' taken from the CIPFA/SOLACE framework.

### **3.1 Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area**

- 3.1.1 The Authority has a well-established corporate planning process. Key priorities, targets and objectives are set out in our 'Hampshire Fire and Rescue Plan'. It incorporates the Government's requirement to publish an 'Integrated Risk Management Plan (IRMP)'. This is the Authority's primary strategic plan. It covers a rolling three-year period and is rigorously reviewed and refreshed annually. The current issue of the Plan [covering the three years 2010/11 to 2012/13] includes a vision statement describing how we see the Authority delivering its services to our local communities in 2015. Our vision and all that we do is underpinned by the strap line "we make life safer". We promote this in all our publications and corporate branding.
- 3.1.2 The Plan sets out - for the benefit of all our stakeholders – our corporate priorities, objectives and other actions that the Authority will take. It shows how the Authority will respond to changes and challenges, identifies common aims with its partner organisations and sets priorities and targets for improvement. As part of this process we review annually the impact of the external environment in which we operate - identifying any new or emerging issues

under our 'STEEPLE' analysis (i.e. examining the context in which we operate from the perspectives of 'Social', 'Technological', 'Economic', 'Environmental', 'Political', 'Legal', and 'Ethical' factors). Alongside this we review our 'Strengths, Weaknesses, Opportunities, and Threats' (a SWOT analysis). We take into account of any new or emerging issues that have been highlighted during the previous 12 months. This thorough review exercise is considered essential if our Plan is to remain dynamic and responsive to changing needs. We are progressively improving the way we use 'community risk intelligence' to ensure that our objectives focus on the diverse nature of risks in the communities we serve. A comprehensive programme of consultation with our various stakeholders helps to ensure that our plans take account of their needs and suggestions as we draft and refine our future plans and actions.

- 3.1.3 Because it is comprehensively reviewed each year, our Plan is able to take into account the outcomes of: a comprehensive programme of consultation with stakeholders; our performance results; the findings and recommendations of various reviews audits and assessments; and, external factors such as new or emerging local and national policies, expectations and initiatives. The corporate plan is approved by the full Authority at its February meeting when, importantly, the three-year revenue budget and capital programme is also determined and approved. This ensures that the Authority can, in a timely way, take account of overall financial pressures and the specific resource implications of our corporate objectives. It is supplemented by a number of medium-term functional or business plans which support and complement the various actions and activities. Group- and station-based action plans are also significant to the planning process to ensure what we do is right for local communities.
- 3.1.4 The Plan is available on the Authority's website together with current information on our actual performance against targets. It is also published in hard copy for circulation to key partners and staff. The Plan is supported by promotional activities and campaigns to ensure that the Authority's corporate aims and targets provide a cornerstone for all internal and external communication activities. As in the previous year, our Plan for 2010 to 2013 has been awarded a 'Crystal Mark' by the Plain English Campaign. This confirms our commitment to making it an accessible document.
- 3.1.5 The Plan sets out an ambitious programme of improvements in the way we deliver front-line services. Some of the actions involve conducting trials/pilot schemes during which we will further consult with the local community, key stakeholders and our staff to ensure that our proposals are sound and that we can be confident that they will deliver the anticipated improvements in service.
- 3.1.6 The Authority's staff appraisal arrangements (Personal Development Review System) continues to ensure that all personnel are fully aware and engaged in helping to achieve the Authority's corporate aims.
- 3.1.7 Effective performance management processes are in place to measure progress against objectives and to provide for remedial action where appropriate. The Authority has a good track record of monitoring its performance via the Performance Review and Scrutiny Committee. All performance indicators, both national and local, are clearly set out on the

Authority's website and responsibility for monitoring each indicator is allocated to a member of the Service Management Team. Significant progress has been made over the last four years in strengthening performance management - notably in the continued development of our performance management information system. For the first time, we included - as a separate section within our corporate plan - an annual report of our performance for the previous financial year (2008/09). As well as providing easy to understand information and charts summarising our performance, it gave details from the Audit Commission's latest assessments on our use of resources and management of performance. This shared in the Crystal Mark for clarity and the use of plain English.

3.1.8 The financial management of the Authority is overseen by the Treasurer (who also fulfils the 'Section 151' officer role for the Authority) in conjunction with the Director of Corporate Services and the Chief Officer. Financial planning and management is fully integrated with, and driven by, the corporate planning and monitoring processes set out above. This includes processes for the forward planning of expenditure, consultation on budget proposals, setting and monitoring income and budgets, and completion of final accounts. All are intended to be accurate, informative, timely and within statutory requirements. The Authority's Budget Book, which is available on our website, is summarised in the joint (multi-authority) council tax leaflet. A simplified budget statement for 2008/09 was also included in our corporate Plan.

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

3.2.1 We have a set of standing orders, codes of conduct for members and officers, and a protocol for member/officer relations. The Authority has a set of financial regulations and scheme of delegation to officers (both of which were significantly updated in 2004/05 and the Scheme of Delegation was amended in respect of handling minor estates matters in 2007). We plan to review and update these by the end of 2010/11. In addition, the Service maintains a comprehensive set of 'Service Orders' setting out policies and procedures across a wide range of front-line services and support functions.

3.2.2 The role of Monitoring Officer is combined with that of Clerk. Working together with the Authority's Internal Auditor, effective working relationships have been maintained with both the Standards Committee and Governance Committee. The Standards Committee has responsibility for maintaining high standards of probity amongst members through the provision of advice and training and by carrying out investigations into allegations of failure to comply with the Members' Code of Conduct. The Governance Committee is responsible for monitoring, reviewing and reporting to the Authority the governance arrangements. The Treasurer is the Authority's designated Section 151 Officer. There are distinct advantages in having the roles of 'Monitoring Officer' and 'Section 151 Officer' performed by the Clerk and Treasurer who are not part of the Service's 'paid workforce'. It reduces the risk of potential conflicts of interest when the Service's senior officers are involved in external collaborative roles with other organisations.

3.2.3 In 2009/10, the Authority undertook a fundamental review of its committee

structure, overseen and co-ordinated by the Governance Committee. In this process, each of the Authority's committees has considered its terms of reference, and proposed the changes felt necessary to ensure that these are fit for purpose in addressing present and future business requirements. The outcome of this process is a revised set of arrangements for delegation to committees that: (1) reflects changes in legislation and practice, and (2) ensures explicit provision is made for effective member involvement in strategic planning and scrutiny of performance, in relation to Service Plan priorities and the securing of better outcomes for local people. These changes were approved by the Authority in June 2010.

3.2.4 The Corporate Management Team (CMT) - a regular joint meeting of leading Members of the Authority and the Directors - provides a valuable 'sounding board' for members and officers to exchange ideas and discuss current issues. It is not, however, a decision-making body. It also plays an important role in reviewing the detail of both our Strategic Risk Register and Improvement Planning Register.

3.2.5 The Authority, its standing committees and the Chief Officer have available to them a full range of professional advisers to enable them to carry out their functions effectively and in compliance with statutory requirements. Some legal and financial services are provided through contracts for services (service level agreements) with Hampshire County Council. Over the last two years, the day-to-day management of these arrangements has been strengthened. These are underpinned by improved problem resolution (escalation protocols) and better documentation.

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

3.3.1 The Authority operates in an open and transparent way. All its decisions are recorded and made available on our website. There are a well-established set of core values and ethical standards which members and staff are expected to observe and promote. These values are underpinned by policies and procedures covering:

- Members and Officers Codes of Conduct
- Member/Officer relationship protocol
- Equality and diversity strategy and action plan
- Complaints procedure
- Reporting concerns at work (whistle-blowing policy)
- Anti-fraud and corruption policy
- Standing Orders governing the conduct of Authority business
- Financial Regulations
- Standing Orders relating to contracts
- Guidance (toolkit) on managing partnerships
- Performance management system
- Personal Development Review (appraisal) System
- A set of core values for staff and members (set out in our Plan).

3.3.2 The Standards Committee takes responsibility for the initial filtering of any

complaints made against Members of the Authority. In 2009/10, no complaints against Members required investigation by the Standards Committee.

3.3.3 Advice is available to Members from the Clerk on any aspects of the Members Code of Conduct or conflicts of interest that may arise either before or, in most cases, at the point where the decision is to be made.

3.3.4 In 2009/10 the Standards Committee has undertaken a number of initiatives to promote and maintain high standards of conduct. In particular:

- Members of the Committee have been trained in the procedures for assessment and review of complaints under the Members' Code of Conduct.
- The Committee has been briefed on developments in the ethical standards regime, and considered findings from research on the impact of local handling of complaints.
- The Committee has arranged for the Clerk to deliver update training for all Members of the Authority on developments in the Code of Conduct.
- The Committee has reviewed and refreshed the process for recruitment of independent members to the Committee. Independent Members assist in promoting public confidence in the work of the Standards Committee and in ensuring impartiality. They add value to the Committee's work by bringing additional experience to bear in the Committee's deliberations. The Committee has agreed a person specification and statement of requirements of the role that reflect modern needs.
- New independent members have been recruited to the Committee, in accordance with the updated process, following public advertisement.
- The Committee has enquired as to the arrangements for whistle-blowing within the Authority and ensured itself that these are effective.

3.3.5 The Standards Committee has confirmed its view that, in 2009/10, an overall high standard of ethical conduct has been maintained within the Authority.

#### **3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

3.4.1 The Authority has a comprehensive Risk Management Policy and maintains a dynamic Strategic Risk Register. The Register is subjected to continual review which includes a quarterly review by the Service Management Team and twice-yearly review by the Corporate Management Team. The Register is presented annually to the Authority with any major changes highlighted. Reviews of Register are also regarded as a valuable part of our corporate planning process and helps us to prioritise actions in our corporate plan (and supporting plans). From 2010/11 the Governance Committee will take a more active role in reviewing the Policy and Register.

3.4.2 The Authority's Performance Review and Scrutiny Committee (PR&SC) has particular responsibility for overseeing improvement planning and reporting on performance. It monitors progress on implementing the outcomes and

recommendations of 'best value' and other reviews. The Committee took on responsibility for the scrutiny function in 2008 and, with its wider terms of reference, now has the authority to request post-implementation and evaluation reviews of major projects and decisions. The Governance Committee has taken responsibility (from the PR&SC) for monitoring progress on the implementation of all agreed audit recommendations. The Governance Committee (established in 2004) receives both internal and external audit plans and annual reports/management letters. We pride ourselves on the thorough way in which we monitor implementation of audit recommendations and consider it to be an example of best practice in our governance arrangements.

- 3.4.3 External audit (undertaken by the Audit Commission) provides a further source of assurance by reviewing and reporting upon the Authority's internal control processes and any other matters relevant to their statutory functions and codes of practice. The Audit Commission's Annual Audit and Inspection Letter was presented and considered by the Governance Committee at its meeting on 20 November 2009. It included a summary of the outcomes of the Use of Resources and Managing Performance assessments. It was a very positive and reassuring Letter with the conclusion:

"The key message from our assessment is that you continue to perform well. There is good evidence of beneficial outcomes for the community, strong partnership working, and some innovative practices. You are also able to demonstrate that best professional practice is being applied across all areas of business with generally effective and embedded processes."

In the overall organisation assessment, we were judged to be 'performing well' with a score of '3'. In our overall direction of travel, we were considered to be 'improving strongly' with a score of '4'.

Of particular relevance is the Audit Commission's comment:

"The Service has relevant and reliable data quality arrangements in place. All expected basic governance controls and processes are in place and there is a strong risk management culture supported by action plans which have successfully mitigated all significant risks."

- 3.4.4 Effective, efficient and responsive systems of financial management are in place. The Authority's three-year financial management strategy is reviewed annually and incorporated in the Budget Book. The budget is monitored during the year at meetings of the Finance and General Purposes Committee and the Final Accounts report is reported to its June meeting. The Statement of Accounts and Annual Governance Statement (this document) are considered by the Governance Committee at its June meeting. Procedures have been reviewed to ensure that the timetable for earlier completion of Final Accounts is achieved.
- 3.4.5 Our Property Management Strategy and Property Register have been enhanced by the implementation of a dynamic management information system that tracks buildings maintenance risks and needs identified in our

three-year rolling programme of condition surveys.

- 3.4.6 The Authority has a well-established Health and Safety Policy (Service Order 8/1/1) which has been communicated widely to its staff. Comprehensive information and advice is available on our website. The Health and Safety Executive carried out a comprehensive assessment of our policies and practices in 2009. Overall, it was a positive report. An action plan to address the various recommendations has been agreed and progress implementation will be monitored by the Governance Committee.
- 3.4.7 As part of the (now abandoned) Comprehensive Area Assessment (CAA) an 'Operational Assessment' was undertaken by an external peer-review team led by the Chief Fire Officer of Greater Manchester Fire and Rescue Authority. We found this assessment extremely valuable. Again, it provided very positive reassurance on the way we deliver our operational responsibilities and duties.
- 3.4.8 During 2009/10 our internal auditors carried out an assessment against the CIPFA guidance 'Managing the risk of fraud – actions to counter the risk of fraud and corruption' (known as 'Red Book 2'). Making an assessment against the criteria is considered to represent best practice for all public bodies. The assessment found that the Authority's current arrangements are generally effective, fit for purpose, and help to maintain a low incidence of fraud and corruption.

### **3.5 Developing the capacity and capability of members and officers to be effective**

- 3.5.1 Members receive good induction training and a number of 'awareness' sessions on current topics are delivered during the year. These ensure that decision-making is based on good knowledge and understanding of the issues involved. Regular bulletins (Members' Updates) are issued and members also receive copies of key internal staff communications (e.g. our 'Extra' publications). The 25 Members are appointed to the various standing committees with the aim of spreading workloads and matching individual interests/expertise to the functions of the committees wherever possible.
- 3.5.2 In the Annual Audit and Inspection Letter (October 2009) made reference to this good practice by commenting:
- "You recognise that member involvement can be enhanced through a good understanding of current and emerging issues, as well as knowledge of the Service's day-to-day procedures, initiatives, activities, vehicles and equipment. This is achieved through regular member 'briefing and awareness sessions', the Chief Officer's regular 'Members' Bulletin', and the new style 'Activity Report'."
- 3.5.3 Significant investment continues to be made in delivering training and development needs. The progress made in this area has been formally recognised by the achievement (in 2007/08) of the new, higher standard, Investors in People (IIP) accreditation. We were the first fire and rescue authority to achieve the new IIP higher standard. We are currently preparing for a re-assessment under the new 'gold', 'silver', 'bronze' awards.

### **3.6 Engaging with local people and other stakeholders to ensure robust public accountability**

- 3.6.1 Details given in section 2.1 (above) demonstrate that the Authority is committed to engaging with the public and other stakeholders. Each year an extensive and tailored programme of consultation activities is undertaken (as part of our corporate planning process) to gather feedback on new policies and proposals. We have been particularly keen to engage with harder-to-reach sections of local communities as part of our equality and diversity strategy and action plan. We provide opportunities (via focus groups and website-based questionnaires) for stakeholders (including our staff) to suggest actions we might take to better meet our corporate aims and other priorities.
- 3.6.2 We have significantly improved our external and internal communications both through publications and use of our website. Last year we recognised, that we could do more to actively promote those documents and procedures that help to improve our governance and scrutiny arrangements. We will continue to promote more frequently our complaints procedure, whistle-blowing policy, and performance information. We now produce an annual performance report (as a section within our corporate plan) which uses simple, but effective, graphs to show our stakeholders trends against the outcome targets we set.
- 3.6.3 In March 2009 (as part of preparation for the 2011/12 to 2013/14 Plan) we undertook a significant staff consultation exercise called 'Project Engage'. The success of this initiative exceeded our expectations. Staff were asked to make suggestions on how the Authority should tackle five key challenges. Over 1,500 suggestions were made. At a follow-up one-day managers' conference, these suggestions were categorised and prioritised to help identify potential new corporate objectives.

## **4 Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the chief financial officer in local government**

- 4.1 The Statement (published in 2010) sets out five principles that define the core activities and behaviours that belong to the role of the chief financial officer and the governance arrangements needed to support them. These are that the chief financial officer should:
- Be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
  - Be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy.
  - Lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

- Lead and direct a finance function that is resourced and fit for purpose.
- Be professionally qualified and suitably experienced.

4.2 The Authority has the following financial arrangements which demonstrate compliance with these key principles:

- Under the Hampshire Fire Services (Combination Scheme) Order 1996 which established the Authority, there is a requirement for the Authority to appoint a 'Treasurer and Section 151 Officer'. Since 1997 this appointment has been made under a service level agreement with Hampshire County Council. As mentioned in paragraph 3.2.2 above, we consider that there are distinct advantages in having the roles of both Clerk (also acting as 'Monitoring Officer') and Treasurer (also acting as the 'Section 151 Officer') undertaken by officers who are not part of the Service's paid workforce.
- This arrangement still provides the Authority with advisers who are directly involved in the day-to-day governance and financial management processes that operate within the Service. The Treasurer and Clerk are involved at a strategic management level. In particular, the Treasurer is involved in developing the medium-term financial strategy and plan. Both the Clerk and Treasurer attend meetings of the Authority and its Committees and senior management meetings within the Service.
- The Service employs a Director of Corporate Services who is responsible for leading the finance function (within the Service) and works closely with the Clerk and Treasurer to deliver sound financial management. The Director of Corporate Services is a member Service Management Team. All three officers are responsible for monitoring the effectiveness of governance arrangements and the preparation of the Annual Governance Statement.
- Finance staff within the Service and those within Hampshire County Council who are engaged under a service level agreement are suitably qualified and experienced. They have regular training as required to ensure continuing professional development.

## **5 Actions we have taken to improve our governance arrangements**

5.1 Based on the self-assessment carried out in 2009, the following list summarises the progress we have made on the key actions we said we would take to improve our governance arrangements and improve our levels of accountability to all our stakeholders.

- We continue to use the good governance self-assessment matrix as a dynamic document to check and record progress and assess compliance against the six principles of good corporate governance.
- All our staff (through 'Project Engage') have been actively involved in helping to identify future corporate objectives to meet the challenges we will face over the next few years.
- We continue to share good practice with other fire and rescue authorities. In 2009/10 we teamed-up with Devon and Somerset Fire and Rescue

Authority to share good practice.

- The success of our partnership working continues to pay dividends. For example our successful and expanded 'co-responder scheme' with South Central Ambulance Service is saving lives and has earned the Authority reward money for meeting the ambitious targets developed under the Local Public Services Agreement. [Note: As part of the Government's cuts in public spending, the second instalment of the reward grant – worth over £0.5m – will not now be made].
- We published a new-style annual report of our past performance as part of our Corporate Plan.
- Our accreditation under the 'ISO27001' for data security has been reassessed and we have been successful in retaining it.
- We have improved financial management training for our managers.

## **6 Actions we will take to further improve our governance arrangements**

- 6.1 We will carry out another full self-assessment of our governance arrangements during 2010/11. To do this, we will use the updated CIPFA/SOLACE self-assessment matrix. This will be considered and approved by the Governance Committee and will form the basis of our 2010/11 Annual Governance Report.
- 6.2 We feel that we do not do enough to engage with parish councils and neighbourhood forums in developing our future plans, so will look to ways of improving this from 2010/11.
- 6.3 Similarly, we will seek to improve our links with the voluntary sector and business community – particularly during consultation on future objectives.

Signed:

Chairman

Signed:

Chief Officer

Date:

Date:

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