

## report

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE &amp; RESCUE AUTHORITY</b>	
date	<b>25 February 2005</b>	agenda item number

### REPORT OF THE CHIEF FIRE OFFICER

#### CORPORATE GOVERNANCE

##### 1 PURPOSE OF REPORT

The purpose of this report is to report to Members on the general arrangements for governance and benchmarks these against the CIPFA/SOLACE guidelines.

##### 2 BACKGROUND

- 2.1 Corporate Governance as an issue came to prominence following the Cadbury Report in 1992, which was commissioned as a result of the Maxwell Pension and BCCI scandals. The Cadbury Report identified the principles of good governance as integrity, openness and accountability. The report was the first of several on corporate governance in the private sector.
- 2.2 A series of reports from the Committee on Standards in Public Life (the Nolan Committee) addressed the issue of corporate governance in the public sector and the third report of the Committee in 1997, which looked at local government, identified seven principles of public life – ie: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 2.3 The Local Government Act 2000 took the position in local government a stage further by introducing new frameworks for community leadership, accountability and ethics and identifying ten principles of conduct to underpin the Member Code of Conduct.

##### 3 WHAT IS CORPORATE GOVERNANCE

- 3.1 The Cadbury Report defined corporate governance for the private sector as 'the system by which organisations are directed and controlled'. Subsequently work by CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives and Senior Managers) defined corporate governance for local authorities as 'the system by which local authorities direct and control their functions and relate to their communities'.
- 3.2 The Audit Commission have defined corporate governance in a recent report on corporate governance in the public services as 'the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives'.

- 3.3 The Audit Commission identified the elements of good corporate governance as including robust systems and processes, effective leadership and high standards of behaviour, a culture based on openness and honesty and an external focus on the needs of service users and the public.

#### **4 THE CIPFA/SOLACE GUIDANCE AND FRAMEWORK**

- 4.1 In 2001 CIPFA and SOLACE, jointly with the Local Government Association and the Audit Commission, set up a Corporate Governance Working Party to draw together the principles identified by Cadbury, Nolan and other work into a single framework of corporate governance for use in local authorities. They subsequently published a document providing guidance on corporate governance in local government and a framework to be followed as best practice for implementing corporate governance in individual authorities.
- 4.2 The Guidance and Framework identified three key principles that underpin good governance – ie:
- openness and inclusivity
  - accountability
  - integrity
- 4.3 The Guidance and Framework then identified five dimensions of local authorities' work to which these principles should be applied – ie:
- community focus
  - service delivery arrangements
  - structures and processes
  - risk management and internal control
  - standards of conduct
- 4.4 CIPFA/SOLACE then urged each local authority to:
- review existing corporate governance arrangements against the Framework ;
  - prepare, adopt and maintain an up-to-date local code of corporate governance, including arrangements for ensuring its implementation and ongoing application ;
  - make a statement annually in its financial statements on how the authority is complying with its local code, including how it has monitored the effectiveness of its corporate governance arrangements in the year and any planned changes in the coming period.
- 4.5 The principles and advice in the CIPFA/SOLACE Guidance and Framework have been adopted widely by individual local authorities and incorporated into External Auditors' Judgements and Comprehensive Performance Assessments.

#### **5 CODE OF CORPORATE GOVERNANCE IN NOTTINGHAMSHIRE**

- 5.1 As the Authority was only formed in 1998, many of the processes which make up the framework of corporate governance have only recently been put into place. What has never happened however, is for these to be reviewed or

benchmarked against the independent guidelines published by CIPFA and SOLACE.

5.2 The draft code of Corporate Governance attached at Appendix A sets out the expectations of the CIPFA/SOLACE guidelines under each of the five dimensions. It considers what the Authority would need to commit to in order to meet these expectations and lastly what current measures are in place.

5.3 This draft Code is now presented to the Authority for formal adoption. The Code will need to be reviewed annually, which the Guidance suggests should be the subject of report to "an appropriate Committee", the aim being to provide a separate, independent, check on compliance with the Code. It is suggested that the Improvement and Development Board should be requested to undertake this annual review and advise the Authority of the outcome.

## **6 STATEMENT OF ASSURANCE**

The CIPFA/SOLACE Guidance recommends that each Authority should provide an annual assurance that its corporate governance arrangements are adequate and operating effectively in practice and that such a statement should be signed by the Chairman and the Chief Fire Officer. This will be a matter for attention in the light of the annual review referred to in Paragraph 5.3.

## **7 FINANCIAL IMPLICATIONS**

There are no specific financial implications arising from this report.

## **8 PERSONNEL IMPLICATIONS**

There are no personnel implications arising from this report.

## **9 EQUAL OPPORTUNITIES IMPLICATIONS**

There are no equal opportunities implications arising from this report.

## **10 RISK MANAGEMENT IMPLICATIONS**

Risk Management is one of the features of a good framework of corporate governance and is specifically dealt with by the draft code.

## **11 RECOMMENDATIONS**

11.1 That Members adopt the draft code of practice as set out at Appendix A.

11.2 That the code is reviewed on an annual basis as set out in Paragraph 5.3 above.

## **12 BACKGROUND PAPERS FOR INSPECTION**

None.

Paul Woods  
**CHIEF FIRE OFFICER**

DIMENSION 1 – COMMUNITY FOCUS

What the guidance says on how the principles of corporate governance should be reflected

Through carrying out their general and specific duties and responsibilities and their ability to exert wider influence, local authorities should:  
 Work for and with their communities  
 Exercise leadership in their local communities, where appropriate  
 Undertake an “ambassadorial” role to promote the well-being of their area, where appropriate, through maintaining effective arrangements:  
 For explicit accountability to stakeholders for the authority’s performance and its effectiveness in the delivery of services and the sustainable use of resources  
 Demonstrate integrity in the authority’s dealings in building effective relationships and partnerships with other public agencies and the private/voluntary sectors  
 Demonstrate openness in all their dealings  
 Demonstrate inclusivity by communicating and engaging with all sections of the community to encourage active participation  
 Develop and articulate a clear and up-to-date vision and corporate strategy in response to community needs.

The Fire Authority commits itself to:	How the Authority will do this:
Publish on a timely basis an annual report presenting an objective, understandable account of the Authority’s Activities and achievements, Financial position and performance.  The report will include statements: Explaining the Authority’s responsibility for the financial statements Confirming that the Authority complies with relevant standards and codes of corporate governance On the effectiveness of the Authority’s system for risk management and internal control	The Best Value Performance Plan – BVPP Annual Budget and Capital Programme. Three Year revenue budget projection. Prudential Code and Treasury Management Strategy. Audit and Inspection Letter. Statement on Internal Control. Statement of Assurance on Corporate Governance (2005 onwards)
Publish on a timely basis a performance plan presenting an objective, balanced and understandable account and assessment of the Authority’s current performance in service delivery	The Best Value Performance Plan. Departmental and Service Plans.
Put in place proper arrangements for the independent review of the financial and operational reporting processes	Accounts audited by External Audit. Audit and Inspection Letter reviewed by Fire Authority External Inspectorate reports, including Comprehensive Performance Assessment (CPA).

<p>Put in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the Authority and put in place appropriate monitoring processes to ensure that they work in practice</p>	<p>Commitment to implementing E-government (IEG) and continued development of website.  Employment of BME worker to develop links with ethnic minority communities.  Involvement in Local Strategic Partnerships where possible.  Participation in local PSAs  Continue to forge links with other partner organisations such as PCTs, Police Social Services, Housing etc.  Attendance at and support of multi cultural events.</p>
<p>Make an explicit commitment to openness in all of its dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so, and by its actions and communications deliver an account against that commitment</p>	<p>Compliance with the Freedom of Information Act.  All relevant meetings held in public, papers available on web site and on request.  Data Protection Act Policy adopted.</p>
<p>Establish clear channels of communication with all sections of the community and other stakeholders, and put in place proper monitoring arrangements to ensure that they operate effectively</p>	<p>PR and media relations contract in place with the County Authority  Burning Issues magazine (superseded recently) published for stakeholders  Fire Authority Website continues to develop.  ORS Survey work commissioned to measure public opinion and confidence.  Budget Consultation.  Commitment to partnership working as set out in the corporate plan.  Consultation on the Integrated Risk Management Plan</p>
<p>Ensure that a vision for local communities and strategic plans, priorities, and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p>	<p>Vision for the authority set out in the corporate plan and IRMP.  Stakeholders seminar  Performance Targets developed and consulted on as part of BVPP process.</p>

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**DIMENSION 2 – SERVICE DELIVERY ARRANGEMENTS**

What the guidance says on how the principles of corporate governance should be reflected

- A local authority should ensure that continuous improvement is sought, agreed policies are implemented and decisions carried out by maintaining arrangements which:
- Discharge their accountability for service delivery at a local level
- Ensure effectiveness through setting targets and measuring performance
- Demonstrate integrity in dealings with service users and developing partnerships to ensure the “right” provision of services locally
- Demonstrate openness and inclusivity through consulting with key stakeholders, including service users
- Are flexible so that they can be kept up-to-date and be adapted to accommodate change and meet user wishes

The Fire Authority Commits itself to:	How the Authority will do this:
Set standards and targets for performance in the delivery of services on a sustainable basis and with reference to equality policies.	The corporate plan incorporating the Best Value Performance Plan details corporate objectives and performance targets. Ongoing programme of Best Value. Departmental Plans detail how this will be delivered. Race Equality Scheme in place with programme of Service Reviews. Comprehensive Equality Policy adopted.
Put in place sound systems for providing management information for performance measurement purposes	The Authority's Management Information System (MIS) provides key electronic management information together with electronic accounting and financial controls. Corporate Plan priorities, Public Service Agreement targets and key performance indicators are monitored and reported regularly to the performance management group and the Improvement and Development Board. Monitoring of the revenue budget and (for 2004/05 onwards) capital programme reported monthly to the Management team and quarterly to the Fire Authority.
Monitor and report performance against agreed standards and targets and develop comprehensive and understandable performance plans	Performance monitoring arrangements provides for performance to be monitored in key areas. Reports on performance against targets to Fire Authority quarterly
Put in place arrangements to allocate resources according to priorities	Medium Term Financial Strategy agreed and reviewed annually in conjunction with the Authority's Strategic Objectives. Authority's priorities identified to enable resources to be allocated in accordance with this. Annual budget approved by Fire authority reflecting Authority's priorities.
Foster effective relationships and partnerships with other public sector agencies and the private and voluntary sectors, and consider outsourcing where it is efficient and effective to do so, in delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice	The Authority works in partnership with a wide range of statutory and community organisations to ensure that its services are provided in the most efficient and effective way and that its residents receive value for money. Community Safety plans focussed towards community engagement and partnership working. Outsourcing is considered as part of the procurement process.
Respond positively to the findings and recommendations of external auditors and statutory inspectors and put in place arrangements for the effective implementation of agreed actions	Action taken to implement recommendations of Audit reports by internal and external auditors and external inspectors. Annual external audit and inspection letter considered by full authority

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### DIMENSION 3 – STRUCTURE AND PROCESSES

What the guidance says on how the principles of corporate governance should be reflected

A local authority needs to establish effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation. A local authority should maintain arrangements to:

Define the roles and responsibilities of members and officers to ensure accountability, clarity and ordering of the authority's business

Ensure that there is proper scrutiny and review of all aspects of performance and effectiveness

Demonstrate integrity by ensuring a proper balance of power and authority

Document clearly such structures and processes and ensure that they are communicated and understood to demonstrate openness and inclusivity

Ensure such structures and processes are kept up-to-date and adapted to accommodate change

The Authority Commits itself to:	How the Authority will do this:
<b>Balance of Power and Authority</b>	
Put in place clearly documented protocols governing relationships between members and officers	Role maps for Members incorporated into Members handbook.
Ensure that the relative roles and responsibilities of executive and other members, members generally and senior officers are clearly defined	Roles and responsibilities defined in members handbook particularly within the Scheme of Delegation, Roles of Treasurer and Clerk.
<b>Roles and Responsibilities – Members</b>	
Ensure that members meet on a formal basis regularly to set the strategic direction of the Authority and to monitor service delivery	Calendar of meetings of Authority and other Committees agreed annually. The Full Authority approves the budget, corporate Plan BVPP, IRMP, and other policy framework documents. The Authority receives regular performance monitoring reports. Improvement and Development Board considers and approves completed Best Value Reviews.
Develop and maintain a scheme of delegated or reserved powers, which should include a formal schedule of those matters specifically reserved for the collective decision of the Authority	The Scheme of Delegation to Officers and Proper Officer sets out these roles.
Put in place clearly documented and understood management processes for policy development, implementation and review and for decision making, monitoring and control, and reporting; and formal procedural and financial regulations to govern the conduct of the Authority's business	Procedural regulations set out in the Standing Orders, including Financial Procedure Rules and Contract Procedure Rules.
Put in place arrangements to ensure that members are properly trained for their roles and have access to all relevant information, advice and resource as necessary to enable them to carry out their roles effectively	Members seminars are held on service specific issues. As all members are also members of constituent authorities who offer training, no further training is offered.  Attendance by members at key conferences and seminars.

Ensure that the roles and responsibilities of all members of the authority, together with the terms of their remuneration and its review, are defined clearly in writing	Roles and responsibilities of all Members set out in the members handbook. Independent Remuneration Panels are in place for constituent authorities and the CFA has due regard to these. Details of Members' remuneration made available publicly via website and press notices.(From 2004/5) Role of Members in receipt of Special Responsibility Allowance in place as defined in the Members Handbook.
<b>Roles and Responsibilities – Officers</b>	
Ensure that a chief executive or equivalent is made responsible to the Authority for all aspects of operational management	Chief Fire Officer is Head of Paid Service.
Ensure that a senior officer is made responsible to the Authority for ensuring that appropriate advice is given to it on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	The Authority Treasurer (s151 Officer) is the responsible officer. Much of his responsibilities are delegated to the Head of Resources and Finance who also advises Members. Internal audit function is contracted in from the County Council. Budget monitoring procedures. S151 Officer, Clerk to the Authority, and Monitoring Officer have access to Authority Management Team, Improvement and Development Board and Fire Authority to provide relevant advice.
Ensure that a senior officer is made responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with	The Authority has appointed a Clerk who also acts as the monitoring officer, with responsibilities as set out in the report "The Role Of The Clerk and Monitoring Officer." All staff have responsibilities to ensure that good practice is maintained and proper procedures followed, backed up by Complaints Procedure, Anti-Fraud and Corruption Strategy and all other Corporate Governance policies.
Ensure that the roles and responsibilities of all senior officers, together with the terms of their remuneration and its review, are defined clearly in writing	New management structure, including responsibilities set out to CFA Job descriptions of the Principal Management Team define their roles and responsibilities. "Proper Officer" functions and other delegated powers are set out in Scheme of Delegation.

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### DIMENSION 4 – RISK MANAGEMENT AND INTERNAL CONTROL

What the guidance says on how the principles of corporate governance should be reflected

An authority needs to establish and maintain a systematic strategy, framework and processes for managing risk. Together, these arrangements should:  
 Include making public statements to stakeholders on the authority's risk management strategy, framework and processes to demonstrate accountability  
 Include mechanisms for monitoring and reviewing effectiveness against agreed standards and targets and the operation of controls in practice



Demonstrate integrity by being based on robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks  
 Display openness and inclusivity by involving all those associated with planning and delivering services, including partners  
 Include mechanisms to ensure that the risk management and control process is monitored for continuing compliance to ensure that changes in circumstances are accommodated and that it remains up-to-date.

The Fire Authority commits itself to:	How the Authority will do this:
Develop and maintain robust systems for identifying and evaluating all significant risks which involve the proactive participation of those associated with planning and delivering services	<p>The Authority maintains a corporate risk profile which is regularly reviewed by the Senior Management Team.</p> <p>Risk Management Implications are considered on all Authority reports.</p> <p>An assessment of risk and uncertainty is a key part of the organisation planning process.</p> <p>The Risk Profile is the major driver for the corporate plan.</p>
Put in place effective risk management systems, including systems of internal control and an internal audit function. These arrangements should ensure compliance with all applicable statutes, regulations and relevant statements of best practice and should ensure that public funds are properly safeguarded and are used economically, efficiently and effectively, and in accordance with the statutory and other authorities that govern their use	<p>Risk Management is part of planning, performance monitoring and project management processes.</p> <p>Annual Statement on Internal Control.</p> <p>Ensure controls are in place to minimise risk.</p> <p>Internal control via the budget monitoring and review process and via individual service plans.</p> <p>Internal Audit function.</p> <p>Use of Prudential financial control model</p> <p>Delivery of Best Value through Best Value Reviews.</p>
Ensure that services are delivered by trained and experienced people	<p>Recruitment and selection policies are in place ensuring that staff of suitable calibre are employed.</p> <p>The organisation follows the principles of Investors in People (IIP) and is working towards implementation of the fire Service's IPDS programme.</p> <p>The Authority has an adequate staff training budget, a training department and a structured approach to training.</p>
Put in place effective arrangements for an objective review of risk management and internal control, including internal audit	<p>Internal Audit function.</p> <p>Annual review process leading to Statement of Internal Control.</p> <p>The implementation of the Risk Management Strategy.</p>
Maintain an objective and professional relationship with its external auditors and statutory inspectors	<p>Good relationships maintained with external auditors and inspectors.</p> <p>Best Value Performance Plan outlines actions taken/proposed to implement the recommendations of the Audit Commission.</p> <p>Annual Audit and Inspection letter considered by the Fire Authority.</p>

Publish on a timely basis, within the annual report, an objective, balanced and understandable statement and assessment of the Authority's risk management and internal control mechanisms and their effectiveness in practice	A Statement on Internal Control is produced to go with Statement of Accounts signed personally by the Chairman the CFO and the Treasurer External Audit opinion. Review of risk management by Internal and External Audit.
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### DIMENSION 5 – STANDARDS OF CONDUCT

What the guidance says on how the principles of corporate governance should be reflected

The openness, integrity and accountability of individuals within a local authority from the cornerstone of effective corporate governance. The reputation of the authority depends on the standards of behaviour of everyone in it, whether members, employees or agents contracted to it. Therefore, members and senior officers of a local authority will need to:

Exercise leadership by conducting themselves as role models for others within the authority to follow;

Define the standards of personal behaviour that are expected from members and staff and all those involved in service delivery, and;

Put in place arrangements to ensure:

Accountability, through establishing systems for investigating breaches and disciplinary problems and taking actions, where appropriate, including arrangements for redress

Effectiveness in practice through monitoring their compliance

That objectivity and impartiality are maintained in all relationships to demonstrate integrity

That such standards are documented and clearly understood to display openness and inclusivity and are reviewed on a regular basis to ensure that they are kept up-to-date.

The Fire Authority commits itself to:	How the Authority will do this:
Develop and adopt formal codes of conduct defining the standards of personal behaviour to which individual members, officers, and agents of the Authority are required to subscribe and put in place appropriate systems and processes to ensure that they are complied with.	Incorporation of the Code of Conduct for members. Anti-fraud and Corruption Strategy in place. Effective complaints procedure in place. Brigade orders set out conduct issues for staff
Put in place arrangements to ensure that members and officers of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Code of Conduct for Members adopted by Authority – incorporates rules and guidance on Members' interests. Declaration of interests required on CFA reports Advice given to Members and Officers by Monitoring Officer, or Treasurer as appropriate.
Put in place arrangements to ensure that its procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice	Codes of Conduct adopted for members and officers, other codes provide advice on specific issues eg. Gifts and Hospitality as part of the corporate governance framework.
Put in place arrangements for whistle blowing to which staff and all those contracting with the Authority have access	Whistle blowing policy in place.