

Governance, Audit and Scrutiny Committee
11 June 2013

Report by the Deputy Chief Officer/
Director of HFR Solutions

**‘HFR SOLUTIONS’
REPORTING AND GOVERNANCE ARRANGEMENTS**

REPORT EXECUTIVE SUMMARY

Since the establishment of HFR Solutions CIC in February 2012 the Authority has received a number of papers (4) with regard to the performance and focus of the HFR Solutions CIC.

In an attempt to harmonise the reporting arrangements for HFR Solutions (the controlled company of Humberside Fire Authority), between HFA and the GAS Committee so that reporting is consistent between the two, the GAS Committee have been seeking further information with regard to performance, governance and financial accounting in respect of HFR Solutions.

As arrangements have now been agreed at both CMT and HFA level it was felt at the last GAS Committee that a brief report setting out these arrangements would be the best way of consolidating this information for its Members after two attempts (due to time pressure) to deliver this information via a presentation, which the HFA has previously received.

This report therefore sets out the format of future performance summary reports to both this Committee and the HFA, reminds this Committee of the HFA approved governance arrangements for Solutions from and also the further work that has taken place to consolidate those arrangements in terms of the Solutions Board relationship with both CMT and the HFA. The report provides an assurance to Members and asks the Committee to take a view on the arrangements proposed and which are in place.

RECOMMENDATIONS

1. It is recommended that the GAS Committee:
 - (a) take assurance from the content of this report in terms of the governance and reporting arrangements for HFR Solutions and its relationship with both CMT and HFA in this regard; and
 - (b) makes such recommendations as it considers appropriate to the Fire Authority.

HFR SOLUTIONS REPORT FORMAT

2. Whilst the report format in itself will broadly follow that established for both the GAS Committee and HFA there are some specific headings for HFR Solutions report which will ease reporting as the company develops, grows and increases in complexity. HFR Solutions operations are currently divided into four areas for service delivery purposes, namely Business, Training, Community and Risk. As activity levels in the company increase it has become clear that, for ease of reading, reporting detail is better broken down into these relevant areas.
3. In terms of BUSINESS this describes the delivery of fire related services to industry such as fire cover or a particular rescue capability for a specified time. The best example of this current area of operation would be our TATA Steel contract where we provide on a commercial basis a full time fire appliance and first responder ambulance to the TATA site in Scunthorpe.
4. In terms of TRAINING this describes any courses we deliver to other sectors. This is quite a wide ranging part of the business and one in which we see the most significant growth potential in year two and beyond. The Renewables Sector proposed developments on the Humber bank also offers future opportunities.
5. In terms of COMMUNITY this describes the activities of the company that directly assist in the enhancement of the safety and well-being of our communities, examples of this type of work include youth engagement schemes we are supporting as well as the rehabilitation of young offenders at HMP Everthorpe.
6. In terms of RISK this describes any work the company undertakes on a consultancy basis for third parties who would like us to evaluate current practices/procedures make assessments and suggest improvements. Work of this nature has led to success in gaining the TATA contract and a similar approach has been taken in the current work we are doing with Humberside International Airport.
7. In the last HFA performance summary report for HFR Solutions (Oct – Dec 2012) the company activity in these key areas was reported separately under these headings which included any current or forthcoming contracts and progress in each.
8. In terms of other key reporting headings the Board will include paragraphs in the report outlining its activity bearing in mind it meets on a monthly basis. There will also be a headline income and expenditure summary for the quarter included in the 'Financial/Resources/Value for Money Implications' section of the report as well as a more detailed appendix in this regard.

GOVERNANCE AND ACCOUNTABILITY

9. Previously (April 2012) the Authority agreed that a review of the Company be carried out after around 18 months.

10. HFR Solutions is a local authority controlled company and is accountable to the Authority, with additional scrutiny provided by the GAS Committee. At the January 2012 Member Day, prior to the Company being established, Members received a presentation setting out the proposed accountability to the HFA. Day-to-day accountability is through CMT.
11. Since its formation, there have been four reports to the Authority and a number of presentations at Member Days concerning the Company, its performance and governance. With the establishment of the GAS Committee in autumn 2012, that Committee has also started to receive regular reports. There are quarterly Performance reports received by Members, which are first scrutinised by the GAS Committee.
12. In respect to Member involvement, last autumn Members sought representation at the Board. There was a decision that there would be one North Bank and one South Bank representative and this was in the context of an advisory, wise counsel role rather than a Director. A further discussion took place at the March 2013 Member Day and Members indicated that the matter of representation be considered at the May 2013 AGM of the Authority. This was discussed at the AGM and will go back to the Authority for further consideration.
13. Members have expressed a desire to be more closely involved in the Company. There has been some discussion around whether this involvement should be more in an observer capacity rather than formally as a Director. Ultimately this is a decision for the Authority. However, the Secretary/Monitoring Officer has advised that in terms of the governance model adopted, with the Authority as the sole decision making body, holding firmly to account performance of the Service, then a role as observer would have greater merit, avoiding any conflict of interest (not in a Code sense, but in the sense that if the Authority is to hold to account the performance of its Company, then it would be preferable that Members were also not Directors). There is also the question of potential liability of Directors, although in terms of Member involvement then an indemnity will encompass the overall majority of potential situations arising.
14. As a result of a continuous learning process, further work has been carried out in clarifying and consolidating the governance of HFR Solutions especially in its relationship with both CMT and the HFA. To this end a new process for the approval and sign-off of new business proposals has been developed and was supported by the HFA and its most recent Member Day.
15. This process is summarised below and is illustrated as a flowchart at Appendix 1 to this report:
 - Use existing Strategic Risk Register scoring mechanism to determine approvals level
 - 'High Impact' proposals presented to full CMT, highlight concerns, review risk, discuss considerations for costing models etc.
 - Resultant written proposals go to full CMT prior to submission
 - Dependant on CMT recommendations Solutions Board approves or amends proposal and delivers to potential customer – Authority advisor members informed if outside normal Board meeting date(s)
 - If proposal results in a specification and invitation to tender that is significantly different to proposal then this will be re-considered by full CMT before progressing via Solutions Board
 - Resultant draft contracts to be considered by RG(legal) and KW(finance) and sign off/negotiation stance recommended to CMT
 - Contract signed by Solutions Director - Authority advisor members informed

- Solutions deliver contract
- Contract reported via Performance Summary report to CMT, GAS, and HFA

16. The Committee is asked to take an assurance from such arrangements, bearing in mind that the 2013/14 Internal Audit Plan also includes an audit review of the Company.

STRATEGIC PLAN COMPATIBILITY

17. The detail outlined in this report complies with the Service Strategic Plan 2011-14 particularly strategic objectives:
- Reducing the risk in our communities
 - Making the best use of the resources we have

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

18. The accounts of the Company are consolidated into the Authority accounts.
19. HFR Solutions has now completed its first year trading and figures for this period will be provided in the next quarterly performance summary (Jan – Mar 2013) due to be reported in the July 2013 cycle of meetings.
20. It should be noted that as a part of the report required by the CIC Regulator upon completion of the first full year of trading, detail will need to be provided as to the manner in which any surplus generated has been utilised for the benefit of the community, or section of the community, which the company is intended to serve and as such a report outlining options in this regard will be submitted to both the GAS Committee and the HFA meeting in June 2013.

LEGAL IMPLICATIONS

21. HFR Solutions is a controlled company of the Fire Authority and is regulated as such. It is established as a CIC, which also means subject to the CIC Regulator in addition.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

22. None arising directly, the management of the CIC is currently staffed on a secondment/recharge basis; this arrangement will be reviewed annually. The Company is undertaking an equal pay audit as a matter of good practice.

CORPORATE RISK MANAGEMENT IMPLICATIONS

23. Surplus generated will contribute to mitigation of all of the risks/opportunities currently on the Corporate Risk Register:
- Risk 249 (reduction in grant support years 3 / 4)
 - Risk 342 (reduction in WDS establishment)
 - Opportunity 250 (maximising opportunities to deliver a more effective service)
 - Risk 338 (impact of commissioned services)

HEALTH AND SAFETY IMPLICATIONS

24. Significant work has now been completed with regard to development of a Health and Safety system tailored for the CIC incorporating all policy, process and reporting procedures relevant to individual work streams, this system will be subject to periodic external audit to ensure compliance and facilitate any necessary policy review.

COMMUNICATION ACTIONS ARISING

25. None

DETAILS OF CONSULTATION

26. None arising at this time

BACKGROUND PAPERS AVAILABLE FOR ACCESS

27. Previous four papers to the HFA. Note some papers are exempt papers but are available to GAS Committee Members.

RECOMMENDATIONS RESTATED

28. It is recommended that the GAS Committee:
- (a) take assurance from the content of this report in terms of the governance and reporting arrangements for HFR Solutions and its relationship with both CMT and HFA in this regard; and
 - (b) make such recommendations as it considers appropriate to the Fire Authority.

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