

HEALTH CHECK: REVIEW OF CORPORATE GOVERNANCE REVIEW OF AUTHORITY GOVERNANCE STRUCTURE

SUMMARY

1. When the Fire Authority agreed the new governance structure in April 2012, following the third review of corporate governance, it agreed to undertake a further review (light touch) around its effectiveness, particularly around the role and composition of the Governance, Audit and Scrutiny Committee.
2. The Governance, Audit and Scrutiny Committee received this report at its meeting on 9 April 2013, minute 4090 refers. The report from the Chair of the Committee highlights the support from the Committee in respect to the current governance arrangements.

RECOMMENDATIONS

3. The Authority is asked to consider this report and consider the matters set out below, in particular paragraphs 15, 16 and 21 and approve the governance structure for 2013/14.

NEW GOVERNANCE STRUCTURE

4. Following the third review of corporate governance, the new governance structure was approved in April 2012 (new Members to the Authority may wish to have sight of the background papers). The cornerstone of the new structure was to ensure that the Authority was the single decision body.
5. The overall aim was to create a unique fit for purpose governance structure for a CFA, with good governance and scrutiny arrangements, enabling robust decision making and strong leadership.
6. In order to take the difficult decisions ahead, then the Authority needs to be well informed, actively engaged and have a governance structure which is enabling and ensures the right decisions are taken for the communities of Humberstone. The Governance, Audit and Scrutiny Committee plays a critical role in so doing.

RATIONALE FOR CURRENT GOVERNANCE STRUCTURE – THIRD REVIEW OF CORPORATE GOVERNANCE

7. In broad terms, the move was towards the Fire Authority becoming more board-like, being the single decision making body. Meeting Members were increased to 9 (from 5), with more focused, shorter and staggered agenda, primarily strategic and requiring decisions. The number of Member Days was increased, with added importance placed upon information exchange, briefings and Member discussions.
8. To give stronger governance, audit and scrutiny, a new committee was established to provide more in-depth audit and performance scrutiny and providing scrutiny in terms of decision making. This committee comprises only external Independent Members, with reports for decisions first coming through the Governance, Audit and Scrutiny

Committee before being decided by the Fire Authority. The Committee has no formal decision making powers, but offers a 'critical friend' approach. This enables Officers to consider comments before finalising reports to the full Fire Authority meetings and gives Elected Members the opportunity to hear any views of the Governance, Audit and Scrutiny Committee through draft minutes, or a written report by the Chair of the Committee, coupled with a short presentation at each Fire Authority meeting.

9. There also remains the ad hoc Appeals Committee (although conduct and performance is under review), an Appointments Committee (for the appointment of members of CMT) and finally a committee or panel to receive the performance of the Chief Fire Officer & Chief Executive and, in turn, Statutory Officers/and members of CMT.
10. To complete the governance picture, greater use has been made of the Group Secretaries but this should be by the prior approval of the Fire Authority when forming a panel or some form of advisory group, which will report back to the Fire Authority.
11. The governance structure of the Authority is also reflected in a new internal governance structure, comprising six Boards. The approach was mirrored by the Secretary/Director of People when proposing the internal Board structure.

REVIEW

12. The Authority governance structure is unique, having been debated at length by Members during the third review of corporate governance and proposed/facilitated by the experience of the Secretary in other parts of the private and public sector.
13. The Fire Authority has entire flexibility to decide whatever governance structure suits it best.
14. The structure is still new, particularly the Governance, Audit and Scrutiny Committee, which by the time of this review will have met five times in a shorter cycle.

AREAS TO BE REVIEWED

15. Governance, Audit and Scrutiny Committee

The Fire Authority when it approved the new governance in April 2012 decided to review the performance and effectiveness of the Governance, Audit and Scrutiny Committee. To that end, the five recently appointed Governance, Audit and Scrutiny Committee Members were appointed initially to the end of April 2013 (with a view to a three year appointment). One new Member has resigned from the Committee on the 8 April 2013. The three 'continuing Co-opted Members' (from previous Audit, Performance and Scrutiny Committee) were also extended to cover this interim period and provide some initial continuity.

Members are asked to revisit the size, composition and balance of the Governance, Audit and Scrutiny Committee, including its performance, added value and areas for improvement. To that extent, the Fire Authority may wish to seek the views of CMT, particularly the Statutory Officers (as well as the Governance, Audit and Scrutiny Committee).

The current terms of reference of the Committee are attached at Appendix 1.

16. Fire Authority Meetings and Member Days

Members are asked to consider the new arrangements around Authority meetings and the increased frequency and importance of Member Days and whether there can

be further refinement and/or improvement. Members at the last meeting agreed that during the next Authority cycle (2013/14) there would be a light review of governance, particularly around the structure of Member allowances. A group will be established comprising the Chair, Group Secretaries and Chair of Governance, Audit and Scrutiny Committee, with initial scope being agreed with the Authority. There will also be a quick review of timing of meetings as the Authority's business cycle is further reviewed.

ASSURANCE

17. How do we know it is working well?

- The 'board' approach at Authority has been reflected in an internal governance structure comprising six cross-Directorate Boards.
- Real and robust scrutiny – prior to decision making.
- All Elected Members involved in decision making – no backbenchers or inner cabinets or delegation.
- Fire Authority sole decision making body – board setting.
- Audit scrutiny at Governance, Audit and Scrutiny Committee, overview at Fire Authority and all 'red issues' elevated to the Authority.
- Better distribution of skills at Governance, Audit and Scrutiny Committee – so Governance, Audit and Scrutiny Committee technical and challenging.
- Discussions/decision making clear – political leadership.
- To complement Fire Authority, eight Member Days – allowing information exchange, direction, heads up – political soundings.

Both the Peer Audit and the Efficiency Review led by Sir Ken Knight highlighted that the Authority governance structure, especially the creation of the Governance, Audit and Scrutiny Committee, was notable practice. The Peer Review Team described the Governance, Audit and Scrutiny Committee as 'an innovative approach that has potential to strengthen the assurance to the Authority'. This provides a degree of external recognition and verification.

In addition, Internal Audit have undertaken a number of strategic audits where governance (perhaps more internal) has been picked up.

18. Key Views

The Authority when considering a report to the April meeting should take into account the views of:

- (1) Governance, Audit and Scrutiny Committee
- (2) CMT

19. Broader CIPFA/SOLACE – Health Check

Members will be aware that the current governance structure has its roots in the Authority being a pilot authority for the CIPFA/SOLACE good governance framework in 2008. This led to a constitution and much streamlined governance structure and approach, which then was further developed into the current structure.

A revised CIPFA/SOLACE health check was devised in 2012 and it is proposed to have regard to this as part of the work of the next Authority.

20. Resources given over to governance

In streamlining the governance structure, the intention was also to free up Officer capacity. The support to the governance structure remains extremely lean compared with comparable authorities.

21. Decisions for Fire Authority

In light of the above, the Authority is asked to consider:

- The size, purpose/role, composition of the Governance, Audit and Scrutiny Committee;
- The performance of the Governance, Audit and Scrutiny Committee and its structure;
- Current membership of the Governance, Audit and Scrutiny Committee;
- Range and focus of Member Days

STRATEGIC PLAN COMPATIBILITY

22. Good governance underpins both the Vision and Strategic Plan of the Authority.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

23. None arising directly.

LEGAL IMPLICATIONS

24. As outlined above.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

25. None arising directly.

CORPORATE RISK MANAGEMENT IMPLICATIONS

26. Good governance will enable effective risk/opportunity management.

HEALTH AND SAFETY IMPLICATIONS

27. None arising directly.

COMMUNICATION ACTIONS ARISING

28. None arising.

DETAILS OF CONSULTATION

29. None.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

30. None.

RECOMMENDATIONS RESTATED

31. The Authority is asked to consider this report and consider the matters set out below, in particular paragraphs 15, 16 and 21 and approve the governance structure for 2013/14.

R GRAHAM

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12 April 2013

Article 6 – Governance, Audit and Scrutiny Committee

6.1 COMPOSITION

- (a) The Membership of the Governance, Audit and Scrutiny Committee shall be determined at the Annual General Meeting of the HFA in accordance with the Local Government and Housing Act 1989 and the political balance regulations. The size of the Committee shall be decided by the HFA.
- (b) The HFA may if it considers it necessary or desirable appoint such number of Independent co-opted Members of the Committee as it shall determine who shall be selected for their relevant expertise, particularly in:
- Audit and financial governance
 - Corporate governance
 - Scrutiny of decision making

The HFA will approve a selection process and criteria.

- (c) The Chairperson of the Committee may be appointed annually at the Annual General Meeting of the HFA or elected at the first meeting of the Governance, Audit and Scrutiny Committee following the Annual General Meeting.
- (d) The quorum for meetings of the committee shall be decided by the HFA at its AGM.

6.2 FREQUENCY OF MEETINGS

Meetings shall normally be held eight times each year to reflect the normal HFA cycle of meetings. The Schedule of meetings shall be agreed at the Annual General Meeting of the HFA or at such other times as the Committee or Chairperson may determine.

6.3 FUNCTIONS

The Governance, Audit and Scrutiny Committee shall have the following functions, unless decided otherwise by the HFA:

6.3.1 Governance

- (a) To make observations to the HFA concerning its governance arrangements;
- (b) To assist the HFA in promoting and maintaining high standards of conduct by Members, including co-opted Members, appointed Members of Committees and Officers;
- (c) Generally assisting the Members and Officers to observe the Members' Code of Conduct;

- (d) Providing views to the HFA on the adoption or revision of the Members' Code of Conduct;
- (e) Advising, training or arranging to train Members and Officers on matters relating to the Members' Code of Conduct;
- (f) The monitoring of and issues relating to the declaration of interests and offer/receipt of gifts and hospitality by Members and Officers;
- (g) Such other matters in connection with governance as may be specified under this Constitution, or that the HFA may ask the Committee to consider.

In addition the Committee shall receive reports on the following matters (the Committee shall have no delegated authority but may make observations to the Fire Authority):

6.3.2 Internal Control and Risk Management

- (a) To consider the HFA's Annual Governance Statement prior to its adoption to the HFA.
- (b) To maintain an overview of the HFA's Constitution, particularly in respect to the contract procedure rules and financial procedure rules.
- (c) To review any issue referred to it by the Chief Fire Officer & Chief Executive, S.151 Officer or Secretary, or the HFA.
- (d) To monitor the effective development and operation of corporate risk and project management and corporate governance in the HFA.
- (e) To monitor the effectiveness of the internal control environment.

6.3.3 Internal Audit

The Committee shall consider and make observations to the HFA with regard to:

- (a) The Internal Audit Annual Work Programme;
- (b) Internal Audit reports;
- (c) The Internal Audit Annual Report;
- (d) The appointment of an effective and efficient Internal Audit Service;
and
- (e) The performance of the Internal Audit Service.

6.3.4 External Audit:

The Committee shall consider and make observations to the HFA with regard to:

- (a) The appointment of External Auditors;
- (b) The External Auditor's Annual Audit letter;

- (c) The Annual Financial Statements
- (d) Feedback to the External Auditor upon performance of the external audit;
- (e) All External Audit Assessments concerning the Authority;
- (f) The audit aspects of the draft annual financial statements. These aspects will include the External Audit Opinion, the Statement of Members' Responsibilities, the Annual Governance Statement and any relevant issue raised in respect to the annual auditing process. The Committee should, where appropriate, confirm with the Internal and External Auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its Annual Report to the HFA.

6.3.5 Performance Risk and Programme Management

The Committee shall consider and make observations to the HFA with regard to:

- (a) The effectiveness of performance management;
- (b) The achievement of Strategic Plan objectives;
- (c) The achievement of the Integrated Risk Management Plan (IRMP) objectives;
- (d) The achievement of agreed performance indicators;
- (e) The effectiveness of corporate risk management processes;
- (f) The effectiveness of programme management processes;
- (g) The performance of the Humberside Fire and Rescue Service generally;

6.3.6 Scrutiny - Generally

Scrutiny Function

- (a) The Committee shall receive proposed reports for HFA decisions prior to meetings of the Authority.
- (b) The role of the Committee will be to provide scrutiny to a report and pass any observations, as it sees fit, to the Authority (such observations will be considered by the Authority as part of its decision making process).
- (c) The Corporate Management Team may consider the observations of the Committee with regard to a particular report and may take into account any observations prior to submitting the report to the HFA. In such circumstances there will be no need for the report to go back to the Committee before being considered by the HFA.

- (d) The HFA may determine from time to time, the matters for discussion that the Committee will consider. For example, the Committee will not consider the Appointment of Senior Officers.
- (e) In exercising its scrutiny role, the Committee will ensure that any observations are non-political and are not designed to displace the functions or responsibility of the Authority. Observations should be constructive and supportive, aimed at providing an independent view, essentially on behalf of the communities of the Service.
- (f) make such reports or recommendations to the HFA, or Corporate Management Team as it considers appropriate and in accordance within the functions specified in this Article 6;
- (g) request the Secretary that a matter be added to any agenda for the HFA or Corporate Management Team, provided that at least 10 clear days' notice as given of such a request. All reasonable steps shall be taken to provide a written report on the matter to the meeting, but where this is not possible, an oral report shall be given;
- (h) the right to make a request under paragraph 6.3.6 (g) shall be vested in the Chairperson of the Governance, and Scrutiny Committee or any three Members of that Committee;
- (i) where the Governance, Audit and Scrutiny Committee considers that a matter requires urgent consideration by the HFA then the Governance, Audit and Scrutiny Committee shall have power to request a meeting of the HFA in accordance with Rule 6.3.6 (g).

6.3.7 Additional Powers

- (a) The Committee is authorised to investigate any activity within its terms of reference and to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised to obtain outside legal or other independent advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the Secretary, Chief Fire Officer & Chief Executive and Chairperson of the HFA. However, it may not incur direct expenditure in this respect without the prior approval of the HFA.

6.4 **POWER TO ESTABLISH SUB-COMMITTEE OR PANELS**

- (a) The Governance, Audit and Scrutiny Committee shall have the power to establish a sub-committee of the Members of the Committee and any such sub-committee shall be authorised solely to make recommendations to the Governance, Audit, and Scrutiny Committee.
- (b) The Governance, Audit and Scrutiny Committee shall be entitled to establish such panels or groups as it considers necessary to assist in the discharge of its functions. No delegated authority shall be granted to such a panel and the composition of a panel shall not be confined to the Members of the Committee and the rules of political proportionality shall not need to apply.

6.5 ANNUAL REPORT AND MINUTES

- (a) The Committee shall report annually to the HFA upon the discharge of its functions;
- (b) Minutes of the Committee will be circulated to all Members of the HFA and shall be included as an agenda item on the HFA;
- (c) The Chairperson of the Committee will be invited to present the minutes at the meeting of the HFA and to respond to any questions that the HFA may have in respect to any matter concerning the Committee.

