

HUMBERSIDE FIRE AUTHORITY
GOVERNANCE, AUDIT AND SCRUTINY COMMITTEE

9 JUNE 2014

PRESENT: Independent Co-opted Members Mr M Allingham, Mr D Chapman, Mrs G Hardy, Mrs M Thomlinson and Mr C Vertigans.

Councillors Briggs, Hodgson and Whittle attended as observers.

Deputy Chief Fire Officer/Executive Director Service Delivery, Executive Director Service Support/Section 151 Officer, Director of Service Delivery, N Tharratt (Group Manager/HFR Solutions'), Committee Manager and Ms J Rae (External Audit – KPMG), and Ms B Jones (Internal Audit - MIAA) were also present.

An apology for absence was received from Mr D Hughes.

The meeting was held at the Humberside Fire and Rescue Service Headquarters, Kingston upon Hull. Meeting commenced at 10.00 a.m.

4518 CHAIRPERSON – Resolved – That Mr D Chapman be appointed Chairperson for this meeting.

(Mr D Chapman took the Chair).

The Chairperson welcomed all who were observing the meeting.

4519 EXECUTIVE DIRECTOR SERVICE SUPPORT/SECTION 151 OFFICER - The Chairperson, on behalf of Members, was pleased to note that following the Senior Management Review Mr K Wilson had taken up the role of Executive Director Service Support/Section 151 Officer.

4520 DECLARATIONS OF INTEREST – There were no declarations.

4521 MINUTES – Resolved – That the minutes of the meeting of the Committee held on 14 April 2014, having been printed and circulated amongst the Members, be taken as read and correctly recorded and be signed by the Chairperson.

MATTERS ARISING FROM THE MINUTES, OTHER THAN ON THE AGENDA

4522 Recruitment of New Independent Co-opted Members – The Chairperson referred to Minute 4481 and the discussion regarding the timetable for the recruitment process and queried whether the Chairman of this Committee would be included in that process. The Executive Director Service Support/Section 151 Officer briefly outlined the timetable for the recruitment process and stated that a report would be submitted to the Authority on 23 June 2014 and that the comments regarding the involvement of the Chairperson of this Committee in the recruitment process would be taken into account at that meeting.

Resolved – That the report be noted.

4523 UPDATE: MATTERS ARISING/FEEDBACK FROM FIRE AUTHORITY – A report by the Chairperson and Acting Monitoring Officer/Secretary was submitted summarising the consideration given by the Authority at its meeting on 25 April 2014 to the report presented by Mr Chapman on behalf of the Chairperson of the Governance, Audit and Scrutiny Committee and the draft minutes of the meeting of the Committee held on 14 April 2014.

Resolved – That the report be noted

4524 COMMITTEE WORKSTREAMS 2013/14 AND ANNUAL REPORT TO HUMBERSIDE FIRE AUTHORITY – The Committee Manager presented a report by the Acting Monitoring Officer/Secretary indicating that following a previous review of its corporate governance, the Authority adopted a Constitution and a new Committee structure.

Members were reminded that it was agreed that the first meeting of each Committee in a new cycle would receive a report which outlined broadly the substantive reports that Members, as a minimum, could expect to receive during 2013/14. The workstreams agreed were not exhaustive, but indicative. The report now submitted briefly outlined progress against the workstreams agreed by the Committee at its meeting on 11 June 2013 as set out in Appendix 1 to the report and also provided a draft Annual Report to the full Fire Authority in accordance with the Constitution as set out in Appendix 2 to the report. The Annual Report also supports the assurance framework. The draft Annual Report was submitted for review by the Committee before going before the full Fire Authority on 23 June 2014, to be presented by the Chairperson of the Committee. The details in respect to attendances would need updating after this meeting of the Committee prior to the Annual Report being submitted to the Authority.

A Member referred to paragraph 6.5 (c) of Appendix 2 to the report relating to the Chairperson of this Committee being invited to present the minutes at the meeting of the Authority and sought clarification as to the intention under the Committee's new Terms of Reference. The Executive Director Service Support/Section 151 Officer stated that in future the minutes of the Committee would be the record of the meeting submitted to the Authority. Members observed that the wording of paragraph 6 of Appendix 2 was identical to the wording in the new Terms of Reference and suggested that in view of the Officer's comments consideration should be given to revising the paragraph. Ms B Jones (MIAA) commented that consideration should be given to future reports on workstreams being more 'outcome based'.

Resolved – (a) That, subject to the attendance details being reviewed and where necessary the content being updated to take account of this meeting, the draft Annual Report be approved for submission to full Fire Authority on 23 June 2014, to be presented by the Chairperson of this Committee, and

(b) that it be a recommendation to the Fire Authority that paragraph 6.5 (c) of Article 6 of the Constitution (the Terms of Reference of the Governance, Audit and Scrutiny Committee) be amended to read:

“(c) The Chairperson of the Committee or nominated representative will be invited at the discretion the Chairperson of the HFA 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.”

4525 SCRUTINY WORK PROGRAMME 2014/15 - The Executive Director Service Support/Section 151 Officer presented a report by the Acting Monitoring Officer/Secretary reminding Members that the Authority at its meeting on 25 April 2014 (Minute 4511 refers) approved a revised Terms of Reference for the Governance, Audit & Scrutiny Committee with the scrutiny function of the Committee being revised so that the Committee can focus its scrutiny role on a number of topics per year. That would enable the Authority to make best use of the scrutiny function of the Committee to identify improvements that can be made in the way in which the Service operates. It was envisaged that the Authority, this Committee and Corporate Management Team would propose subjects for in-depth scrutiny. In practical terms an annual scrutiny programme could be developed by the Governance, Audit & Scrutiny Committee. Subsequently a meeting was held on 14 May 2014 to consider the Committee's Scrutiny Work Programme for 2014/15. The meeting was attended by Independent Co-opted Members of this Committee (Mr D Hughes, Mr D Chapman, Mrs G Hardy, Mrs M Thomlinson and Mr C Vertigans), the Chairperson of the Fire Authority (Councillor Briggs), and the Chief Fire Officer/Chief Executive, Director of Finance & Assets/Section 151 Officer, Acting Monitoring Officer/Secretary, Committee Manager and Internal Audit (Ms B Jones (MIAA)) to consider the Scrutiny Work Programme for 2014/15.

The following matters were discussed at that meeting:

- Governance, Audit and Scrutiny Committee's Terms of Reference reflecting the changes agreed by the Authority on 25 April 2014;

- Draft Governance, Audit and Scrutiny Committee ‘audit’ and ‘governance’ workstreams for 2014/15;
- MIAA’s Internal Audit Plan for 2014/15 onwards;
- Draft Assurance Map developed by MIAA – a starting point that MIAA will work on during the course of the year with input from the Governance, Audit and Scrutiny Committee.

Following a detailed discussion and exchange of views it was agreed that the following topics should be included in the Scrutiny Programme for 2014/15 as set out below:

<u>Topic</u>	<u>GAS Committee and Officers - Report Scoping Discussion</u>	<u>Report submitted for Scrutiny to GAS Committee</u>
1. HFR Solutions	11 July 2014	13 October 2014
2. HR Strategy (including Succession Planning)	15 September 2014	2 February 2015

The above topics had been incorporated in the timetable of meetings of the Committee that would be considered as part of the Authority’s Calendar of Meetings at the AGM of the Authority on 23 June 2014 as set out in Appendix 1 to the report.

A Member referred to paragraph 6 of the report and suggested that the timetable should be amended to read “GAS Committee and Officers - Scoping Discussion”. The Chairperson stated that Members of this Committee might need access to information and Officers to be able to take scrutiny matters forward. A Member queried when the Committee might receive items for scrutiny referred by the Authority. The Executive Director Service Support/Section 151 Officer stated that the proposed programme was really to set a pattern for the scrutiny process and that it was unlikely that any items would be referred by the Authority during this initial process.

Resolved – That, subject to the substitution of the words “Scoping Discussion” for the words “Report Scoping Discussion”, the Scrutiny Work Programme for 2014/15 as set out in paragraph 6 and Appendix 1 to the report be approved.

EXTERNAL AUDIT (KPMG)

4526 External Audit Update – Ms J Rae (External Audit, KPMG) reported orally that fieldwork on the audit would commence on 23 June 2014 and would be completed by the end of July 2014.

Resolved – That the report be noted.

INTERNAL AUDIT 2013/14 – FINAL REPORTS (H W CONTROLS & ASSURANCE)

4527 Operational Efficiency Review – The Executive Director Service Support/Section 151 Officer presented a report by H W Controls & Assurance on the outcome of the Operational Efficiency Review. The overall objective of the audit was to ensure that appropriate processes and mechanisms were adopted when undertaking the Operational Efficiency Review. Overall, based upon the work undertaken, H W Controls & Assurance had given an ‘Adequate’ assurance on the level of control in place to manage the risks associated with the key systems and process. The report identified three weaknesses in controls and eleven areas of good practice, and set out the key conclusions of the audit and also the agreed key management actions. The audit had not identified any high priority recommendations.

Resolved – That Members note the findings of the audit and are assured by the management action being taken.

4528 Commissioning Review – The Executive Director Service Support/Section 151 Officer presented a report by H W Controls & Assurance on the outcome of the Commissioning Review. The overall objective of the audit was to ensure that appropriate processes and mechanisms have been adopted by the Authority that would support the move into the Commissioning arena. The report identified six areas of good practice and indicated that the Fire Service as a whole has not historically engaged in commissioning unlike other public sector bodies, such as local authorities, and therefore had a number of obstacles to deal with, namely:

- Organisation Culture
- Potential resistance from employees and Members
- Re-engineering existing working practices and processes
- New information security considerations arising out of data sharing
- Utilising metrics to manage and maintain service delivery
- Outsourcing may impact on staff morale.

It was the opinion of H W Controls & Assurance that the Fire Service had just started to venture into Commissioning and it was still early days for the organisation to fully quantify the advantages and potential pitfalls of operating a Commissioning business model. Piloting the Internal Audit Tender and the Community Safety based on 'outcome based commissioning' would give the organisation an opportunity to assess whether it was ready to go ahead with all services down that route. However, the organisation does not need to lose sight of internal as well as external factors which may impact on pursuing the Commissioning route. The Fire Service needed to ensure that those factors were addressed and that it was ready to face the challenges ahead.

A Member sought clarification regarding the Authority's involvement in the Commissioning pilot and its impact on resources. The Deputy Chief Fire Officer/Executive Director Service Delivery explained that it was a whole system approach and that the Authority might be commissioning an outcome, not necessarily how a service is delivered and that as the approach develops a report might be brought back to this Committee. Ms Jones (MIAA) referred to the Assurance Map discussed earlier in the meeting (Minute 4525 above) and stated that 'Commissioning' was included under 'Partnership Working' and therefore would be looked at further in terms of assurance and that she would take the Members' points into account. The Executive Director Service Support/Section 151 Officer stated that there was no additional workload but rather it was about thinking about the outcomes the Authority wishes to achieve.

Resolved – That Members note the findings of the audit.

4529 Governance Structures Review – The Executive Director Service Support/Section 151 Officer presented a report by H W Controls & Assurance on the outcome of the Governance Structures Review. The overall objective of the audit was to ensure that following the 2012/13 re-structure, the new Governance Structure was appropriate for the Authority, with all roles and responsibilities clearly identified and assigned. Overall, based upon the work undertaken, H W Controls & Assurance had given a 'Substantial' assurance on the level of control in place to manage the risks associated with the key systems and process. The report indicated that no weaknesses in controls had been identified and outlined ten areas of good practice.

Resolved – That Members note the findings of the audit.

INTERNAL AUDIT – MERSEYSIDE INTERNAL AUDIT AGENCY (MIAA)

4530 Internal Audit Update – Ms B Jones (Internal Audit - MIAA) submitted a report outlining audit activity undertaken since 1 April 2014 and providing an update on the Internal

Audit Plan. Outlines for agreed internal audit reviews for 2014/15 were set out in Appendix A to the report for information alongside indicative timings. A copy of the Internal Audit Charter agreed by the Authority on 25 April 2014 was attached at Appendix B to the report. The report indicated that an assurance mapping exercise had been undertaken to document existing assurances at the Authority and that a draft had been discussed at a meeting of Members of this Committee and Officers on 14 May 2014 and the draft document had been further populated since that meeting. The latest version of the document was set out at Appendix C to the report and whilst the refinement process continues, the information not only provided background information for this Committee, it would (when complete) detail areas where assurance (or reassurance) was currently provided and also where there were potential gaps which required confirmation and consideration. The key observations thus far included:

- The level of information assimilation in a short period is positive but further population and content refinement continues;
- Comparison with the summary risk and opportunity report does not indicate any significant gaps regarding assurance areas on the assurance map but further risk information around controls and mitigation will help to further refine the map;
- The quality and nature of the assurance (especially with regard to the management level processes) needs to be evaluated beyond the description for clarity;
- The responsibility of Governance, Audit and Scrutiny Committee in context of the mapped assurance needs to be closely considered to ensure this aligns with the Committee's understanding and expectations.

The key outcomes from this process thus far included:

- Raised awareness of the sources and providers of assurance beyond internal and external audit to ensure their acquisition and effective utilisation;
- Framework for reviewing and assessing the assurance landscape (including quality and purpose); and
- Provides positive assurance on the responsibility for and existence of Authority assurances.

The report also indicated that at the meeting on 14 May 2014 Members of this Committee had expressed an interest in MIAA delivering a workshop through which the work of the Committee and internal and external issues and challenges may be raised. A suggested outline was attached at Appendix D to the report. It was also reported that as discussed on 14 May 2014, Cheshire Fire Authority was being approached to identify if they would be interested in being part of a joint session between the two committees with responsibility for audit. Ms Jones reported that Cheshire Fire Authority had reservations regarding a joint workshop because of the distance between the authorities but had suggested that an exchange of information following separate workshops might be helpful.

Members queried the timing of a workshop given that new Members of this Committee were to be recruited. The Executive Director Service Support/Section 151 Officer suggested that it might be appropriate to hold an initial workshop with the existing Members and then look to a second workshop following the appointment of new Members later in 2014.

Resolved – (a) That this Committee notes the progress made with delivering the Internal Audit Plan set out in Appendix A to the report;

(b) that the Internal Audit Charter set out in Appendix B to the report is accepted and the responsibilities of the Governance, Audit and Scrutiny Committee therein be noted;

(c) that the Assurance Map set out in Appendix C to the report and its continuing population as an assurance tool in planning and delivering Governance, Audit and Scrutiny Committee activities be noted;

(d) that the suggested GAS Committee workshop outline set out in Appendix D to the report is noted and that Ms Jones (MIAA) be asked to arrange an interim workshop for the existing Members of this Committee to be followed up by a second workshop following the appointment of new Members of the Committee, and

(e) that the previous practice of the External and Internal Audit meeting with Members of this Committee immediately prior to meetings should continue.

4531 ANNUAL STATEMENT OF ACCOUNTS 2013/14 – The Executive Director Service Support/Section 151 Officer submitted a report containing the Authority's full unaudited Statement of Accounts for 2013/14 as set out in Appendix 1 to the report and also highlighting the key aspects of revenue and capital outturn for the year. The accounts covered by the report were subject to audit by KPMG in their role as the Authority's external auditor. The audited Statement of Accounts must be approved by the Fire Authority by 30 September 2014. The outturn position for the revenue budget for 2013/14 was a £1.468m underspend which compared well to the period 11 end of February 2014 projection in the Management Accounts of a £1.485m underspend. The full schedule of variances was set out in more detail in the Foreword to the Statement of Accounts.

The report indicated that the annual accounts for 2013/14 of 'HFR Solutions' the Authority's Controlled Interest Company (CIC) were included under item 15 on the Agenda for this meeting (Minute 4537 below refers). The CIC's annual accounts were compiled by Accountancy Solutions (UK) Limited of Scunthorpe and independently audited by Streets Audit LLP of Lincoln in May 2014. There was no requirement under the Companies Act legislation for an audit due to the size of the CIC's turnover, but it was felt from the perspective of prudence that an audit would give maximum assurance before consolidation into the Authority's accounts took place. The second year trading performance of the CIC had been strong with a post corporation tax surplus of £164k. In addition to this the Authority has seconded staff, charged staff time and made other charges to the CIC to the order of £451k. The later section of the report now submitted on Reserves recommended that the £451k be placed in an earmarked reserve to clearly identify the CIC's contribution to the Authority's underspend outturn position. The remaining £164k surplus was shown within the Authority's Group Accounts (page 55 of the Authority's Accounts refers). In total therefore in the first year of trading the CIC generated a total financial benefit of £578k and subsequently in the second year of trading had now generated a further £615k.

The outturn for the Capital Programme showed spending of £5.061m (£4.532m was the Authority's Capital Programme and £529k was the Authority's 25% share of the East Coast and Hertfordshire Control Room Consortium spend in 2013/14) as detailed in the report. The report identified nine schemes for which it was proposed that the capital allocations be rephased into the 2014/15 Capital Programme or be removed from the Capital Programme. Table 1 in paragraph 7 to the report showed the overall position on Reserves at 31 March 2014 and some recommended movements in reserves to be effected from 1 April 2014. Table 1 showed overall revenue reserves of £17.356m at 31 March 2014. The Authority has worked hard in recent years to deliver a sound level of reserves. This is particularly important against the uncertain financial backdrop for 2016/17 onwards. The earmarked reserves identified in the Table underpinned a number of key areas of work for the Service. Many of these workstreams were now in the implementation/delivery stage.

In terms of key financial indicators the report indicated that against the backdrop of significant austerity (the Authority's external financing from Government had been reduced by 28% or £7.3m over the period 2011/12 to 2015/16 as well as a 4 year freeze in the precept/council tax between 2011/12 and 2014/15), and drew attention to the following key financial indicators:

<u>Key Indicator</u>	<u>2012/13</u>	<u>2013/14</u>
Capital Financing Requirement (CFR)	£17.7m	£16.6m
Long-term Borrowing (PWLB)	£18.7m	£17.7m
Revenue Outturn	£2.1m underspend	£1.47m underspend
Total Reserves (capital & revenue)	£19.13m	£17.356m

Fundamentally the Authority's underlying position was sound and against the backdrop of austerity the CFR (the Authority's underlying need to borrow for a capital purpose) had been reduced alongside a decrease in long-term borrowing (PWLB). The revenue outturn underspend was lower than in the previous year and overall reserves had also reduced. Neither were a cause for concern but demonstrated a financial tightening as efficiency measures were worked through alongside significant reductions in external funding. The Authority's budget was balanced for 2014/15 and 2015/16 but as previously outlined the Government's austerity programme was unlikely to abate before 2020. The Service Re-design Programme currently underway would examine all possible options for further efficiency in 'non-fire engine' areas of the Service. This will be vital for the challenges that will lie ahead for 2016/17 onwards.

Queries by Members were answered by the Executive Director Service Support/Section 151 Officer.

Resolved - That Members take assurance from the accounts presented and that after the Fire Authority meeting on 23 June 2014 a copy signed by the Executive Director Service Support/Section 151 Officer be presented for audit.

4532 TREASURY MANAGEMENT ANNUAL REPORT 2013/14 - The Executive Director Service Support/Section 151 Officer submitted a report providing a review of the Authority's Treasury Management activity and Prudential Indicators for the year 2013/14 in line with the Chartered Institute of Public Finance and Accountancy (CIFPA) Code of Practice 2009. The report showed full compliance with the Authority's Prudential Indicators for 2013/14. Appendix 1 to the report detailed the agreed Prudential Indicators for 2013/14 and the actual figures for 2013/14. During the financial year the Authority operated wholly within the limits approved. The report stated that the Section 151 Officer considered the current capital programme to be affordable and sustainable with the revenue effects of capital investment built into the Medium-Term Financial Plan. Through the Medium-Term Financial Planning Process, the Authority had aligned its resources to key strategic priorities. With regard to Treasury Management the report indicated that based on the Operational Boundary definition, external debt at 31 March 2014 was £3.6m below the agreed Operational Boundary for 2013/14 and the maturity structure for both borrowing and investments remained within the approved upper and lower limits. Subsequent borrowing or re-scheduling during 2014/15 would take in to account prevailing interest rates on offer from the Public Works Loans Board, the current maturity structure of loans, balanced with the need to reduce capital risk by keeping down cash-balances.

Resolved - That Members take assurance from the Treasury Management activities undertaken during 2013/14 and the Prudential Indicators as outlined in paragraphs 16 and 17 and detailed in Appendix 1 to the report.

4533 INSPECTION OF MEMBER REGISTERS – The Member Registers of Interests and Declarations of Gifts and Hospitality were made available for inspection by any Member of the Committee as part of their monitoring role.

4534 INSPECTION OF OFFICER REGISTERS – The Officer Registers of Interests and Declarations of Gifts and Hospitality were made available for inspection by any Member of the Committee as part of their monitoring role.

4535 ANY OTHER BUSINESS – There were no items.

4536 EXCLUSION OF PRESS AND PUBLIC – Resolved – That the press and public be excluded from the meeting during consideration of the following item (Minute 4536) on the grounds that it was likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

(In making its decision the Committee confirmed that having regard to all the circumstances it was satisfied that the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

4537 HFR SOLUTIONS' PERFORMANCE SUMMARY REPORT JANUARY – MARCH 2014 – The Deputy Chief Fire Officer/Director of HFR Solutions submitted a report outlining the performance of HFR Solutions' operations and service delivery within the four main areas of activity: Business; Training, Community and Risk for the period January – March 2014. A Business Plan priorities update was attached at Appendix 1 to the report and the 2013/14 audited financial statements were set out in Appendix 2 to the report.

A Member queried whether it was intended to appoint another Director to replace Mr D Sanders following his appointment as Chief Fire Officer & Chief Executive. The Deputy Chief Fire Officer/Director of HFR Solutions explained that following the appointment of two Member Directors it was not the intention to appoint a replacement at the present time. A Member referred to the evaluation of establishing a charitable trust business. The Deputy Chief Fire Officer/Director of HFR Solutions stated that the Board had agreed not to proceed with charitable trust status at this time and that the Authority will be updated on that outcome. A Member acknowledged that the return on savings was very good. Other queries by Members were answered by Officers.

Resolved – (a) That the Governance, Audit and Scrutiny Committee takes assurance from the report that:

- HFR Solutions' is developing into a successful business, which is capable of effectively supporting Humberside Fire & Rescue Services service delivery requirements, across the Service area;
- The key priorities of the Business Plan are effectively being performance managed to meet the strategic outcomes of the business.

Meeting closed at 11.25 a.m.