

**HUMBERSIDE FIRE AUTHORITY**  
**GOVERNANCE, AUDIT AND SCRUTINY COMMITTEE**

**17 JUNE 2016**

**PRESENT:** Independent Co-opted Members Mr M Allingham, Mr D Chapman Mr J Doyle, Mr A Smith, Mrs M Thomlinson and Mr C Vertigans

Councillor Briggs attended as an observer.

Monitoring Officer/Secretary, Director of Organisational Development, Director of Public Safety, Director of Emergency Response, Corporate Planning and Performance Manager, Committee Manager, Ms J Rae (External Audit – KPMG) and Mrs B Boyes (Internal Audit - MIAA) were also present.

An apology for absence was submitted from Mrs P Jackson.

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

*(The Monitoring Officer/Secretary took the Chair for the following item (Minute 5140).*

**PROCEDURAL**

**5140 APPOINTMENT OF CHAIRPERSON** – The Monitoring Officer/Secretary submitted a report on the appointment of a Chairperson for 2016/17.

**Resolved** – That Mr D Chapman be appointed Chairperson of this Committee until the Annual General Meeting of the Humberside Fire Authority in 2017.

*(The Chairperson welcomed all who were observing the meeting.)*

**5141 DECLARATIONS OF INTEREST** - No declarations were made in connection with any of the items to be considered at the meeting.

**5142 MINUTES – Resolved** – That the minutes of the meeting of the Committee held on 11 April 2016 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**

**5143 Performance Reporting and Service Performance Indicators 2016/17** – A Member referred Minute 5090 and the undertaking that was given to check whether Members of this Committee would be permitted to attend the Community Protection Unit (CPU) level Performance and Risk meetings held on a quarterly basis which Members of the Authority were invited to attend to scrutinise performance in their area. The Corporate Planning and Performance Manager stated that those meetings were only for Members of the Authority at present but that the Deputy Chief Fire Officer/Executive Director Service Delivery had indicated that this Committee could be provided with performance information if appropriate. A Member stated that the point behind the enquiry was to provide Members of this Committee with an opportunity to discuss matters with Officers at CPUs.

**5144 Committee Workstreams/Scrutiny Programme 2015/16 and Annual Report to Humberside Fire Authority** – The Chairperson referred to Minute 5082 and stated that he had met with Mrs Boyes (Internal Audit (MIAA)) to review the status of the Development Plan referred to at paragraph 10 and Appendix 2 to the Committee's Annual Report to the Fire Authority. The Chairperson stated that there would be a report of the product of that meeting to this Committee in due course but that the position was satisfactory at this stage. Mrs B Boyes stated that the opinion was that most actions referred to in the Development Plan had been completed with the exception of the proposed second Planning Workshop.

**Resolved** - That a report be submitted to a future meeting.

### **GOVERNANCE**

**5145 UPDATE: MATTERS ARISING/FEEDBACK FROM FIRE AUTHORITY** – The Monitoring Officer/Secretary submitted a report summarising the consideration given by the Authority at its meetings on 25 April and 6 June 2016 to the draft minutes of the meeting of the Committee held on 11 April 2016 and also providing feedback on other items considered by the Fire Authority at its meetings on 25 April, 9 May and 6 June 2016.

Mrs M Thomlinson referred to the reference to the Annual Report of the Pension Board (Fire Authority Minute 5134 refers) and stated that she had not attended any meetings of the Board as indicated in that report. The Chairperson stated that the Committee welcomed the feedback that it receives from the Fire Authority.

**Resolved** – That the report be noted.

### **SCRUTINY PROGRAMME**

**5146 2016/17 SCRUTINY WORK PROGRAMME - UPDATE ON PROGRESS** – The Chairperson reported invited the lead Member for the two Sub-Groups for the scrutiny topics to be undertaken during 2016/17 (Collaboration and Members' Allowances) to update the meeting on progress to date.

Collaboration – Mr M Allingham stated that he had received some background financial information from the Executive Director Service Support and Mr A Smith had drawn up a list of questions to be put to ACO P Goatley, Humberside Police at a meeting to be held on 20 June 2016. Mr Allingham stated that the Sub Group's initial aim was to gather information/views regarding the business case for the collaboration on a Joint Workshops Facility and whether it was achieved; that the review was intended to be a high level review and that the Sub-Group will collate responses from the Police Service and Humberside Fire and Rescue Service. Mr Smith stated that the primary objective was to determine that the facility is fit for purpose and to acknowledge and employ any lessons learned from the exercise when considering future collaborations. The Director of Emergency Response referred to the Police and Crime Bill that would introduce a requirement for Services to collaborate and stated that the Police and Humberside Fire and Rescue Service had instigated monthly meetings between their respective Strategic Teams. The Chairperson referred to the useful feedback given by the Chief Fire Officer and Chief Executive and the Chairperson of the Fire Authority at the meeting of the Authority on 6 June 2016 with regard to collaboration. The Chairperson stated that the Committee had taken the initiative to review collaboration early and that the Authority will benefit from the lessons learned for future collaborations. Mr Allingham advised Members that the scrutiny report was due to submitted to the Committee in the Autumn.

Members' Allowances – The Chairperson stated that the Sub-Group would comprise Mr J Doyle, Mrs M Thomlinson and Mr C Vertigans (Lead Member). Mr Vertigans stated that the Sub-Group viewed the initial scrutiny report as the starting point and that the work of the Sub-Group was very much in its infancy. Mr Vertigans stated that the Sub-Group proposed to discuss the review with a Member from each of the 4 constituent Unitary Authorities on the Fire Authority and also the Executive Director service Support and the Monitoring Officer/Secretary but that it was proposed to delay those discussions until after the meeting of the Authority on 27 June 2016 in case there was any relevant considerations regarding governance structure arising from that meeting. Mr Vertigans stated that the Sub-Group would aim to have its report completed by January 2017.

**Resolved** – That the updates be received.

## **AUDIT**

### **INTERNAL AUDIT (MIAA)**

**5147 Internal Audit Update** – Mrs Boyes (Internal Audit - MIAA) submitted a report outlining internal audit activity since the last meeting as follows:

Internal Audit Plan 2015/16 – Finalisation Update – The report provided a final position for 2015/16 Internal Audit activity against the agreed plan. A summary was provided at Appendix 1 to the report which showed that the three remaining reviews in respect of Cyber Security, Procurement and Partnerships had now been reported as set out in Appendix 3 to the report.

- Cyber Security - The Cyber Security review was a strategic advisory piece and so did not offer an assurance level. The report presented a number of opportunities for improvement in cyber resilience and highlighted the importance of substantive assurance to confirm the effective operation of key controls.

The Chairperson suggested that the summary of 'positives' in the Management Summary should be combined with the list of potential opportunities for improvement given that there was still some work to be done with regard to those items. Mrs Boyes acknowledged the comment and stated that the Service needed to assure itself on all those matters. The Corporate Planning and Performance Manager stated that there was an on-going review of protective security by the Tactical Management Team and the matters identified in the report will be looked by that Team. In response to a query regarding Windows XP clients the Corporate Planning and Performance Manager confirmed that the Service had a programme for updating software.

- Procurement - The Procurement review offered significant assurance with the key issues raised being around the currency of procedural documentation, maintenance of a contracts register, implementing a system for contract expiry date notification and the need to develop appropriate performance indicators.

Members sought clarification regard the content of the report and the awarding of 'significant' assurance given that the report identified some failings. Mrs Boyes explained the meaning of the terminology used and stated that 'significant' recognised that whilst there were some shortcomings she had taken the view that on balance if the recommendations in the report are implemented the review would not warrant a 'limited' assurance, which would suggest that the procurement arrangements were bad, which was not the case. The Finance Manager explained that the review did not deal with the process of procurement and acknowledged that record keeping needs to improve and that the review was the outcome of a significant piece of on-going work which commenced before the review by Internal Audit. The Finance Manager stated that the procurement hub had only been in place for a year and that personally he was pleased with the audit report. The Chairperson stated that the review was very much historical and welcomed the positive assurance by the Finance Manager. A Member suggested that the narrative of the audit report should be amended in line with the Finance Manager's comments.

- Partnerships - The Partnerships review also offered significant assurance whilst highlighting issues in respect of widening and refreshing the procedural guidance to reflect the breadth and complexity of partnership arrangements extending beyond community safety, ensuring the partnerships register is complete and that underpinning documentation is accessible and up to date

and ensuring outcomes are monitored. The Corporate Planning and Performance Manager stated that the original scope of the review was on how the Service traditionally defined partnerships i.e. Community Safety partnership but that he would share information with Internal Audit that it was felt that the Partnerships Register should be extended to include further partnerships, and that the Service was involved in nearly 80 collaborations/interfaces. The Corporate Planning and Performance Manager stated that the Service now had a dedicated resource in respect to partnerships. Members acknowledged that so many collaborations/interfaces was a lot to manage and suggested that it might be helpful to categorise the collaborative activity.

The outcomes from the above reviews had already been included in the Annual Internal Audit Report and Opinion previously reported. Risk management coverage (under operational reviews) was now scheduled for 19th July 2016 in the form of workshop activity for the Corporate Management Team and the Tactical Management Team and will underpin planned risk management activity as part of the 2016/17 plan.

Internal Audit Plan 2016/17 – Progress Update - The Internal Audit Plan for 2016/17 (considered by the Committee on 7 March 2016 and then approved by the Fire Authority on 18 March 2016) was now underway. A schedule of planned activity profiled across the year was set out in Appendix 2 to the report. Mrs Boyes stated that the Operational Review would be carried out in Quarter 2 and not Quarter 4 as indicated in the report.

**Resolved** – (a) That the Committee notes the progress against the 2015/16 Internal Audit Plan and issues arising, and

(b) that the Committee notes the planned profiling of the 2016/17 Internal Audit Plan.

**5148 ANNUAL STATEMENT OF ACCOUNTS 2015/16 - UNAUDITED** - The Finance Manager submitted a report containing the Authority's full unaudited Statement of Accounts for 2015/16 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 intention was that the audited Statement of Accounts will be approved by the Fire Authority by 31 July 2016 although statutorily this could be any time before 30 September 2016. The outturn position for the revenue budget for 2015/16 was a £1.223m underspend which compared well to the period 11 end of February 2016 projection in the Management Accounts of a £1.107m underspend. The full schedule of variances was set out in more detail in the Statement of Accounts (Appendix 2, pages 80-82). The outturn for the Capital Programme showed spending of £5.175m (£4.614m was the Authority's Capital Programme and £561k was the East Coast and Hertfordshire Control Room Consortium spend in 2015/16) as detailed in the report. The report identified eleven projects that had not been completed in 2015/16 and for which it was proposed that the capital allocations be re-phased into the 2016/17 Capital Programme. Table 1 in paragraph 8 to the report showed the overall position on Reserves at 31 March 2016 and some recommended movements in reserves to be effected from 1 April 2016. Table 1 showed overall revenue reserves of £15.1m at 31 March 2016. The Authority had worked hard in recent years to deliver a sound level of reserves. This was particularly important against the uncertain financial backdrop for 2017/18 onwards. The earmarked reserves identified in the Table underpinned a number of key areas of work for the Service. Many of those 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 £7.5m over the period 2011/12 to 2015/16 as well as a 5 year freeze in the precept/council tax between 2011/12 and 2015/16), and drew attention to the following key financial indicators as set out in the table below:

<u>Key Indicator</u>	<u>2012/13</u> <u>actual</u>	<u>2013/14</u> <u>actual</u>	<u>2014/15</u> <u>actual</u>	<u>2015/16</u> <u>actual</u> <u>(unaudited)</u>	<u>2016/17</u> <u>projected</u>	<u>2017/18</u> <u>projected</u>
Capital Financing Requirement (CFR)	£17.7m	£16.6m	£15.6m	<b>£16.1m</b>	£15.7m	£15.2m
Long-term Borrowing(PWLB) (excluding leases)	£18.6m	£17.7m	£16.6m	<b>£15.3m</b>	£14.4m	£13.6m
Revenue Outturn	£2.1m underspend	£1.5m underspend	£1.3m underspend	<b>£1.2m</b> <b>underspend</b>	-	-
Total Revenue Reserves	£18.6m	£17.3m	£16.1m	<b>£15.1m</b>	£11.0m	£10.5m

Fundamentally the Authority's underlying position was sound and against the backdrop of austerity the Capital Financing Requirement (CFR) (the Authority's underlying need to borrow for a capital purpose) had increased slightly in 2015/16 over the 2014/15 level. This was not a cause for concern and showed the CFR stabilising on a downward trend over the period 2012/13 to 2015/16. The recommended movements in reserves in Table 1 above showed further resources directed towards the capital programme which will reduce the CFR further in line with the reducing financial size of the Authority due to austerity. The revenue outturn underspend was lower than in the previous year and overall reserves had also reduced. Both of these elements demonstrated a financial tightening as efficiency measures are worked through alongside significant reductions in external funding. The Authority's budget was balanced for 2016/17. 2017/18 onwards will require careful monitoring given that the Government's austerity programme is unlikely to abate before 2020. The Service Re-design Programme currently underway will 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 2017/18 onwards.

In conclusion the report captured the financial impact of the Authority's activities during the 2015/16 financial year. The picture was one of robust finances despite the fact that £7.5m had been removed from the Authority's base funding over the period 2011/12 to 2015/16. Judicious use of reserves had ensured, and will continue to ensure, that key investment projects are undertaken. Principal amongst these are the Control Refurbishment, the WAN, Clough Road, BA Replacement and the new stations for Brough and Central Fire Station, Hull, which are currently under construction. The financial challenges will continue over the period 2017/18 onwards and the Authority is well placed to meet these challenges.

Queries by Members were answered by the Finance Manager. A Member commented on the budgeting arrangements adopted by the Authority whereby financial provision is made and often results in expenditure slipping into the following financial year, or in the case of the ARK project being deferred until 2017/18. The Finance Manager stated traditionally officers sought provision for capital schemes before preparing detailed schemes, and that this arrangement was similar to that adopted by Humberside Police. A member referred to the schedule of earmarked reserves on page 50 of the accounts and suggested the heading 'HFR Solutions Reserve' should be re-named so as not to be open to misinterpretation. A Member referred to Table 1 at paragraph 8 of the report and sought clarification of the Resilience Reserve. The Finance Manager stated that the Fire Dispute was still 'live' but once it was finished the funds would be released if not required to provide

resilience cover. A Member sought clarification regarding the long term commitments on page 66 of the accounts in respect of additional work undertaken at the joint workshops facility at Melton. The Finance Manager explained that the sum was originally £1m and related to additional costs which the Police incurred in respect of works required for Fire Service to join the development.

**Resolved** - That Members take assurance from the accounts presented.

**5149 TREASURY MANAGEMENT ANNUAL REPORT 2015/16** – The Finance Manager submitted a report providing a review of the Authority's Treasury Management activity and Prudential Indicators for the year 2015/16 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 2015/16. Appendix 1 to the report detailed the agreed Prudential Indicators for 2015/16 and the actual figures for 2015/16. During the financial year the Authority had 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 2016 was £6.6m below the agreed Operational Boundary for 2015/16 and the maturity structure for both borrowing and investments remained within the approved upper and lower limits. Subsequent borrowing or re-scheduling during 2016/17 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.

A Member referred to the recent change whereby the Fire Service now comes under the Home Office rather than the Department for Communities and Local Government and queried and queried whether that might result in a different policy with regard to capital funding. The Finance Manager stated that he did not anticipate any change under the Home Office.

**Resolved** - That Members take assurance from the Treasury Management activities undertaken during 2015/16 and the Prudential Indicators as outlined in paragraphs 14 and 15 and detailed in Appendix 1 to the report.

**5150 CUSTOMER SERVICE EXCELLENCE AWARD** - The Corporate Planning and Performance Manager submitted a report reminding Members that the Customer Service Excellence Award (CSE), originally achieved in 2009, was re-certified on an annual basis subject to passing a compliance audit. The award covered a three year period with 2016 being a Year 2 re-validation based on five criteria listed in the report. The re-validation audit for 2016 took place on 3rd February 2016 and it was pleasing to report that the award had been successfully retained for a further twelve months, with no partial or non-compliance issues identified. The report set out a summary of the Assessor's findings. The full report was attached at Appendix 1 to the report. The report had previously been submitted to the Fire Authority on 25 April 2016 (Minute 5107 refers).

The Chairperson stated that the report was excellent from the facing the public element and in terms of collaboration was a very useful document. The Committee expressed its appreciation of the good work indicated within the report and how well it has been received by the Authority's communities.

**Resolved** – That Members acknowledge the retention of the Award and take assurance from the on-going commitment to Customer Service Excellence.

**5151 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.

**5152 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.

**5153 ANY OTHER BUSINESS** – The following matter was briefly discussed:

- Member Day 8 July 2016 – It was agreed that Officers will clarify the arrangements for the event on 8 July 2016 to which Members of this Committee had been invited to attend and notify Members accordingly.

*Meeting closed at 11.19 a.m.*

