

HUMBERSIDE FIRE AUTHORITY
GOVERNANCE, AUDIT AND SCRUTINY COMMITTEE

28 JANUARY 2019

PRESENT: Independent Co-opted Members Mr D Chapman (Chairperson), Mr M Allingham, Mr J Doyle, Mrs P Jackson, Mrs M Thomlinson and Mr C Vertigans

Councillors Briggs attended as an observer.

Director of Human Resources, Director of Operational Training, Director of Service Support, Monitoring Officer/Secretary, Head of Corporate Assurance, Head of Finance, Area Manager (Projects), Committee Manager, Mr R Woodley (External Audit - Mazars) were also present.

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

(The Chairperson welcomed Councillors Briggs and Green and all others present.)

PROCEDURAL

6046 APOLOGIES FOR ABSENCE - Apologies for absence were received from Mr A Smith and G Baines (Internal Audit - MIAA)

6047 DECLARATIONS OF INTEREST - There were no declarations of interest.

6048 MINUTES - *Resolved* - That the minutes of the meeting of the Committee held on 26 November 2018 be confirmed as a correct record subject to the amendment of the phrase, '...from January 2018' (Minute 6001) which should have read, '...from January 2019'.

6049 MATTERS ARISING FROM THE MINUTES, OTHER THAN ON THE AGENDA - There were no matters arising from the minutes.

6050 DECLARATIONS OF INTEREST - No declarations were made in connection with any of the items to be considered at the meeting.

GOVERNANCE

6051 UPDATE: MATTERS ARISING/FEEDBACK FROM FIRE AUTHORITY - The Monitoring Officer/Secretary submitted a report summarising the consideration given by the Authority at its meeting on 7 December 2018 to the draft minutes of the meeting of the Committee held on 28 November 2018 and also providing feedback on other items considered by the Fire Authority at its meeting on 7 December 2018. The Monitoring Officer/Secretary referred to paragraph 2 of the report, drawing Members' attention to the fact that the Fire Authority had received and agreed the Committee's programme of scrutiny for 2018/19.

Resolved - That the report be received.

SCRUTINY PROGRAMME

6052 SCRUTINY PROGRAMME 2018/19 - BENEFITS REALISATION FROM THE SERVICE REDESIGN PROGRAMME - The Head of Corporate Assurance submitted a report containing the draft scope and methodology for the Committee's first scrutiny item of the 2018/19 Programme, Benefits Realisation from the Service Redesign Programme (SRP), for the Committee's consideration.

The Committee discussed the scope for the scrutiny item which would be shared with relevant officers of Humberside Fire and Rescue Service (HFRS) in order that they could produce a report to submit to the meeting due to be held on 4 March 2019. The Committee agreed seven scoping points:

1. Review of the Outcomes/Imperatives agreed by HFA for SRP reviews of Public Safety and Estates and Facilities Management.
2. Overview of the SRP approach taken by lead officer(s).
3. Appraisal of risk management processes and mitigation measures.
4. Review of selected financial assessments and projected costs and benefits.
5. Appraise how Equality implications have been taken into account.
6. Appraise how Risk and Opportunity implications have been taken into account.
7. Impact of SRP on staff performance and morale.

A Member asked how many service reviews had been undertaken throughout the wider SRP. Nine such reviews had taken place and the two chosen as the focus of the Committee's scrutiny item, Public Safety and Estates and Facilities Management. The Public Safety SRP had been selected as a point of focus due to its importance to residents of Humberside and the Estates and Facilities SRP had been selected because of its length and value. The Estates and Facilities SRP was a three-year programme which had been implemented in April 2018, which meant that the Committee would be able to scrutinise the process of the SRP and the outcomes delivered as a result in the intervening months.

The Committee would receive a report in reply to its scope at the meeting to be held on 4 March 2019 and it would also receive relevant background information, separate of the agenda, during the week commencing 28 January 2019.

Resolved - That the scope of the scrutiny item, Benefits Realisation from the Service Redesign Programme, due to be heard at the meeting to be held on 4 March 2019, be approved.

AUDIT

6053 MANAGEMENT ACCOUNTS TO DECEMBER 2018 – The Head of Finance submitted a report to the Committee detailing the management accounts for the financial year 2018/19 up to December 2018. With the help of the Senior Leadership Team (SLT), the Head of Finance had been able to reduce the Service's predicted overspend in the Revenue Budget of around £260,000 to £98,000 in order to protect reserves. The Head of Finance wished that his gratitude to members of SLT for their assistance in minimising the predicted overspend be minuted.

By December 2018, the Capital Programme expenditure was projected at £3.525m against an allocation of £5.660m. However, more than £500,000 of programmed expenditure had been removed and some had been delayed because of the transfer of estates and facilities management to Humberside Police as part of the SRP. The Pensions Account was projected to be in a £14.42m deficit.

A Member enquired concerning secondments. The Service had a history of seconding some of its employees to other agencies. This not only aided their development and furthered their experience, but helped other agencies and allowed the Service to maintain a larger staff than it would otherwise be able to. While these secondments were not used for profit, the organisations welcoming the seconded members of staff would meet many of the costs associated with their employment. Some of the agencies to which the Service's staff members were seconded included Safer Roads Humber, Humberside Police and the Fire Service College.

Resolved - That the report be received.

6054 AUDIT STRATEGY MEMORANDUM 2018/19 - Mr R Woodley, External Audit (Mazars) submitted a report detailing the external audit process, which had been divided into four stages:

1. Planning (October 2018 - January 2019) - This included Mazars updating their understanding of the Fire Authority, forming initial opinions and value for money risk assessments, developing the audit strategy, agreeing the timetables, and a preliminary analytical procedure.
2. Interim (December 2018 - February 2019) - This involved documenting systems and controls, walking through procedures, controls testing (including general and application IT controls), and early substantive testing of transactions.
3. Fieldwork (June - July 2019) - This involved reviewing the draft financial statements, reassessing and revising the audit strategy, delivering the planned audit testing, continuous communication on emerging issues, and the clearance meeting.
4. Completion (July 2019) - This would result in the final review and disclosure checklist of financial statements, the final engagement lead review, agreeing the content of the letter of representation, reporting to the Governance, Audit and Scrutiny Committee and the Fire Authority, reviewing post balance sheet events, and Mazars finalising their opinion on the audit.

To date, Mazars had identified four significant risks in key judgment areas:

	Description of risk	Planned response
1	Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual. We will use a computer audit analytical technique (CAAT) to efficiently identify journals with risk characteristics and test 100% of such adjustments to the financial ledger.
2	Revenue recognition In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Authority's range of revenue sources and their volatility we have concluded that there are insufficient grounds for rebuttal in 2018/19. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.	We plan to address this risk by evaluating the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including: <ul style="list-style-type: none"> • testing receipts in March, April and May 2019 to ensure they have been recognised in the right year; • testing any material reductions in income categories against budget and the previous year; and • testing adjustment journals as above for management override with particular focus on journals moving revenue between years.
3	Property, plant and equipment valuation The financial statements contain material	We plan to address this risk by considering the Authority's

	<p>entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. In 2017/18 there was a downward revaluation of £27M primarily due to different assumptions made by the new valuer. We have therefore identified the valuation of PPE to be an area of significant risk.</p>	<p>arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the external valuer. We will also assess the competence, skills and experience of the valuer.</p> <p>We plan to discuss methods used with the valuer and examine test valuations. We will use indices provided by our own expert to confirm the assets not revalued are unlikely to have materially changed in value. We will test all revaluations in year to valuation reports and supporting calculation sheets and ensure the calculations are correct and source data agrees with floor plans.</p>
4	<p>Defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We will review the appropriateness of the key assumptions included within the valuations, compare them to expected ranges and review the methodology applied in the valuation. We will also consider the adequacy of disclosures in the financial statements.</p>

The external auditor had noted no significant risks to the Service's achievement of value for money, but did recognise the increasing pressures from staff wages and pensions which would continue to be a challenge. The re-evaluation of the Service's property portfolio had resulted in a reduction of £27m in its estimated value. Members were keen to better understand the process of evaluating the Service's property portfolio. The Committee was assured that the reduction in the estimated value of the Service's property would not affect its financial reserves and that the variance had been accounted for at an early stage in the audit process. Additionally, the Head of Finance informed the Committee that the valuers used by the Service were also commissioned by many other fire services in the region and that many of them had also needed to address reductions in the estimated value of their estates. Mazars was, however, satisfied with the assumptions made by the valuers when re-evaluating the value of property.

The Committee noted that the decision to award the contract for external audit to Mazars had itself resulted in a 20 percent reduction in fees paid for external audit. The Chairperson praised the quality of Mazars' reports and procedures.

Resolved - That the report be received.

6055 INTERNAL AUDIT UPDATE - Mr G Baines (Internal Audit - MIAA) had submitted his apology for absence from the meeting. A number of pieces of work were in progress as part of the internal audit process including: staff attendance management, work on ensuring compliance with the General Data Protection Regulation, the Fire and Rescue Service Equality Framework, cyber security, and work on core financial systems.

Resolved - That the Committee note internal audit progress against the 2018/19 plan as set out in the report.

PERFORMANCE, RISK AND PROGRAMME MANAGEMENT

6056 GENDER PAY GAP - The Director of Human Resources submitted a report explaining the Service's duty to publish information in relation to the gender pay gap on an annual basis. Each employer with 250 or more members of staff was required by law to publish six calculations showing their:

- average gender pay gap as a mean average
- average gender pay gap as a median average
- average bonus gender pay gap as a mean average
- average bonus gender pay gap as a median average
- proportion of males receiving a bonus payment and proportion of females receiving a bonus payment
- proportion of males and females when divided into four groups ordered from lowest to highest pay.

The gender pay gap at Humberside Fire and Rescue Service had decreased slightly since the Committee received the previous report in 2018. However, the associated data was published in arrears, meaning that the work which had since been undertaken to address the gender pay gap would not become apparent until at least another year had passed. Additionally, the work to address the gender pay gap would take time.

As of 31 March 2018, the Service employed 1,065 members of staff and the table below summarised the gender profile:

Work Group	Number of Staff 2018	%	Number of staff 2017	%
Control	25		32	
Female	22	88%	24	75%
Male	3	12%	8	25%
Support Staff	224		222	
Female	138	61.6%	139	62.6%
Male	86	38.39%	83	37.4%
On-Call	336		325	
Female	12	3.57%	11	3.3%
Male	324	96.43%	314	96.7%
Wholetime	480		487	
Female	22	4.58%	23	4.7%
Male	458	95.42%	464	95.42%

In relation to the gender pay gap in 2017/18:

	Female	Male	Gender Pay Gap
The mean hourly rate	£11.61	£14.67	20.89%

The median hourly rate	£10.59	£13.83	23.44%
The mean bonus	£0	£0	0%
The median bonus	£0	£0	0%

By comparison, the gender pay gap in 2018/19 was summarised as follows:

	Female	Male	Gender Pay Gap
The mean hourly rate	£12.19	£14.64	16.75%
The median hourly rate	£10.70	£13.98	23.43%
The mean bonus	£0	£0	0%
The median bonus	£0	£0	0%

The Director of Human Resources explained that she intended to publish information pertaining to the ethnicity and disability pay gaps as this was likely to become a legal requirement in the following years. The preparatory work in relation to this would be received by the Fire Authority.

A Member asked whether the Service had made use of direct entry as a method of recruitment. The Director of Human Resources cited her own employment as an example of the Service recruiting through direct entry. The post of Chief Fire Officer had, in the past, been advertised in the same way. However, the main barrier to recruiting to some positions via direct entry was that operational roles required experience and a deep understanding of procedures and protocols. At a national level, work was underway to recruit to middle-management positions through direct entry.

Resolved - That the Committee take assurance in Humberside Fire and Rescue Service's efforts to close the gender pay gap.

6057 ABSENCE MANAGEMENT - The Director of Human Resources submitted a report providing a brief update with regard to absence management for the second quarter of 2018/19. The Director of Human Resources addressed the Board in relation to the establishment of an internal case review board as part of the process for considering applications for early ill-health retirement. The decision had been taken to establish the internal case review board to ensure that the Service considered the evidence in each case in depth prior to the Chief Fire Officer making a determination on each case. The internal case review board was co-chaired by the Deputy Chief Fire Officer and the Director of Human Resources. While there had not been many applications for early ill-health retirement in recent months, much had been learned from the most recent cases and the role played by the internal case review board had been agreed with the Fire Brigades Union (FBU). Both the FBU and the Service had concluded that this additional stage in the process provided assurance to all parties involved and would ensure that final decisions were correct and defensible.

With regard to absence management, both long- and short-term, the Service had made good progress. By comparison to the second quarter of 2017/18, the absences had reduced considerably. The average number of duty days lost per person had reduced from 4.24 days in the second quarter of 2017/18 to 2.85 days in the second quarter of 2018/19. During the intervening time, there had been a significant shift in the split between short- and long-term sickness in comparison to the previous year. While the overall number of hours lost to both long- and short-term sickness absence had decreased, long-term absences had decreased at a significantly higher rate than short-term absences:

FTE Establishment Figures ex firewatch - 10-10-18			
	Long Term	Short Term	Grand Total
Control	0.00	60.00	60.00
Green Book	501.28	218.11	719.39
Retained	447.33	183.27	630.60
Wholetime	1148.00	380.00	1528.00
Grand Total	2096.61	841.38	2937.99
FTE Establishment Figures ex firewatch - 28-09-17			
	Long Term	Short Term	Grand Total
Control	216	70	286
Green Book	897.26	263.6	1160.86
Retained	905.91	163.53	1069.44
Wholetime	1412	440	1852
Grand Total	3431.17	937.13	4368.3

A Member asked what progress had been made with regard to Occupational Health. The Director of Human Resources explained that she was awaiting a meeting of the Police and Fire Transformation Board before recruiting a Head of Occupational Health. The Board was due to consider a paper with an aim of exploring collaborative solutions for Occupational Health. Following this meeting, any proposals would be considered for approval by the Fire Authority. In the meantime, the Director of Human Resources had been undertaking Occupational Health duties alongside existing Occupational Health staff.

Resolved - (a) That Members welcome the content of the report and recognise the positive impact of the introduction of the internal case review boards on both the consistency of absence management and absence data.

(b) that Members congratulate the Human Resources Team on the work undertaken in achieving the improved performance reported.

6058 HER MAJESTY'S INSPECTORATE OF CONSTABULARY AND FIRE & RESCUE SERVICES INSPECTION UPDATE - The Head of Corporate Assurance reported orally that the evidence gathered during Tranche 1 of Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services' (HMICFRS) inspections of fire and rescue services had been received. The full report of the HMICFRS' inspection of Humberside Fire and Rescue Service would be published in June 2019 and it was expected that the following areas for improvement would be identified therein:

- Evaluation of activity.
- Unwanted fire signals (concerning which a paper was due to be heard by the Fire Authority at its meeting to be held on 11 February 2019).
- Prioritisation of business safety as well as public safety.
- Occupational Health.
- Wider workforce planning including personal development reviews and quality assurance of that process.

Following the inspection and receipt of the Tranche 1 evidence, the Senior Leadership Team (SLT) had distributed around 20 action points across their workstream

plans. The Chairperson referred to the inspection of Hertfordshire Fire and Rescue Service and noted that there were a number of areas where the Service required attention. Hertfordshire Fire and Rescue Service had a significant role in the East Coast Project. The Committee asked whether there would be any change to the responsibilities of members of SLT. A report was due to be received by the Fire Authority at its meeting on 11 February 2019 which would summarise changes to the management structure.

Resolved - That the update be received.

6059 ANY OTHER BUSINESS – There was no other business.

Meeting closed at 11.15 a.m.