

HUMBERSIDE FIRE AUTHORITY
GOVERNANCE, AUDIT AND SCRUTINY COMMITTEE

11 JUNE 2013

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

Councillors Briggs, Moore, Swift and Whittle attended as observers.

Deputy Chief Officer/Director of Operations, Secretary/Director of People, Director of Finance & Assets/Section 151 Officer, Assistant Chief Officer/Director of Safety, Committee Manager and Ms J Rae (External Audit - KPMG) and Mr B Durrant (Internal Audit - H W Controls & Assurance) 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.

4140 WELCOME AND INTRODUCTIONS – The Secretary/Director of People welcomed the Independent Co-opted Members, and the Elected Members of the Authority who were attending as observers, to the first meeting of the Governance, Audit and Scrutiny Committee in the 2013/14 cycle of meetings.

(The Secretary/Director of People took the Chair for the following items (Minutes 4141 and 4142).

4141 DECLARATIONS OF INTEREST - No declarations were made in connection with any of the items to be considered at the meeting.

4142 APPOINTMENT OF CHAIRPERSON – The Secretary/Director of People submitted a report on the appointment of a Chairperson for 2013/14.

Resolved – That Mr D Hughes be appointed Chairperson of this Committee until the Annual General Meeting of the Humberside Fire Authority in 2014.

(Mr Hughes took the Chair)

4143 APPOINTMENT OF A VICE-CHAIRPERSON – The Chairperson stated that the Members of this Committee had discussed the possible appointment of a Vice-Chairperson of this Committee and considered that it might be useful to have such a role, not only to act as a deputy should the Chairperson be absent but also in terms of succession planning. The Secretary/Director of People advised that such an appointment would be subject to ratification by the Fire Authority as there was no provision in the Authority's Constitution for the appointment of a Vice-Chairperson of this Committee, and also that there would be no Members' Allowance for such a role unless the Authority amended its approved Scheme of Members' Allowances. Members indicated that they would wish to propose the appointment of Mr D Chapman as Vice Chairperson of this Committee for the period until the Annual General Meeting of the Humberside Fire Authority in 2014. The Secretary/Director of People stated that he would pick this matter up at the next meeting.

Resolved – That it be a recommendation to the Fire Authority that the role of Vice-Chairperson of the Governance, Audit and Scrutiny Committee be established.

4144 MINUTES – **Resolved** – That the minutes of the meeting of the Committee held on 9 April 2013, having been printed and circulated amongst the Members, be taken as read and correctly recorded and be signed by the Chairperson.

4145 MATTERS ARISING FROM THE MINUTES, OTHER THAN ON THE AGENDA – There were no items.

4146 UPDATE: MATTERS ARISING/FEEDBACK FROM FIRE AUTHORITY - The Secretary/Director of People submitted a report summarising the consideration given by the Authority to the report presented by the Chairperson of the Governance, Audit and Scrutiny Committee and the draft minutes of the meeting of the Committee held on 9 April 2013. The Secretary/Director of People suggested that Members might wish to review the format of the report during this year.

The Chairperson referred to paragraph 2 of the report with regard to Minute 4075 and the Committee's request that the workstreams for 2013/14 would include a report outlining the procedures for reviewing Policy Guidance Notes indicated and commented that whilst the feedback indicated that this had been implemented the report at Agenda Item 9 (Committee Workstreams 2013/14) did not include the requested information. A Member referred to the feedback set out in the report with regard to Minute 4090 insofar as it related to the term of office of the new Members of this Committee and expressed concern that the appointment of Members for a period of 3 years had not been ratified and instead it seemed that the appointments would have to be confirmed each year by the Authority. Members generally echoed similar concerns and stated that the decision by the Fire Authority did not give them assurance as to the period of the appointments for continuity purposes. The Secretary/Director of People reminded Members that when the Committee was established in October 2012 it was subject to a review by the Authority in April 2013 and the letter of appointments to the Members of this Committee reflected that decision. The Secretary/Director of People stated that the Authority had reviewed its governance arrangements and had taken the decisions with regard to the Committee and its membership as set out in the report now submitted. The Authority, given that the Committee had been in operation for a relatively short period of time, had decided to review further in April 2014. The Secretary/Director of People advised that it was entirely a matter for the Fire Authority to determine its committees and composition accordingly. New Members had been informed that their appointment would be for an initial 3 or 4 years, but subject to a review by the Authority. Members requested that the period of the appointments should be referred back to the Fire Authority to have their term confirmed.

Resolved – (a) That the content of the report be noted, and

(b) that the term of appointment of the Members of this Committee be referred back to the Fire Authority for further consideration having regard to the concerns now raised.

4147 COMMITTEE COMPOSITION 2013/14 AND TERMS OF REFERENCE - CHAIRPERSON'S REPORT TO FIRE AUTHORITY – The Secretary/Director of People submitted a report confirming the composition of the Committee for 2013/14. There was a vacancy on the Committee which was currently being recruited to. A Panel comprising the Chairperson of the Authority, a nomination from each of the Group Secretaries, the Chairperson of the Governance, Audit and Scrutiny Committee and the Secretary/Monitoring Officer had been established to progress the appointment. As this was the first meeting of the Committee in a new cycle, a copy of the Committee's Terms of Reference extracted from the Constitution was attached for Members' information at Appendix 1 to the report.

In response to a query by a Member regarding the recruitment of a new Member to fill the vacancy on the Committee the Secretary/Director of People briefly outlined the process that will be followed.

Resolved – That the report be noted.

4148 CALENDAR OF MEETINGS 2013/14 -The Secretary/Director of People submitted a report indicating that the Annual General Meeting of the Authority set the calendar of its

meetings for the forthcoming year. With regard to the Governance, Audit and Scrutiny Committee, its calendar of meetings was a matter for the Committee. However, so far as possible, the Committee should meet about 15 to 10 working days before the full Fire Authority. The report set out a list of proposed dates. The Committee was asked to consider the timing and location of its meetings and also holding ad hoc short meetings with Auditors as and when the circumstances might benefit that approach. Attached at Appendix 1 to the report was a schedule showing the calendar of meetings of the Fire Authority which included the proposed dates for meetings of this Committee.

A Member stated that previously Members had received training from Sector on basic accounting procedures and suggested that it would be helpful if that training could be repeated for Members of this Committee. The Director of Finance & Assets/Section 151 Officer stated that it would be timely to arrange such a training session later in the financial year.

Resolved – (a) That meetings of this Committee be held on the dates shown in Appendix 1 to the report at 10.00am at Fire Brigade Headquarters and that Members will consider whether to hold any meetings at alternative venues and if so the Chairperson will inform the Secretary/Director of People accordingly, and

(b) that the Director of Finance & Assets/Section 151 Officer be asked to arrange for one of the meetings later in the year to include a training session by Sector on accounting procedures and how Members of this Committee might carry out their scrutiny role with regard to the accounts.

4149 COMMITTEE WORKSTREAMS 2013/14 – The Secretary/Director of People submitted a report indicating that in line with the Constitution, the first meeting of each Committee in a new cycle should receive a report which outlines broadly the substantive reports that Members, as a minimum, can expect to receive during the year. Appendix 1 to the report set out the proposed workstreams for the Governance, Audit and Scrutiny Committee for 2013/14. The intention behind the workstreams for 2013/14 was to provide Members with a broad indication of the reports that they can expect to receive during the year and also enable forward planning for the Corporate Management Team and the Fire Authority. The proposed workstreams were not exhaustive but were indicative.

A Member suggested that it would be helpful to Members of this Committee if they were each aligned to the proposed workstreams according to the individual Members' skillset. The Secretary/Director of People stated that it would be possible but that there was quite a number of workstreams listed in the report and that whilst Members could be involved his personal view was that Members should continue to receive reports and review performance and progress in the normal way, as now. A Member stated that what was concerning the Members of this Committee was that they did not want to work in a silo and they thought it might be helpful in carrying out their role to have a greater understanding of the Authority's work. The Secretary/Director of People stated that if Members wished they could try the suggestion out on a couple of workstreams on a trial basis and subject to review, bearing in mind the role of the Committee.

Resolved – (a) That the proposed workstreams be approved, and

(b) that the Chairperson of this Committee will consult with Members of the Committee and notify the Secretary/Director of People of the names of Members to be linked to workstreams on a trial basis.

4150 'HFR SOLUTIONS' – REPORTING AND GOVERNANCE ARRANGEMENTS - The Deputy Chief Officer/Director of HFR Solutions submitted a report indicating that since the establishment of 'HFR Solutions' (the Community Interest Company of Humberside Fire Authority in February 2012 the Authority had received four reports with regard to the performance and focus of the company. In an attempt to harmonise the reporting

arrangements between the Authority and this Committee so that reporting is consistent between the two, this Committee had been seeking further information with regard to performance, governance and financial accounting in respect of 'HFR Solutions'. As arrangements had now been agreed at both Corporate Management Team (CMT) and Fire Authority level it was felt at the last meeting of this Committee that a brief report setting out those arrangements would be the best way of consolidating the information for its Members after two failed attempts (due to time pressure) to deliver this information via a presentation, which the Fire Authority had previously received. The report therefore set out the format of future performance summary reports to both this Committee and the Authority; reminded this Committee of the Authority approved governance arrangements for 'HFR Solutions' and also the further work that had taken place to consolidate those arrangements in terms of the Solutions Board's relationship with both CMT and the Fire Authority.

In April 2012 the Authority had agreed that a review of the Company be carried out after around 18 months. In respect to Member involvement, Members had sought in autumn 2012 to have Member representation on the Board of 'HFR Solutions'. There was a decision that there would be one North Bank and one South Bank Member representative in 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 should be considered at the 24 May 2013 AGM of the Authority. This was discussed at the AGM and will go back to the Authority for further consideration. Ultimately the level of Member involvement in the Company was a decision for the Authority. However, the Secretary/Monitoring Officer had 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 of Conduct 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 was 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.

As a result of a continuous learning process, further work had been carried out in clarifying and consolidating the governance of 'HFR Solutions' especially in its relationship with both CMT and the Authority. To this end a new process for the approval and sign-off of new business proposals had been developed and was supported by the Authority at its most recent Member Day. The process was summarised in the report and illustrated as a flowchart at Appendix 1 to the report. The Committee was 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.

A Member referred to paragraph 13 of the report and stated that she had some quite serious concerns about Members of the Authority becoming Directors of the Company and that she felt there was much merit in the perception that Members were independent. In reply to a question about how often the full-time employee reports to the Directors the Deputy Chief Officer/Director of 'HFR Solutions' explained the current working relationship. A Member stated that he would look forward to that relationship being set out in the October 2013 review. A Member asked what the conversion rate was for bids to contracts. The Deputy Chief Officer/Director of 'HFR Solutions' stated that the company did not pursue contracts that might be a risk to the Service. A Member asked whether the October 2013 review would include a Business Management Plan. The Deputy Chief Officer/Director of 'HFR Solutions' stated that the Business Plan would be submitted to the next meeting of this Committee. A Member asked what the impact of work for the company on the Directors normal duties and was assured by the answer given by the Deputy Chief Officer/Director of 'HFR Solutions'. A Member sought clarification of the relationship between the Corporate Management Team and the Directors of the company. The Secretary/Director of People confirmed that CMT were accountable to the Fire Authority and that whilst in theory there might seem to be some conflict but in practice there was not, and suggested that CMT might be viewed as a 'Shadow' Board. A Member queried whether the role of this Committee might

be revisited in terms of the company as this Committee was only receiving a quarterly report. The Secretary/Director of People reminded Members that the role of this Committee was to scrutinise the performance of the company thereby assisting the Fire Authority and stated that even if appropriate, it would be very difficult, if not impossible, for proposed decisions by the company to come to this Committee first. A Member stated that this Committee did not want to be involved in the company's day to day activities. The Chairperson asked about the health and safety implications reported in paragraph 24 of the report. The Assistant Chief Officer/Director of Safety reported that the company was taking advice from an independent party who will report to the Board on how the company is performing on health and safety.

Resolved – (a) That Members take assurance from the content of the report in terms of the governance and reporting arrangements for 'HFR Solutions' and its relationship with both CMT and the Fire Authority in this regard; and

(b) that the Authority be informed that it is the view of this Committee that Members of the Authority should not be Directors of 'HFR Solutions' whilst this Committee understands their interest in the company.

4151 EXCLUSION OF PRESS AND PUBLIC – Resolved – That the press and public be excluded from the meeting during consideration of the following items (Minutes 4152 and 4153) on the grounds that they are 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).

4152 'HFR SOLUTIONS' - OPTIONS FOR THE USE OF THE SURPLUS GENERATED - The Deputy Chief Officer/Director of 'HFR Solutions' submitted a report indicating that upon completion of the first full year of trading, it was a requirement of the Community Interest Company Regulator that detail is 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. It was now opportune to set out more detailed options for the earmarking of the surplus generated by 'HFR Solutions' and provide recommendations to the Authority on potential uses. The report therefore set out the options for use of 'HFR Solutions' surplus. The report also set out the financial summary of the first year of trading as set out in Appendix 1 to the report and how that was currently accounted for both in 'HFR Solutions' and in the consolidated Group Accounts of the Authority. The basis on which the options were formulated was to, in the vast majority of cases, invest in areas that not only satisfy the CIC requirements of 'community benefit' but are able, in part, to generate further income for the Service in line with the 'HFR Solutions' Business Plan.

A detailed discussion ensued during which questions by Members were answered by Officers.

Resolved – That this Committee congratulates the organisation on an amazing first year and notes the options set out below:

- (a) Create a Solutions 'Capital Project' reserve;
- (b) Create a Solutions 'Communities' reserve; and
- (c) Continue to recharge secondments into 'HFR Solutions' which has a beneficial effect on the Authority's pay bill.

4153 WORKSHOPS COLLABORATION - The Director of Finance & Assets/Section 151 Officer and Secretary/Director of People submitted a report, further to Minute 4077, updating Members on the latest position with regard to workshops collaboration for vehicle and equipment maintenance. Over the last two years the Authority had been assessing options aimed at creating sustainable and fit-for-purpose workshop facilities. Members at the 23 April

2013 Fire Authority meeting had requested a more detailed Business Case of the options available. Appendix 1 to the report set out six possible options.

A discussion ensued during which questions by Members were answered by Officers.

Resolved – That this Committee encourages Officers to pursue their analysis of the options.

EXTERNAL AUDIT

4154 External Audit Progress – Ms J Rae (External Audit, KPMG) submitted a letter dated 28 May 2013 confirming that no significant issues had been identified during the early part of the audit work as requiring discussion with Officers or report of the Authority.

Resolved – That the letter be noted.

INTERNAL AUDIT REPORTS

4155 Annual Report 2012/13 – Mr B Durrant, H W Controls & Assurance submitted the Annual Report of the Authority's Internal Audit function for 2012/13. Internal Audit had completed the programme of audits for the year ended 31 March 2013 in accordance with the CIPFA Code of Practice for Internal Audit. In carrying out its work the cooperation of management and staff was gratefully received throughout the year. Audits undertaken during the year had not resulted in any recommendations being classified as "high" priority. All recommendations had been implemented or were in the process of being implemented. There were no special investigations performed during the year. It was the opinion of Internal Audit that on the whole the Fire Service had an adequate, effective and reliable framework of internal control. In the opinion of H W Controls & Assistance, for the 12-month period to 31 March 2013, the Fire Service had an 'Adequate', effective and reliable framework of internal control that provided reasonable assurance regarding the effective and efficient achievement of the Fire Service's objectives.

A Member asked whether the Internal Auditor looked at the 'intended timescale' for the implementation of recommendations when reviewing progress. Mr Durrant stated that follow-up reviews were always carried out after the quoted deadline. A Member queried whether 'Adequate' was a standard assessment or whether the auditor found that the Authority was falling below what was normal. Mr Durrant stated that the assessment 'Adequate' was what one would expect if an authority was performing well.

Resolved – That the report be noted.

4156 Internal Audit Progress Report 2013/14 – Mr B Durrant, H W Controls & Assurance reported orally that no work had yet been undertaken on the 2013/14 audit and that it had been agreed with management to postpone two audits until quarter four of the audit plan.

Resolved – That the report be noted.

4157 Procurement Review – Mr B Durrant, H W Controls & Assurance submitted a report on the outcome of the audit of procurement. The overall objective of the audit was to ensure that adequate processes were in place that supported and facilitated effective and efficient procurement of goods and services. 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 procurement process. The report identified four weaknesses in controls, three areas of good practice/controls operating effectively 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.

A Member asked whether Internal Audit would expect the Authority to have a full-time Procurement Officer. Mr Durrant stated that it was not unusual for other fire authorities of a

similar size. The Director of Finance & Assets/Section 151 Officer stated that there was accountability and that this Authority had one Officer dealing with procurement but who also had other roles, and that the Service also used the Yorkshire Purchasing Organisation. A Member referred to the traffic light monitoring system and queried why, if an issue has been outstanding for a year, it can still be shown low risk on the traffic light system.

Resolved – (a) That Members note the findings of the audit and are assured by the management action being taken, and

(b) that it be a recommendation to the Fire Authority that Internal Audit should be asked to consider when they should start moving up the traffic light monitoring system items previously reported but not yet undertaken.

4158 Pensions Review – Mr B Durrant, H W Controls & Assurance submitted a report indicating that this review had been planned as part of the 2012/13 annual audit plan to ensure that processes surrounding the outsourced Pension Administration and Payroll were operating efficiently and effectively. Up until March 2011, the Finance Section performed the Pension Administration in-house. During 2011 a review of the in-house service was undertaken resulting in a decision to outsource the function. The Fire Service received two tenders and following a detailed evaluation the contract was awarded to the West Yorkshire Pension Authority. The contract started in April 2012 and was for four years with the option to extend by two years. The Pension payroll function was outsourced to Arvato, the Strategic partner of East Riding of Yorkshire Council. The audit assessed the adequacy and effectiveness of internal controls operating at the outsourced Pension Administration and Payroll organisations undertaking work on behalf of the Fire Service. The review also looked to consider work performed by the respective Internal Audit sections at West Yorkshire Pension Fund and Arvato in obtaining assurance on systems and controls in place. The report set out the findings of the review and recommended that annual comfort letters should be obtained to provide assurance that pension payroll and administration are operating effectively and efficiently by the respective service providers

Resolved – That Members note the findings of the audit.

4159 Key Financial Systems Review – Mr B Durrant, H W Controls & Assurance submitted a report on the review of the financial systems for Debtors; Creditors; Payroll, and Travel & Subsistence. The overall objective of the audit was to ensure that effective and efficient processes were in place for the financial systems and that the information generated by those systems was accurate and complete. 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 financial systems process. The report identified six weaknesses in controls, eight areas of good practice, one observation 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.

A Member referred to the findings in relation to debtors and sought clarification. Mr Durrant apologised that he did not have the details available to answer the query. A Member referred to the weakness in controls identified in respect to procurement card activity and stated that she was not assured by the report. The Director of Finance & Assets/Section 151 Officer stated that he saw all procurement card activity which was somewhat limited and also that there were restrictions on the use of the cards, and that ultimately an order would have to be signed by an authorised Officer. A Member stated that the report showed the report as medium risk and asked whether any action was proposed. The Director of Finance & Assets/Section 151 Officer stated that nothing was proposed other than the arrangements already in place. A Member stated that he had some queries but that they probably arose from lack of knowledge of the financial processes which might be overcome by a brief talk with a finance Officer. The Director of Finance & Assets/Section 151 Officer stated that he would give some thought to the matter and suggested that it might be that he could just talk Members through a transaction.

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

4160 Partnership Working – Mr B Durrant, H W Controls & Assurance submitted a report on the audit of partnership working. The overall objective of the audit was to ensure that effective management arrangements and underlying systems were in place that supported the achievement of the intended outcomes of the partnership set up to roll out sprinkler systems to risk assessed properties. Based on 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 two weaknesses in controls, six 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.

A Member commented that that there was no formal criteria in the agreement to measure success. The Assistant Chief Officer/Director of Safety stated that as the partnership working has developed one of the factors will be to assess how successful it has been.

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

4161 ANNUAL STATEMENT OF ACCOUNTS 2012/13 - The Director of Finance & Assets/Section 151 Officer submitted a report containing the Authority’s full unaudited Statement of Accounts for 2012/13 as set out in Appendix 1 to the report and also highlighted the key aspects of revenue and capital outturn for the year. The audited Statement of Accounts for the Authority’s Community Interest Company (CIC) for 2012/13 was set out in Appendix two to the report. The accounts covered by the report in Appendix 1 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 2013. The report indicated that outturn position for the revenue budget for 2012/13 was a £2.076m underspend which compared well to the period 11 end of February 2013 projection in the Management Accounts of a £1.949m underspend. The full schedule of variances is set out in more detail in the Foreword to the Statement of Accounts

The report included the annual accounts of ‘HFR Solutions’ the Authority’s Controlled Interest Company which was established in January 2012 and commenced trading on 1 April 2012. The CIC’s Annual Accounts for 2012/13 were compiled by Audit Solutions (UK) Limited of Scunthorpe and independently audited by Streets Audit LLP of Lincoln in April 2013. 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 first year trading performance of the CIC had been strong with a post corporation tax surplus of £298k. In addition to this the Authority had seconded staff and charged staff time to the CIC to the order of £280k. The later section of the report on Reserves recommended that the £280k be placed in an earmarked reserve to clearly identify the CIC’s contribution to the Authority’s financial position. The remaining £298k surplus was shown within the Authority’s Group Accounts (page 52 of the Authority’s Accounts refers). In total therefore in the first year of trading the CIC had generated a total financial benefit of £578k.

The outturn for the Capital Programme showed spending of £3.457m as detailed in the report. The report identified ten schemes for which it was proposed that the capital allocations be rephased into the 2013/14 Capital Programme. Table 1 in paragraph 6 to the report showed the overall position on Reserves at 31 March 2013 and some recommended movements in reserves to be effected from 1 April 2013. Table 1 showed overall revenue reserves of £18.6m at 31 March 2013 with a projected level of £13.3m at 31 March 2014. 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 2014/15 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 with

circa £5.0m expected to be applied in 2013/14 to schemes such as Clough Road, Breathing Apparatus Replacement, the Service-wide WAN and the East Coast and Hertfordshire Control Room Consortium. Table 1 also identified firm funding for the solutions required at Brough and Hull Central. Further reports would be brought before Members in due course to ensure that fit for purpose facilities are created for these two locations as part of the Authority's on-going programme of fire station investment and renewal.

A Member stated that the accounts seemed to show differing levels of reserves. The Finance Manager drew attention to the Movements in Reserves Statement on page 111 which explained how the reserves were calculated. A Member asked whether the level of reserves was reasonable for a Fire Authority the size of Humberside Fire Authority. The Director of Finance & Assets/Section 151 Officer stated that the Authority was in the middle range but that given the uncertainties the level was not excessive, but were robust. A Member asked whether the Officer was confident that the capital scheme at Brough on page 88 of the report will be completed by 31 March 2014. The Director of Finance & Assets/Section 151 Officer acknowledged that the timescale might be a little optimistic. A Member referred to page 97 and commented that the level of income from course fees was lower than anticipated. The Director of Finance & Assets/Section 151 Officer stated that the reduction might be an indication of a shrinking organisation. A Member referred to page 128 and stated that the Table did not include the Employer's National Insurance payments. The Director of Finance & Assets/Section 151 Officer stated that the Table was a prescribed format.

Resolved – That Members take assurance from the accounts presented and that it be noted that after the Fire Authority meeting on 24 June 2013 a copy signed by the Director of Finance & Assets/Section 151 Officer will be presented for audit.

4162 TREASURY MANAGEMENT ANNUAL REPORT – The Director of Finance & Assets/Section 151 Officer submitted a report providing a review of the Authority's Treasury Management activity and Prudential Indicators for the year 2012/13 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 2012/13. Appendix 1 to the report detailed the agreed Prudential Indicators for 2012/13 and the actual figures for 2012/13. 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 Service and Finance 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 2013 was £1.2m below the agreed Operational Boundary for 2012/13 and the maturity structure for both borrowing and investments remained within the approved upper and lower limits. Subsequent borrowing or re-scheduling during 2013/14 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 2012/13 and the Prudential Indicators as outlined in paragraphs 15 and 16 and detailed in Appendix 1 to the report.

4163 PEER CHALLENGE MARCH 2013 - DRAFT REPORT – The Assistant Chief Officer/Director of Safety presented a report by the Chief Fire Officer & Chief Executive, further to Minute 4085, submitting a copy of the draft report received from the Local Government Association (LGA) setting out the outcomes and key findings from the LGA's Fire Peer Challenge at Humberside Fire and Rescue Service in March 2013. The purpose of the peer challenge was to complement the Authority's Operational Assurance self-assessment by providing external challenge to help support improvement and to reflect how the Service is performing across the areas of focus. Each of the key areas which were

subject to challenge by the Peer Team was covered in detail within the draft report, highlighting strengths and areas to explore as a service. However as a draft document there were a number of observations within the report that required clarification with the author before production of the final document. Members' attention was drawn to some key points from the Executive Summary. A copy of the final report will be submitted to this Committee when received.

A Member referred to the statement in the report that there was a perception by some staff that the Service might not be actively pursuing enforcement through to prosecution. The Secretary/Director of People explained the reasons why the Service had followed a more conservative approach with regard to prosecutions but that a fresh approach was being adopted. A Member pointed out that the report was incorrect on page 6 in that the remit of this Committee does include making recommendations to the Fire Authority.

Resolved – That the report be noted.

4164 FINDINGS OF THE REVIEW OF EFFICIENCIES AND OPERATIONS IN FIRE AND RESCUE AUTHORITIES IN ENGLAND -

The Deputy Chief Officer/Director of Operations presented a report by the Chief Fire Officer & Chief Executive indicating that Sir Ken Knight was commissioned by the Government in December 2012 to undertake a Review of Efficiencies and Operations in Fire and Rescue Authorities (FRAs) in England. As part of the review Sir Ken visited 16 authorities including Humberside Fire Authority. In preparation for the review the Chief Fire Officer & Chief Executive had submitted a report to Sir Ken outlining the performance of Humberside Fire and Rescue Service (HFRS) and the efficiencies made so far. Sir Ken visited Service Headquarters on 26 February 2013 where he met with the Chairperson of the Authority and the Corporate Management Team. Sir Ken received a presentation which prompted a lengthy discussion into the challenges facing the Fire and Rescue Service (FRS) in general and HFRS in particular. Sir Ken's report 'Facing the Future' was subsequently published on 17 May 2013 and a copy was sent to all Members of Authority. A summary of the report was attached at Appendix 1 to the report now submitted.

Prior to visiting FRS's Sir Ken's team undertook a desk-top review of the data relevant to FRS efficiency. It had been confirmed that that data, the most current at the time, was approximately 12 months' old. Whilst it was accurate when published it was likely that most FRS's had reduced their costs in the light of grant reductions and the council tax freeze. However, the conclusions drawn by Sir Ken were in the most part reasonable and did provide 'food for thought' as to how FRS's might drive out more efficiencies in the future. Conspicuous by its absence was reference to the Authority's Governance, Audit & Scrutiny Committee which Sir Ken regarded as notable practice. This was disappointing in the light of his criticism of the independence of scrutiny in the Combined Fire Authorities (CFAs) and Metropolitan FRAs. On 23 May 2013 the Fire Minister, Brandon Lewis, and Sir Ken Knight held a tele-conference to provide the opportunity for officers and Members to ask questions and comment on the report. During that tele-conference the Minister stated that he would carefully consider the report and that he would respond to it in the Autumn of 2013. He encouraged officers and Members to comment on the report and he undertook to consider such comments before responding formally. In the meantime FRAs were advised to continue making efficiencies and to consider implementing efficiency options identified by Sir Ken.

In terms of an overview of Sir Ken's report the report now submitted indicated that the report focused on the fact that demand for FRS emergency response had fallen by 40% in the last decade but that the number of staff employed and therefore cost had barely changed. Whilst this might be the case in some FRS's many, including HFRS, had reduced their whole time establishment significantly during that period. HFRS had reduced the whole time establishment from 714 in 2003 to 528 in 2013. Set against this, however, was an increase in support staff to fulfill front-line functions such as community safety and

enforcement and an increase in on-call staff. There had, however, been a reduction in revenue costs of over £5m per year. Sir Ken estimated that if all FRSs operated at the same cost per head of population as the average for England then £196m per year could be saved. Members were asked to note that whilst previous efficiency programmes had improved the Authority's position from fifth to sixth most expensive service per head of population in England the Authority remained under pressure to reduce cost further. Sir Ken also commented that protecting frontline services was about maintaining the service the public receives, not about avoiding redundancy or station closures and highlighted the potential to convert some whole time duty system stations to retained duty system stations which could save up to £123m per year across England. The report stated that current delivery had been borne out of successive changes and that it would look very different if it was designed from a blank sheet of paper. Whilst full mergers remained an option Sir Ken's report suggested that significant savings could be made by merging non-operational functions (i.e. HR, payroll, legal) sharing senior officers, sharing operational cover or working more closely with other blue light services. Members were reminded that mergers and shared management teams were evaluated and rejected by this Authority in 2011 as there were many obstacles and the benefits were unclear

It was reported that HFRS was progressing in many areas of collaboration as suggested but it was clear that the magnitude of those savings, whilst helpful, would not be sufficient to meet the forecasted grant reduction beyond 2014/15. Sir Ken's report noted that the basis for the current funding formula was fair as it accurately links need to spend. The overall spend had however reduced so the FRS will still feel the impact of grant reductions. Sir Ken questioned whether the Fire sector had people with the requisite skills to trade efficiently and suggested that these might be acquired by the appointment of non-executive directors. On the development of mutuals the report recognizes that they were not the only way forward but they might present opportunities for a far different delivery model. Sir Ken also suggested that governance arrangements such as the Police and Crime Commissioner could clarify accountability and provide visibility to the electorate. He also feels that the County model had the potential to drive out greater efficiencies as fire and rescue would have to compete for resources with other functions. It was reported that again HFRS are at the forefront of trading to generate income for reinvestment through 'HFR Solutions' which has returned a surplus over £500k in its first year of trading. 'HFR Solutions' appears to deliver many of the benefits of service mutualisation whilst ensuring that core services remain in the public sector. The governance arrangements currently in use by the HFA provide genuine and unique independent scrutiny ensuring accountability and transparency within the CFA model. In the final chapter Sir Ken highlights some broad options to release greater efficiencies but acknowledges that these would need to be driven by Government; these were set out in Appendix 1.

The report concluded that whilst the report Sir Ken was critical of Officers and Elected Members but did not highlight the lack of leadership of Central Government, many of his observations and conclusions he draws are reasonable. The Vision recently approved by the Authority should in the fullness of time deliver many of the efficiencies identified by Sir Ken. The Operational Efficiencies Programme had the potential to release significant further savings and still meet our response standards. The review of non-frontline services had already released savings and further potential had been identified through possible collaboration with South Yorkshire FRS and Humberside Police. A medical response pilot was underway in the East Riding and in North East Lincolnshire and further collaboration with both Ambulance Trusts looked promising. Until the Minister responds to Sir Ken Knight's review it was suggested that the Service should maintain its present direction in the knowledge that its efficiency strategy is well thought out and achievable. The pace of change is, however, dependent on Government's willingness to provide flexibilities around redundancy payments and early access to pensions.

A Member expressed his disappointment at Sir Ken Knight's report and queried whether Members of this Committee might have some input into the draft response. The Secretary/Director of People that there had been a discussion at the Member Day on 7 June

2013 and that the comments made at that meeting would form the basis of a draft response that will come through this Committee to the Fire Authority in July 2013.

Resolved – That it be noted that the Fire Authority will be asked to consider the report and:

- (a) continue with the current planned efficiency programme, and
- (b) submit a response to the efficiency review for consideration by the Fire Minister.

4165 OPERATIONAL EFFICIENCY PROGRAMME – It was agreed that this item will be discussed at the Member Training event which follows this meeting of the Committee.

4166 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.

4167 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.

4168 ANY OTHER BUSINESS – A Member reported that the 'Who's Who' with photographs of Members did not include an indication as to which constituent unitary authority they had been appointed by. The Secretary/Director of People stated that that information was provided elsewhere in the Members' Meeting Folder.

Meeting closed at 12.34 pm