

NOTICE OF MEETING

<i>Meeting</i>	Hampshire Fire and Rescue Authority	<i>Clerk to the Hampshire Fire and Rescue Authority</i> John Coughlan CBE
<i>Date and Time</i>	Wednesday 10th February, 2021 10.00 am	<i>The Castle, Winchester Hampshire SO23 8UJ</i>
<i>Place</i>	Virtual Teams Meeting - Microsoft Teams	
<i>Enquiries to</i>	<u>members.services@hants.gov.uk</u>	

FILMING NOTIFICATION

This meeting will be broadcast live on the HFRS YouTube channel.

Agenda

1 **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

2 **DECLARATIONS OF INTEREST**

To enable Members to disclose to the meeting any disclosable pecuniary interest they may have in any matter on the agenda for the meeting, where that interest is not already entered in the Authority's register of interests, and any other pecuniary or non-pecuniary interests in any such matter that Members may wish to disclose.

3 **MINUTES OF PREVIOUS MEETING** (Pages 3 - 8)

To confirm the minutes of the previous meeting

4 **DEPUTATIONS**

Pursuant to Standing Order 19, to receive any deputations to this meeting

5 **CHAIRMAN'S ANNOUNCEMENTS**

To receive any announcements the Chairman may wish to make.

6 **MEMBER DEVELOPMENTS**

To receive any updates from Members of the Authority.

7 **TRADING COMPANY** (Pages 9 - 60)

To consider a report from the Chief Fire Officer, which recommends that HFRA, as 3SFire's sole shareholder, agrees to a community interest company (CIC) conversion.

8 **MINUTES FROM STANDARDS & GOVERNANCE COMMITTEE - 17 NOVEMBER 2020** (Pages 61 - 126)

To receive the minutes and from the 17 November 2020 Standards & Governance Committee meeting and accept and note the External Auditor's HFRA Audit Results Report.

9 **EXCLUSION OF PRESS AND PUBLIC**

To resolve that the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

10 **EXEMPT MINUTE FROM 9 DECEMBER HFRA MEETING (MEMBERS ONLY)**

To agree the exempt minute from the 9 December HFRA meeting.

ABOUT THIS AGENDA:

This agenda is available on the Hampshire Fire and Rescue Service website (www.hantsfire.gov.uk) and can be provided, on request, in alternative versions (such as large print, Braille or audio) and in alternative languages.

Agenda Item 3

AT A MEETING of the Hampshire Fire and Rescue Authority held virtually on
Microsoft Teams on Wednesday, 9th December, 2020

Chairman:

* Councillor Christopher Carter

- | | |
|--------------------------------|--------------------------------|
| * Councillor Roz Chadd | * Councillor Sharon Mintoff |
| * Councillor Liz Fairhurst | * Councillor Roger Price |
| * Councillor Jason Fazackarley | * Councillor David Simpson |
| * Councillor Jonathan Glen | Councillor Rhydian Vaughan MBE |
| * Councillor Geoffrey Hockley | |

*Present

Also present with agreement from the Chairman: Laura Cadd, Police and Crime
Commissioners Officer

296. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Rhydian Vaughan. Councillor Dave Stewart from the Isle of Wight Council and Michael Lane, Police and Crime Commissioner, also sent in apologies for the meeting.

297. **DECLARATIONS OF INTEREST**

Members were mindful of their duty to disclose at the meeting any disclosable pecuniary interest they had in any matter on the agenda for the meeting, where that interest was not already entered in the Authority's register of interests, and their ability to disclose any other personal interests in any such matter that they might have wished to disclose.

298. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed.

299. **DEPUTATIONS**

There were no deputations for the meeting.

300. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman acknowledged that there have been a number of consultations recently, and thanked officers for their work on the Fire Safety Consultation, for proposals for implementing the recommendations set out in the Grenfell Tower Phase 1 report that requires new legislation. A response had also been submitted to The Government's 2020 Comprehensive Spending Review.

The Service was thanked for tirelessly working in support of preventing the spread of the Covid-19 virus and collaboration and coordination of activities.

A Motion had been put forward by Portsmouth City Council regarding response times, which was responded to by Hampshire Fire and Rescue Service, in consultation with the Authority Chairman. Councillor Jason Fazackarley extended his thanks for responding to the Motion.

The Chairman also confirmed that further powers had been put in place in response to assaults on emergency services staff during the pandemic.

301. **MEMBER DEVELOPMENTS**

The Chairman thanked firefighters for allowing him to observe their response to a fire at a derelict building in Gosport, which was very informative.

Councillor Roz Chadd also thanked staff for maintaining social media platforms so regularly, as they were reliable sources of up-to-date information for the public and a valuable resource.

302. **ANTI-THEFT, FRAUD, BRIBERY AND CORRUPTION POLICY**

The Full Authority considered a report from the Chief Fire Officer (item 7 in the minute book) regarding a proposed new Anti-Theft, Fraud, Bribery and Corruption policy.

The policy would be embedded into the Fire Service's way of working and if approved, Internal Audit would provide training on how this could be monitored and assess how often it would need to be reviewed going forward.

As detailed in paragraphs 16 and 17 of the report, the policy statement applied to the Hampshire Fire & Rescue Authority, but would be applicable to the Combined Fire Authority (CFA) from 1 April 2021 and a new badge would be added. It was also confirmed that if approved, this would be captured as part of the Policy Alignment Working Group to ensure a smooth transition to the CFA.

RESOLVED

a) The Anti-theft, Fraud, Bribery and Corruption Policy was approved by Hampshire Fire and Rescue Authority.

b) It was agreed that the Anti-theft, Fraud, Bribery and Corruption Policy be published appropriately to ensure clarity of the Authority's position.

303. **GRENFELL TOWER PROGRESS REPORT**

The Full Authority received a report from the Chief Fire Officer (item 8 in the minute book) regarding progress with recommendations following the Grenfell Tower incident and investigations.

The officer highlighted areas of work that had been covered, including the setting up of a High-Rise Risk Based Inspection Programme (HRRBIP) team, development of a new high-rise procedure, new response plans, and relevant and specialised areas of training and new strategy being implemented.

In paragraph 13 of the report Members queried reference to the 11 themes to inform how the National Fire Chiefs Council (NFCC) should manage its work that Services were asked to prioritise. It was confirmed that this would be picked up for discussion at a future Authority Policy Advisory Group (APAG) meeting.

RESOLVED

a) The progress report was noted by Hampshire Fire and Rescue Authority.

b) The proposal for subsequent iterations of this progress report being scrutinised by the Authority every six months was approved by Hampshire Fire and Rescue Authority.

304. **MID-YEAR PERFORMANCE REPORT 2020/21**

The Full Authority received a report of the Chief Fire Officer (item 9 in the minute book), covering mid-year performance for 2020/21.

The item was introduced and it was confirmed that the report covered the past six months, and was an anomaly due to the pandemic and its effects. Members queried why there was often a misalignment between the number of calls received and the number of incidents attended, and it was explained that this was down to the incident and the number of people who would have called to report it, with large-scale and/or open incidents generating a higher volume of calls.

The Authority welcomed news that shifts lost down to sickness levels had decreased due to working from home and more emphasis on wellbeing. Whilst work was still being done on mental health issues, there was less stigma on this now compared to previous years.

The 8/80 response standard was discussed and officers confirmed that it was an old standard configured many decades previous and did not reflect how a modern Fire and Rescue Service responds to incidents with there now being many other factors to consider along with the speed of a response. Despite this, Hampshire Fire and Rescue Service still out-performed many other Services' responding times with an average of 7mins 52 seconds.

When looking at pages 41-42 of the pack, it was confirmed that additional appliances had been distributed to on-call stations for over Christmas and the New Year to assist.

RESOLVED

The Mid-Year Performance Report, and its focus on performance against the

Safety Plan priorities, was noted by Hampshire Fire and Rescue Authority.

305. SAFETY PLAN 2020-25 - YEAR 1 SIX MONTH PROGRESS

The Full Authority received a report from the Chief Fire Officer (item 10 in the minute book), which provided Members with a six month update.

As in the report, it was confirmed that thus far, 19 out of 73 deliverables (26%) has been completed. 68% were on track for completion, 2% had been postponed until Year 2 due to COVID-19 or paused until activity could resume and 2% had not yet started but would be completed by the end of March 2021. Furthermore, as at October, six months into the Safety Plan, across all 73 deliverables, the average progress reported stood at 58%.

There had been a focus on training and ensuring people were signposted in the best way, and breakfast briefings had been taking place to ensure connection across teams. There was also a focus on public value, with estate management being assessed and commitment to the longer term work and improvements to infrastructure so it could have multiple benefits.

The Chief Fire Officer thanked officers for their work on the Safety Plan and the Chairman also thanked all of the Fire and Rescue Service on behalf of the Full Authority.

RESOLVED

Despite the impacts of COVID-19, positive progress towards the delivery of Year 1 of the 2020-25 Safety Plan was noted by the Hampshire Fire and Rescue Authority.

306. MINUTES FROM THE STANDARDS & GOVERNANCE COMMITTEE - 30 SEPTEMBER 2020

The minutes of the 30 September 2020 Standards & Governance Committee meeting were presented to the Authority and there were no questions.

307. MINUTES FROM THE STAKEHOLDER COMMITTEE - 11 NOVEMBER 2020

The minutes of the 11 November 2020 Stakeholder Committee meeting were presented to the Authority and there were no questions.

308. EXCLUSION OF PRESS AND PUBLIC

It was resolved that the public be excluded from the meeting during the following items of business, as it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in

disclosing the information, for the reasons set out in the reports.

309. EXEMPT MINUTES FROM HFRA MEETING - 22 SEPTEMBER 2020

The exempt minutes from the 22 September 2020 Full Authority meeting were approved.

310. EXEMPT MINUTES FROM THE STAKEHOLDER COMMITTEE MEETING - 11 NOVEMBER 2020

The exempt minutes from the 11 November 2020 Stakeholder Committee meeting were presented and there were no questions.

311. PRINCIPAL OFFICER LOCAL PAY AWARD (MEMBERS ONLY)

Members of the Full Authority considered a report from the Director of People and Organisational Development (item 16 in the minute book) regarding the Principal Officer local pay award (SEE EXEMPT MINUTE]

Chairman,

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Purpose: Approval

Date: **10 FEBRUARY 2020**

Title: **Trading Company**

Report of: Chief Fire Officer

SUMMARY

1. This report provides an explanation for the Hampshire Fire and Rescue Authority (HFRA) of a change that is proposed to be made to the legal structure of 3SFire, of which HFRA is the sole shareholder. This report provides information relating to the existing structure of 3SFire, as a normal trading company limited by shares, and the proposal of 3SFire's board (the Board) that 3SFire should be re-registered as a community interest company (CIC).
2. This report recommends that HFRA, as 3SFire's sole shareholder, agrees to the CIC conversion, on the basis that the change of status would take place early in the new financial year, and that HFRA should approve the necessary steps that need to be taken to facilitate the conversion and related changes in governance.

BACKGROUND

3. The ongoing strategic review of 3SFire's business activities includes a commitment to investigate whether 3SFire would benefit from a different legal structure that could enhance its ability to deliver its objectives on behalf of its shareholder and stakeholders. 3SFire's future objectives are themselves a subject of review within the business strategy process. However, the current mix and direction of 3SFire's trading activities have been somewhat different in recent years to those envisaged when 3SFire was first established in 2013. The adoption of a normal company structure with liability limited by shares was originally seen to be advantageous to maximise financial returns from large commercial contracts with partner organisations. For various reasons, 3SFire did not pursue this type of business, but it has nevertheless made a sustained and valuable contribution to HFRA through a diverse portfolio of other trading activities.

4. Regardless of how 3SFire's future business strategy evolves, the fundamental ability to trade (and in so doing make a financial contribution to HFRA through the utilisation of HFRS's spare staff/premises capacity) and make profits (with the option to pay dividends) will remain as valid priorities. However, the Board considers that at the same time 3SFire should now make an explicit commitment to its ongoing role in promoting community benefit to reflect how 3SFire has evolved. Therefore, this report sets out the benefits, regulation requirements and process for a possible conversion of 3SFire to a CIC, being, in the Board's view, the most appropriate alternative company format versus the current structure.
5. The 3SFire Stakeholder Committee (the Stakeholder Committee) discussed the proposal to convert the legal structure to a CIC at their meeting on 11 November 2020. The Stakeholder Committee supported the proposals for the change that are outlined in this report, subject to the approval by HFRA.

WHAT IS A COMMUNITY INTEREST COMPANY (CIC)?

6. The Government created the CIC legal structure in 2005 for businesses which trade with a social purpose or that carry on other activities for the benefit of the community (often referred to as "social enterprises" or "community enterprises", although these terms do not in themselves have any legal significance). Over recent years the CIC business model has become well-established and respected with over 10,000 CICs now registered.
7. The CIC structure was designed to allow organisations to secure official recognition of a wider social purpose by accepting an obligation to share their prosperity with the community. Social enterprises established as CICs can use their legal status to promote their social mission and are often able to attract grant funding that is not available to "normal" companies, whilst still providing some measure of reward to members.
8. It is important to note that a CIC is a normal company for most purposes and, as for most companies, the liability of the company's owners (its "members" or "shareholders") for the company's debts and other obligations is usually limited to a nominal amount. It is the ownership of shares that allows for profits generated through trading activities to be paid to a company's members, albeit in the case of a CIC the amount that can be paid is restricted, as explained further below. CICs cannot be charities, where the members cannot receive any benefits, although they may have charitable objectives as part of their mix of activities.

RESEARCH CARRIED OUT

9. In contrast to 3SFire, when the first cluster of Fire and Rescue Authority fire trading companies was set up 7-8 years ago, the majority were established

using the CIC legal structure rather than as normal trading companies or as charities.

10. Discussions have taken place with a consultant advisor and board member of the largest fire trading company CIC, Humberside's HFR Solutions CIC, to obtain an understanding of how the CIC structure works in practice for a comparable organisation. HFR Solutions undertakes a wide range of commercial and community training activities related to fire and rescue activities, emergency/crisis management, workplace safety and consultancy. In addition to the indirect financial support that HFR Solutions provides to Humberside Fire and Rescue Service through use of its spare capacity, it has provided a wide range of community benefits. Some examples include defibrillation installations and training, PPE provision, testing fire service equipment, wrapping of fire service vehicles to promote partnerships, safer working seminars and initiatives with a wide variety of charities. This work generates positive stakeholder relationships across the community for both HFR Solutions and the Fire and Rescue Authority, with a significant social enterprise value.
11. Should 3SFire convert to a CIC, it is proposed that its objects and activities would be broadly the same as those of HFR Solutions.

CIC BENEFITS AND REGULATION

12. CIC status provides a clear commitment to social and/or community goals which may improve 3SFire's image, both internally and externally. Given the historical sensitivities amongst some within HFRS towards commercial trading activities, the CIC format could help to reposition 3SFire in their thinking and strengthen widespread "buy in". The CIC format could also provide additional reassurance to all stakeholders and partners.
13. The community of Hampshire and the Isle of Wight could benefit from the CIC in several ways. The change could enable 3SFire to explore a range of new activities, including community-related projects and support for HFRA's non-statutory priorities. It may also enable collaboration with, and contributions to, HFRA-associated charities such as Blue Lamp and The Prince's Trust. The CIC format could therefore allow 3SFire to move onto the front foot with its public relations profile and communications, after many years of sensitivity in some quarters regarding its trading activities.
14. The regulatory safeguards associated with CICs provide an extra level of protection and distance for HFRA, with the added benefit of recognition by a Government regulator that 3SFire's activities are contributing to the community in a positive manner. At the same time, HFRA could benefit from the association with an organisation that makes positive contributions to, and is publicity associated with, relevant fire, safety and charitable activities in the community.

15. The conversion to CIC status would have no impact on the current range of trading activities that 3SFire undertakes to generate income: including activities that generate income for HFRA through 3SFire's use of HFRS's spare staff/premises capacity. However, as noted above, some additional forms of funding, including grants or donations, may become available to 3SFire as a social enterprise trading as a CIC that are not currently available. The CIC structure continues to provide limited liability for HFRA as the sole shareholder on the same basis as at present, albeit the amount that HFRA is entitled to receive as a dividend is subject to some limitations, as is explained further below.
16. Once converted to a CIC, 3SFire would have continuity of purpose to provide community benefit until it is wound up, dissolved or (if that were thought to be appropriate) converted into a charity. However, if 3SFire were ever dissolved, any assets that remained after making provision for liabilities are "locked" for the benefit of the community and must be transferred to another CIC or charitable body.
17. The initial conversion process is straightforward and ongoing additional regulatory oversight is not onerous, expensive or time-consuming. The main change is that a CIC has to send an annual report to Companies House summarising its activities and how they have provided community benefit: to ensure transparency information needs to be included about directors' remuneration and the use of company assets. The CIC Regulator can investigate and take action against CICs if they are not operating as a social enterprise, therefore demonstrating that community benefit is of real importance.

THE CONVERSION PROCESS

18. If a change to the legal structure is approved, HFRA will need to pass shareholder resolutions to approve the conversion to a CIC. to change the "Ltd" in 3SFire's name to "CIC" and also to modify 3SFire's core constitutional document, its Articles of Association. The precise wording of the resolutions that the Board proposes can be found in Appendix B of this report.
19. 3SFire's Articles of Association have been revised and updated using the Government's "Model Articles" for CICs (see Appendix A). Other Fire and Rescue Authority CICs like HFR Solutions (another example would be Norfolk Safety CIC) have also used the Model Articles as the basis of their Articles of Association, since it is the preferred format for the CIC Regulator.
20. As with other CICs, additional shareholder governance controls have been included in the Articles to protect the interests of the Hampshire and Isle of Wight Fire and Rescue Authority (from 1 April 2021) over and above the standard provisions to be found in the Model Articles.

21. Once passed, the resolutions need to be sent to the Registrar of Companies with a completed application for conversion to a CIC (with a nominal fee). The application will include details of the community benefits that 3SFire intends to pursue and the activities that it proposes to undertake (so basically describing what 3SFire does already) so that The Regulator of Community Interest Companies (the CIC Regulator) can determine if 3SFire satisfies the “community interest test” for CIC status.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

22. Communities: The HFRA Safety Plan 2020-2025 commits to making life safer in our communities. A conversion of 3SFire to a CIC supports a priority to work with partners and communities to deliver accessible services. A CIC would provide specific support and benefit to the community and build trusted relationships.
23. Public Value: Through the HFRA Safety Plan 2020-2025, HFRA commits to ensuring efficient and effective public services. The conversion of 3SFire to a CIC would support this ethos through its support for the provision of fire safety advice, training and expertise.

RESOURCE IMPLICATIONS

24. There are no resource implications for the conversion of 3SFire to a CIC. The conversion will be carried out utilising existing people resources.

IMPACT ASSESSMENTS

25. An impact assessment has been completed and has not highlighted any impacts on people. The financial impacts are explained in the legal and risk section of this report.

LEGAL IMPLICATIONS

26. Legal advice has been obtained from Hampshire Legal Services (HLS), Hampshire County Council’s in-house legal practice. HLS’s advice has informed the preparation of this report and is summarised below. HLS does not consider that there are any legal reasons why the conversion should not proceed.
27. The CIC restriction on how 3SFire can use its assets (“the asset-lock”) comes into effect from the moment that 3SFire is re-registered as a CIC. 3SFire’s only significant asset at this time is its cash reserves which would be unaffected by the conversion and simply be carried over into the new CIC structure. Post-conversion, potential dividends are restricted to ensure that profits are generally applied for the benefit of the community. This “dividend cap” means that where a shareholder is not itself an “asset-locked body” (which the CIC Regulator has confirmed to be the case with a public

body such as HFRA) the maximum dividend for any financial year is 35% of distributable profits. As noted above, this does not have any impact on 3SFire continuing to utilise HFRS's spare staff/premises capacity on commercial terms.

28. As for any other CIC, the question of whether 3SFire should in fact declare a dividend will depend on the performance and prospects of the company. The CIC Regulator has stressed that the fact that a certain level of dividend can be paid does not mean that it should be paid, but to the extent that profits are not distributed (or retained to provide adequate reserves) they should normally be used to provide community benefits. This would not be achieved by 3SFire providing, or directly funding, HFRA's statutory services as, arguably this would benefit HFRA, rather than the community at large. By contrast, benefits which complement HFRA's statutory duties would be appropriate (e.g. promotion of fire prevention or funding a staff charity that contributes to operational resilience). There does not appear to have been any concerns expressed by the CIC Regulator about these sorts of activities.
29. So far as 3SFire's suppliers and customers are concerned, there is no reason why the change in status should have legal significance given that 3SFire's identity will not change. There is no risk to the current employees of 3SFire, as the change in status of their employer will have no effect on the employment relationship. That being said, suppliers, customers and employees should be notified about 3SFire's new status (including the technical change of name) and this will also be an opportunity to provide the positive story about the new CIC status. Once the CIC conversion is completed, 3SFire's new status should be publicised on its website and in all written communications.
30. Another aspect of the asset-lock is that a CIC cannot return capital to shareholders. So if there is ever a decision in the future to close 3SFire, its then assets (after payment of liabilities) would have to be paid or transferred to another "asset-locked body" (as noted above, not HFRA).

OPTIONS

Option one: Convert 3SFire into a CIC

31. This option would allow 3SFire to be converted into a CIC and for the benefits to the community detailed within this report to be realised. It is anticipated that the conversion would take place as early as possible after the start of the new financial year (April 2021). As a result of this option being approved, the status of 3SFire will be changed to a CIC, with its Articles of Association being amended accordingly, but with the current governance structure unaffected. The change to a CIC will provide 3S Fire with an opportunity to re-establish itself and assure stakeholders and other interested parties that it is operating within a more appropriate regulatory

framework that expressly promotes 3SFire's community benefit. This is the recommended option and, if adopted, it would assist in redefining 3SFire's business strategy.

Option two: For 3S Fire to continue operating with its current governance structure.

32. This option results in 3SFire maintaining its existing governance structure and operating model. There will be no change to its governing documents and 3SFire will continue to operate within the current legal framework as a trading arm of HFRA.

RISK ANALYSIS

33. The conversion to a CIC does not carry any significant risks. There is no risk to the current employees of 3SFire. The process for the conversion is straightforward and the current assets will be retained within the existing governance structure.
34. The risks associated with the operation of a CIC have been carefully considered and are fully understood. The proposed changes will not have a major impact in terms of how 3SFire will operate on a day-to-day basis: 3SFire is the same company with the same company number. The only new risks are low and relate to the additional regulatory oversight and responsibilities mentioned above. 3SFire will need to satisfy the CIC Regulator on an ongoing basis that it continues to meet the criteria for a CIC, although this is not regarded as an onerous or difficult task. Whilst there will be new limitations on the payment of dividends and the return of capital by reason of the CIC asset-lock, compliance will be carefully managed in accordance with 3SFire's business strategy.
35. Discussions have taken place with the Fire and Rescue Indemnity Company (FRIC) who provide protection for 3SFire's activities to explain the proposal to convert 3SFire to a CIC. Given there would be no change in HFRA's ownership and overall control of the new CIC, FRIC had no concerns regarding the proposals and will in effect treat the conversion as a company change of name. Therefore, there are no insurance implications.

EVALUATION

36. The conversion of 3SFire into a CIC has been discussed at the Stakeholder Committee and as noted above legal advice has been obtained from HLS. The two options have been fully evaluated by the Board. If the recommended option is approved, 3SFire as a CIC will continue to be monitored by the Stakeholder Committee.

CONCLUSION

37. This report provides Members with information as to why it is recommended that 3SFire should convert to a CIC. There are several advantages and opportunities with conversion to a CIC versus maintaining the status quo. The change could be timely as 3SFire redefines its business strategy and plans its way beyond the impact of the Covid-19 pandemic. The specific proposed timing would also fit well with the end of a financial year and facilitate a smooth transition to the new legal structure.
38. It is envisaged that a decision to proceed with the change to a CIC could be implemented as soon as possible after the start of the next financial year in April 2021. Whilst Companies House does not offer the facility to convert to a CIC on a stated date, the timing would be aligned as closely as possible with the formation of the new Combined Fire Authority for Hampshire and the Isle of Wight. This timing would also avoid the need to prepare a report for the CIC Regulator to cover the final few days or weeks of the current financial year.
39. The CIC conversion would be subject to all appropriate governance, advice and legal approvals as are required by HFRA and/or its representatives throughout the process to protect HFRA's current and future interests.
40. The proposed timetable for the conversion is as follows:

11 November 2020	Stakeholder Committee approved proposal for CIC conversion in principle, subject to the approval of HFRA at a full authority meeting.
10 February 2021	HFRA asked to approve CIC conversion at full authority meeting. HFRA also to approve the text of the required shareholder resolutions, with delegated authority given to a member of the Stakeholder Committee to sign these in due course.
w/c 29 March 2021	Chairman or Vice Chairman of Stakeholder Committee to sign resolutions which, as special resolutions must then be sent to Companies House (with the application for CIC conversion) within 14 days.
w/c 5 April 2021	Written resolutions and application for CIC conversion sent to Companies House.
Likely late April 2021	Approval of CIC conversion and re-registration of 3SFire as a CIC, which takes place as from the date of the official certificate of re-registration (as noted above, it is not possible to provide a precise date for this)

RECOMMENDATION

41. That Hampshire Fire and Rescue Authority approve the conversion of 3SFire Limited to a community interest company limited by shares to take effect shortly after the start of 2021/22 financial year.
42. That Hampshire Fire and Rescue Authority approve the Articles of Association (Appendix A) to be adopted by 3SFire Limited on its conversion to a community interest company and the wording of the draft member resolutions at Appendix B.
43. That Hampshire Fire and Rescue Authority approve the change of the name of 3SFire Limited to “3SFire Community Interest Company”.
44. That Hampshire Fire and Rescue Authority authorises the Chairman or Vice Chairman of the Stakeholder Committee to sign the written member’s resolutions at Appendix B in order to implement the Authority’s decision for conversion to a CIC, with such resolutions to be signed during the week commencing 29 March 2021 and then sent to the Registrar of Companies (together with the application for conversion to a community interest company) within 14 days (as is required by the Companies Acts).

APPENDICES ATTACHED

45. Appendix A - Proposed new Articles of Association of 3SFire Community Interest Company
46. Appendix B - Proposed text of the written resolutions to be signed by HFRA as sole shareholder of 3SFire Limited

Contact: Neil Odin, Chief Fire Officer, 07918 888077,
neil.odin@hantsfire.gov.uk

Appendix A

Proposed new Articles of Association of 3SFire Community Interest Company

The Companies Act 2006

Community Interest Company Limited by Shares

Articles of Association

of

3SFire Community Interest Company

The Companies Act 2006

Community Interest Company Limited by Shares

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The Companies Act 2006

Articles of Association

of

3SFire Community Interest Company

INTERPRETATION AND LIMITATION OF LIABILITY

1. Defined terms

- 1.1 The interpretation of these Articles is governed by the provisions set out in the Schedule to the Articles.

COMMUNITY INTEREST COMPANY AND ASSET LOCK

2. Community Interest Company

- 2.1 The Company shall be a community interest company.

3. Asset Lock

- 3.1 The Company shall not transfer any of its assets other than for full consideration.

- 3.2 Provided the conditions in Article 3.3 are satisfied, Article 3.1 shall not apply to:

3.2.1 the transfer of assets to any specified asset-locked body, or (with the consent of the Regulator) to any other asset-locked body;

3.2.2 the transfer of assets made for the benefit of the community other than by way of a transfer of assets into an asset-locked body;

3.2.3 the payment of dividends in respect of shares in the Company;

3.2.4 the distribution of assets on a winding up;

3.2.5 payments on the redemption or purchase of the Company's own shares;

3.2.6 payments on the reduction of share capital; and

3.2.7 the extinguishing or reduction of the liability of members in respect of share capital not paid up on the reduction of share capital.

- 3.3 The conditions are that the transfer of:

3.3.1 assets must comply with any restrictions on the transfer of assets for less than full consideration which may be set out elsewhere in the Memorandum or Articles of the Company; and

3.3.2 must not exceed any limits imposed by, or by virtue of, Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004.

4. Not for profit

4.1 The Company is not established or conducted for private gain: any surplus or assets are used principally for the benefit of the community.

OBJECTS, POWERS AND LIMITATION OF LIABILITY

5. Objects

5.1 The objects of the Company are to carry on activities which benefit the community and in particular (without limitation) to provide:

- training and development services for organisations, businesses and other bodies in the private or public sectors;
- risk management and prevention services for organisations, businesses and other private or public sector bodies;
- emergency response cover additional to the statutory services provided by Fire and Rescue Services at events for organisations, businesses and other private or public sector bodies;
- risk and prevention activities for the community that are complementary or additional to the statutory services provided by Hampshire & Isle of Wight Fire and Rescue Service or any successor body;
- any other business activities or services believed to be directly or indirectly beneficial to the community that are complementary to the interests of Hampshire & Isle of Wight Fire and Rescue Authority or successor body.

6. Powers

6.1 To further its objects the Company may do all such lawful things as may further the Company's objects and, in particular, but, without limitation, may borrow or raise and secure the payment of money for any purpose including for the purposes of investment or of raising funds.

7. Liability of Shareholders

7.1 The liability of the shareholders is limited to the amount, if any, unpaid on the shares held by them.

DIRECTORS

DIRECTORS' POWERS AND RESPONSIBILITIES

8. Directors' general authority

8.1 Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company.

9. Shareholders' reserve power

9.1 The shareholders may, by special resolution, direct the Directors to take, or refrain from taking, specific action.

9.2 No such special resolution invalidates anything which the Directors have done before the passing of the resolution.

10. Chair

10.1 The Directors may appoint one of their number to be the chair of the Directors for such term of office as they may determine and may at any time remove him or her from office.

10.2 The person so appointed for the time being is known as the Chair.

10.3 If the Chair is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

11. Directors may delegate

11.1 Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles:

11.1.1 to such person or committee;

11.1.2 by such means (including by power of attorney);

11.1.3 to such an extent;

11.1.4 in relation to such matters or territories; and

11.1.5 on such terms and conditions;

as they think fit.

11.2 If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

11.3 The Directors may revoke any delegation in whole or part or alter its terms and conditions.

12. Committees

12.1 Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.

12.2 The Directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not consistent with them.

DECISION-MAKING BY DIRECTORS

13. Directors to take decisions collectively

14. 13.1 Any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 18. Calling a Directors' meeting

14.1 Any Directors may (and the Secretary, if any, must at the request of two Directors) call a Directors' meeting.

14.2 A Directors' meeting must be called by giving reasonable notice unless all the Directors agree or urgent circumstances require shorter notice.

14.3 Notice of Directors' meetings must be given to each Director.

14.4 Every notice calling a Directors' meeting must specify:

14.4.1 the place, day and time of the meeting; and

14.4.2 if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

14.5 Notice of Directors' meetings need not be in Writing.

14.6 Notice of a directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

14.7 Notice of Directors' meetings may be sent by Electronic Means to an Address provided by the Director for the purpose.

15. Participation in Directors' meetings

15.1 Subject to the Articles, Directors participate in a Directors' meeting, or part of a Directors' meeting, when:

15.1.1 the meeting has been called and takes place in accordance with the Articles; and

15.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

15.2 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.

15.3 If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

15.4 All acts done by a meeting of Directors, or of a committee of Directors, or by a person acting as a Director shall be as valid notwithstanding:

15.4.1 Any discovery afterwards that there was a defect in the appointment of any Director or;

15.4.2 that any of the Directors were disqualified from holding office; or

15.4.3 that any of the Directors had vacated office; or

15.4.4 that any of the Directors were not entitled to vote on the matter, whether by reason of a conflict of interests or otherwise;

if without :

15.4.5 the vote of that Director ; and

15.4.6 that Director being counted in the quorum;

the decision has been made by a majority of the Directors at a quorate meeting.

15.5 Article 15.4 does not permit a Director or a connected person to keep any benefit that may be conferred upon him or her by a resolution of the Directors

or of a committee of Directors if, but for article 15.4, the resolution would have been void, or if the director has not complied with article 19.

16. Quorum for Directors' meetings

16.1 The quorum for Directors' meetings may be fixed from time to time by a decision by the Directors, but it must never be less than three or one half of their number whichever is the greater number.

16.2 If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision:

16.2.1 to appoint further Directors; or

16.2.2 to call a general meeting so as to enable the Shareholders to appoint further Directors.

17. Voting

17.1 Questions arising at a Directors' meeting shall be decided by a majority of votes.

17.2 In all proceedings of Directors each Director must not have more than one vote.

17.3 In case of an equality of votes, the Chair shall have a second or casting vote.

18. Decisions without a meeting

18.1 The Directors may take a unanimous decision without a Directors' meeting by indicating to each other by any means, including without limitation by Electronic Means, that they share a common view on a matter. Such a decision may, but need not, take the form of a resolution in Writing, copies of which have been signed by each Director or to which each Director has otherwise indicated agreement in Writing.

18.2 A decision which is made in accordance with Article 0 shall be as valid and effectual as if it had been passed at a meeting duly convened and held, provided the following conditions are complied with:

18.2.1 approval from each Director must be received by one person being either such person as all the Directors have nominated in advance for that purpose or such other person as volunteers if necessary ("the Recipient"), which person may, for the avoidance of doubt, be one of the Directors;

18.2.2 following receipt of responses from all of the Directors, the Recipient must communicate to all of the Directors by any means whether the resolution has been formally approved by the Directors in accordance with this Article 0;

18.2.3 the date of the decision shall be the date of the communication from the Recipient confirming formal approval; and

18.2.4 the Recipient must prepare a minute of the decision in accordance with Article 63.

19. Conflicts of interest

19.1 Whenever a Director finds himself or herself in a situation that is reasonably likely to give rise to a Conflict of Interest, he or she must declare his or her interest to the Directors unless, or except to the extent that, the other Directors are or ought reasonably to be aware of it already.

19.2 Whenever a matter is to be discussed at a meeting or decided in accordance with Article 18 and a Director has a Conflict of Interest in respect of that matter then, subject to Article 20, he or she must:

19.2.1 remain only for such part of the meeting as in the view of the other Directors is necessary to inform the debate;

19.2.2 not be counted in the quorum for that part of the meeting; and

19.2.3 withdraw during the vote and have no vote on the matter.

19.3 If any question arises as to whether a Director has a Conflict of Interest, the question shall be decided by a majority decision of the other Directors.

19.4 When a Director has a Conflict of Interest which he or she has declared to the Directors, he or she shall not be in breach of his or her duties to the Company by withholding confidential information from the Company if to disclose it would result in a breach of any other duty or obligation of confidence owed by him or her.

20. Directors' power to authorise a conflict of interest

20.1 The Directors have power to authorise a Director to be in a position of Conflict of Interest provided:

20.1.1 in relation to the decision to authorise a Conflict of Interest, the conflicted Director must comply with Article 19.3;

20.1.2 in authorising a Conflict of Interest, the Directors can decide the manner in which the Conflict of Interest may be dealt with and, for the avoidance of doubt, they can decide that the Director with a Conflict of Interest can participate in a vote on the matter and can be counted in the quorum;

- 20.1.3 the decision to authorise a Conflict of Interest can impose such terms as the trustees think fit and is subject always to their right to vary or terminate the authorisation; and
- 20.2 If a matter, or office, employment or position, has been authorised by the Directors in accordance with Article 0 then, even if he or she has been authorised to remain at the meeting by the other Directors, the Director may absent himself or herself from meetings of the Directors at which anything relating to that matter, or that office, employment or position, will or may be discussed.
- 20.3 A Director shall not be accountable to the Company for any benefit which he or she derives from any matter, or from any office, employment or position, which has been authorised by the Directors in accordance with Article 0 (subject to any limits or conditions to which such approval was subject).

21. Register of Directors' interests

- 21.1 The Directors shall cause a register of Directors' interests to be kept. A Director must declare the nature and extent of any interest, direct or indirect, which he or she has in a proposed transaction or arrangement with the Company or in any transaction or arrangement entered into by the Company which has not previously been declared.
- 21.2 The Directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the Directors.

APPOINTMENT AND RETIREMENT OF DIRECTORS

22. Methods of appointing and terminating Directors

- 22.1 Those persons notified to the Registrar of Companies as the first Directors of the Company shall be the first Directors.
- 22.2 Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director:
- 22.2.1 by ordinary resolution; or
- 22.2.2 by a decision of the Directors.
- 22.3 The Company shall not have more than 7 (seven) and no less than 3 (three) Directors.
- 22.4 A person ceases to be a Director as soon as:

- 22.4.1 that person ceases to be a Director by virtue of any provision of the Companies Act 2006, or is prohibited from being a Director by law;
- 22.4.2 a bankruptcy order is made against that person, or an order is made against that person in individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;
- 22.4.3 a composition is made with that person's creditors generally in satisfaction of that person's debts;
- 22.4.4 a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;
- 22.4.5 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- 22.4.6 notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms (but only if at least three Directors will remain in office when such resignation has taken effect);
- 22.4.7 he/she is absent without the permission of the Directors from all their meetings held within a period of six months and the Directors resolve that his/her office be vacated; or
- 22.4.8 he/she in the circumstances of being an elected member or officer of any Shareholder appointed as a Director ceases to be an elected member or officer of the Shareholder who appointed him/her;
- 22.4.9 at a general meeting of the Company, a resolution is passed that the Director be removed from office, provided the meeting has invited the views of the Director concerned and considered the matter in light of such views.

23. Directors' remuneration and expenses

- 23.1 Directors may undertake any services for the Company that the Directors decide.
- 23.2 Subject to the Articles and in particular Article 3, Directors are entitled to such remuneration as the Directors determine:

- 23.2.1 for their services to the Company as Directors; and
- 23.2.2 for any other service which they undertake for the Company.
- 23.3 Subject to the Articles and in particular Article 3, a Director's remuneration may:
- 23.3.1 take any form; and
- 23.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director.
- 23.4 If a decision is made pursuant to these Articles to remunerate any elected members of any Shareholder acting as Directors for the Company then they shall not be paid any remuneration or reimbursement of expenses greater than that to which he/she would have been entitled to in comparable circumstances had they been carrying out similar duties with that Shareholder.
- 23.5 Unless the Directors decide otherwise, Directors' remuneration accrues from day to day.
- 23.6 Unless the Directors decide otherwise, Directors are not accountable to the Company for any remuneration which they receive as directors or other officers or employees of the Company's subsidiaries or of any other body corporate in which the Company is interested.

24. Directors' expenses

- 24.1 The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:
- 24.1.1 meetings of Directors or committees of Directors;
- 24.1.2 general meetings; or
- 24.1.3 separate meetings of the holders of any class of shares or of debentures of the Company,
- or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

SHARES AND DISTRIBUTIONS

SHARES

25. All shares to be fully paid up

- 25.1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the Company in consideration for its issue.
- 25.2 This does not apply to shares taken on the formation of the Company by the subscribers to the Company's Memorandum.

26. Powers to issue different classes of share

- 26.1 Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution.
- 26.2 The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

27. Company not bound by less than absolute interests

- 27.1 Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

28. Share certificates

- 28.1 The Company must issue each Shareholder, free of charge, with one or more certificates in respect of the shares which that Shareholder holds.
- 28.2 Every certificate must specify:
 - 28.2.1 in respect of how many shares, of what class, it is issued;
 - 28.2.2 the nominal value of those shares;
 - 28.2.3 that the shares are fully paid; and
 - 28.2.4 any distinguishing numbers assigned to them.
- 28.3 No certificate may be issued in respect of shares of more than one class.

28.4 If more than one person holds a share, only one certificate may be issued in respect of it.

28.5 Certificates must:

28.5.1 have affixed to them the Company's common seal; or

28.5.2 be otherwise executed in accordance with the Companies Acts.

29. Replacement share certificates

29.1 If a certificate issued in respect of a Shareholder's shares is:

29.1.1 damaged or defaced; or

29.1.2 said to be lost, stolen or destroyed,

that Shareholder is entitled to be issued with a replacement certificate in respect of the same shares.

29.2 A Shareholder exercising the right to be issued with such a replacement certificate:

29.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

29.2.2 must return the certificate which is to be replaced to the Company if it is damaged or defaced; and

29.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

30. Share transfers

30.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of the transferor.

30.2 No fee may be charged for registering any instrument of transfer or other Document relating to or affecting the title to any share.

30.3 The Company may retain any instrument of transfer which is registered.

30.4 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.

30.5 The Directors may refuse to register the transfer of a share to a person to whom they do not approve.

- 30.6 They may also refuse to register the transfer unless it is lodged at the registered office of the Company or at such other place as the Directors may appoint and is accompanied by such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and by such other information, as they may reasonably require.
- 30.7 If the Directors refuse to register such a transfer, they shall, within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.
- 30.8 The provisions of this Article apply in addition to any restrictions on the transfer of a share which maybe set out elsewhere in the Memorandum or Articles of the Company.

31. Purchase of own shares

- 31.1 Subject to the articles, the Company may purchase its own shares (including any redeemable shares) and may make a payment in respect of the redemption or purchase of its own shares otherwise than out of the distributable profits of the Company or the proceeds of a fresh issue of shares by special resolution. Any share so purchased shall be purchased at its nominal value.

32. Transmission of shares

- 32.1 If title to a share passes to a transmittee, the Company may only recognise the transmittee as having any title to that share.
- 32.2 A transmittee who produces such evidence of entitlement to shares as the Directors may properly require:
- 32.2.1 may, subject to the Articles, choose either to become the holder of those shares or to have them transferred to another person; and
- 32.2.2 subject to the Articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- 32.3 Transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

33. Exercise of transmittees' rights

- 33.1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the Company in Writing of that wish.

- 33.2 If the transmittee wishes to have a share transferred to another person, the transmittee must execute an instrument of transfer in respect of it.
- 33.3 Any transfer made or executed under this Article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

34. Transmittees bound by prior notices

- 34.1 If a notice is given to a Shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the Shareholder before the transmittee's name has been entered in the register of members.

DIVIDENDS AND OTHER DISTRIBUTIONS

35. Procedure for declaring dividends

- 35.1 Subject to the Companies Acts, the Regulations and the Articles, the Company may by ordinary resolution declare dividends, and the Directors may, provided that such decision is authorised by an ordinary resolution of the Shareholders, decide to pay interim dividends.
- 35.2 For the avoidance of doubt the payment of dividends shall be considered to be a transfer of assets other than for full consideration and shall not be permitted other than in the circumstances prescribed in Article 3.
- 35.3 A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.
- 35.4 No dividend may be declared or paid unless it is in accordance with Shareholders' respective rights.
- 35.5 Unless the Shareholders' resolution to declare or Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each Shareholder's holding of shares on the date of the resolution or decision to declare or pay it.
- 35.6 If the Company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- 35.7 The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

35.8 If the Directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

36. Payment of dividends and other distributions

36.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

36.1.1 transfer to a bank or building society account indicated by the distribution recipient either in Writing or as the Directors may otherwise decide;

36.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered Address (if the distribution recipient is a holder of the share), or (in any other case) to an Address indicated by the distribution recipient either in Writing or as the Directors may otherwise decide;

36.1.3 sending a cheque made payable to such person by post to such person at such Address as the distribution recipient has indicated either in Writing or as the Directors may otherwise decide; or

36.1.4 any other means of payment as the Directors agree with the distribution recipient either in Writing or by such other means as the Directors decide.

36.2 In the Articles, "the distribution recipient" means, in respect of a share in respect of which a dividend or other sum is payable:

36.2.1 the holder of the share; or

36.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or

36.2.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

37. No interest on distributions

37.1 The Company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

37.1.1 the terms on which the share was issued; or

37.1.2 the provisions of another agreement between the holder of that share and the Company.

38. Unclaimed distributions

38.1 All dividends or other sums which are:

38.1.1 payable in respect of shares; and

38.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

38.2 The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

38.3 If:

38.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment; and

38.3.2 the distribution recipient has not claimed it,

the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

39. Non-cash distributions

39.1 Subject to the terms of issue of the share in question, the Company may, by ordinary resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

39.2 For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

39.2.1 fixing the value of any assets;

39.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

39.2.3 vesting any assets in trustees.

40. Waiver of distributions

40.1 Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the Company notice in Writing to that effect, but if:

40.1.1 the share has more than one holder; or

40.1.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

CAPITALISATION OF PROFITS

41. Authority to capitalise and appropriation of capitalised sums

41.1 Subject to the Articles, the Directors may, if they are so authorised by an ordinary resolution:

41.1.1 decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and

41.1.2 appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions.

41.2 Capitalised sums must be applied:

41.2.1 on behalf of the persons entitled; and

41.2.2 in the same proportions as a dividend would have been distributed to them.

41.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

41.4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the Company which are then allotted credited as fully paid to the persons entitled or as they may direct.

41.5 Subject to the Articles the Directors may:

41.5.1 apply capitalised sums in accordance with Articles 43.3 and 43.4 partly in one way and partly in another;

41.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this Article

(including the issuing of fractional certificates or the making of cash payments); and

41.5.3 authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this Article.

DECISION-MAKING BY SHAREHOLDERS

ORGANISATION OF GENERAL MEETINGS

42. General meetings

42.1 The Directors may call a general meeting at any time.

42.2 The Directors must call a general meeting if required to do so by the Shareholders under the Companies Acts.

42.3 The Directors may call an annual general meeting at such time and place as the Directors shall appoint. An annual general meeting shall be called by giving at least 30 days clear notice to all Shareholders.

42.4 Any Shareholder that is a corporate or public body shall appoint (and may remove and replace) a duly authorised representative which shall be evidenced in writing signed by one of its officers. The person so authorised shall act at any meeting of the Company and shall be entitled to exercise the same powers on behalf of the Shareholder which he/she represents as the Shareholder could exercise if it were an individual Shareholder of the Company and such Shareholder shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

43. Length of notice

43.1 A General Meeting must be called by either:

43.1.1 at least 14 Clear Days' notice; or

43.1.2 shorter notice if it is so agreed by a majority of the shareholders having a right to attend and vote at that meeting.

44. Contents of notice

44.1 Every notice calling a general meeting must specify the place, day and time of the meeting, whether it is a general or an annual general meeting, and the general nature of the business to be transacted.

- 44.2 If a special resolution is to be proposed, the notice must include the proposed resolution and specify that it is proposed as a special resolution.
- 44.3 If the meeting is to be an annual general meeting, the notice must specify it as such.
- 44.4 In every notice calling a meeting of the Company there must appear with reasonable prominence a statement informing the Shareholder of his or her rights to appoint another person as his or her proxy at a general meeting.

45. Service of notice

- 45.1 Notice of general meetings must be given to every Shareholder, to the Directors and to the auditors of the Company.
- 45.2 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceeds at that meeting.

46. Attendance and speaking at general meetings

- 46.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 46.2 A person is able to exercise the right to vote at a general meeting when:
- 46.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
- 46.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 46.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 46.4 In determining attendance at a general meeting, it is immaterial whether any two or more Shareholders attending it are in the same place as each other.
- 46.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

47. Quorum for general meetings

47.1 No business other than the appointment of the Chair of the Meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

47.2 The quorum for a general meeting shall be one person entitled to vote on the business to be transacted (each being a Shareholder, a proxy for a Shareholder or a duly authorised representative of a Shareholder).

48. Chairing general meetings

48.1 If the Directors have appointed a Chair, the Chair shall chair general meetings if present and willing to do so.

48.2 If the Directors have not appointed a Chair, or if the Chair is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start, the Shareholders must appoint a Director or Shareholder to chair the meeting and the appointment of the Chair of the Meeting must be the first business.

48.3 The person chairing a meeting in accordance with this Article 48 is referred to as “the Chair of the Meeting”.

49. Attendance and speaking by Directors and non-shareholders

49.1 Directors may attend and speak at general meetings, whether or not they are Shareholders.

49.2 The Chair of the Meeting may permit other persons who are not:

49.2.1 Shareholders of the Company; or

49.2.2 otherwise entitled to exercise the rights of Shareholders in relation to general meetings,

to attend and speak at a general meeting.

50. Adjournment

50.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the Chair of the Meeting must adjourn it.

50.2 The Chair of the Meeting may adjourn a general meeting at which a quorum is present if:

50.2.1 the meeting consents to an adjournment; or

- 50.2.2 it appears to the Chair of the Meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.
- 50.3 The Chair of the Meeting must adjourn a general meeting if directed to do so by the meeting.
- 50.4 When adjourning a general meeting, the Chair of the Meeting must:
- 50.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors; and
- 50.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 50.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least 7 Clear Days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):
- 50.5.1 to the same persons to whom notice of the Company's general meetings is required to be given; and
- 50.5.2 containing the same information which such notice is required to contain.
- 50.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

51. Voting: general

- 51.1 A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.
- 51.2 A person who is not a Shareholder of the Company shall not have any right to vote at a general meeting of the Company; but this is without prejudice to any right to vote on a resolution affecting the rights attached to a class of the Company's debentures.
- 51.3 Article 51.2 shall not prevent a person who is a proxy for a Shareholder or a duly Authorised Representative from voting at a general meeting of the Company.

- 51.4 On a vote on a resolution on a show of hands at a meeting every person present in person (whether a Shareholder, proxy or Authorised Representative of a Shareholder) and entitled to vote shall have a maximum of one vote.
- 51.5 On a vote on a resolution on a poll at a meeting every Shareholder present in person or by proxy or Authorised Representative shall have one vote.
- 51.6 In the case of an equality of votes, whether on a show of hands or on a poll, the Chair of the Meeting shall not be entitled to a casting vote in addition to any other vote he or she may have.
- 51.7 No Shareholder shall be entitled to vote at any general meeting unless all monies presently payable by him, her or it to the Company have been paid.
- 51.8 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- 51.9 Any such objection under Article 51.8, must be referred to the Chair of the Meeting, whose decision is final.

52. Poll votes

- 52.1 A poll on a resolution may be demanded:
- 52.1.1 in advance of the general meeting where it is to be put to the vote; or
 - 52.1.3 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- 52.2 A poll may be demanded by;
- 52.2.1 the Chair of the Meeting;
 - 52.2.2 the Directors;
 - 52.2.3 two or more persons having the right to vote on the resolution;
 - 52.2.4 any person, who, by virtue of being appointed proxy for one or more Shareholders having the right to vote at the meeting, holds two or more votes; or;
 - 52.2.5 a person or persons representing not less than one tenth of the total voting rights of all the Shareholders having the right to vote on the resolution.

- 52.3 A demand for a poll may be withdrawn if:
- 52.3.1 the poll has not yet been taken; and
 - 52.3.2 the Chair of the Meeting consents to the withdrawal.
- 52.4 Polls must be taken immediately and in such manner as the Chair of the Meeting directs.

53. Content of Proxy Notices

- 53.1 Proxies may only validly be appointed by a notice in Writing (a "Proxy Notice") which:
- 53.1.1 states the name and Address of the Shareholder appointing the proxy;
 - 53.1.2 identifies the person appointed to be that Shareholder's proxy and the general meeting in relation to which that person is appointed;
 - 53.1.3 is signed by or on behalf of the Shareholder appointing the proxy, or is authenticated in such manner as the Directors may determine; and
 - 53.1.4 is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which they relate.
- 53.2 The Company may require Proxy Notices to be delivered in a particular form, and may specify different forms for different purposes.
- 53.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 53.4 Unless a Proxy Notice indicates otherwise, it must be treated as:
- 53.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and
 - 53.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

54. Delivery of Proxy Notices

- 54.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid Proxy Notice has been delivered to the Company by or on behalf of that person.

- 54.2 An appointment under a Proxy Notice may be revoked by delivering to the Company a notice in Writing given by or on behalf of the person by whom or on whose behalf the Proxy Notice was given.
- 54.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 54.4 If a Proxy Notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

55. Amendments to resolutions

- 55.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
 - 55.1.1 notice of the proposed amendment is given to the Company in Writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the Chair of the Meeting may determine); and
 - 55.1.2 the proposed amendment does not, in the reasonable opinion of the Chair of the Meeting, materially alter the scope of the resolution.
- 55.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
 - 55.2.1 the Chair of the Meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and
 - 55.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 55.3 If the Chair of the Meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chair's error does not invalidate the vote on that resolution.

WRITTEN RESOLUTIONS

56. Written resolutions

- 56.1 Subject to Article 0, a written resolution of the Company passed in accordance with this Article 56 shall have effect as if passed by the Company in general meeting:
 - 56.1.1 A written resolution is passed as an ordinary resolution if it is passed by a simple majority of the total voting rights of eligible Shareholders.

- 56.1.2 A written resolution is passed as a special resolution if it is passed by Shareholders representing not less than 75% of the total voting rights of eligible Shareholders. A written resolution is not a special resolution unless it states that it was proposed as a special resolution.
- 56.2 In relation to a resolution proposed as a written resolution of the Company the eligible Shareholders are the Shareholders who would have been entitled to vote on the resolution on the Circulation Date of the resolution.
- 56.3 A Shareholders' resolution under the Companies Acts removing a Director or an auditor before the expiration of his or her term of office may not be passed as a written resolution.
- 56.4 A copy of the written resolution must be sent to every Shareholder together with a statement informing the Shareholder how to signify their agreement to the resolution and the date by which the resolution must be passed if it is not to lapse. Communications in relation to written notices shall be sent to the Company's auditors in accordance with the Companies Acts.
- 56.5 A Shareholder signifies their agreement to a proposed written resolution when the Company receives from him or her an authenticated Document identifying the resolution to which it relates and indicating his or her agreement to the resolution.
- 56.6 If the Document is sent to the Company in Hard Copy Form, it is authenticated if it bears the Shareholder's signature.
- 56.7 If the Document is sent to the Company by Electronic Means, it is authenticated if it is from an email Address notified by the Shareholder to the Company for the purposes of receiving Documents or information by Electronic Means.
- 56.8 A written resolution is passed when the required majority of eligible Shareholders have signified their agreement to it.
- 56.9 A proposed written resolution lapses if it is not passed within 28 days beginning with the Circulation Date.

ADMINISTRATIVE ARRANGEMENTS AND MISCELLANEOUS

57. Means of communication to be used

- 57.1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Companies Act 2006 provides for Documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.

- 57.2 Subject to the Articles, any notice or Document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or Documents for the time being.
- 57.3 Director may agree with the Company that notices or Documents sent to that Director in a particular way are to be deemed to have been received within an agreed time of their being sent, and for the agreed time to be less than 48 hours.
- 57.4 A Shareholder who does not register an address with the Company or who registers only an address that is not within the United Kingdom shall not be entitled to receive any notice from the Company.
- 57.5 A Shareholder present by a duly authorised representative at any meeting of the Company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called
- 57.6 Proof that an envelope containing a notice was properly addressed prepaid and posted shall be conclusive evidence that the notice was given.
- 57.7 Proof that an electronic form of notice was given shall be conclusive where the Company can demonstrate that it was properly addressed and sent in accordance with section 1147 of the Companies Act 2006.
- 57.8 In accordance with section 1147 of the Companies Act 2006 notice shall be deemed to be given:
- 57.8.1 at the expiration of 48 hours after the envelope containing it was posted,
or
- 57.8.2 in the case of an electronic form of communication , at the expiration of 48 hours after the time it was sent

58. Access to Information

- 58.1 Except as provided by law or authorised by the Directors or an ordinary resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or Documents.
- 58.2 The Company shall provide and instruct its auditors to provide to the Shareholders who are a public body or a fire and rescue authority such information and access to the information and its premises for these purposes as it may reasonably require for the purpose of preparing and auditing that

Shareholder's accounts or for investigating value for money or any other reasonable purpose.

58.3 The Company shall provide any elected member or officer of a Shareholder who is a public body or a fire and rescue authority with such information about the activities of the Company which it may reasonably need for the discharge of its functions.

59. Provision for employees on cessation of business

59.1 The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

60. Company Secretary

60.1 Subject to the provisions of the Act a Secretary shall be appointed by the Directors for such term, at such remuneration (if not a Director) and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them.

61. Irregularities

61.1 The proceedings at any meeting or on the taking of any poll or the passing of a written resolution or the making of any decision shall not be invalidated by reason of any accidental informality or irregularity (including any accidental omission to give or any non-receipt of notice) or any want of qualification in any of the persons present or voting or by reason of any business being considered which is not referred to in the notice unless a provision of the Companies Acts specifies that such informality, irregularity or want of qualification shall invalidate it.

62 Minutes

62.1 The Directors must cause minutes to be made in books kept for the purpose:

62.1.1 of all appointments of officers made by the Directors;

62.1.2 of all resolutions of the Company and of the Directors (including, without limitation, decisions of the Directors made without a meeting); and

62.1.3 of all proceedings at meetings of the Company and of the Directors, and of committees of Directors, including the names of the Directors present at each such meeting;

and any such minute, if purported to be signed (or in the case of minutes of Directors' meetings signed or authenticated) by the chair of the meeting at which the proceedings were had, or by the chair of the next succeeding meeting, shall, as against any Shareholder or Director of the Company, be sufficient evidence of the proceedings.

62.2 The minutes must be kept for at least ten years from the date of the meeting, resolution or decision.

63 Accounts

63.1 The Directors shall comply with the requirements of the Companies Acts as to maintaining a member's register, keeping financial records, the audit or examination of accounts and the preparation and transmission to the Registrar of Companies and the Regulator of:

63.1.1 annual reports;

63.1.2 annual returns; and

63.1.3 annual statements of account.

63.1.4 Except as provided by law or authorised by the Directors or an ordinary resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or Documents merely by virtue of being a shareholder.

64 Indemnity

64.1 Subject to Article 64.2, a relevant Director of the Company or an associated company may be indemnified out of the Company's assets against:

64.1.1 any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company;

64.1.2 any liability incurred by that Director in connection with the activities of the Company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006);

64.1.3 any other liability incurred by that Director or other officer acting on behalf of and within the scope of the Company's instructions or an associated company.

64.2 This Article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

64.3 In this Article:

64.3.1 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate; and

64.3.2 a “relevant Director” means any Director or former Director of the Company or an associated company.

65 Insurance

65.1 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant Director or officer of the Company or any other persons who the Directors feel it is appropriate to insure in respect of any relevant loss.

65.2 In this Article:

65.2.1 a “relevant Director” means any Director or former Director of the Company or an associated company;

65.2.2 a “relevant loss” means any loss or liability which has been or may be incurred by a relevant Director in connection with that Director’s duties or powers in relation to the Company, any associated company or any pension fund or employees’ share scheme of the Company or associated company; and

65.2.3 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

66 Exclusion of model articles

The relevant model articles for a company limited by shares are hereby expressly excluded.

67 Shareholder Rules

67.1 The Company shall observe all the legal requirements imposed on it by virtue of any of its Shareholders being a fire and rescue authority or other public body. In particular without limiting the generality of the foregoing, the Company shall, where appropriate:-

67.1.1 not engage in activities for party political purposes or publish party political materials;

- 67.1.2 prepare and publish a statement of practice in respect of letting contracts and abide by it;
 - 67.1.3 due to the value of the contract, obtain appropriate competitive tenders prior to and exclude so far as a public body would be required to, non-commercial matters when deciding the letting of contracts.
- 67.2 The Company shall observe all legal requirements imposed on it by virtue of it being a controlled company as defined by Section 68 of the Local Government and Housing Act 1989 and by virtue of the provisions of the Local Authorities (Companies) Order 1995 and any other regulations or orders made from time to time or the Local Government Act 2003 in relation to a Local Authority's interest in companies.
- 67.3 Any proposal by the Directors to incur capital expenditure which if it were incurred by a any Shareholder who is a public body or a fire and rescue authority would count as capital expenditure under the Local Government Act 2003 and any proposed borrowing or other credit arrangements for capital purposes shall except where permitted by these Articles require a special resolution passed at a general meeting of the Company.
- 67.4 For the avoidance of doubt, the Company shall not without a special resolution:-
- 67.4.1 amend the memorandum or articles of association of the Company;
 - 67.4.2 alter any rights or restrictions attaching to any class of share in the capital of the Company;
 - 67.4.3 change the name of the Company;
 - 67.4.4 pass any resolution or engaged in any other matter which represents a substantial change in the nature of the business of the Company or in the manner in which such business is conducted;
 - 67.4.5 issue any additional shares;
 - 67.4.6 make any change in the Company's accounting reference date;
 - 67.4.7 make any change in the Company's registered office;
 - 67.4.8 change the classification or status of the Company;
 - 67.4.9 enter into any contract, transaction or arrangements with any third party (whether legally binding or not) except up to the Permitted Value provided that such transactions are in the ordinary and proper

course of its business on arm's length terms and upon commercial terms as could be expected in the market for similar activity;

- 67.4.10 borrow or raise any money from any person or make any change in the banking arrangements or facilities (including changes to bank mandates) of the Company;
- 67.4.11 mortgage or charge the Company's undertaking, property or any part thereof, nor issue debentures, debenture stock or any other securities whether outright or as security for any debt, liability or obligation of the company or of any third party, for the benefit of any third party lender;
- 67.4.12 enter into any transaction or series of related transactions (whether at one time or over a period of time) involving the incurring of any capital expenditure except up to the Permitted Value;
- 67.4.13 sell, transfer, lease, assign or otherwise dispose of a part or the whole of any property and/or assets of the company or any subsidiary (or any interest therein) or contract so to do whether or not for valuable consideration except up to the Permitted Value or up to the value stipulated in any relevant regulations whichever is the higher;
- 67.4.14 form, acquire or dispose of any subsidiary or amalgamate or merge with any other company or concern or acquire any shares of any other company or participate in any partnership or joint venture with another person from the private sector unless the value of such partnership is below the Permitted Value;
- 67.4.15 lend or advance to any person, firm or company any monies exceeding in aggregate £15,000 or more in any financial year of the company;
- 67.4.16 enter into any personal favourable contract or arrangement with any elected member or officer of any Shareholder who is a public body or fire and rescue authority or any of its subsidiaries;
- 67.4.17 enter into or vary the terms of any credit transaction falling within the definition contained in regulation 12 of the Local Authorities (Companies) Order 1995 except where the credit transaction is between members of a Shareholder who is a public body or a fire and rescue authority for accounting purposes with the exception of securing overdraft facilities of up to £50,000;

- 67.4.18 remove or vary any of the terms of appointment of the Company's auditors;
- 67.4.19 participate in any scheme of arrangement or petition or pass any resolution to wind up the Company or make application for an administrative order;
- 67.4.20 capitalise, repay or otherwise distribute any amount standing to the credit of any reserve of the Company or redeem or purchase of any shares or otherwise reorganise its share capital.

SCHEDULE
INTERPRETATION

1. In the Articles, unless the context requires otherwise, the following terms shall have the following meanings:

Term	Meaning
“Address”	includes a number or address used for the purposes of sending or receiving Documents by Electronic Means;
”Articles”	means the Company’s articles of association;
“asset-locked body”	means (i) a community interest Company or a charity ¹ or a Permitted Society; or (ii) a body established outside the United Kingdom that is equivalent to any of those;
“Authorised Representative”	means any individual nominated by a Shareholder Organisation to act as its representative at any meeting of the Company in accordance with Article 51;
“bankruptcy”	includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;
”Chair”	has the meaning given in Article 10;
“Chair of the Meeting”	has the meaning given in Article 48;
“Circulation Date”	in relation to a written resolution, has the meaning given to it in the Companies Acts;
“Clear Days”	in relation to the period of a notice, that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;
“community”	is to be construed in accordance with the section 35(5) of the Companies (Audit,

Investigations and Community Enterprise) Act 2004;

“Companies Acts”	means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the Company;
“Company”	3SFire Community Interest Company;
“Conflict of Interest”	any direct or indirect interest of a Director (whether personal, by virtue of a duty of loyalty to another organisation or otherwise) that conflicts or might conflict with the interests of the Company;
“Director”	means a director of the Company, and includes any person occupying the position of director, by whatever name called;
“distribution recipient”	has the meaning given in Article 36;
”Document”	includes, unless otherwise indicated, any document sent or supplied in Electronic Form;
“Electronic Form” and “Electronic Means”	have the meanings respectively given to them in section 1168 of the Companies Act 2006;
“fully paid”	in relation to a share, means that the nominal value and any premium to be paid to the Company in respect of that share have been paid to the Company;
“Hard Copy Form”	has the meaning given in section 1168 of the Companies Act 2006;
“holder”	in relation to shares means the person whose name is entered in the register of shareholders as the holder of the shares;
“instrument”	means a document in Hard Copy Form;
“Memorandum”	the Company’s memorandum of association;
“paid”	means paid or credited as paid;

“participate”	in relation to a Directors’ meeting, has the meaning given in Article 15;
”Permitted Society”	<p>Registered Means</p> <p>a) A registered society within the meaning given by section 1(1) of the Co-operative and Community Benefit Societies Act 2014; or</p> <p>b) A society registered or deemed to be registered under the Industrial and Provident Societies Act (Northern Ireland) 1969;</p>
“Permitted Value”	means a value of £1,000,000 (One Million Pounds) whether in isolation or in aggregate in any one year or such other figure as may be approved by Special Resolution;
“Proxy Notice”	has the meaning given in Article 53;
“the Regulations”	means the Community Interest Company Regulations 2005 (as amended);
“the Regulator”	means the Regulator of Community Interest Companies;
“Secretary”	the secretary of the Company (if any);
“Shareholder”	means a person who is the holder of a share;
“shares”	means shares in the Company;
“specified”	means specified in the articles of association of the Company for the purposes of this paragraph;
“subsidiary”	has the meaning given in section 1159 of the Companies Act 2006;
“transfer”	includes every description of disposition, payment, release or distribution, and the

creation or extinction of an estate or interest in, or right over, any property;

“transmittee”

means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law; and

“Writing”

means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in Electronic Form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company. Words denoting the singular shall include the plural and vice versa as the context shall Permit References to statutes or regulations include references to any statutes or regulations amending re-enacting or replacing the same Subject as aforesaid words or expressions contained in these Articles shall unless the context requires otherwise bear the same meaning as in the Act.

Appendix B

Proposed text of the written resolutions to be signed by HFRA as sole shareholder of 3SFire Limited

**THE COMPANIES ACT 2006
PRIVATE COMPANY LIMITED BY SHARES
SPECIAL RESOLUTION**

3SFIRE LIMITED (the 'Company') (Company Number 08411305)

Hampshire Fire and Rescue Authority, being the sole member of the Company eligible to attend and vote at general meetings of the Company, pass the following resolution designated a special resolution, and agree that the said resolution shall be as valid and effective as if it had been passed at a general meeting the Company duly convened and held.

IT IS RESOLVED THAT:

1. the articles of association of the Company shall be altered so as to comply with the requirements in connection with becoming a community interest company. The articles of association shall take the form of the articles of association attached to this resolution in substitution for, and to the exclusion of, any articles of association of the Company previously registered with the Registrar of Companies.
2. the registered name of the Company be changed to 3S FIRE Community Interest Company.
3. the legal status of the Company be changed to a Community Interest Company.

AGREEMENT OF THE SHAREHOLDER REPRESENTATIVE

Further to Article 39 of the Company Articles, I, the undersigned, being the Shareholder Representative on [DATE] irrevocably agree to the resolutions set out above.

Signed _____

Date _____

Notes

- (1) This written resolution has been proposed by the Board of the Company.
- (2) The circulation date of this written resolution is [DATE]
- (3) If you agree to the resolution, please signify your agreement by signing against your name where indicated. Please then return the document to the Company.
- (4) Once this resolution has been signed and returned to the Company, your agreement to it may not be revoked.

Agenda Item 8

AT A MEETING of the HFRA Standards and Governance Committee held
virtually via Microsoft Teams on Tuesday, 17th November, 2020

Chairman:

* Councillor Liz Fairhurst

* Councillor Sharon Mintoff

* Councillor Geoffrey Hockley

* Councillor Jonathan Glen

* Councillor Roger Price

*Present

Also present with the agreement of the Chairman:
Councillor Chris Carter, Chairman of HFRA

122. **APOLOGIES FOR ABSENCE**

All Members were present and no apologies were noted.

123. **DECLARATIONS OF INTEREST**

Members were mindful of their duty to disclose at the meeting any Disclosable Pecuniary Interest they had in any matter on the agenda for the meeting, where that interest was not already in the Authority's register of interests, and their ability to disclose any other personal interests in any such matter that they might have wished to disclose.

No interests were declared.

124. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed.

125. **DEPUTATIONS**

There were no deputations for the meeting.

126. **CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's announcements.

127. **EXTERNAL AUDIT RESULTS REPORT 2019/20**

The Committee received a report of the Chief Finance Officer (Item 6 in the Minute Book) which summarised the External Auditor's Final Audit Results report for 2019/20 which was appended to the report. It was heard that there was little

change since the Committee received the draft report at their previous Committee meeting. An updated Letter of Representations had also been circulated to Members of the Committee. A representative from Ernst & Young (EY) introduced their report and outlined the changes since the draft report was received by the committee at their meeting on the 30 September 2020. Attention was drawn to the area of Pension Liability Valuation and it was heard that the outstanding element had been the final assurance from the audit of the Hampshire Pension Fund which had now been concluded. This had resulted in a minor unadjusted audit difference, but was seen as an immaterial number and management had chosen not to adjust this difference. Members were asked for their view as to whether this should be adjusted, and the Committee were content with management's decision.

The second element which had been updated related to work on the going concern disclosures within the accounts, and it was heard that work had now been concluded and EY were satisfied with disclosures made in the accounts and concluded that no modifications to the audit report were necessary.

RESOLVED:

- a) That the Committee received and noted the latest External Auditor's HFRA Audit Results Report for the year ended 31 March 2020.
- b) That the Committee RECOMMEND that the Full Authority note and accept the External Auditor's HFRA Audit Results Report.

128. HFRA INTERNAL AUDIT PROGRESS REPORT 2020/21

The Committee received a report of the Chief Internal Auditor on the HFRA Internal Audit Progress Report 2020/21 (Item 7 in the Minute Book).

The report was introduced and it was explained that there were two parts to the report, which detailed the progress with delivering the internal audit plan and the external quality assessment. Members heard that there had been delays to starting the internal audit work due to the impact of Covid and remote working of staff. It was explained that there have been regular meetings to review the internal audit plan and ensure this continued to be relevant. Members noted that the majority of the work will take place in quarter three and quarter four. A review of risk assessments around Covid had taken place, and this had resulted in substantial assurance.

The variations to plan were outlined on page nine of the report, and the focus for the remainder of the financial year is to ensure sufficient work to enable an annual internal audit opinion to be provided subject to staff remaining fit and well during the second wave of Covid, and HFRS remaining able to accommodate reviews. However, CIPFA have published guidance should limitations arise. It was also noted that work around Shared Services was continuing.

In response to a Member query, it was heard that the team remained fit and well and were working remotely and progressing well with work. The team had adapted well to changes and the new way of working.

In response to a Member query around any possible slippage of areas of work into other Quarters, it was noted that there were regular monthly meetings around the timing of reviews, as well as early discussions around the planning for next year. Regular communication with officers and Members would take place, should the position change.

It was heard that the Internal Audit Team had recently been audited, and an external assessment had been undertaken. The Institute of Internal Auditors had undertaken this and assessed against audit standards, and this was also a good opportunity to benchmark against best practice across the public and private sector. It was reported that Internal Audit were found to be fully conformant against all the requirements, and it was heard that some suggestions had been given for the team to develop further which had been discussed with the Partnership Boards and an action plan had been developed in relation to these. Members of the Committee and the Chairman of the Authority thanked the Internal Audit team for all their hard work and congratulated them on achieving this result.

RESOLVED:

- a) That the progress in delivering the internal audit plan for 2020/21 and the outcomes to date be noted by Hampshire Fire and Rescue Authority Standards and Governance Committee.
- b) That the outcomes of the External Quality Assessment of SIAP, and the assurance that provides over the quality of internal audit work be noted and also congratulated on achieving such a high standard, by Hampshire Fire and Rescue Authority Standards and Governance Committee

129. INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT

The Committee received a report of the Chief Fire Officer on the progress of Internal Audit Management Actions (Item 8 in the Minute Book). The report was introduced and attention was drawn to the table at Section 5 of the report which outlined the four outstanding management actions which all related to the proactive pay claims audit. The first action was explained and details of the new software solution in relation to the changed provision for paper claims was explained. The other three actions all related to the Combined Fire Authority (CFA), and it was explained that the one-off exercise for managers and HFRS personnel detailed in the fourth action, was contingent on the two previous management actions. Members heard that Officers were confident that the revised timelines for the actions would be met.

Page 99 of the agenda pack detailed how Business Continuity had been in action throughout the Service over the past few months, and the formal letter to

be received from Her Majesty's Inspectorate of Constabulary, Fire and Rescue in respect of Covid inspection, should reflect the positive work.

The Committee heard of the continued hard work between the teams to be able to target the right audits and make good progress, which has enabled the number of open management actions to be reduced from 38 since last reported to Committee to 10 as of October 2020. It was also highlighted that substantial assurance had been received in respect of health and safety.

In conclusion it was highlighted that the timing of the proactive pay claims was dependent on no issues with the CFA in relation to pay and arrangements, and officers would need to look at timings if there were any issues.

A query was raised as to whether the date for the first management action would change, and it was heard that due to the size and scale of the software project, it wouldn't be desirable for any delays, and it was important that this was implemented as soon as possible and a significant amount of work and progress was taking place in relation to this.

RESOLVED:

- a) That the Standards and Governance Committee notes that, despite the impact of COVID-19, significant progress continues to be made towards the implementation of the internal audit management actions.
- b) That the Standards and Governance Committee specifically notes the positive findings of SIAP's Covid Health and Safety Risk Assessments audit.

130. **ORGANISATIONAL RISK REGISTER**

The Committee received a report of the Chief Fire Officer on the Organisational Risk Register which was set out in the report and at Appendix A (Item 9 in the Minute Book).

The report was introduced and it was explained that this was the inaugural six monthly report highlighting the status and details of organisational risk which would be presented to the Committee on a rolling six month basis. Page 107 of the pack detailed the risks which would seriously impede the Service carrying out its role, and this could result in different resources being marshalled and changes to policy if any of the risks materialised, and it was important that the Committee scrutinised these.

Page 107 detailed the current seven organisational risks and the detail in the scoring and the rationale behind this. Each risk was also managed by a Director who was responsible for each risk. It was heard that Ref Number 4 specifically detailed building regulations, and it was explained that some requirements around this may need additional resources to be implemented within the Service.

A Member query around Ref Number 7 was raised and it was heard that the right guidance, precautions and contingency plans were in place if there were high levels of sickness and absence in relation to Covid, and an appropriate level of Service response would still be delivered.

Councillor Price highlighted that at the recent HFRA Firefighters' Pension Board meeting it was recommended that Firefighters pensions should be included in the risk register, and this was also raised at the Scheme Advisory Board that there was a risk to Authorities in relation to the administration of Firefighters pensions and the intricacies of the scheme. It was explained that this had been inadvertently omitted, but this risk would be added to the Register, and Councillor Price was content.

RESOLVED:

- a) That the Hampshire Fire and Rescue Authority Standards and Governance Committee notes the Organisational Risk Register status under the delegated management of the Chief Fire Officer.
- b) That the Hampshire Fire and Rescue Authority Standards and Governance Committee recommends adding Firefighters pensions to the Organisational Risk Register.

131. INDEPENDENT PERSON TO HAMPSHIRE AND ISLE OF WIGHT FIRE AND RESCUE AUTHORITY

The Committee received a late additional report of The Committee Clerk (Item 10 in the Minute Book) seeking approval for a recruitment process to be undertaken for an Independent Person to Hampshire and Isle of Wight Fire and Rescue Authority.

The report was introduced and it was explained that it was a legal requirement for The Authority to appoint an Independent Person or Persons, and authority was delegated to the Standards and Governance Committee to oversee the recruitment process for an Independent Person(s), including the ability to establish a selection panel from amongst its members to interview candidates and make a recommendation to the Authority for appointment.

RESOLVED:

- a) That the process for recruitment of an Independent Person is commenced, the position is advertised for appointment from June 2021 with an annual allowance of £100, and three cross party Members of the Committee are nominated to form a working group to undertake shortlisting and interviews which would consist of Cllrs Glen, Mintoff and Price.
- b) That the working group bring a recommendation for appointment to the Standards and Governance Committee meeting in February 2021 for approval and recommendation to Hampshire & Isle of Wight Fire and Rescue Authority at its meeting in June 2021.

Chairman,



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Standards and Governance Committee

Purpose: Noting

Date 17 November 2020

Title **EXTERNAL AUDIT RESULTS REPORT 2019/20**

Report of Treasurer

Author: Rob Carr, Chief Finance Officer, Rob.Carr@hants.gov.uk

SUMMARY

1. Attached to this report, in **Appendix A**, is the External Auditor's Audit Results report for the year ended 31 March 2020. It summarises the findings from the audit of the Authority's financial statements, and the work undertaken to assess arrangements in place to secure value for money in our use of resources and represents an update from the report issued in September.
2. The Auditor proposes to issue an unqualified audit report on the financial statements subject to concluding the matters listed in the draft report, and has concluded that we have proper arrangements for securing economy, efficiency, and effectiveness in the use of our resources.

BACKGROUND

3. The impact of Covid-19 has meant that the final date for the approval and audit of the 2019/20 accounts has been changed to 30 November 2020. However, it was agreed with Ernst & Young (EY) that we would attempt to sign off HFRA's accounts by the end of September.
4. Whilst a draft report was issued for September, there were several issues still outstanding. Many of these have now progressed and a revised Audit Results Report is now attached at Appendix A.
5. The results are basically the same as issued in September and once again are positive in that, subject to concluding the outstanding matters listed in the draft report, an unqualified opinion on the accounts is expected and EY have concluded that we have proper arrangements for securing economy, efficiency, and effectiveness in the use of our resources

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

6. Good financial management is essential to enable the Service to achieve its plans and priorities and the audit results report provides external confirmation around the quality and content of the final accounts and the overall financial resilience of the Authority.

CONSULTATION

7. No consultation is required for this report as it is based on historic information and is a purely factual document.

RESOURCE IMPLICATIONS

8. There are no direct resource implications contained within this report, but appropriate financial resources have been made available to fund the estimated cost of the 2019/20 audit fee, albeit this may be subject to proposed changes that would need to be agreed by the Authority or referred to the Public Sector Audit Appointments Ltd (PSAA) for consideration.

LEGAL IMPLICATIONS

9. It is a legal requirement that the Statement of Accounts is approved by those charged with governance and is then independently signed off by external audit.

PEOPLE IMPACT ASSESSMENT

10. There are no direct impacts on people as a result of this report.

OPTIONS

11. This report deals with the audit results report from the external auditor, there are therefore no options for consideration in this report.

RISK ANALYSIS

12. Areas of risk are identified by the auditor as part of the planning process and examination of these areas form part of the formal audit and the results are reported in the attached Appendix.

CONCLUSION

13. The audit opinion and value for money conclusion are important elements in confirming that there is sound financial management within the Authority. The report from the auditors is positive and confirms that there are no material issues about which the Committee needs to be made aware, but certain

matters have been highlighted by the auditors in respect of some of the impacts on the accounts of Covid-19.

RECOMMENDATION

14. That the Committee receives and notes the latest External Auditor's HFRA Audit Results Report for the year ended 31 March 2020.
15. That the Committee considers any recommendations that it may wish to make to the full Authority in respect of the Annual Audit Letter.

APPENDICES ATTACHED

16. Appendix A – External Audit Results Report Year Ended 31 March 2020

BACKGROUND DOCUMENTS

Section 100 D - Local Government Act 1972 – background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report.

Final Accounts Report 2019/20 – HFRA 22 July 2020

NB: the list excludes Published works

Documents which disclose exempt or confidential information as defined in the Act:

None

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Hampshire Fire and Rescue Authority Audit results report

Year ended 31 March 2020

03 November 2020

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world



03 November 2020

Dear Standards & Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Standards & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of The Hampshire Fire and Rescue Authority for 2019/20.

We have substantially completed our audit of The Hampshire Fire and Rescue Authority for the year ended 31 March 2020.

As set out on pages 5 and 6 a number of issues have arisen as a result of covid-19 which will impact on our audit opinion

We confirm that we expect to issue an unqualified audit opinion on the financial statements, which as part of those concluding procedures may contain emphasis of matter paragraphs relating to Property, Plant & Equipment Valuation and Going Concern, in the form at section 3 before the accounts publication date.

We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Standards & Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Standards & Governance Committee meeting on 17 November 2020.

Yours faithfully

Kevin Suter

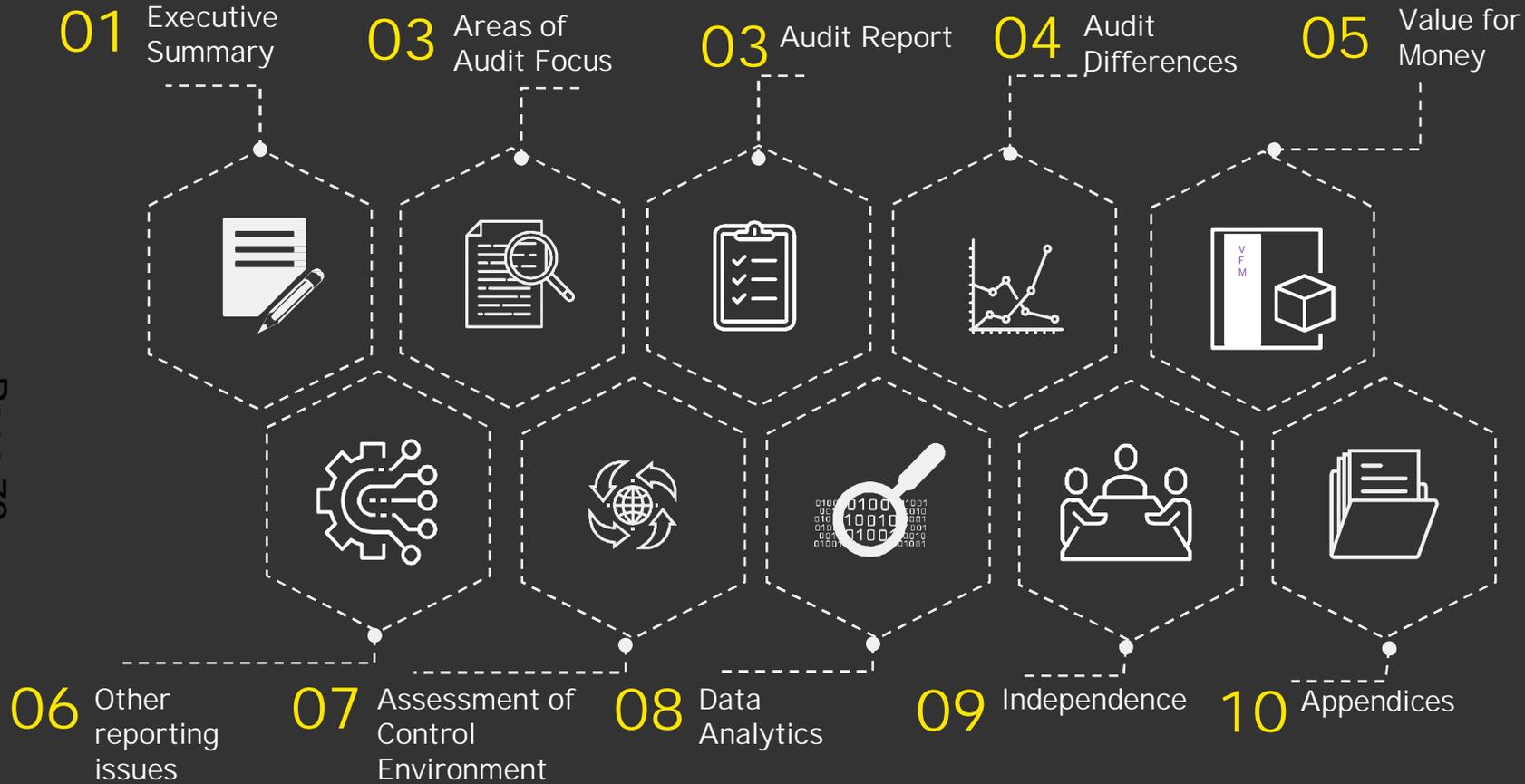
Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the 2 March 2020 Standards & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

As set out in our progress report shared with the Committee there were a number of changes to our risk assessment as a result of Covid-19 including:

- Valuation of Property Plant and Equipment - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
- Disclosures on Going Concern - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Local Authority and the events that may occur.
- Adoption of IFRS16 - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £2m, with performance materiality, at 75% of overall materiality, of £1.5m, and a threshold for reporting misstatements (nominal amount) of £0.1m. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on services.



Executive Summary

Scope update

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fee on page 38.



Executive Summary

Status of the audit

We have substantially completed our audit of HFRA's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4.

The outstanding items are:

- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Receipt of the signed management representation letter
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We do not expect to issue the audit certificate at the same time as the audit report due to the timing of the Whole of Government Accounts ("WGA") submission and assurance work, the instructions for which have yet to be provided by the NAO.

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Audit differences

We identified 4 audit differences in the draft financial statements which management have decided not to adjust due to materiality. We agree with management that in aggregate these are immaterial and can remain unadjusted. Details can be found in Section 4 Audit Differences.



Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Audit findings and conclusions: Misstatements due to fraud or error

- We have no findings to report to the Standards & Governance Committee

Audit findings and conclusions: PPE valuation

- We have noted an audit difference in respect of indexation of land and buildings not revalued in the year. The proposed misstatement increases the value of assets by £611k. This has not been adjusted by management due to materiality.
- In line with guidance by RICS, internal valuers have included a material uncertainty clause in their valuation report. We have ensured that this is appropriately disclosed in the financial statements.

Audit findings and conclusions: IAS 19 Pension Accounting

We have received the final results of the work performed by the Pension Fund Auditor. Their work notes a difference in the value of pension assets which would decrease the value held by the Authority by £206k. This has not been adjusted by management due to materiality.

We are satisfied that the actuary has taken into consideration the impacts of McCloud and that the impacts of 'Goodwin' would not be material on the Authority.

Audit findings and conclusions: New Accounting Standard

- As noted on page 5, the implementation of IFRS 16 has been deferred to 01 April 2021 and therefore no further procedures are required by EY for 2019/20.

Audit findings and conclusions: Going Concern

- We have concluded our procedures on going concern and suggested amendments to the disclosure in the financial statements which has been processed by management.

Audit findings and conclusions: PBSE

- We have reviewed the disclosures in the Statement of Accounts for HFRA to ensure they sufficiently disclose the impact of COVID-19.



Executive Summary

Areas of audit focus, continued

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Standards & Governance Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we reported that we had not identified any specific significant risks, this remains unchanged.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. However Treasury has extended the reporting timetable for WGA so we may not certify completion of the audit at the same time as issuing the audit opinion.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.



02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

The risk of management override at the HFRA is mainly through the possibility that management could override controls and manipulate in-year financial transactions that have an impact on the General Fund's medium- to longer-term projected financial position.

The risk is focused in non-routine transactions as they are not protected by system controls and the robust segregation of duties in routine transactions. These non-routine and estimation transactions are also more subjective and therefore more susceptible to management override. We are specific that at the authorities, this risk only manifests itself in any estimates and judgements that impact the General Fund.

What did we do?

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

Our journal testing did not identify any journal entries without a valid business purpose.

We did not identify any other transactions during our audit which appeared unusual or outside the HFRA's normal course of business.





Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?

Valuation of Land and Buildings

Land and buildings is one of the most significant balances in the HFRA's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

What did we do?

We have:

- Considered the competence, capability and objectivity of the organisation's valuer;
- Considered the scope of the valuer's work;
- Ensured L&B assets have been revalued within a 5 year rolling programme as required by the Code;
- Ensured IP has been annually revalued as required by the Code;
- Considered if there are any specific changes to assets that should have been communicated to the valuer;
- Sample tested key inputs used by the valuer when producing valuations;
- Considered the results of the valuer's work;
- Challenged the assumptions used by the valuer by reference to external evidence;
- Tested journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- Tested a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- Reviewed assets that are not subject to valuation in 2019/20 to confirm the remaining asset base is not materially misstated.
- Reviewed the disclosures to ensure they adequately disclose the material uncertainty caveat included in the valuers report as a result of COVID-19.

Conclusion: We noted a difference in our analysis of assets not revalued in the year that was above our nominal amount therefore we have recorded as a misstatement. The difference arises due to management performing an indexation exercise as at 01 April 2019. Our view is that this should be done as at the year end date, 31 March 2020. Management have not adjusted as their view is that this adjustment is immaterial.

In all other respects there are no findings to report.



Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?	What did we do?
<p>Pension Liability Valuation The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Authority must also do similar in respect of the Firefighter Pension Fund. HFRA's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheets. At 31 March 2020 this totalled £25m. The information disclosed is based on the IAS 19 report issued to HFRA by the actuary to the County Council and also the Firefighter Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. TSAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hampshire Fire & Rescue Authority; • Assessed the work of the LGPS Pension Fund actuary (AoN Hewitt) and the Firefighter Pension actuary (also AoN Hewitt) including the assumptions they used by relying on the work of PWC – Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and • Reviewed and tested the accounting entries and disclosures made within the financial statements in relation to IAS19. • Reviewed the adjustments in respect of the McCloud ruling and determined the calculation was reasonable. • Reviewed the assessment by management that the latest rulings in relation to 'Goodwin' are not material to the Authority. <p>Conclusion: Work performed by the auditors of Hampshire Pension Fund noted a difference in value of pension assets held by the Authority. We have therefore raised an audit adjustment to reduce the value of the assets by £206k. Management have chosen not to adjust this difference as it is their view that this is immaterial.</p>



Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p>Going Concern ISA 570 was revised in September 2019. The revised standard increases the work we are required to perform when assessing whether an entity is a going concern and means UK auditors will follow significantly stronger requirements than those required by current international standards. Whilst the standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, EY have revised current audit procedures, recognising the importance of the forthcoming revisions.</p> <p>Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance</p>	<p>We:</p> <ul style="list-style-type: none"> • Obtained Management's going concern assessment and reviewed for any evidence of bias and consistency with the accounts; • Reviewed the financial modelling and forecasts prepared by the Authority. We considered and tested key assumptions, focusing on the reasonableness of the liquidity forecasts up to a date of 12 months after the signing date of the accounts and opinion. This assessment therefore needed to extend beyond the 2020/21 financial year, and into 2021/22; • Ensured that an appropriate going concern disclosure has been made within the financial statements; • Reviewing HFRA's approach to identifying and disclosing events after the balance sheet date; and • Considering the impact on our audit report and complied with EY consultation requirements. <p>Conclusion: Our work on going concern has concluded and we are satisfied that the disclosure within the financial statements is appropriate to the circumstances of the Authority, and the supporting evidence.</p> <p>We have concluded that there is no impact on our auditor's report.</p>

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03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE HAMPSHIRE FIRE AND RESCUE AUTHORITY

Opinion

We have audited the financial statements of the Hampshire Fire and Rescue Authority for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- Firefighters Pension Fund Account Statements; and
- related notes 1 to 37

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hampshire Fire and Rescue Authority as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below.

We that are relevant to our audit of the financial statements in the UK, including the FRC's

Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised are independent of the authority in accordance with the ethical requirements for issue.

Other information

The other information comprises the information included in the narrative statement set out on pages 2 to 15, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other



Audit Report

Draft audit report - example only

Our opinion on the financial statements

information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, The Hampshire Fire and Rescue Authority, put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and

Accountability Act 2014;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Director of Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer Responsibilities set out on page 17, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit



Audit Report

Draft audit report - example only

Our opinion on the financial statements

conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Hampshire Fire and Rescue Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper

arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of Hampshire Fire and Rescue Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences





Audit Differences

Summary of unadjusted differences

We highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that rationale as to why they are not corrected be considered and approved by the S&G Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2020 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase				Equity components Debit/(Credit)
		Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	
Known differences:						
• Council tax income understatement	(374)	374				
• Business rates income overstatement	373	(373)				
• Pension Fund asset overstatement			(206)			206
Judgemental differences:						
• Land & Buildings Valuations - assets not valued in year			611			(611)
Balance sheet totals						
Income effect of uncorrected misstatements (before tax)	(1)	1	405			(405)



05

Value for Money



Background

We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

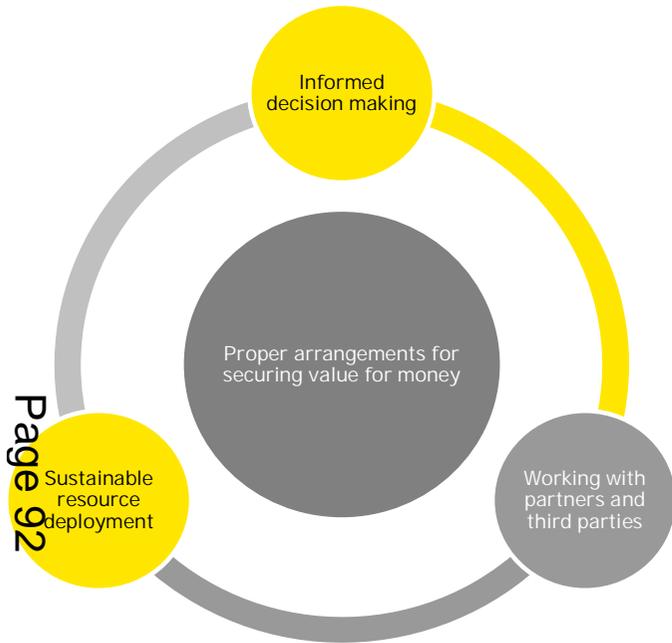
For 2019/20 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities’ response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We did not identify any significant risks around these criteria
We therefore expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Page 4 Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. However, instructions are yet to be received.

Treasury has extended the reporting timetable for WGA so we may not certify completion of the audit at the same time as issuing the audit opinion.

We will report any matters arising to the Standards & Governance Committee.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Consideration of laws and regulations; and
- Group audits

We have no significant findings to communicate.

Prior year adjustments

In the course of the audit we noted 1 prior year adjustment.

Error 1 (identified by management):

Error in leases disclosure - In preparing for IFRS 16 implementation, management had noted for some leases they had included service costs which under the code they should not have included and these have subsequently been disclosed in the prior year comparatives. With a difference of £11m.

We have suggested amendments to the proposed disclosure to ensure there is sufficient detail for the reader to understand the adjustment. These have been processed by management.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a substantive approach (with some reliance on the ISAE 3402 report on the IBC), we have therefore not tested the operation of any controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment or effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention/details of issues noted.



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20 our use of these analysers in the Authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

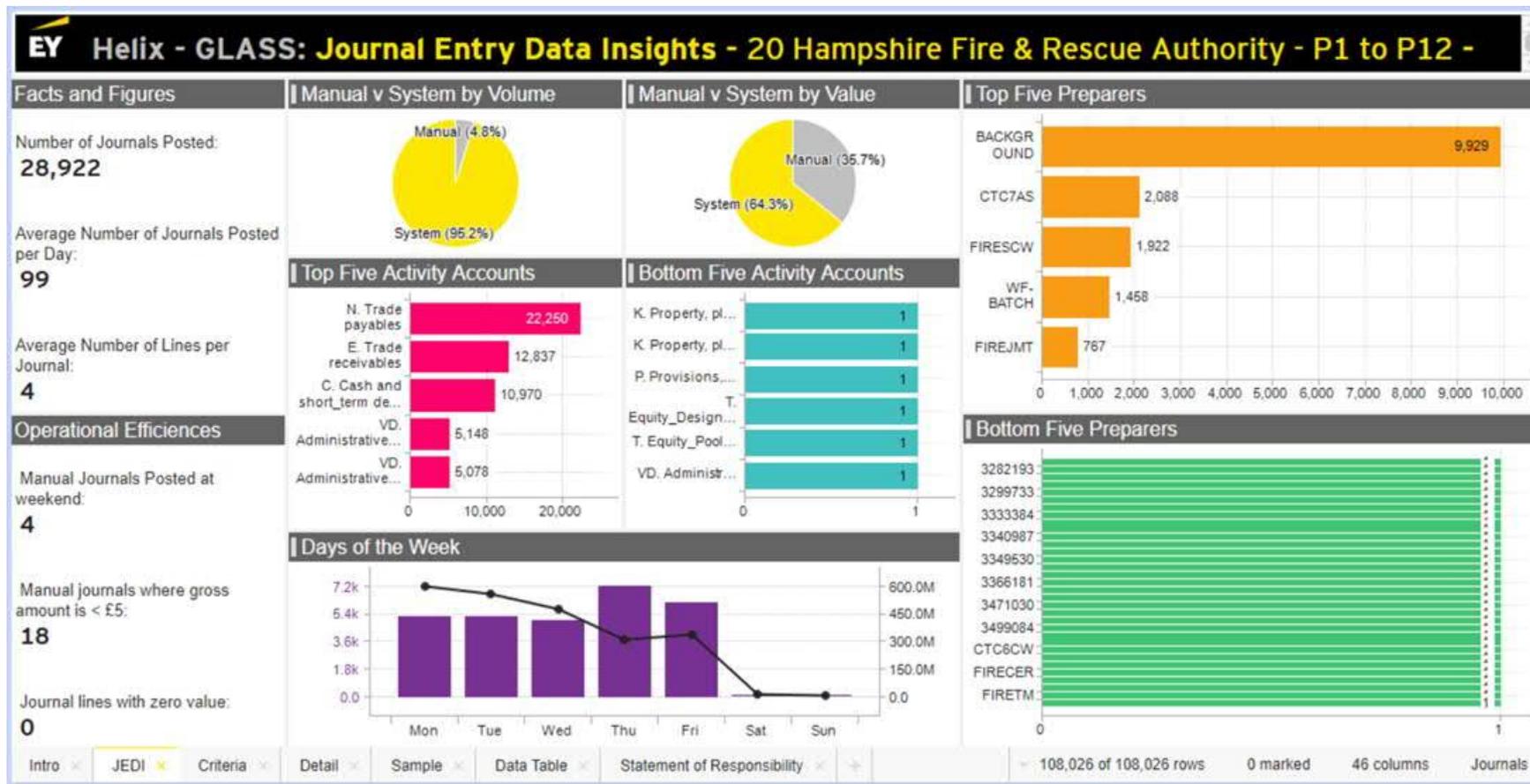
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2019/20. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





Journal Entry Testing

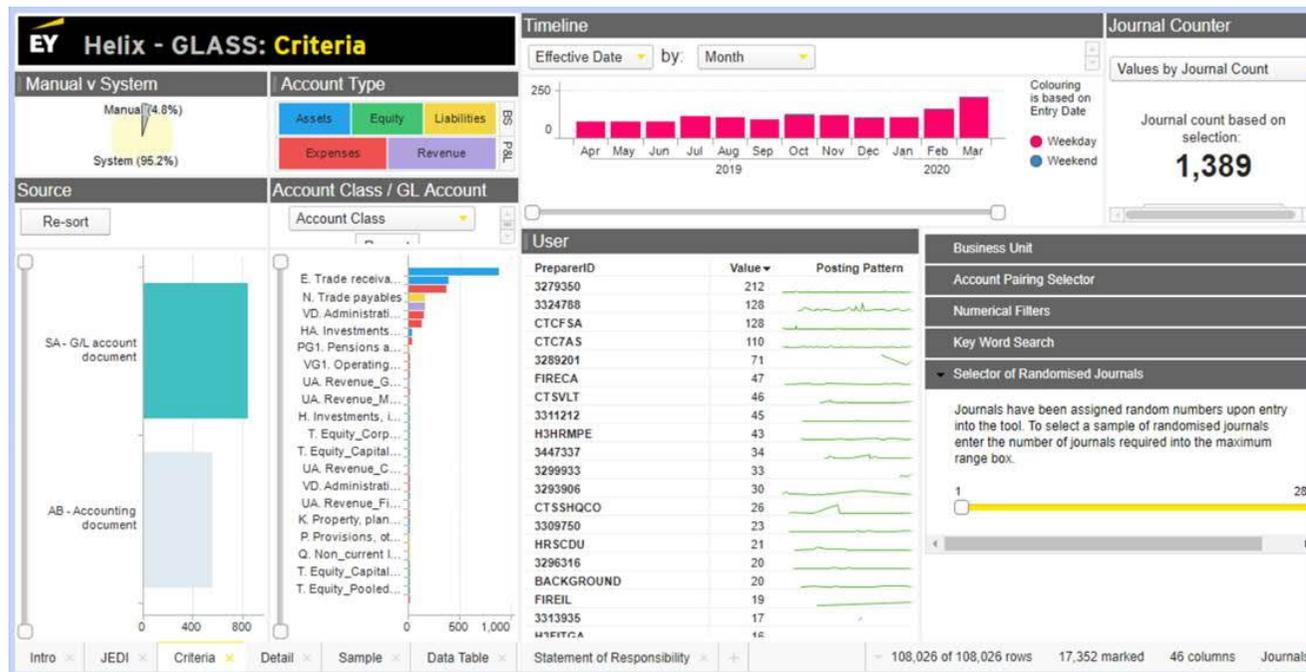
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2020



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 28 January 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Standards & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards & Governance Committee on 30 September 2020.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2020.

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Description	Final Fee 2018/19 £	Planned Fee 2019/20 £	Final Fee 2019/20 £
Total Audit Fee – Code work	28,692	27,893	TBC

2019/20 Fees:

We are not yet able to provide a final fee for the 2019/20 audit. This is for two reasons:

- The audit as not fully complete, as noted in the list of outstanding procedures set out on page 7 of this report.
- We have not been able to conclude our fee discussions with PSAA regarding the rebasing of the scale fee, as we have previously with management on 19 May 2020.

The areas in which we have completed additional work and as such we will be proposing a fee variation to the base scale fee are:

- PPE including RICS related material uncertainty related to COVID-19
- Going concern assessment and disclosure
- EY consultation on auditor's report on the statements involving EY professional practice directorate to ensure the auditor's report is appropriate.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Standards & Governance Committee.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from insert start of financial year to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
 - A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
 - A narrow list of permitted services where closely related to the audit and/or required by law or regulation
 - Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
 - A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

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Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



10

Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

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Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	The ISAE 3402 report was commissioned by the IBC for the first time for the year 31 March 2020.
Tangible Fixed Assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Trade payables	We relied on the ISAE 3402 report on the IBC to rely on controls with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	The ISAE 3402 report was commissioned by the IBC for the first time for the year 31 March 2020.
Cash, borrowings and investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Pension Liability	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change

Appendix B

Summary of communications

Date 	Nature 	Summary 
February 2020	Report	The audit planning report, including confirmation of independence, was issued to the S&G Committee.
March 2020	Meeting	The Associate Partner and Senior Manager met with the S&G Committee and senior members of the management team to discuss the audit planning report.
May 2020	Report	An audit progress report was issued to the S&G Committee
June 2020	Report	The Associate Partner and Senior Manager have met with senior members of the management team to discuss audit progress and the revised timetable for completion.
September 2020	Report	The audit results report, including confirmation of independence, was issued to the S&G Committee.
September 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the S&G committee and senior members of the management team to discuss the audit results report.
November 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the S&G committee and senior members of the management team to discuss the final audit results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Standards & Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the standards & governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.		Audit planning report dated 10 February 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Audit planning report dated 10 February 2020
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 		This Audit results report

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Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	<p>This Audit results report</p> <p>No conditions or events were identified, either individually or together to raise any doubt about the HFRA’s ability to continue for the 12 months from the date of our report</p>
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	<p>This Audit results report</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the S&G committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>Attending S&G Committee - November 2020</p>
Fraud	<ul style="list-style-type: none"> • Enquiries of the S&G committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to S&G Committee responsibility. 	<p>Formal enquiry letter sent and response received from Chair of S&G Committee. and This Audit results report</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	<p>  This Audit results report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report dated 10 February 2020 and This Audit results report</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>We have received all requested confirmations</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	This Audit results report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	This Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	This Audit results report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	This Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Planning Report dated 10 February 2020 and This Audit results report
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report

Management representation letter

Management Representation Letter – to be finalised on completion of all outstanding audit procedures

Ernst & Young LLP
Grosvenor House,
Grosvenor Square,
Southampton SO15 2BE,
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of the Fire and Rescue Authority for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Hampshire Fire and Rescue Authority as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations and cash

flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and therefore we have not corrected these differences.
6. B. Non-compliance with law and regulations, including fraud
 1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance

Management representation letter

Management Rep Letter

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
3. have made available to you all minutes of the meetings of the Hampshire Fire and Rescue Service and Standards & Governance Committee held through the period to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

Management representation letter

Management Rep Letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 20 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end, including events related to the COVID-19 pandemic, which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and in generating the IAS19 pension disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on the valuation of assets and IAS19 disclosure and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Management representation letter

Management Rep Letter

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Signed on behalf of Hampshire Fire and Rescue Authority

I confirm that this letter has been discussed and agreed by the Standards and Governance Committee

Signed:

Position: Chief Finance Officer

Date:

Signed:

Position: Chairman of the Standards & Governance Committee

Date:

Accounting and regulatory update

Accounting update

Since the date of our last report to the Standards & Governance Committee, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on HFRA 
IFRS 7/IFRS 9 – Financial Instruments [hedge accounting]	<ul style="list-style-type: none"> Amendments regarding pre-replacement issues in the context of the Interest Rate Benchmark (IBOR) reform 	<ul style="list-style-type: none"> Effective for periods beginning on or after 1 January 2020

Future accounting developments

Since the date of our last report to the Standards & Governance Committee, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on HFRA 
IFRS 16	<ul style="list-style-type: none"> The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. 	<ul style="list-style-type: none"> Management should resume impact assessment for year ended 31 March 2021 ahead of adoption on 01 April 2021.

Appendix H

Regulatory update

Since the date of our last report to the Standards & Governance Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on XYZ plc 
Code of Audit Practice 2020	<ul style="list-style-type: none"> The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. 	<ul style="list-style-type: none"> Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. Further updates will be provided when possible.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.



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Rob Carr
Head of Finance
Finance Service
Leigh Road
Eastleigh
Hampshire
SO50 9SJ

Your reference:

15 January 2021

Dear Mr Suter,

Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of the Fire and Rescue Authority for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Hampshire Fire and Rescue Authority as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations and cash

flows of the Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls .
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and therefore we have not corrected these differences.

6. B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Hampshire Fire and Rescue Service and Standards & Governance Committee held through the period to the most recent meeting on the following date: 17 November 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 20 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end, including events related to the COVID-19 pandemic, which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

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1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and in generating the IAS19 pension disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on the valuation of assets and IAS19 disclosure and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Signed on behalf of Hampshire Fire and Rescue Authority

I confirm that this letter has been discussed and agreed by the Standards and Governance Committee

Signed:

Position: Chief Finance Officer Date:

Signed:

Position: Chairman of the Standards & Governance Committee

Date:

Appendix

Summary of unadjusted differences - We acknowledge the following misstatements to the financial statements and/or disclosures which were not corrected by management as they are not material either individually or collectively.

Uncorrected misstatements 31 March 2020 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase				
		Assets current	Assets non current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)	Equity components Debit/(Credit)
Known differences:						
• Council tax income understatement	(374)	374				
• Business rates income overstatement	373	(373)				
• Pension Fund asset overstatement			(206)			206
Judgemental differences:						
• Land & Buildings Valuations – assets not valued in year			611			(611)
Balance sheet totals						
Income effect of uncorrected misstatements (before tax)	(1)	1	405			(405)

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