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AT A MEETING of the HIWFRA Standards and Governance Committee held at Fire and Police Headquarters, Eastleigh on Monday, 28th November, 2022

Chairman:

* Councillor Derek Mellor

* Councillor David Harrison

* Councillor Zoe Huggins

* Councillor Gary Hughes

Councillor Cal Corkery

*Present

65. APOLOGIES FOR ABSENCE

Apologies were received from Cllr Cal Corkery.

66. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

67. MINUTES OF PREVIOUS MEETING

The minutes of the last meeting were reviewed and agreed.

68. DEPUTATIONS

There were no deputations.

69. CHAIRMAN'S ANNOUNCEMENTS

There were no formal announcements.

70. EXTERNAL AUDIT RESULTS 2021/22

The Committee considered a report from the Chief Financial Officer (item number 6 in the minute book). The External Auditor reported that the work on the audit of the Authority's accounts was substantially complete and he was '99.5% sure' that there would be an unqualified audit opinion on the Statement of Accounts.

The External Auditor gave an update on the progress and reported that:

- In respect to the Property, Plant and Equipment valuations, an adjustment to the balance sheet had been made of a reduction of £1.5m. Initial audit testing had identified that floor plans to support the valuation calculations did not support the reported valuations. Subsequent investigation by officers determined out of date floor plans held locally had been provided instead of the most up to date ones held centrally. An exercise was undertaken to review the valuations resulting in a net reduction of £1.5m.
- There were two further outstanding questions on property valuations, which were not expected to have any material effect.
- In terms of the pension valuations – the Auditors were still awaiting the finalisation of the Hampshire Local Government Pension Scheme (LGPS) audit, as the Authority's accounts must reflect its share of the LGPS fund assets and liabilities, but the Auditor had no expectations of a material effect on the accounts.
- All misstatements from the draft accounts had been corrected and adjusted in the accounts.

Members asked whether there was an issue that the work was not fully complete against the deadline of 30 November and heard that there had been multiple issues across multiple authorities, many were in the same position and that very few authorities would be complete by 30 November.

Resolved

The Committee received and noted the External Auditor's Audit Results Report for the year ended 31 March 2022.

71. **STATEMENT OF ACCOUNTS 2021/22**

The Committee considered a report from the Chief Financial Officer (item 7 in the minute book). A summary was provided of some updates made to the accounts since they had been published on the Service's website. Members were shown a comparison of the draft accounts presentation and the updated presentation for the following sections of the accounts; Movement in Reserves Statement, Balance Sheet, Cash flow statement and notes, Comprehensive Income and Expenditure Statement (CIES), Expenditure and Funding Analysis, Adjustments between accounting and funding basis, Unusable reserves, government grants and contributions, Property, Plant and Equipment. Notable changes related to:

- Update to collection fund entries, due to timing between the preparation of the draft accounts and the receipt of the finalised returns from the billing authorities. (net impact of £500k).

- A grant transferred from the Isle of Wight had been removed from the grants disclosure note. (£141k).
- Revision to the property valuation of Property, Plant and Equipment by a reduction of £1.5m (balance sheet), due to the external audit work as explained in the External Audit Results report.
- Where the identified changes affected the numbers in the accounts, all changes related to unusable reserves. The usable reserves figures were unchanged.

In response to a question from Members, the Committee heard that the pension reserve on page 101 of the reports pack is an unusable (notional) accounting reserve and reflects the Authority's share of the scheme assets and liabilities and is not a 'cash' figure. LGPS scheme assets and liabilities are subject to a full actuarial revaluation every three years.

Members discussed the underspend from the financial year 2021/22 of c.£2.6m and asked about the Reserves Strategy, and how this was decided and planned to be used in terms of capital and revenue spending. The Committee expressed concern that the equivalent of approximately 5% of the council tax precept had ended up being added to reserves for capital spending as a result of the underspend and the impact upon council taxpayers. They wished this to be noted. Members also asked about the value in the ICT Reserve, the Equipment Replacement Reserve, the HQ Maintenance Reserve and the increase of £4.5m to the total value of Usable Reserve.

Members heard that the Reserves Strategy is agreed by the Authority as part of the budget setting process in February each year and that adding the underspend of c£2.6m from 2021/22 to the capital payments reserve had been agreed by Members as part of the outturn report in July given the Authority's future capital priorities. It was explained that planned contributions to reserves allow the Authority to fund the replacement of equipment and spend on ICT priorities at the time they are required, given the uneven profile of spend over time. The officer also explained that there were a limited number of ways for Fire Authorities to fund capital expenditure and that no capital funding was provided to the Authority by government. There were also limited opportunities to generate capital receipts from selling assets. The Authority therefore has to use revenue resources to fund capital expenditure. The officer gave examples such as the vehicle replacement programme and projects such as the building of the new Bishops Waltham Fire Station.

Members heard that the Capital Payments Reserve is used to fund priorities of the Authority and that the Authority could determine what it could be spent on as the funding originally came from revenue sources.

Members heard that the maintenance of reserves had helped the Authority make strategic choices in the past and that the Community Risk Management Plan was informed by the 'bottom line'.

Members heard that the Authority sets the Reserves Strategy and that a Budget Update Report would be presented to the Authority in December and then a Budget and Precept Report, including the Reserves Strategy in February 2023.

Resolved

- The Statement of Accounts for 2021/22 (draft) at Appendix 1 was approved by the HIWFRA Standards and Governance Committee subject to any final amendments reported at the meeting including the changes outlined in paragraph 18, with the Chief Financial Officer given delegated authority to approve further minor amendments to the Statement of Accounts if required prior to publication.
- The Letter of Representations (draft) attached at Appendix 2 was approved and signed by the Chairman on behalf of the HIWFRA Standards and Governance Committee.

72. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report from the Chief Internal Auditor (minute book item number 8) and heard that good progress had been made on implementing the outstanding internal audit actions, with only three remaining overdue. There had been no audit reports with limited assurance issued since the last report to the Committee.

In response to a question about the internal audit actions relating to the Audit Review of Referral Pathways, the Committee was told that the actions would stay on the update report until all were cleared and there would be more detail in the next report.

Resolved

The progress in delivering the internal audit plan for 2021/22 and 2022/23 and the outcomes to date was noted by Hampshire and Isle of Wight Fire and Rescue Authority Standards and Governance Committee.

73. INTERNAL AUDIT MANAGEMENT ACTIONS PROGRESS REPORT

The Committee considered a report from the Chief Fire Officer (minute book number 9), which provided the latest update on the Internal Audit management actions not completed within their target date and status. The officer reported that the number of open management actions remained broadly similar to the last report and that all relating to the Audit Review of DBS checks had all been completed.

He explained that the action relating to the Gartan Management system was specific, relating to qualification dates and that this information was currently held locally for protection and prevention staff and was about making the system more efficient and of low risk.

In response to a question from Members, the officer explained the internal governance and oversight processes in place to monitor and scrutinise the implementation of internal audit actions and their escalation where there was slippage in timeframes.

Resolved

The Standards and Governance Committee noted the progress made towards the implementation of the internal audit management actions and the delivery of the audit plan.

74. **ORGANISATIONAL RISK REGISTER UPDATE**

The Committee considered a report from the Chief Fire Officer, (item 10 in the minute book) providing an update on the Organisational Risk Register. The officer drew the Committee's attention to the Heat Map in appendix A which showed the current risk scores. He explained that in respect to risk number ORG27, planning was underway within the Service to ensure that critical services would continue to be maintained.

The officer explained that there was a new risk management procedure which had been approved by the Executive Group.

Members asked about the impacts and reaction of the Service to the recently publicised London Fire Brigade Report and heard that duty officers had been available to staff and had visited fire stations to speak to people if they wished it. Communications had been made to staff to remind them about how they could report any concerns via safe mechanisms.

Members discussed possible impacts on the wellbeing of staff.

In response to questions from Members about 'enduring risks', it was confirmed that:

- a risk tolerance level had been introduced and was to be embedded in the process.
- Draft regulations in respect to the McCloud pension issue were due to be issued in October 2023 and would take a period of time to implement.

Resolved

The HIWFRS Organisational Risk Register status under the delegated management of the Chief Fire Officer was noted by the HIWFRA Standards and Governance Committee.

Chairman, HIWFRA Standards and Governance Committee

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